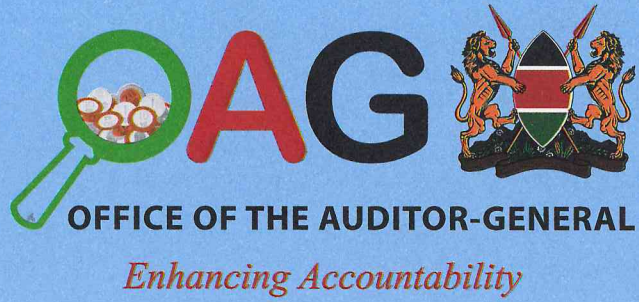


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**LOCAL AUTHORITIES
PROVIDENT FUND**

**FOR THE YEAR ENDED
30 JUNE, 2023**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100 Nairobi
KENYA
15 JAN 2024
RECEIVED



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023**

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

Local Authorities Provident Fund (LAPFUND)
Annual Reports and Financial Statements
For the year ended June 30, 2023

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

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

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.

Local Authorities Provident Fund (LAPFUND)
Annual Reports and Financial Statements
For the year ended June 30, 2023

2. Key LAPFUND's Information and Management

(a) Background information

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

(b) Principal Activities

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

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

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

(c) Key Management

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

Designation	Name
Board of Directors	Hon. Johnson Osoi
	Hon. Beatrice P.C Kones
	Mr. Samwel Kariuki Maina
	Ms. Ruth Charity Wanyonyi
	Hon. Roba Duba
	Mr. Robley Otieno Ngoje
	Mr. Patrick Muchoki
	Ms. Christine Kibet
	Ms. Barbara Kawira Japan
	Hon. Seth Sindani Ambusini Panyako
	Ms. Jane Wambugu
Ag. Chief Executive Officer	Mr. Bernard Mbogoh
Chief Manager Benefits Administration, Marketing & Customer Service	Mr. Galm Guracha Jaldesa
Chief Manager Strategy, ICT, Human Resource & Administration	Mrs. Veronica Leseva
Corporation Secretary and Manager, Legal Services	Ms. Kellen Njue
Manager, Internal Audit	Mr. David Methu
Manager, Strategy Research & Business Development	Mr. Sylvester Mutie
Manager, Human Resource & Administration	Ms. Jane Minasi
Manager, Finance & Investment	Ms. Chemashack Ndiwa
Manager, Supply Chain Management	Mr. Danie Kibet
Manager, Benefits Administration & Customer Care	Ms. Golda Akolo
Mananager, Marketing & Member Recruitment	Mr. Eliud Kiborek
Manager, Information, Communication & Technology	Mr. Martin Ayoo

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

S/N	Name	Designation
1	Mr. Bernard Mbogoh	Ag. Chief Executive Officer
2	Mr. Galm Guracha Jaldesa	Chief Manager Benefits Administration, Marketing & Customer Service
3	Mrs. Veronicah Leseva	Chief Manager Strategy, ICT, Human Resource & Administration
4	Ms. Kellen Njue	Corporation Secretary and Manager, Legal Services
5	Mr. David Methu	Manager, Internal Audit
6	Mr. Sylvester Mutie	Manager, Strategy Research & Business Development
7	Ms. Jane Mmasi	Manager, Human Resource & Administration
8	Ms. Chemashack Ndiwa	Manager, Finance & Investment
9	Mr. Danie Kibet	Manager, Supply Chain Management
10	Ms. Golda Akolo	Manager, Benefits Administration & Customer Care
11	Mr. Eliud Kiborek	Mananager, Marketing & Member Recruitment
12	Mr. Martin Ayoo	Manager, Information, Communication & Technology
13	Mr. Martin Ayoo	Manager, Information, Communication & Technology

(e) Fiduciary Oversight Arrangements

LAPFUND has put in place key fiduciary oversight arrangements covering:

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

(f) Head Quarters

P.O. Box 79592 – 00200
 316 Upperhill Chambers, 2nd Ngong Avenue
 Nairobi, KENYA
 ISDN 0709 805 000, 0709 805100
 E-mail: info@lapfund.or.ke
 Website: www.lapfund.or.ke

(g) Contacts

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

**Local Authorities Provident Fund (LAPFUND)
Annual Reports and Financial Statements
For the year ended June 30, 2023**

Branch Offices

Coast

2nd Floor, Imara Building
Dedan Kimathi Road

Mombasa

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

South Rift

1st Floor, Polo Centre
Kenyatta Avenue

Nakuru

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

Central

1st Floor, Fortress House
Kimathi Way

Nyeri

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

Western

2nd Floor, Almran Plaza
Oginga Odinga Street

Kisumu

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

Upper North Eastern

Desert Trail Building
Isiolo-Marsabit Main Road

Isiolo

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

North Eastern

Lilac Centre, 1ST Floor
Off Kismayu Road

Garissa

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

(h) Bankers

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

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

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

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

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

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

(i) Independent Auditors

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

Our Vision

The preferred savings and retirement benefits provider

Our Mission

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

Our Core Values

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

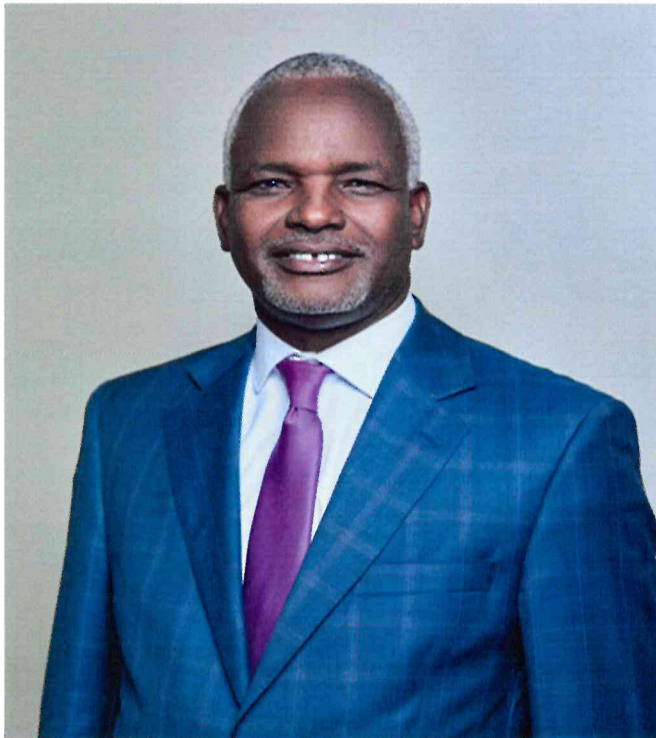
Customer focus
Continuous improvement
Professionalism
Teamwork
Integrity

3. The Board of Directors

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

The Board of Directors are listed below;

Johnson P. Osoi
Board Chairperson



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

He holds a diploma in Pharmacy from Kenya Medical Training College, an advocate of the

High Court of Kenya and a member of the

Chartered Institute of Arbitrators, UK. He also holds a BA and MA in Public Administration. Osoi is result oriented and a self-driven professional who works with minimal or no supervision.

Hon. Beatrice P.C Kones
Board Member



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

Mr. Samwel Kariuki Maina
Board Member



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

Ms. Ruth Charity Wanyonyi
Board Member



Ms. Wanyonyi is an expert in Business Administration and Business Management. Her experience includes pension scheme management, strategy development and policy development.

**Mr. Robley Otieno Ngoje
Board Member**



Mr. Robley is an expert in employee relations, wellness and human resource management. He is also an experienced Lawyer, mediator and banker with many years of experience. His experience includes formulation of robust human resource strategies and policies, customer relationship, risk management, employee wellness, health and safety programs and handling of industrial relations.

**Mr. Patrick Muchoki
Board Member**



Mr. Muchoki is an expert in the sales and marketing field. He is also businessman with diverse experience in strategy development, product development, brand visibility, customer service and development of affordable homes.

Ms. Christine Kibet
Board Member



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

Ms. Barbara Kawira Japan
Board Member



Ms. Barbara Kawira Japan is an advocate of the High Court of Kenya and a Master of Science degree holder in Governance, Peace and Security. She holds a certificate in public leadership from the Nelson Mandela School of Governance, at the University of Cape Town. She is also a certified mediator. Her experience spans over 13 years as a Governance expert at the national, regional and global level through the development of strategic plans, advocacy strategies, leadership and management manuals among others.

She has particular interest and has worked extensively on matters human rights, gender and the law, social justice, sexual harassment advocacy, women and children rights advocacy, ethics and anti-corruption. She has strengths in collaboration, network and partnership building, resource mobilization,

ADR and Mediation, legal research, administration and management.

**Mr. Seth Panyako
Board Member**



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

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

**Hon. Roba Duba
Board Member**



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

Ms. Jane Wambugu
Board Member



Mrs. Wambugu is an Alternate Director to the Cabinet Secretary of The National Treasury and Economic Planning, where she currently serves in the department of Government Investment and Public Enterprise.

She has over 12 years' experience as Certified Public Accountant having served in various Government Ministries in senior management, Project Accountant in World Bank and AFD donor funded projects in the Ministry of Energy and Ag. Head of Accounts Unit in the Ministry of Tourism, among others.

She holds a master's degree in business administration (Finance), Certified Public Accountant (CPA) and a member of the Institute of Public Accountant of Kenya (ICPAK) as well as the Institute of Certified Investment and Financial Analyst (ICIFA).

Mr. Bernard Mbogoh
Ag. Chief Executive Officer



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

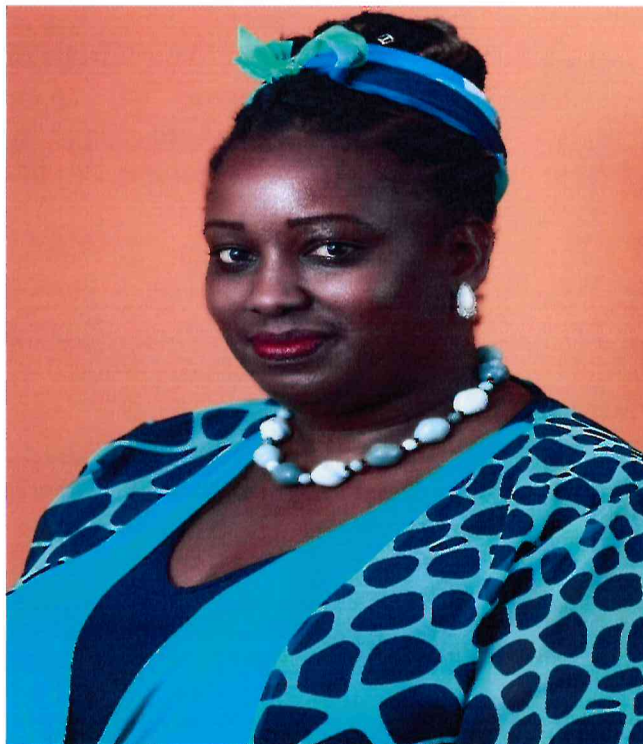
He has a wide area of expertise in Financial, Investments Management, Reporting, Pension Management and Human Resource.

Previously served as a trained Auditor and Human Resource Expertise. He has served for over 17 years in different capacities at LAPFUND.

4. Management Team



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



Mrs. Veronicah Soila Leseya-Owende
Chief Manager, Strategy, ICT, HR &
Bachelor of Arts (Hons), AIIK, CPAM



Mr. Galm Jaldesa

Chief Manager, Benefits Administration,
Marketing & Customer Service
MBA, BCom Finance



Ms. Kellen Njue

Corporation Secretary & Manager,
Legal Services
LLB, LLM, Dip (KSL), CPS (K)



Mr. David Methu

Manager, Internal Audit

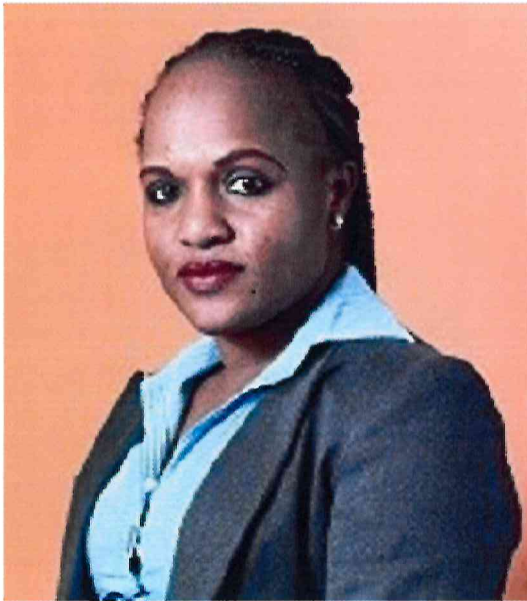
CPA (K), BSC (Applied Statistics)



Mr. Sylvester Mutie

Manager, Strategy, Research &
Business Development

MBA Finance, CPA (K), CIPS (M),
BCom (Finance)



Ms. Chemashack Ndiwa
Manager, Finance & Investments
MSC (Finance), B Com (Accounting), CPA(K)



Ms. Jane Mmasi
Manager, Human Resource & Administration
IHRM, BBM (HRM), HSC



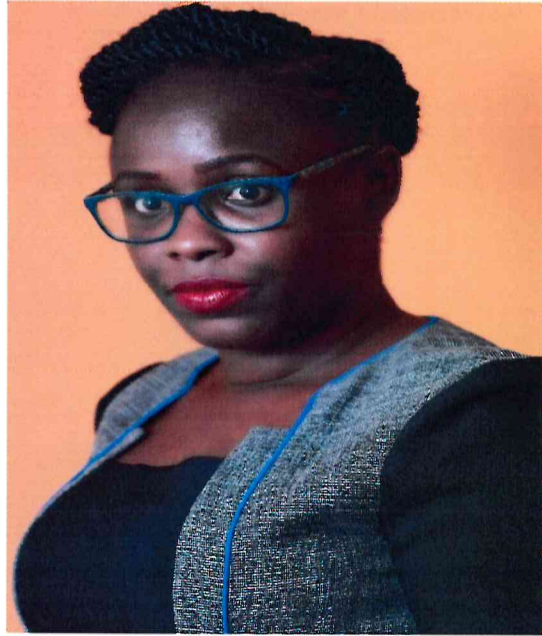
Mr. Martin Ayoo
Manager, ICT
MSc (D. Comm), BSc (IT), Dip (IT)



Mr. Eliud Kiborek
Manager, Marketing & Member Recruitment
BBM (Marketing)



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



Ms. Golda Akolo
Manager, Benefits Administration
MSc (Actuarial Science), BSc
(Actuarial Science)

5. Chairperson Statement



Dear Members,

I am honoured to share the Directors' report for the Annual Report and Financial Statements for the year ended 30th June 2023.

I wish to sincerely thank Cabinet Secretary for The National Treasury & Economic Planning for the appointment, vide Kenya Gazette Notice No. 8472 of 29th June 2023. As Board of Trustees, we feel privileged to be entrusted with the task of steering LAPFUND to achieve its mandate.

LAPFUND continues to meet its mandate of receiving, prudently investing and managing members' savings for prompt payment of benefits for secured retirement. The scheme continues to grow principally because of the overwhelming support by members, sponsors and all other stakeholders coupled with the prudent investment decisions made by the Board.

The Board has put in place key strategies especially around risk management, monitoring and evaluation, resource mobilization and management, customer and stakeholder management, information and communication technologies, operational efficiency, quality assurance and human resource management to ensure LAPFUND achieve its targets.

I wish to assure our stakeholders that we are driven by customer focus and a passion to ensure maximum return on investment to our members. This is achieved through innovation, practicing good corporate governance, and ensuring effective and efficient operations.

I take this opportunity to thank Directors, Management, staff and other key stakeholders for their informative contributions towards the growth and success of LAPFUND.

A handwritten signature in black ink, appearing to read 'Johnson P. Osoi'. The signature is stylized with long, sweeping lines.

**Johnson P. Osoi
Chairperson**

6. Report of the Chief Executive Officer

Dear Stakeholders,

It is my pleasure to present to you Annual Report and Financial Statements for the period ended 30th June 2023.



Performance Review

a) Contributions

Contribution received for the period ended 30th June 2023 reduced by 4% from Kshs 8.39bn in FY 2021_22 to Kshs 8.09bn. This was due to;

- Contractual staff such as MCAs, CECMs term came to an end and did not contribute voluntary contributions during the transition.
- Late remittances of gratuities by County Assemblies and County Governments as a result of delay in disbursement of funds by the Exchequer.

b) Members' benefits

As of 30 June 2023, the scheme paid member benefits totalling to Kshs. 8.9bn compared to last year same period where we paid benefits amounting to Kshs. 7.63bn. The rise in benefits payment was due to exit of the Members of County Assemblies who were refunded gratuities and voluntary contributions at the end of their term.

c) Interest Income

Interest income increased by 28% from Kshs 12.21bn last year same period to Kshs. 15.63bn. The increase was caused by;

- Increase in accrued interest on outstanding contributions by 36% from Kshs. 10.74bn to Kshs. 14.55bn. This was caused by late remittances of contributions by some sponsors and compounding of interest charged on the outstanding contributions.
- Increase in income from the call and fixed deposits by 11%
- Increase in interest on loans to staff by 6%

d) Investments income

Investments income during the period under review decreased by 29% from Kshs 1.65bn in FY 2021_22 to Kshs 1.17bn. The reduction in income was caused by liquidation of equities to pay member benefits. There was also reduced cashflow in form of contributions as the term of contractual staff ended.

e) Operating Expenses

Total operating expenses increased by 28% from Kshs. 1.01bn last year to Kshs. 1.29bn in the current year. The increase was attributed to;

Local Authorities Provident Fund (LAPFUND)
Annual Reports and Financial Statements
For the year ended June 30, 2023

- Increase in personnel emoluments by 20% from Kshs. 405m last year to Kshs. 487m. This was caused by;
 - ✓ Confirmation of staff on contract to permanent and pensionable basis which meant improved terms of employment.
 - ✓ Annual salary increments and increase in pension contribution which is a factor of basic salary and house allowance.
 - ✓ Increase in medical costs due to additional beneficiaries as a result of young workforce.
- Increase in land rates for LAPFUND properties located in Nairobi County
- Increase in office operating expenses and utility cost
- Costs associated with enhancing organizational brand visibility through advertisement
- Increase in motor vehicle insurance premium rates as a result of new regulatory framework.

f) Surplus

Surplus increased by 12% from Kshs. 5.31bn last year to Kshs. 5.92bn due to increased gratuity and voluntary contributions from the members of County Assemblies and executives officer.

g) Fund value

Fund value increased by 10% from Kshs. 56.74bn June last year to Kshs. 62.67bn due to increase in receivables due and the interest charged on outstanding contributions.

I sincerely thank all our members and stakeholders for their commitment and continued support in ensuring LAPFUND remains the best scheme in providing retirement benefits

Thank you


Bernard Mbogoh
Ag. Chief Executive Officer

7. Statement of Performance against Predetermined Objectives for FY 2022/2023

LAPFUND has 4 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2019/2024. These strategic pillars/ themes/ issues are as follows:

- Pillar /theme/issue 1: Customer & Stakeholder
- Pillar/theme/issue 2: Financial Performance
- Pillar /theme/issue 3: Business Process
- Pillar/theme/issue 4: Organizational Capacity

LAPFUND develops its annual work plans based on the above Four (4) pillars/Themes/Issues. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. LAPFUND achieved its performance targets set for the FY 2022_2023 period for its 4 strategic pillars, as indicated in the table below:

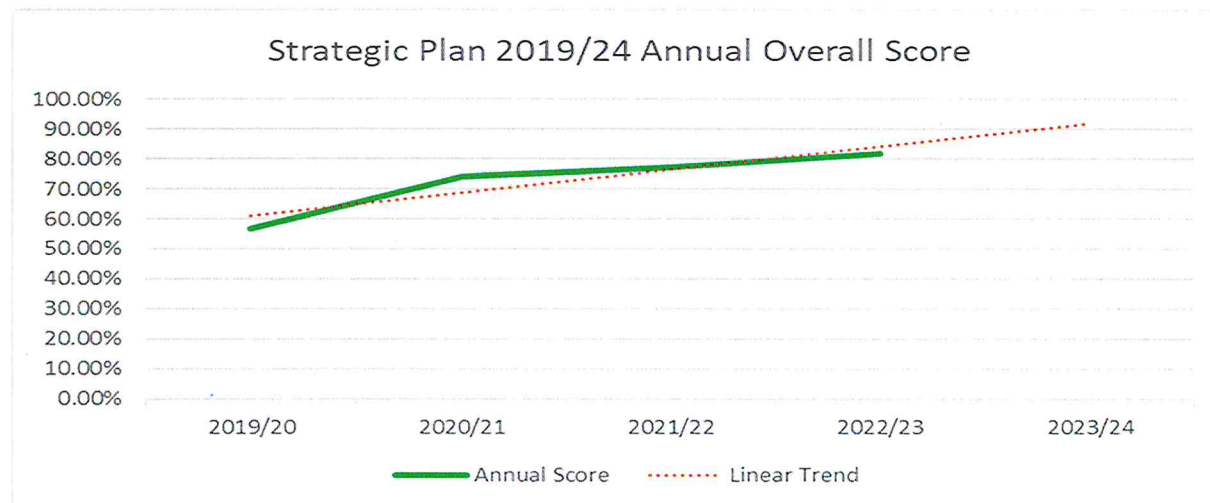
KRA	Strategic Initiative	Strategic Initiative Rating	KRA Rating
KRA 1: To increase customer and stakeholder satisfaction	1.1 To grow membership base	73%	97.65%
	1.2 To enhance products	100%	
	1.3 To increase customer and stakeholder satisfaction	120%	
KRA 2: Financial Performance	2.1 To grow revenue	72%	56.13%
	2.2 To optimize return on investments	38%	
	2.3 To reduce debt	53%	
	2.4 To optimize financial resources	62.5%	
KRA 3: Business Process	3.1 To Improve Communication	79%	74.16%
	3.2 To Improve Operational Efficiency	86%	
	3.3 To Strengthen Risk Management	45%	
	3.4 To enhance Quality Assurance	87%	
KRA 4: Organization Capacity	4.1 To enhance performance management	43%	91.03%
	4.2 To promote organizational culture	44%	
	4.3 To Improve staff capacity	34%	
	4.4 To enhance the working environment	242%	

The Strategic Plan was premised on four Key Result Areas (KRAs) and key metrics were developed for each strategic initiative to measure the progress of implementation. The key result areas were weighted for their contribution to the overall score. The status as at the year ended June 2023 and the KRAs and respective weights are: -

KRA	Weight	KRA Rating
Customer & Stakeholder	30%	97.65%
Financial Performance	25%	56.13%
Business Process	30%	74.16%
Organisational Capacity	15%	91.03%
	Total weights = 100%	Overall Weighted average = 79.23%

The Weighted average is a calculation that considers the varying degrees of importance of the Key Result areas towards the Core Mandate. The weights were derived from the Corporate Score Card and were used to calculate the overall score of the organisation as follows:

Overall Performance



It was observed that the overall performance has generally had an upward trend, although the performance in the year under review stagnated as per the previous' performance.

Strategic plan highlights for the period

In the period under review, the following was observed:

- LAPFUND managed to recruit a total of 15,318 members against a target of 20,990. The recruitment efforts were affected by the high cost of living that reduced the savings ability of prospective members, especially from the Alternative markets and AMAL segments.
- We recorded contributions of Kshs 8.033 billion against a target of Kshs 8.138 billion this was an achievement rate of 98.7%.
- The new revenue opportunities were affected by the members recruited in the Alternative markets and AMAL segments. There have been changes, including increase in the staff assigned to the Alternative markets segment to improve the performance.
- The revenue from cost centres saw an increase to Kshs 47million against the target of Kshs 27million. This was due to the implementation and a positive uptake of the Rent to Own property disposal option for our property LAPFUND gardens in Mavoko.
- The assets held by fund managers managed a commendable return of 14.6% against a target of 13%.
- The return on the property portfolio was 0.2% against a target of 5%. LAPFUND is currently undertaking projects to unlock the value in property investment and it is therefore key to ensure that the expected returns are reviewed periodically with the progress made in case of any increases in costs.

- The debt collected was Kshs.1.3bn which was 6% of the debt in the prior years' financial statements. This was against a target of 60% and the collection was affected by a change in the stakeholders due to elections, and the reluctance to pay the accrued penalties.
- Contributions collected were Kshs 6.9billion of the Kshs 8.1billion of total contributions in the financial year. This represents 86% collection and was affected by the delay in disbursement of funds to counties by the Exchequer.
- Development of Draft Business Intelligence as a tool for high-level reporting for Risk & Compliance, Finance & Investments, Marketing, and Benefits Administration. The same are being reviewed before approval for implementation.
- Achieved a score of 86.67% in the ICT automation audit carried out by ICT Authority.
- LAPFUND endeavoured to improve Employee motivation and the average satisfaction from rating internal services through a series of internal surveys missed target by 7.5% after achieving 72.5% against a target of 80%.
- To Promote teamwork and cohesion, online staff activities were conducted including Online health talks and financial wellness.
- LAPFUND surpassed the optimal staffing level at 82% in the against a target of 80% Strategic plan.
- Staff Sensitizations were carried out online to improve employee wellness. The following topics were covered Breast Cancer, Prostate Cancer, Cervical Cancer, and mental wellness.

Strategic Plan Implementation Challenges.

The challenges noted that had an effect on performance in the year include:

- LAPFUND being in a highly political ecosystem, experienced a challenging environment especially being an election year, this led to high numbers of withdrawals from the scheme and changes of office bearers which means relationships would need to be rebuilt with the new stakeholders.
- The investments were affected by fluctuation in value of equities due to slow market and pulling out of foreign investors as a result of prolonged electioneering period and high inflation rates.
- There is an opportunity to improve Customer and Stakeholder satisfaction by aggregating the feedback and designing improvements in service delivery.
- The high cost of living affected the saving power of members especially from the alternative markets and AMAL window.
- Late disbursement of funds from the exchequer to counties led to delayed payment of contributions.
- Late disbursement of funds from the exchequer to counties led to delayed payment of contributions.
- A Court order barring implementation of the revised rent charges in Mariakani housing led to lower than anticipated income from properties.

8. Corporate Governance Statement

The Board is charged with ensuring that LAPFUND is managed in a sound manner and delivers members value within an environment of good corporate governance. It's in this view that the Board considers corporate governance as a key to good performance of LAPFUND.

The Board continually reviews various policies and procedures used and the stewardship of LAPFUND's assets and resources with the objective of maintaining and enhancing stakeholder value in the context of LAPFUND's Vision, Mission and Values.

The Board of Directors

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

The Board ensures that proper standards of corporate governance are maintained and have oversight over the management of LAPFUND, not only through the Board meetings but also through the various Board Committees.

The Board is required to meet at least four times in every financial year to discuss the overall performance of LAPFUND. All full board meetings are convened by the Secretary to the Board upon instructions from the Chairman or upon the requisition of at least five members of the Board. All decisions are passed by a majority of present members voting with the Chairperson having the decisive vote in the event of a tie.

In order to monitor performance, LAPFUND Board enters into a Performance Contract every financial year with the government to evaluate its Performance against set targets. The boards members individual performance is also evaluated by the State Corporations Advisory Committee

The Committees of the Board

Section 9 of the State Corporations Act (CAP 446) allows the Board of Directors of LAPFUND to establish a number of Board Committees consisting of Board members to deal with specific issues as the Board deems fit. The Board MUST also give notice to the State Corporations Advisory Committee of such committee. The purpose of these working committees is to handle comprehensively technical issues before presentation to the Board for approval. The following committees have been established:

a) Finance and Assets Committee

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

- i. Review of LAPFUND's quarterly financial reports and other matters related to its continued solvency.
- ii. Advise the Board on all aspects of financial responsibility including financial risks, policies, controls and strategies; and review these periodically.
- iii. Recommending policies that maintain and improve the financial health and integrity of the organization.
- iv. Reviewing and recommending a long-range financial plan for the organization.

- v. Reviewing and recommending an annual operating budget and annual capital budget consistent with the long-range financial plan and financial policies.
- vi. Reviewing the financial aspects of major proposed transactions, new programs and services, as well as proposals to discontinue programs or services, and making action recommendations to the board.
- vii. Reviewing and recommending unbudgeted capital and operating expenditures.
- viii. Monitoring the financial performance of LAPFUND as whole and business lines against approved budgets, long-term trends, and industry benchmarks.
- ix. Review quarterly and annual performance contract reports from management
- x. Requiring and monitoring corrective actions to bring the organization into compliance with its budget and other financial targets.
- xi. Review the annual financial statements of LAPFUND and recommend them to the Board for approval.
- xii. Review financial policies and procedures of LAPFUND periodically and align the same to the requirements of the Public Finance Management Act 2012 and the Regulations thereon from time to time.
- xiii. Oversee the maintenance of organization wide assets, including prudent management of organizational investments.
- xiv. Considering significant asset acquisition and disposal and making recommendations to the Board as appropriate.
- xv. Reviewing and monitoring the management and utilization of buildings and grounds
- xvi. Monitoring program status against contractual arrangements.
- xvii. Reviewing and monitoring capital projects and works program of LAPFUND.
- xviii. Monitoring insurance arrangements for LAPFUND assets.
- xix. Periodically reviewing the arrangements for insurance.

b) Strategy and Investment Committee

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

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

c) Human Resources and Governance Committee

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

Terms of Reference

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

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

d) Audit Committee

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

- i. Support the CEO in carrying out oversight responsibilities by monitoring and reviewing risk, control, performance and governance processes which have been established;
- ii. To oversee the internal audit function and the external audit and follow-up on the implementation of the recommendation of internal and external auditors;
- iii. Provide additional assurance regarding the quality and reliability of both the financial and operating information;
- iv. Take special interest in audit matters and therefore pay special attention to the work plans and activities of the internal audit function;
- v. Provide a channel of communication between management and the internal and external auditors and positive support of the internal audit function;
- vi. Influence the organizational status of internal audit unit and foster an independent climate for its operation.

- vii. Evaluate the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of risks;
- viii. Evaluate and prioritize risks identified by management and ensure that internal audit plans are aligned to the risk profile of the Fund.
- ix. Review the process implemented by Management in respect to risk management, control systems and fraud prevention and ensure that all fraud related incidents have been followed up appropriately;
- x. As part of the on-going monitoring process, the audit committee should review the management letter (or equivalent). The audit committee should review and monitor management's responsiveness to the external auditor's findings and recommendations.
- xi. Obtain feedback about the conduct of the audit from key people involved, for example the head of finance and accounts, and the head of internal audit;
- xii. Review and monitor the content of the external auditor's management letter, in order to assess whether it is based on a good understanding of the LAPFUND's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon; and
- xiii. Report to the board on the effectiveness of external audit process

Board Induction and Training

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

Attendance in the Board and Committee meetings

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

Name of Board Member	Full Board	Finance & Asset Committee	Strategy & Investment	Audit Committee	Human Resource & Governance Committee	Others	Total Meetings
Number of Scheduled meetings	1	2	1	1	1	0	6
Hon. Johnson Osoi	1	0	0	0	0	0	1
Hon. Beatrice P.C Kones	1	1	1	0	0	0	3
Mr. Samwel Kariuki Maina	1	2	1	0	0	0	4
Ms. Ruth Charity Wanyonyi	1	0	0	1	1	0	3
Hon. Roba Duba	1	0	1	1	1	0	4
Mr. Robley Otieno Ngoje	1	0	0	1	1	0	3
Mr. Patrick Muchoki	1	1	0	0	1	0	3
Ms. Christine Kibet	1	2	1	0	0	0	4
Ms. Barbara Kawira Japan	1	1	1	0	0	0	3
Seth Sindani Ambusini Panyako	1	1	1	0	0	0	3
Ms. Jane Wambugu	1	1	1	0	0	0	3

9. Management Discussion and Analysis

a. Operational and Financial Performance

Operations

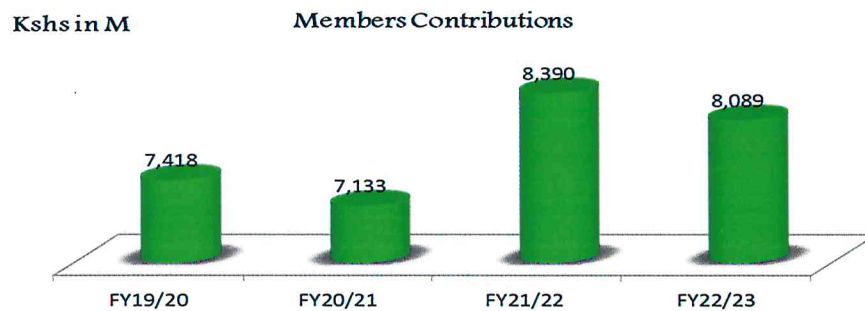
LAPFUNDs operations were affected by the prolonged electioneering period. Some of the planned activities were postponed to a more opportune period economically. We remain positive that the future is brighter as we continue to implement, review and monitor the strategic plan for 2019/2020- 2023/2024.

Financial Performance

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

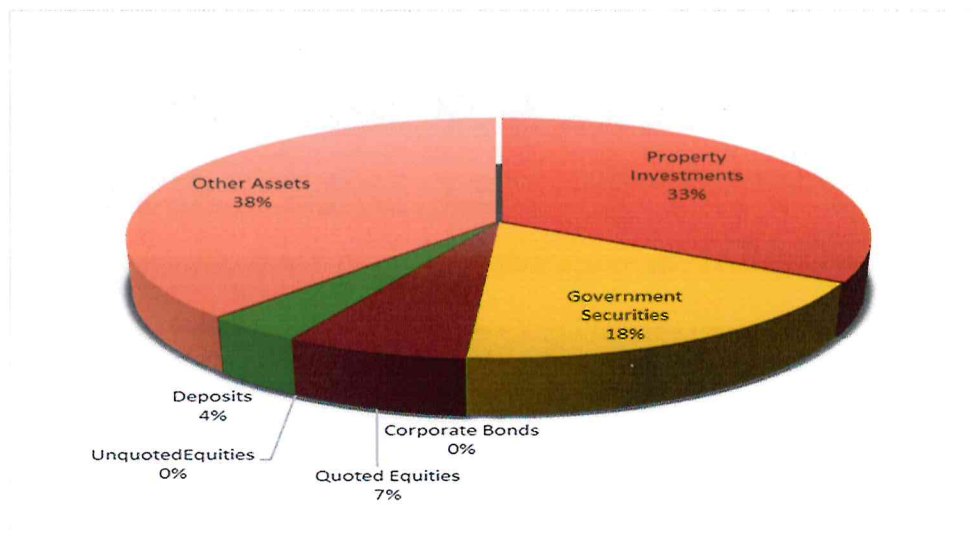
i. Contributions

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



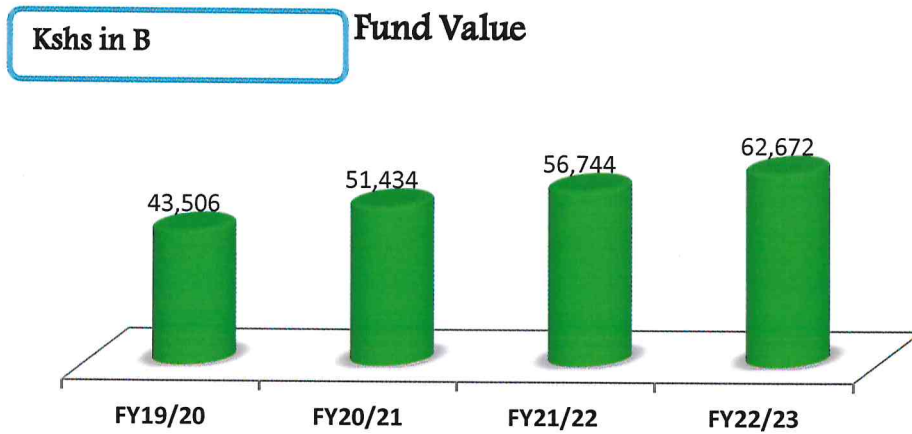
ii. Investment

We continue to diversify our investments to cushion members contributions against volatile economy



iii. Fund Value

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



b. Key Projects and Investments

1. *Makasembo Estate*

We are happy to inform our stakeholders that the mixed-use housing development in Kisumu County that kicked off in May 2022 that is to be done in III phases, is currently 20% complete for Phase I. The development is aimed at achieving the National Government agenda provision of affordable housing. Once completed, the estate will have 1,870 units comprising of 570 Low-Cost Units and 1,300 Premium Units. Makasembo Estate has been designed to have modern amenities i.e. Landscaped gardens/communal activity areas/play areas, pre-school, ample parking, solar powered, borehole and high-speed lifts.



Picture of Makasembo Estate on Completion.

2. Bellevue Park Residences

This is another major milestone that the Fund achieved during the financial year. This is one of the projects that feasibility study had been done and development is underway. The site was handed over to the contractor in February for mobilization and ground breaking held in May 2023 officiated by his excellency the president of Kenya. The project will be implemented in II phases, Phase I is 5% complete. The estate is envisaged to have a studio,1 bedroom,2 bedroom and 3, bedroom units. The following support amenities will be available kindergarten, recreational garden, shopping arcade, swimming pool, ample parking and Borehole water supply.



Pictures of Bellevue Park Residences once completed

c. Compliance with Statutory Requirements

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

d. Major Risks Facing LAPFUND

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

- i. The enactment of the County Governments Retirement Scheme Bill of 2018 into Law (CGRS Act 2019) hinders our legality. its implementation was stopped through court stay orders. LAPFUND has kept up on engaging the stakeholders involved in an effort to lift the stay orders so that the same can be implemented without further delay.
- ii. Governance & Strategy Risks - these risks may hinder the Fund's ability to achieve its strategic objectives and eventually its ability to continue operating in the long run. These risks impact the Members and Stakeholders directly if not well managed.

- iii. Financing & Investment Risks - these risks involve the Fund's ability to harness resources to run its operations as well as the impact of market instability on the Fund's investments.
- iv. Operational & Infrastructure Risks – these risks relate to the effectiveness and efficiency of LAPFUND's operations. The Funds' operational effectiveness and efficiency is a three-faceted approach of people, processes, and technology. A failure in any of these could lead to serious risk of the ability to achieve our strategic objectives.
- v. Compliance & Regulatory Risks - these risks relate to possible non-adherence to laws and regulations which LAPFUND is subject to. We are regulated by the Retirement Benefits Authority (RBA) among other regulators and we have made an effort to ensure we comply with all statutory and regulatory requirements.
- vi. Significant arrears in statutory and other financial obligations. The outstanding debts from both the Sponsors continues to grow. The growth is as a result of delayed remittances and accrued interest thereupon by several sponsors. This causes liquidity and investment risks to LAPFUND and if not resolved, may affect LAPFUND's ability to meet its responsibility and the mission to refunds members promptly. The Board of Directors together continue to seek a permanent solution to this matter with the relevant Stakeholders.

e. Review of the Economy and the Pension Sector

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

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

10. Environmental and Sustainability Reporting

LAPFUND exists to change lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on four pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

a. Environmental performance

Purpose

LAPFUND acknowledges a responsibility to the environment, and we express our commitment towards implementing practices which will promote environmental sustainability. The following policy governs the management of the environmental aspects in our company, with specific focus on the conservation of resources and the reduction of waste.

This policy relates to how all operations in our company are continually reviewed and improved, so that we will truly be able to integrate environmental and social considerations into our everyday practices.

The company consistently strives to raise awareness in the community, encourage participation and train employees in environmental matters. The organization encourages employees to;

- i. Use Reusable Bags. Plastic grocery-type bags that get thrown out end up in landfills or in other parts of the environment. The company gives out reusable bags often
- ii. LAPFUND discourages Printing as much as possible.
- iii. Recycle. Employees are advised to use a Reusable Beverage Containers.
- iv. Employees are encouraged to save Electricity and water as much as possible. There are notes next to switches to remind staff to turn off lights when not in use.

The following are the environmental Principles

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

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

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

i. Environmental Conservation.

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

ii. Safe Disposal.

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

iii. Public awareness.

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

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

b. Employee welfare

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

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

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

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

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

Performance Management

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

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

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

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

- i. Appointment of a vibrant Health and Safety Committee whose core mandate is to ensure compliance to all OSHA guidelines
- ii. Registration of LAPFUND offices-All LAPFUND office are registered with the Directorate of Occupational Safety & Health (DOSH)
- iii. Annual Health and Safety Audits conducted in all LAPFUND offices
- iv. Participation and Involvement of staff in Health and Safety matters through continuous awareness and sensitization activities
- v. Conducting annual work environment surveys
- vi. Engagement of a cleaning company to ensure clean working environment
- vii. Fire Audits and Servicing of fire equipment
- viii. Provision of sanitary utilities
- ix. Prompt repair of fixtures, equipment and furniture

c. Market place practices

LAPFUND's efforts in ensuring responsible competition practice.

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

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

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

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

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

Responsible Supply Chain and Suppliers relations

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

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

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

LAPFUND is actively present in the market place through marketing teams, social media, print & TV and outdoor advertisement through billboards. These activities are aimed at creating a strong brand proposition in the market. Strong brand equity creates customer loyalty that ensures business sustainability in a competitive environment. LAPFUND promises quality and timely service delivery by adhering to the quality statement and resolve service charter that is always available to the public in all

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

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

d. Community Engagements

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

The Corporate Social Responsibility Committee prepared a work plan of all activities for the period ending 30 June 2023. The guiding principle for CSR activities is based on their sustainability and the impact they have on the scheme and society.

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

LAPFUND carried out an activity under the key focus to promote accessible education to children, people living with disabilities and sensitization of youth through sponsorships in partnership with the County Government of Bungoma and Trans Nzoia. The organization in conjunction with Trans Nzoia Youth Network organized a programme to carry out Menstrual Health Management Programme in Mt. Elgon Sub County in Bungoma County and Saboti Sub County in Trans Nzoia

**Local Authorities Provident Fund (LAFUND)
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For the year ended June 30, 2023**

County. Schools in the Counties were provided with sanitary towels for the young girls. The programme included sensitizing the participants on the effects of HIV/AIDS and early pregnancies at a cost of Kes 2,500,000.00



LAPFUND carried out an activity with key focus to promote the government agenda on supporting the drought relief campaign by donating food stuff to Kajiado County Government worth ksh.1,800,000 to help aide in the drought relief within the County.





County Government of Kajiado Governor Flagging of Food relieve Exercise

LAPFUND also participated in the Chemususu Dam Half Marathon with the aim of conserving the environment and fighting climate change. The Marathon took place in Eldama Ravine led by Member of Parliament Eldama Ravine, Hon. Musa Sirma, thereafter LAPFUND participated in the tree planting exercise with aim of conserving the environment and further supported the tree planting initiative with the sponsorship of Kes. 1,500,000 to Chemususu Dam. We also participated in the 7th Edition of the Kaptagat Forest Annual tree planting event, which was held at Kessup Forest Block, Elgeyo Marakwet. The Tree planting exercise was graced by the president of the Republic of Kenya, H.E. Dr. William Samoei Ruto, C.G.H. The event was coordinated by National Environment Trust Fund (NETFUND). LAPFUND sponsored the activity with 4,500 indigenous tree seedlings at a cost of Kshs. 225,000.



LAPFUND Staff and other Participants at the 7th Edition of the Kaptagat Forest Annual tree planting event



The President at the 7th Edition of the Kaptagat Forest Annual tree planting event



LAPFUND Ag. Chief Executive Officer and Staff planting a tree at the 7th Edition of the Kaptagat Forest Annual tree planting event

Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of LAPFUND's affairs.

Principal activities

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

Results

The results for the year ended June 30, 2023 are set out on page 1 to 29

Directors

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

Dividends/Surplus Remission

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

Auditors

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

By Order of the Board



Bernard Mbogoh
Secretary to the Board and Chief Executive Officer

Date: 12/01/2024

11. Statement of Directors Responsibilities

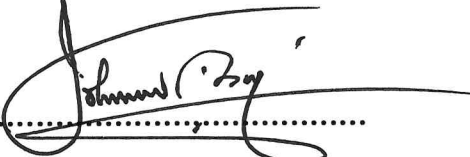
Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act; require the Directors to prepare financial statements, which give a true and fair view of the state of affairs at the end of the financial year and the operating results that year. The Directors are also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

The Directors are responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

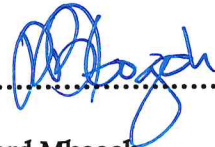
The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the financial statements give a true and fair view of the transactions during the financial year ended June 30, 2023, and of the financial position as at that date. The Directors further confirm the completeness of the accounting records maintained, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The *entity's* financial statements were approved by the Board on 12/07/2023 2023 and signed on its behalf by:

Signature.....

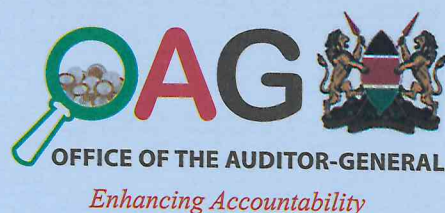
Name: Johnson P. Osoi
Chairperson of the Board

Signature.....

Name: Bernard Mbogoh
Accounting Officer

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON LOCAL AUTHORITIES PROVIDENT FUND FOR THE YEAR ENDED 30 JUNE, 2023

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 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

Opinion

I have audited the accompanying financial statements of Local Authorities Provident Fund set out on pages 1 to 29, which comprise of the statement of financial position as

at 30 June, 2023, 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, the financial statements present fairly, in all material respects, the financial position of the Local Authorities Provident Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with, the Local Authorities Provident Fund Act, 1960 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Local Authorities Provident Fund Management in accordance with ISSAI 130 on 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 has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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, except for the matter described in the basis for conclusion on effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Weaknesses in Collection of Long-Term Receivables from Exchange Transactions

The statement of financial position and Note 18 to the financial statements reflects a balance of Kshs.19,282,219,000 in respect of long-term receivables from exchange transactions after deducting cumulative impairment allowance of Kshs.29,463,051,000 and transferring a balance of Kshs.1,126,019,000 to current receivables. Non-current receivables increased by Kshs.6,275,034,000, from Kshs.43,596,255,000 to Kshs.49,871,289, due to penalties charged on outstanding debts. As previously reported, Management has not aggressively pursued the collection of the receivables to minimize levies on outstanding contributions which represent a significant portion of long-term receivables from exchange transactions.

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

The audit was conducted in accordance with 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 overall 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 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships

and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

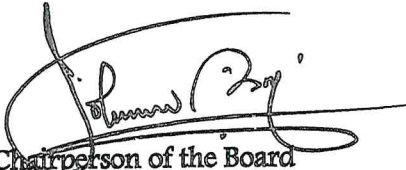
22 January, 2024


Local Authorities Provident Fund (LAPFUND)
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13. Statement of Financial Performance for the Year ended 30th June 2023

	Notes	2022/2023 Kshs'000'	2021/2022 Kshs'000'
Revenue from non-exchange transactions			
Revenue attributable to members	6	13,685,752	11,502,124
Revenue from exchange transactions			
Finance income - external investments	7	1,226,322	1,691,549
Other income	8	14,919	11,287
Total Revenue		14,926,993	13,204,959
Expenses			
Employee costs	10	487,171	405,449
Remuneration of Board members	11	34,714	32,138
Contracted services	12	43,665	31,994
Expenses on operations relating to Core Mandate	13	516,037	342,419
Administrative Expenses	14	210,349	193,933
Repairs and maintenance	15	8,479	6,381
Total expenses		1,300,415	1,012,315
Depreciation, amortization and provision costs	16	8,366,683	6,351,566
Total depreciation, amortization and provision costs		8,366,683	6,351,566
Unrealized gain on fair value of investments	9	(632,378)	(1,543,290)
Total other gains/ (loses)		(632,378)	(1,543,290)
Administrative recharges	19	1,300,415	1,012,315
Surplus		5,927,932	5,310,103

The notes set out on pages 8 to 29 form an integral part of the Financial Statements.


 Chairperson of the Board
 Name: Johnson P. Osoi


 Accounting Officer
 Name: Bernard Mbogoh


Date: 12/01/2024


Date: 12/01/2024

14. Statement of Financial Position as at 30th June 2023

	Notes	2022/2023 Kshs'000'	2021/2022 Kshs'000'
Assets			
Current assets			
Cash and cash equivalents	17	317,546	144,946
Receivables from exchange transactions	18	1,240,284	1,183,130
Receivables from non-exchange transactions	19	1,042,320	811,964
Current Investments	23	3,212,870	4,568,000
		5,813,020	6,708,040
Non-current assets			
Motor Vehicles, Plant & Equipment	20	50,981	30,309
Intangible assets	21	10,553	16,376
Non-current investments	23	36,615,761	28,517,854
Long term receivables from non-exchange transactions	19	1,545,726	1,530,954
Long term receivables from exchange transactions	18	19,282,219	20,254,951
		57,505,240	50,350,445
Total assets		63,318,263	57,058,488
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	22	646,525	314,682
Total Liabilities		646,525	314,682
Net Assets		62,671,738	56,743,806
Reserves		57,550	57,550
Accumulated surplus		62,614,188	56,686,255
		62,671,738	56,743,806
Total Net Assets and Liabilities		63,318,263	57,058,488

The Financial Statements set out on pages 1 to 26 were signed on behalf of the Board of Directors by:


Chairperson of the Board
Name: Johnson P. Osoi


Accounting Officer
Name: Mr. Bernard Mbogoh

Date.. 12/01/2024

Date.. 12/01/2024

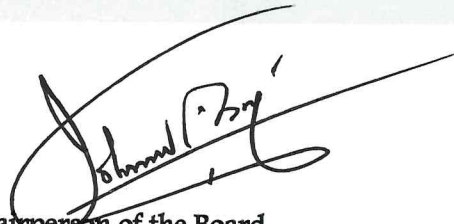
Local Authorities Provident Fund (LAPFUND)
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15. Statement of Changes in Net Assets for the Year Ended 30 June 2023

Attributable to members of LAPFUND	Reserve fund	Capital revaluation reserve	Accumulated surplus	Total
	<u>Kshs '000'</u>	<u>Kshs '000'</u>	<u>Kshs '000'</u>	<u>Kshs '000'</u>
Balance as at 30 June 2021	57,550	-	51,376,153	51,433,703
Surplus/(deficit) for the period			5,310,103	5,310,103
Transfers to accumulated surplus				-
Balance as at 30 June 2022	57,550	-	56,686,255	56,743,806
Surplus for the period			5,927,932	5,927,932
Balance as at 30 June 2023	57,550	-	62,614,188	62,671,738

16. Statement of Cash Flows for the Year Ended 30th June 2023

	Notes	2022/2023 Kshs'000'	2021/2022 Kshs'000'
Cash flows from Operating Activities:			
Operating Surplus / Net Income		5,927,932	5,310,103
Add back depreciation	16	37,404	27,655
Less: Non-cash items			
-Change in fair value of motor vehicle	20	-	-
-Change in fair value of property investments	9	(7,249)	-
-Change in fair value of government bonds	9	366,587	523,801
-Change in fair value of quoted equities	9	273,040	1,019,489
Increase (Decrease) in receivables from exchange transactions	18	915,579	(4,208,716)
Increase (Decrease) in receivables from non-exchange transactions	19	(245,127)	(131,269)
Decrease (Increase) in payables	22	331,843	108,744
Net cash from operating activities		7,600,009	2,649,806
Cash flows from Investing Activities:			
Purchase of Non - Current Assets			
Motor Vehicles	20	(25,430)	-
Computer and Equipment	20	(8,064)	(6,075)
Furniture and Fittings	20	(7,677)	(6,257)
Intangible assets - software	21	(11,081)	(6,847)
Purchase/Disposal of Investments			
Property	23	(14,099,843)	(198,217)
Government Bonds	23	5,714,014	(2,756,108)
Treasury Bills	23	-	379,574
Fixed deposits	23	(200,822)	624,417
Corporate bonds and commercial paper	23	3,459	(115,198)
Quoted shares	23	1,208,036	(528,481)
Net Cash generated from (Used in) Investing		(7,427,409)	(2,613,192)
Increase (Decrease) in Cash & Cash Equivalents		172,600	36,614
Cash & Cash Equivalents at Beginning of Year		144,946	108,331
Cash & Cash Equivalents at End of Year		317,546	144,946


Chairperson of the Board
Name: Johnson P. Osoi


Accounting Officer
Name: Mr. Bernard Mbogoh

Date... 12/01/2024

Date... 12/01/2024

Local Authorities Provident Fund (LAPFUND)
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17. Statement of Comparison of Budget and Actual Amounts for the year ended 30th June 2023

	Original budget Kshs 000	Adjustments Kshs '000'	Final budget Kshs '000'	Actual on comparable basis Kshs '000'	Performance difference Kshs '000'	% of utilization	Variance Explanation
Income							
Members contributions	9,111,266	119,760	9,231,026	8,088,996	(1,142,031)	(12)%	1
Interest on receivables	-	15,634,332	15,634,332	14,575,337	(1,058,995)	(7)%	2
Benefits paid	(7,087,792)	(1,456,878)	(8,544,670)	(8,978,581)	(433,910)	5%	3
Revenue attributable to members	2,023,474	14,297,214	16,320,688	13,685,752	(2,634,936)	84%	
Investment Income	3,603,306	(2,396,150)	1,207,156	1,177,025	(30,130)	(2)%	4
Property Income	96,909	(53,909)	43,000	49,297	6,297	15 %	5
Fair change in value of assets	-	73,399	73,399	(632,378)	(705,778)	(962)%	6
Other Incomes	10,135	3,491	13,626	14,919	1,293	9 %	7
Total investment income	3,710,349	(2,373,168)	1,337,181	608,863	(728,318)	(54)%	
Total Income	5,733,824	11,924,045	17,657,869	14,294,615	(3,363,254)	(19)%	
Expenses							
Employee costs	491,257	9,153	500,409	487,171	(13,238)	(3)%	8
Remuneration of Board members	30,000	(0)	30,000	34,714	4,714	16 %	9
Contracted services	51,597	(5,555)	46,043	43,665	(2,377)	(5)%	10
Expenses on operations relating to Core Mandate	453,399	27,143	480,542	516,037	35,495	7 %	11
Administrative Expenses	203,026	17,672	220,698	210,349	(10,349)	(5)%	12
Repairs and maintenance	4,560	470	5,030	8,479	3,449	69 %	13
Total expenses	1,233,839	48,883	1,282,722	1,300,415	17,693	1 %	
Surplus for the period	4,499,985	11,875,163	16,375,147	12,994,201	(3,380,947)	(21)%	

1	Revenue attributable to members was below the budget by 12% during the period due to a) Contractual staff e.g MCAs, CECM in the Counties did not contribute voluntary contributions during the electioneering period of July to October 2022. b) Late remittances of gratuities by County Assemblies and County Governments as a result of delay in disbursement of funds by the Exchequer.
2	Interest on receivables was 14.6bn which was below the budget of 15.6bn by 7%. The decrease was due to payment of accrued interest on outstanding contributions by some sponsors such as Siaya CG, Nairobi Water, Nyeri CG and Thika Water
3	Members benefits paid were above budget by 5% during the period. This was due to payment of gratuity and voluntary contributions to the Members of County Assemblies and Executives whose term came to an end in the previous government.
4	Investment income was below the budget by 2% due to liquidation of fund investments to pay members benefits as they fall due.
5	Property income during the period was above the budget by 15%. This was due to; a) Re-opening of Golf View Serviced Apartments in January 2023 with an income of Kshs. 2.2m. b) Increase in the number of tenants paying rent on the Mariakani Estate c) Introduction of Tenant Purchase Scheme for the sale of LAPPUND Gardens Estate resulting to interest income of Kshs. 1.3m
6	Fair value of government securities and equities was below the budget by over 100%. This was due to investors' low risk appetite for equities in the challenging macro-economic conditions and high interest rate. We expect outlook in equities to improve as the global interest rate tightening cycle comes to an end and yields on fixed income securities begin to decline.
7	Other incomes was a bove the budget by 9% due to disposal of motor vehicles and other obsolete items at a gain.
8	Employee costs was Ksh. 487m which is below the anticipated budget of Kshs. 500m by 3%
9	Board cost for the period was above the budget by 16% due to the induction of newly appointed Board Members. This was not anticipated during the budget period.
10	Cost of contracted services during the period were below the budget by 5%. The activities relating to performance contracting were not fully implemented due to non-actualization of PC by National Treasury

**Local Authorities Provident Fund (LAPFUND)
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11	<p>Expenses relating to the core mandate were above the budget of Kshs. 481m by 7% due to;</p> <ul style="list-style-type: none"> a) Aggressive marketing activities during the period targeting recruitment of the newly elected members of County Assembly and Executives. b) Increase in land rates for LAPFUND properties located in Nairobi County than anticipated during budget period c) Enhanced organizational brand visibility in the counties through advertisement
12	<p>Administrative expenses were Kshs. 210m which is 5% below the approved budget of Kshs. 221m. This was due to cost saving measures implemented within various activities during the period.</p>
13	<p>Repairs and maintenance cost were above the budget by 69%. This was due to increase in the maintenance of ICT networks and motor vehicles than expected during the budget period.</p>

18. Notes to the financial statements for the year ended 30th June 2023

a. General information

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

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

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

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

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

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

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

c. Adoption of new and revised standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

Local Authorities Provident Fund (LAPFUND)
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Standard	Effective date and impact:
	<ul style="list-style-type: none"> ○ Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; ○ Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and ○ Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(This standard did not have an impact on the LAPFUND)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <p><i>(This standard is not relevant LAPFUND)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> (a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. (b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. (c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. (d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. <p><i>(This standard is not relevant LAPFUND)</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> ● <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). ● <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. ● IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <p><i>(This standard is not relevant LAPFUND)</i></p>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>(This standard is not relevant LAPFUND)</i>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. <i>Not relevant to LAPFUND</i>

iii. Early adoption of standards

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

d. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Member Contributions and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions – IPSAS 9

Interest income

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

Rental income

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

iii) Benefit Payable.

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

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of LAPFUND. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

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

c) Taxes – IAS 12

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

d) Investment property – IPSAS 16

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

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

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

e) Property, plant and equipment – IPSAS 17

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

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

f) Intangible assets – IPSAS 31

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

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

g) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

Amortized Costs

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

Trade and other receivables

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

h) Provisions – IPSAS 19

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

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

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

i) Contingent liabilities

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

j) Contingent assets

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

and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

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

Reserves

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

l) Changes in accounting policies and estimates – IPSAS 3

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

m) Employee benefits – IPSAS 25

Retirement benefit plans

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

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

n) Related parties Transactions – IPSAS 20

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

n) Service concession arrangements – IPSAS 32

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

o) Cash and cash equivalents

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

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

e. Significant judgments and sources of estimation uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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LAPFUND makes provision for;

i) Depreciation

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

ii) Bad & Doubtful Debts

When due contributions are not remitted by 15th of the following month, a 3% compounded interest is charged. The management makes a provision of 50% on the interest charged and still outstanding at the end of the financial year

Notes to the Financial Statement

	2022/2023 Kshs'000'	2021/2022 Kshs'000'
6 Revenue attributable to members		
Normal contributions	7,932,471	8,224,406
Gratuity contributions	-	-
Voluntary contributions	11,380	30,099
LAPFUND Staff Contribution	92,900	79,063
Diaspora Contributions	-	-
Amal Contributions	52,245	56,538
Accrued Contributions	-	-
Total Revenue Attributable to Members	8,088,996	8,390,106
Less: Benefits to members		
Retirement Benefits	8,597,583	7,157,034
Death Benefits	297,178	369,426
Insured Benefits	70,897	83,974
Amal Benefits	-	4,990
Voluntary Refunds	-	3,515
Transfers out	12,923	8,082
Total Benefits to members	8,978,581	7,627,021
Levies on outstanding contributions	14,575,337	10,739,039
Revenue attributable to members	13,685,752	11,502,124

Revenue attributable to members is net of contributions received during the year, levies charged and benefits paid. The net contributions for the period ended 30th June 2023 was Kshs 13.6bn at (2022: Kshs 11.5bn)

	2022/2023 Kshs'000'	2021/2022 Kshs'000'
7 Finance income - external investments		
Fixed income		
Government Bonds	993,397	1,352,702
Treasury Bills	-	32,219
Interest on deposits	64,625	63,396
Corporate bonds	14,660	7,784
Commercial paper	-	-
	1,072,682	1,456,101
Dividend income		
Investments in quoted equities	165,305	197,929
	165,305	197,929
Gain on sale of investments		
Gain on sale of treasury bonds	(39,896)	-
(Loss)/Gain on sale of quoted shares	(21,065)	(4,843)
	(60,962)	(4,843)
Property Income		
Rentals	32,506	34,348
Hospitality	2,203	-
Real Estate	5,366	550
Land banking	9,223	7,464
	49,297	42,362
Total finance income – external investments	1,226,322	1,691,549

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- i. Finance income from external investments are earnings gained from investment in government securities, Corporate Bonds, Commercial Paper and Interest from fixed income deposits. The earning dropped in the Financial Year 2023 to Kshs 1bn. (2022: 1.4bn)
- ii. Dividend income from investments in equities fell to Kshs 165m in the year 2023 (2022 Kshs 197m)
- iii. Loss on sale of investments rose to Kshs 60.2m(2022; Kshs 4.8m)
- iv. Properties income during the period under review was Kshs 49.29m this is an increase of 16.3% (2022; Kshs 42.36m). The increase is interest received from the Rent to Own buyers on disposal of property.

	2022/2023	2021/2022
	<u>Kshs'000'</u>	<u>Kshs'000'</u>
8 Other income		
Car Loan Interest	853	1,190
Mortgage Loan Interest	11,066	10,097
Disposal of Assets Income	2,990	-
Other misc. incomes	10	-
Total other income	<u>14,919</u>	<u>11,287</u>

Other income relates to earnings from interest charged on loans issued to staff (Car Loan and Mortgage) at an interest rate 3% per annum. In the period under review, we earned a total of Kshs 14.9m(2022: 11.2m). The increase is as a result of increased uptake of loans.

	2022/2023	2021/2022
	<u>Kshs'000'</u>	<u>Kshs'000'</u>
9 Unrealized gain/(loss) on fair value of investments		
Property investments	7,249	-
Government bonds investments	(366,587)	(523,801)
Quoted shares investments	(273,040)	(1,019,489)
Net unrealized gain/loss	<u>(632,378)</u>	<u>(1,543,290)</u>

- Fair value of government securities and equities have been declining due to the volatility in the regional markets on the back of increased risk aversion from the effects of prolonged electioneering period and the aftermath events as well as the persistent Russia-Ukraine conflict and the with significant interest rate hike by major Central Banks.
- The Kenyan equity market posted negative returns due to the sustained sell-off from foreign investors exiting frontier markets.
- The year under reviews loss reduced to Kshs 632m as compared to the previous period (2022; Kshs 1.5bn).

	2022/2023	2021/2022
	<u>Kshs '000'</u>	<u>Kshs '000'</u>
10 Employee costs		
Salaries and wages	281,058	241,948
Contributions to pensions	51,769	43,863
Contributions to medical aids	45,578	32,074
Commuter, subsistence and other allowances	58,409	43,226
Gratuity	2,753	2,753
Housing allowances	47,604	41,585
Total employee costs	<u>487,171</u>	<u>405,449</u>

Employee costs increased to Kshs 487 (2022: Kshs 405m) due to annual salary increase and increase in contribution to medical aids as a result of rise in number of dependents due to young workforce.

	2022/2023	2021/2022
	<u>Kshs '000'</u>	<u>Kshs '000'</u>
11 Remuneration of board members		
Chairman allowances	879	765
Meeting costs	17,046	26,608
Medical aid contributions	1,577	980
Travel, conferences and other costs	15,211	3,785
Total board members' remuneration	<u>34,714</u>	<u>32,138</u>

The board remuneration went up slightly at Kshs 34.1m (2022; Kshs 32.1m) due to induction of new board members

	2022/2023	2021/2022
	<u>Kshs '000'</u>	<u>Kshs '000'</u>
12 Contracted services		
Legal Fees	36,496	24,128
Performance contracting costs	7,169	7,866
Total contracted services	<u>43,665</u>	<u>31,994</u>

Contracted services were Kshs 43.7m (2022; 32m) this is an increase from the previous period. This is due to increased need for the services of external experts

	2022/2023	2021/2022
	<u>Kshs '000'</u>	<u>Kshs '000'</u>
13 Expenses on operations relating to Core Mandate		
Members costs	221,868	98,192
Strategy and business devt costs	9,357	7,399
Corporate and Public Relations	54,802	32,291
Investment management fees	26,164	38,857
Custodial fees	15,199	21,097
Debt management fees	76,915	39,935
Statutory costs	5,850	5,850
Property & Finance Costs	96,520	89,309
Procurement costs	9,362	9,489
Total expenses on operations relating to Core	<u>516,037</u>	<u>342,419</u>

The expenses relating to core mandate rose significantly to Kshs 516m (2022; Kshs 342). The rise in costs is as a result of

- increased activities to collect outstanding debt
- increased activities to sensitize new office bearers after the period of the previous executives expired after elections
- rise in corporate communication related activities aimed at increasing corporate brand and visibility for better positioning and competitiveness.

	2022/2023	2021/2022
	<u>Kshs '000'</u>	<u>Kshs '000'</u>
14 Administrative Expenses		
Office operating expenses	136,019	126,670
HR & employee development	49,913	39,373
ICT costs	19,623	21,134
Audit, risk and compliance	3,528	5,434
Finance charges	1,266	1,322
Total administrative expenses	<u>210,349</u>	<u>193,933</u>

The office administrative expenses grew to Kshs 210m (2022; Kshs 193m) as a result of general increase in commodity prices.

	2022/2023	2021/2022
	<u>Kshs '000'</u>	<u>Kshs '000'</u>
15 Repairs and maintenance		
Computers & network maintenance costs	3,653	2,630
Motor Vehicles	4,070	2,846
Office maintenance	757	905
Total repairs and maintenance	<u>8,479</u>	<u>6,381</u>

Repairs and maintenance costs rose to Kshs 8.4m (2022; Kshs 6.3m) as a result of motor vehicle repairs costs. The increased activities led to the need of increased servicing of vehicles.

	2022/2023	2021/2022
	<u>Kshs '000'</u>	<u>Kshs '000'</u>
16 Depreciation, amortization and provision costs		
Plant and equipment	20,499	14,089
Intangible assets	16,905	13,565
Total depreciation	37,404	27,654
Administrative recharges amortized	1,041,611	954,394
Provision for doubtful debts	7,287,668	5,369,519
Total amortization costs and provisions	8,329,279	6,323,913
Total depreciation, amortization and provision	8,366,683	6,351,566

Depreciation, amortization and provision costs rose to Kshs 8.3bn (2022; 6.3bn) due to

- increase in depreciation of plant and equipment
- increase in depreciation of intangible assets
- increase in provision of for bad and doubtful debts. This is due to the increase debt as result of penalties charged

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		2022/2023	2021/2022
		<u>Kshs '000'</u>	<u>Kshs '000'</u>
17(a) Cash and cash equivalents			
a) Bank Accounts	Account Number		
Co operative Bank Operation	011361982401	31,142	8,742
KCB Operation Account	1149212292	64,356	101,320
NCBA - Golf View Operations	2334200102	5,198	215
Co op Bank Collection	011361982400	96,530	5,222
KCB Collection	114898767	56,363	25,099
NBK - Collection	01002000903700	60,041	2,706
NCBA - Golf View Collection ksh	2334200118	2,234	63
NCBA - Golf View Collection Usd	2334200123	54	22
AMAL Collection - Gulf Bank	0350006401	1,069	1,019
AMAL Collection -KCB Sahl	1239065043	162	164
Sub- Total		317,149	144,572
b) Cash-on-hand			
Petty Cash Nairobi		0	180
Petty Cash Kisumu		34	7
Petty Cash Mombasa		31	38
Petty Cash Nyeri		10	27
Petty Cash Nakuru		36	29
Petty Cash Wajir		-	-
Petty Cash Mandera		-	-
Petty Cash Isiolo		20	30
Petty Cash Garissa		10	5
Petty Cash CEO's Office		50	49
Pettycash Mavoko		6	9
Petty Cash Golf View		200	-
Sub- Total		397	374
c) Cash on transit			
Golfview Mpesa Pay bill	512934	-	-
Funds Transfers		-	-
Sub- Total		-	-
Total cash and cash equivalents		317,546	144,946

- Cash and cash equivalent increased significantly to Kshs 317.5m (2022; 144.9m). Most counties remitted contributions on the last day of the financial year.
- The account format for NCBA bank accounts changed due to merger of NIC Bank and Commercial Bank of Africa.
- USD 1 for Kshs 130.34 was used to convert the USD in our NCBA Golfview Serviced Apartments Collections Account as at 30th June 2023.

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	2022/2023 Kshs '000'	2021/2022 Kshs '000'
18 Receivables from exchange transactions		
Current receivables		
Contributions due	1,126,019	1,165,921
Receivables from properties	114,265	17,209
Total current receivables	1,240,284	1,183,130
Non-current receivables		
Contributions due	49,871,289	43,596,255
Less: impairment allowance	(29,463,051)	(22,175,383)
	20,408,237	21,420,872
Current portion transferred to current receivables	(1,126,019)	(1,165,921)
Total non-current receivables	19,282,219	20,254,951
Total receivables	20,522,502	21,438,081

- Current receivables are contributions and rental income that relate to the last month of the period under review. The current contributions as at 30th June 2023 was Kshs 1.24bn (2022: Kshs 1.18bn).
- Non-current receivables rose to Kshs 50bn (2022; 43.6bn) due to penalties charged on outstanding debts
- Impairment grew to Kshs 29.4bn (2022; Kshs 22.1bn) to cater for bad and doubtful debts
- The comparable figure for contributions receivable from exchange transactions was realigned to include receivables from sale of property. The property receivables is as a result of selling LAPFUND gardens in Mavoko on Tenant Purchase model.

	2022/2023 Kshs '000'	2021/2022 Kshs '000'
19 Receivables from non-exchange contracts		
Current receivables		
Administrative re-charges due	1,300,415	1,012,315
Less: impairment allowance	(260,083)	(202,463)
Total current receivables	1,040,332	809,852
Staff Debtors	0	0
Other debtors	1,989	2,112
Total current receivables	1,042,320	811,964
Non-current receivables		
Administrative re-charges due	9,512,883	8,212,468
Less: impairment allowance	(7,322,769)	(6,281,158)
	2,190,114	1,931,310
Current portion transferred to current receivables	(1,040,332)	(809,852)
Total non-current receivables	1,149,783	1,121,458
Staff loans	395,943	409,497
Total non-current receivables	1,545,726	1,530,954
Total receivables	2,588,046	2,342,919

Administrative expense receivable relates to outstanding recharges of administrative expenses to be recovered from Local Authorities in line with Section 4(4) of Local Authorities Fund Act, however, due to the doubtful nature of recoverability of the same, the Board approved a 20% provision on a straight-line basis

Staff debtors relate to the staff (Car and Mortgage) loan scheme set up by the board for the benefit of the employees.

20 Plant and equipment

	Motor Vehicle	Computer and Equipment	Furniture Fixtures & Fittings	Total
	<u>Kshs'000'</u>	<u>Kshs'000'</u>	<u>Kshs'000'</u>	<u>Kshs'000'</u>
Cost				
At 1 July 2021	27,862	150,471	218,566	396,899
Additions/Revaluation	-	6,075	6,257	12,332
Disposals	-	-	-	-
At 30 June 2022	27,862	156,546	224,822	409,230
Additions/Revaluation	25,430	8,064	7,677	41,171
Disposals	-	-	-	-
At 30 June 2023	53,292	164,610	232,499	450,401
Depreciation and impairment				
At 1 July 2021	6,966	139,975	217,891	364,832
Depreciation	6,966	5,508	1,616	14,089
Disposals	-	-	-	-
At 30 June 2022	13,931	145,483	219,507	378,921
Depreciation	11,515	6,220	2,764	20,499
Disposals	-	-	-	-
At 30 June 2023	25,446	151,703	222,272	399,420
Net book values				
At 30 June 2023	27,847	12,908	10,227	50,981
At 30 June 2022	13,931	11,063	5,315	30,309

21 Intangible assets - software

Cost

At 1 July 2021	82,400
Additions/Revaluation	6,847
At 30 June 2022	89,247
Additions/Revaluation	11,081
At 30 June 2023	100,328

Amortization and impairment

At 1 July 2021	59,305
Amortization	13,565
At 30 June 2022	72,870
Amortization	16,905
At 30 June 2023	89,775
Net book values	
At 30 June 2023	10,553
At 30 June 2022	16,376

Depreciation is provided for as follows;

- Assets Purchased during the year are depreciated from the purchase date on prorated basis
- straight-line method at the following rates:

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

	2022/2023	2021/2022
	<u>Kshs '000'</u>	<u>Kshs '000'</u>
22 Trade and other payables from exchange transactions		
Trade payables	21,000	38,050
Benefits payable	110,242	146,516
Other payables	106,776	130,115
Property sales deposits	408,507	~
Total trade and other payables	<u>646,525</u>	<u>314,682</u>

- Trade Payable are invoices for our suppliers and service providers pending on the balance sheet date
- Benefits payable to refers to claims received and member accounts closed but the payment had not been on done or before balance sheet date.
- Other Payables relates to outstanding payroll liabilities and taxes not paid at the close of the period.
- Property sales deposits are pre-sales for units under development in our properties.

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23 Investments	Property Kshs '000'	Government Bonds Kshs '000'	Treasury Bills Kshs '000'	Fixed deposits Kshs '000'	Corporate and commercial paper Kshs '000'	Quoted shares Kshs '000'	Unquoted shares Kshs '000'	Total Kshs '000'
Fair value								
At 1 July 2021	17,044,920	9,016,056	379,575	1,941,188	15,000	3,626,672	11,720	32,035,131
Additions	1,398,217	4,357,182	254,400	12,857,558	112,410	691,268	-	19,671,036
Maturity/Disposals	(1,200,000)	(1,601,075)	(633,975)	(13,481,975)	2,787	(157,943)	-	(17,072,180)
Change in fair value	-	(523,801)	-	-	-	(1,024,332)	-	(1,548,133)
At 30 June 2022	17,243,137	11,248,361	(0)	1,316,771	130,198	3,135,665	11,720	33,085,853
Total investments	-	115,564	(0)	1,316,771	-	3,135,665	-	4,568,000
Total non-current investments	17,243,137	11,132,797	0	(0)	130,198	-	11,720	28,517,854
Additions	14,099,843	533,083	-	8,883,657	-	40,048	-	23,556,631
Maturity/Disposals	-	(6,247,097)	-	(8,682,835)	(3,459)	(1,187,122)	-	(16,120,513)
Change in fair value	7,249	(406,483)	-	-	-	(294,106)	-	(693,340)
At 30 June 2023	31,350,229	5,127,867	0	1,517,593	126,739	1,694,485	11,720	39,828,632
Total investments	-	792	-	1,517,593	-	1,694,485	-	3,212,870
Total non-current investments	31,350,229	5,127,075	(0)	(0)	126,739	0	11,720	36,615,761

The cost of properties is inclusive of Kshs 11,077,739,649 being the cost of development for Bellevue estate which is currently ongoing since May 2023 and a further Kshs. 2,934,128,114 for Makaesambo Estate development which was started in May 2022.

Property investment includes an amount of Kshs. 1,126,476,868 which comprises of development of Shopping Centre, Nursery school and 131 units Maisonettes (LAPFUND Gardens) in Mavoko Sub-County, Machakos County which are on sale. The amount is net of costs, deposits and fully sold units.

Two parcels of Bellevue land, Blocks 98/104 & 98/105 were identified for acquisition by the government through a gazette notice (Special Issue) Vol. CXXII-No. 163 dated 4th September 2020. National Land Commission has so far compensated Kshs 1,200,000,000 for the acquisition.

Quoted shares of Kshs 632,378,000 is net of unrealized loss on fair value of investments as reflected in note 9.

24. Employee Benefit Obligations

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

LAPFUND also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. LAPFUND's obligation under this scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

25. Financial risk management

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

i) Credit Risk

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

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

ii) Liquidity risk management

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

iii) Market risk

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

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

LAPFUND's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the LAPFUND's exposure to market risks or the manner in which it manages and measures the risk.

iv) Foreign currency risk

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

v) Interest rate risk

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

Management of interest rate risk

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

vi) Capital Risk Management

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

26. Related Party Disclosures

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

	Loans due from related parties	Ksh '000'
	Loans advanced to management	87,102
i	Loans to management carry 3% interest. Difference between interest charged by LAPFUND and the statutory rate as per Sec 27(1) b of Income Act of 2004 is compensated by taxed loan benefit received. The loans advanced to management are recovered through their salaries.	
ii	Remuneration to management	89,696
	Contributions due from County Governments, Water companies and other companies	
iii	County Governments & Assemblies	43,041,008
	Water Companies	6,585,359
	Other Companies	244,922
	Total	49,871,288
iv	Remuneration to Board members	34,714
	Receipts from related parties	
v	County Governments, County Assemblies, Water companies and other companies	6,962,156
	Staff repayment loans	22,751
	Total	6,984,907

27. Events After the Reporting Period

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

28. Ultimate and Holding Entity

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

29. Currency

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

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

There were no issues raised by the external auditor.

Reference No. on the external audit Report	Issue/Observations from Auditor	Management Comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)


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Ag. Chief Executive Officer

Date: 12/01/2024