

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

NATIONAL HOUSING CORPORATION

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



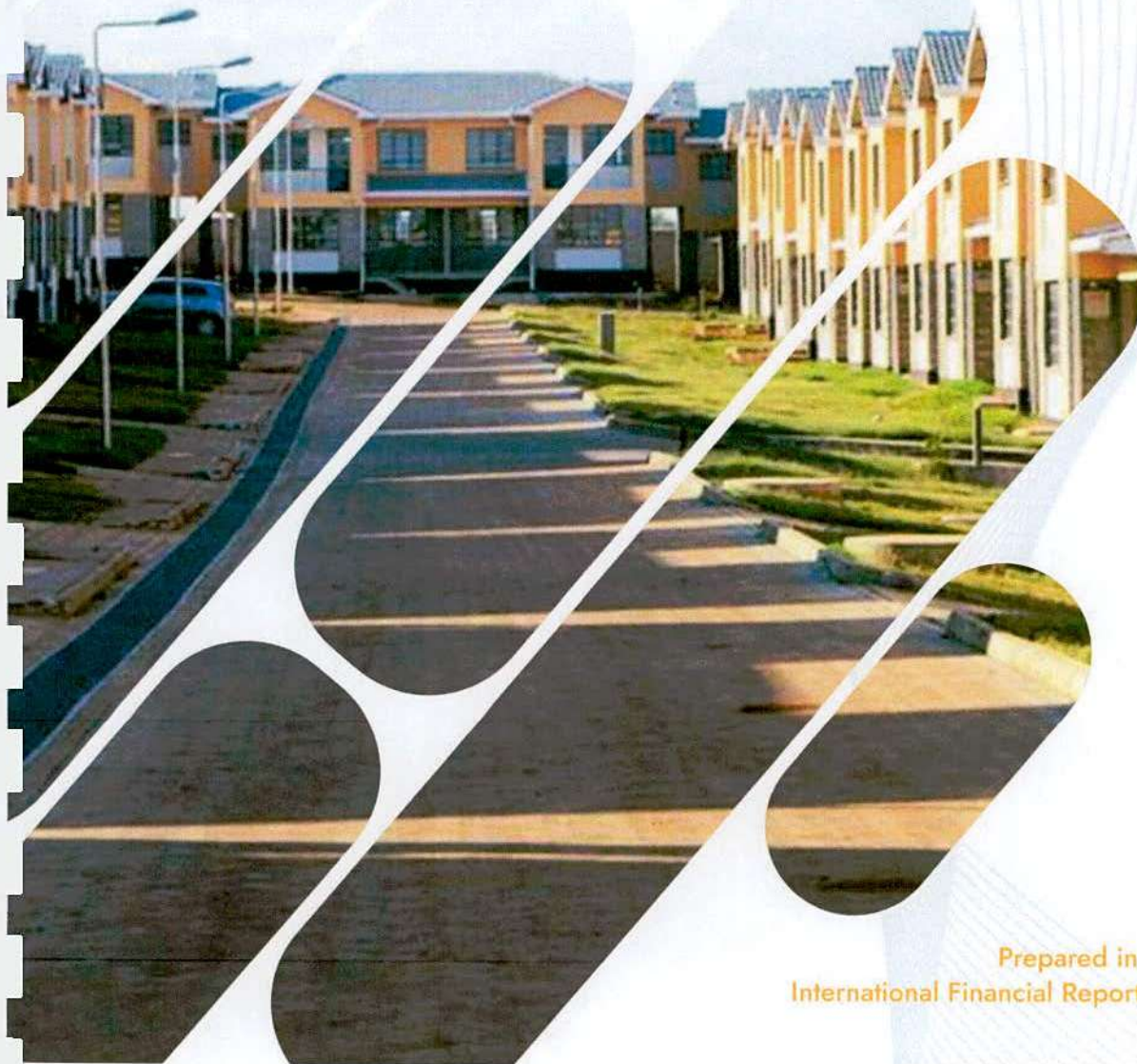
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the financial year ended
June 30th, 2023

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

21 MAY 2024

RECEIVED



Prepared in accordance with the
International Financial Reporting Standards (IFRS)

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1. Acronyms and Glossary of Terms

NHC	National Housing Corporation
AHP	Affordable Housing Programme
IFRS	International Financial Reporting Standards
MD	Managing Director
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board

NHC AT A GLANCE

247

Members of staff



8

Regional offices
across the country



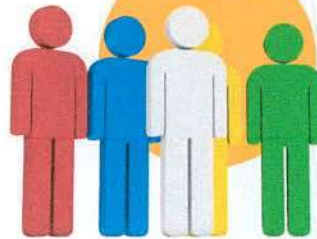
2,567

Rental units across
the country



1,574

Loan beneficiaries



200

Students attached
in 2023



7 Ongoing projects



752,000 M²

EPS Panels produced
since 2013



895

Artisans and masons
trained on EPS Technology
in the year



2. CORPORATE INFORMATION

a) Background Information

The National Housing Corporation (NHC) is a statutory body established by an Act of Parliament, Cap. 117 of the Laws of Kenya. At Cabinet level, National Housing Corporation is represented by the Cabinet Secretary for Lands, Housing and Urban Development who is responsible for the general policy and strategic direction of NHC. The Corporation is domiciled in Kenya and has branches in Nairobi, Mombasa, Nakuru, Eldoret, Kisumu, Kitale, Isiolo and Nyeri.



b) Principal Activities

The principal mandate of the National Housing Corporation is to implement government housing policies and programmes.



c) Directors

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

	Name	Position	Date of Exit
1.	Ben Ngene Gituku	Chairman	10.2.2023
2.	Jackson Kimuri	Director	17.3.2023
3.	Habil Olaka	Director	17.3.2023
4.	Patricia Gathuri	Director	17.3.2023
5.	Caroline Armstrong	Director	17.3.2023
6.	Silvester Migwi	Director	17.3.2023
7.	Violet Mbindyo	Director	17.3.2023
8.	Jacqueline Muindi	Alternate to CS, National Treasury	28.2.2023
9.	Jane Mwangi	Alternate to PS, SDHUD	12.4.2023

The current members are:

	Name	Position	Date of Appointment
1.	Hon. Yusuf Chanzu, CBS, OGW, HSC	Chairman	10.2.2023
2.	Prof. Njuguna Ndung'u, CBS	Cabinet Secretary, The National Treasury	27.10.2022
3.	Charles Hinga Mwaura	Principal Secretary, State Department of Housing and Urban Development	1.12.2022
4.	Mathews Thomas Ouko	Alternate to the Cabinet Secretary, The National Treasury	28.2.2023
5.	Gerald Kipkoech Rotich	Director	17.3.2023
6.	Arch. Hindu Rashid	Director	17.3.2023
7.	Arch. Jennifer Wambui	Director	17.3.2023
8.	Yasin Haji Hussein	Director	17.3.2023
9.	Joshua Odhiambo Nyamori	Director	17.3.2023
10.	Benard Parsaloi Torome	Director	17.3.2023
11.	QS. David Mathu	Managing Director	07.11.2023
12.	William K. B. Keitany	N/a	

Corporation Secretary

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

Registered Office

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

Corporation Headquarters

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

Corporation Contacts

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

Corporation Bankers

Kenya Commercial Bank Ltd,
Moi Avenue Branch,
P.O. Box 30081 – 00100,
Nairobi, Kenya.

Independent Auditors

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

Principal Legal Advisers

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

National Bank of Kenya,
Harambee Avenue Branch,
P.O. Box 41862 – 00100,
Nairobi, Kenya.

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

ABSA Bank,
Waiyaki Way,
P.O. Box 30120 – 00100
Nairobi, Kenya

3. THE BOARD OF DIRECTORS



Hon. Yusuf Chanzu, CBS, OGW, HSC

Board Chairman

Hon. Yusuf Chanzu, CBS, OGW, HSC is a seasoned Quantity Surveyor with over 22 years of work experience under the former Ministry of Public Works and Housing.

He holds a Master of Science degree in Construction Management (Corporate Strategy) from Heriott-Watt University, Edinburgh, Scotland and a Bachelor of Arts degree in Building Economics (Honors) from the University of Nairobi. He has also attended various high level management and professional / technical courses locally and abroad.

Hon. Chanzu is a Fellow of the Institute of Quantity Surveyors of Kenya (IQSK), Corporate Member of the Architectural Association of Kenya (Quantity Surveying Charter), Registered Quantity Surveyor with the Board of Registration of Architects and Quantity Surveyors Kenya (BORAQ's), an Associate of the Chartered Institute of Arbitrators and a Member of the Kenya Institute of Management (KIM).

Prof. Njuguna Ndung'u, CBS

Cabinet Secretary The National Treasury

Prof. Njuguna Ndung'u is the Cabinet Secretary, National Treasury & Economic Planning. Prior to the current appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an Associate Professor of Economics at the University of Nairobi, Kenya and the immediate former Governor, Central Bank of Kenya.

Prof. Ndung'u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist at IDRC and Team Leader in Macro-modeling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in Economics from University of Gothenburg, Sweden.

He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF.





Mr. Charles Hinga Mwaura, CBS, CA (SA)

Principal Secretary, State Dept for Housing and Urban Development.

Mr. Charles Hinga Mwaura, CBS is a Chartered Accountant (CA) and holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and a Bachelor of Accounting Science (Honors) from University of South Africa.

His core competencies include project and structured finance, dealing in structuring and business development. He has successfully led a number of landmark advisory mandates including the R1.5 billion City Of Johannesburg Broadband Network Project, PRASA restructuring and recapitalization plan, Phase 1B of Rea Vaya Rapid Bus Transportation System and Integrated Rapid Transport Network Project.

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

Eng. Gerald Kipkoech Rotich

Director

Eng. Gerald Kipkoech Rotich is a professional Mechanical Engineer with 20 years of progressive experience in design of mechanical building services, supervision of mechanical installations and contract administration, majorly in the private sector.

He holds a Bachelor of Science, Mechanical Engineering from the Jomo Kenyatta University of Agriculture and Technology, JKUAT.

Eng. Rotich is a member of the Institution of Engineers of Kenya (IEK) and a Registered Consulting Engineer with the Engineers Board of Kenya (EBK).

He is the Chair of the Technical Committee of the Board.





Arch. Hindu Rashid Mzee

Director

Arch. Hindu Rashid Mzee is a professional architect with over 10 years experience in the field of Architecture.

She holds a Bachelor of Architectural Studies and Bachelor of Architecture, from The University of Nairobi.

Arch. Hindu has worked in the County Government of Mombasa, Department of Lands, Housing and Physical Planning as the Principal Housing Officer and Nippon Koei Company Ltd as part of the JICA design team undertaking the detailed design of the Mombasa Special Economic zone.

Arch. Hindu is a member of the Architectural Association of Kenya (AAK) and a Registered Architect with the Board of Registration of Architects and Quantity Surveyors, Kenya (BORAQS).

Adv. Joshua Nyamori Odhiambo

Director

Adv. Joshua Nyamori Odhiambo is an Advocate of the High Court of Kenya with over 23 years experience working in the development sector in Kenya and the East African region. He has a rich history in resource mobilization, technical advisory on community-based activities and consulting on law matters.

He holds a Bachelors of Law (LLB) and a Bachelor of Education (Arts) Economics and Business from the University of Nairobi. He also holds a Post Graduate Diploma in Law from the Kenya School of Law, a Diploma in Banking from the College of Banking and Finance of Kenya. Currently, he is pursuing Masters in Law (LLB) from the University of Nairobi.

Mr Nyamori has worked at regional, national and grassroots level with focus on designing, implementing and evaluating participatory governance, civil society strengthening and youth empowerment for diverse clients including AFD, USAID, Danida and the Government of Kenya.

He has undertaken training in Policy Advocacy, Political Communications and Marketing, Citizens Participation in Political Process among others.

He is the Chair of the Finance, Strategy and Business Development Committee of the Board.





Mr. Bernard Parsaloi Torome

Director

Mr. Bernard Parsaloi Torome is a skilled professional with over 20 years of experience in strategic management, human resource and civil service administration.

He holds a Bachelor of Arts in Human Resource Management from the Greta University and a Diploma in Human Resource Management from the same University. He has also attended training in Governance, Leadership, Integrity and Administration.

He has served as a Councillor, Masikonde Ward, Narok town and later as the Member of County Assembly (MCA), Narok Town Ward. He has also served the County Assembly as the Majority Leader and was voted the best MCA in Narok County 2021 and 2022.

Arch. Jennifer W. Gathecha

Director

Arch. Jennifer W. Gathecha is a seasoned architect and project manager with a wealth of experience spanning over 30 years.

She holds a Bachelor of Arts in Architecture from the University of Nairobi and has undertaken several professional and leadership trainings.

Arch. Jennifer is currently a Consultant Architect at the Precise Architectural Consultants Ltd. She has previously worked in the Civil Service under the Ministry of Public Works, serving in leadership positions and managing projects.

She is credited with managing project works at the Kenya School of Government, refurbishing of Government offices and buildings like the National Intelligence Service headquarters, as well as supervising the implementation of public works in Nyandarua and Homa Bay counties.

She is a member of the Architectural Association of Kenya (AAK) and the Board of Registration of Architects and Quantity Surveyors (BORAQS).

She is the Chair of the Human Resource Committee of the Board.





CPA Yassin Haji Hussein

Director

CPA Yassin Haji Hussein is a seasoned Certified Public Accountant with over 15 years of progressive experience in management and operations.

He holds an MBA (Executive) in Entrepreneurship from Moi University, a Bachelor of Business Studies (Hons) in Accounting from the Islamic University in Uganda and a Diploma in Purchasing and Supplies Management from the Kenya Institute of Management. He has also attended training in Corporate Governance and Best Practices for Audit Committees.

Hussein is currently the Director, Business Development at the Josiah, Salah and Associates (CPA). He is also the Finance Director at the Ten Commodities Wholesale Limited. He has previously served as the Managing Director of Amana Petroleum (K) Limited and as a member of the National Standard Council and Chair Audit Committee and Member HR committee.

Hussein is a certified CPA (K), a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and an associate member of the Kenya Institute of Management (KIM).

He is the Chair of the Audit Committee of the Board,

CPA Mathews Ouko

Alternate Director

CPA Mathews Ouko is a seasoned Certified Public Accountant with over 15 years of work experience from the public and private sectors.

He holds a Master of Science in Finance and Investment from the KCA University, Bachelor of Commerce, Finance option from Catholic University and a Higher Diploma in Management and Consultancy from Riara University.

Currently, he is pursuing a PhD in Finance from the Jomo Kenyatta University of Science and Technology. He is also a CPS (K), as well as a Certified Fraud Examiner.

CPA Mathews is the Assistant Accountant General at the National Treasury in the Accounts Pension Department. He has previously worked with the Judiciary as the Chief Accountant, the Kenya Medical Training Institution as the Finance and Administrator as well as the Ruma Aid Programme.

He is a member of the Chattered Fraud Examiners Board, the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Secretaries of Kenya (ICS).

He represents the Cabinet Secretary National Treasury in the Board.





QS. David Mathu Njuguna, MBS

Managing Director

QS. David Mathu Njuguna is an accomplished construction and management professional in both public and private sectors.

He has over 15 years experience of local and global knowledge in public policy, strategy, innovation, business development, fundraising & partnerships, research & capacity building and environmental sustainability.

QS. Mathu holds a BA in Building Economics (Quantity Surveying) from the University of Nairobi, Master of Science in Procurement and Logistics from the Jomo Kenyatta University of Agriculture & Technology and is currently a doctoral researcher in Management Science and Engineering at the Harbin Institute of Technology, China.

In 2010 he was ranked the overall best quantity surveying candidate in the Board of Registration of Architects and Quantity Surveyors of Kenya's professional examinations, and was ranked among the Top 40 under 40 men 2022.

He is a registered Quantity Surveyor with the Board of Registration of Architects & Quantity Surveyors of Kenya (BORAQS), corporate member of the Institute of the Quantity Surveyors of Kenya (IQSK), full member of the Kenya Institute of Supplies Management and a professional diploma member of the Chartered Institute of Purchasing and Supply (CIPS-UK).

QS. Mathu has previously held Senior management positions, the immediate last being at the National Construction Authority (NCA) where he was the General Manager Construction Research, Business Development, Training and Capacity Building. He is a past council member of the Institute of Quantity Surveyors of Kenya (IQSK).

Mr. William Keitany

Corporation Secretary

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

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



4. KEY MANAGEMENT TEAM



QS. David Mathu Njuguna, MBS

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





Mr. Joel Gatune

General Manager, Finance

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

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

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

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

Eng. Thomas Ofwa

General Manger, Technical Services

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

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

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





Mr. John Washington Agutu

General Manager, Estates

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

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

Mr. Edwin Njeru

Internal Audit Manager

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

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

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



5. CHAIRMAN'S STATEMENT

Board Chairman Statement

On behalf of the Board of Directors and the entire National Housing Corporation family, it gives me great pleasure to share the significant milestones and achievements we have accomplished over the past year; 2022/2023.

The delivery of our mandate for the past year was adversely affected by the global economic situation. The war in Russia and Ukraine affected the worldwide supply chain for beads that the Corporation uses to manufacture the Expanded Polystyrene (EPS). In addition, on the economic front, the Kenya Shilling weakened further by 15.3% against the US Dollar to close at Kshs.142.2 as at June 2023.

The shilling has been under pressure as a result of decreased foreign exchange inflows and pent-up demand for the dollar from sectors such as manufacturing and other importers. The increase in the dollar rate affected our import supply chain hence affecting the production of EPS panels to support housing construction.

Further, the national elections of 2022 saw most investors taking a cautious stance and therefore, negatively impacting investments in real estate sector.

Despite the challenges posed, the Corporation remained resilient, and we are pleased to report growth in our top and bottom lines for the year ended June 2023.



Affordable Housing Programme

As the principal implementer of Government housing project and programme, the Corporation has positioned itself to roll out the Affordable Housing Agenda to bridge the gap between the housing demand of 250,000 units annually and the current supply of 50,000. In line with the current Government Administration through its Bottom-up Economic Transformation Agenda, the Corporation is destined to play the leading role towards delivery of 200,000 units annually to bridge the housing demand gap. To fulfill this enormous task, we are working with the county governments; a strategy that was adopted in the 70s to ensure NHC's footprint across the country.

I am happy to report that the Corporation has so far made positive strides by collaborating with the county governments through signing of project agreements towards Affordable Housing programme implementation. Collaborations with the counties of Homa Bay, Embu, Kirinyaga and Nyandarua Affordable Housing Projects have been launched. Other counties in the pipeline include Kericho, Nyamira, Taita Taveta, Baringo, Kiambu, Muranga and Trans Nzoia among others. In the long run, we envisage having Affordable Housing projects in every County.

Environmental Sustainability

Moreover, our emphasis on sustainability and environmental responsibility has been a key driver in our operations. We have incorporated eco-friendly practices in our construction processes, resulting in reduced carbon footprint and enhanced energy efficiency. This further strengthens our commitment to creating a greener and more sustainable future. Our Homa Bay County Affordable Housing Project has been green certified, and we look forward to implementing projects that are environmentally sustainable.

While we celebrate our accomplishments, we are also mindful of the road ahead. The housing landscape continues to evolve and we must remain adaptable and proactive in our approach. We will continue to collaborate with government agencies, private sector partners and community organizations to ensure that our efforts are aligned with the broader national development agenda.

Performance in 2022/2023

We have experienced tremendous growth in the delivery of our mandate. In the financial year 2022/2023, we commenced three Affordable Housing projects (310 housing units) in Homa Bay, Embu and Kirinyaga Counties and 424 units are ongoing at various stages of completion in different parts of the Country.

Regarding the financial performance, we posted a profit before tax of Ksh. 256 Million representing 235% growth compared to 2021/2022 Financial Year and we are focused on maintaining this upward trajectory going forward.

Dividends

Since 2006, we have reported profits and therefore, cumulatively remitted Kshs. 341 million as dividends to the National Treasury. We are keen to ensure that the profitable trend is maintained and the Board is therefore happy to declare dividends of Kshs. 8 Million to the National Treasury for the financial year ending 30th June 2023.

Outlook

We expect an exciting year ahead as we strive to focus on innovation as a means to creating more value for all our stakeholders. As the Corporation, we are cautiously optimistic that we will continue to grow and play a leading role in housing development in Kenya.

Appreciation

In conclusion, I wish to extend my sincere appreciation to our stakeholders for their unwavering support and the trust they are according to us as the Corporation. It is through your faith in our vision and our relentless pursuit of decent and affordable housing that we have achieved remarkable success.

I wish to also thank the Government of Kenya for the support it has accorded the Corporation in ensuring that we succeed in our housing mandate.

Allow me to also thank my fellow Board of Directors for their unwavering support and their professionalism in conducting the business of the Board. The Corporation boasts of having one of the most experienced Board of Directors in the Country.

Finally, I wish to express my gratitude to our Managing Director Qs. David Mathu and his management team for excellent performance and steering the Corporation towards the right direction in the implementation of its mandate and achieving stellar results. As a result of the commitment and dedication of the management and staff, the Corporation is experiencing growth and expansion. Let us remain focused and diligent towards achieving our strategic goals.

Thank you once again for your continuous support, and I look forward to your participation and greater results as we embark on another exciting year.



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

6. REPORT OF THE MANAGING DIRECTOR/CEO

Managing Director Statement



Dear Shareholders, Stakeholders, and Team Members,

I am pleased to present Corporation's Financial Report for the financial year ending 30th June, 2023. This report encapsulates our journey over the past year, highlighting our achievements, strategic endeavours and our unwavering commitment to excellence that have shaped our financial performance and position over the past year.

The year 2022/2023 has been marked by both triumphs and challenges. Our ability to navigate through a rapidly evolving housing sector demonstrates our resilience and determination to deliver on our mandate. I am pleased to share that the Corporation not only withstood the challenges but also emerged stronger, thanks to the support by our Board of Directors and the dedication and hard work of our incredible professional team.

The year was characterized by immense political activities, a volatile global economy, and a weaker shilling, which affected the spending muscle of many households. However, the Corporation not only weathered the storm but also recorded improved performance and sustained growth trajectory.

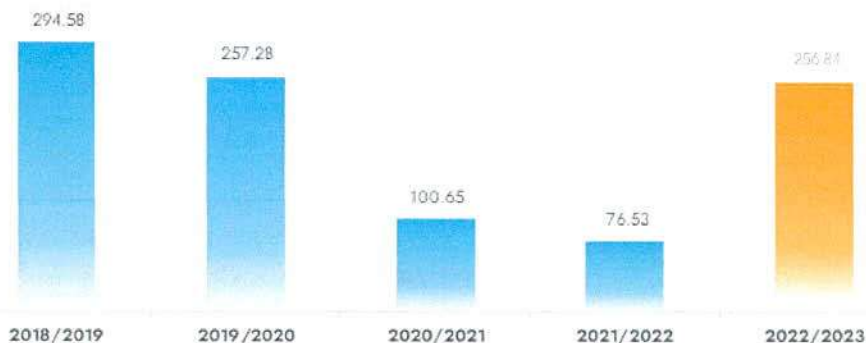
Financial Performance Highlights

I am delighted to share that our financial results for the year surpassed our expectations. As a result, I am pleased to inform that our financial position remains robust. We have prudently managed our costs and resources, ensuring a healthy balance between growth and stability. Our careful financial management has enabled us to make strategic investments in technology, research, and development, further positioning us for future success.

The Corporation reported revenues of Ksh. 1.15 billion reflecting a remarkable 14.5% percent growth compared to the previous year, which stood at Ksh. 1 billion. This achievement is a result of our unwavering focus on commencing new housing projects, dealing with customer needs, innovation, and effective marketing strategies. This growth is also attributed to a combination of successful project completions, increased demand for our properties and effective management.

We reported a Profit before tax for the year of Ksh. 256 million compared to Ksh. 76 million reported the previous year; this represents a 235% growth in profits. The improved performance reflects our dedication to operational efficiency and prudent financial management. Our strong balance sheet continues to position us for sustainable growth and the ability to pursue strategic opportunities that align with our motto; Housing the Nation by ensuring provision of decent and sustainable housing.

Profit Before Tax



Innovation and Sustainability

We continued to integrate innovative technologies and sustainable practices into our housing projects, resulting in new environmentally friendly properties. These efforts align with our commitment to responsible development and contribute to a greener future. We are working towards Edge Certification of our projects and to this end; we have trained our technical team on Edge certification and some of them have been Edge certified. This will give us an added advantage towards ensuring sustainability while discharging our mandate.

Equally, our dedication to innovation has been a driving force behind our success. We invested strategically in research and development, leading to the introduction of groundbreaking products that address evolving market needs. These investments have not only strengthened our market position but have also positioned us, as a leader in technological advancement within our industry.

The Corporation established the Expanded Polystyrene (EPS) factory as a division in 2013 to manufacture expanded polystyrene panels and meshes for use in the construction of affordable housing. Through the factory, we carry out capacity building to artisans and masons on the application of the technology. The Corporation has trained 715 artisans and masons in the year under review. The Corporation also made sales of 8,975 panels in the year 2022/2023.



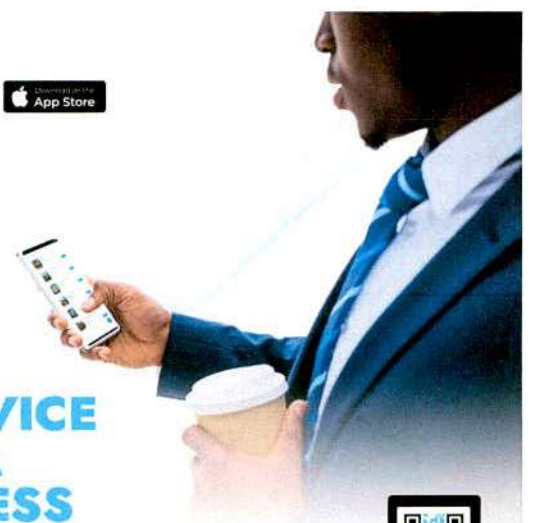
EPS technology has become a game changer in the construction industry.

To significantly enhance user engagement, brand reach and business performance, the Corporation has consolidated all its services into one convenient platform known as the NHC App.

This user-friendly application allows easy access to National Housing Corporation services from anywhere and at any time, as long as there is an internet connection. This App has been thoughtfully customized to cater to individual user preferences, providing a more personalized experience that leads to higher user engagement and satisfaction.

During the year under review, the Corporation was ISMS 27001:2013 certified, affirming our commitment to data protection and security of our services.

Further, the Corporation received the ISO 9001:2015 recognition for its ability to demonstrate its capacity to consistently provide products and services that meet customer and applicable statutory and regulatory requirements.



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Operational highlights

We currently have 814 units ongoing at different stages of completion. Once completed; the houses will provide families with comfortable and sustainable living spaces; and the business community with modern and affordable commercial premises.

We are making strides in engaging and collaborating with County Governments towards delivery of Affordable Housing Programme. In the past year, we launched three projects in three counties that will deliver 310 units in the next one year. We call upon the public to register with Boma Yangu in preparation towards home ownership. Our commitment to quality construction, innovative design, and customer-centric services has enabled us to maintain our position as a market leader in the housing industry.

The Corporation's strategic initiatives have played a pivotal role in our sustained growth. We have expanded our presence into new geographic markets, allowing us to tap into diverse customer segments and broaden our revenue base. Additionally, our emphasis on sustainable building practices has not only contributed to environmental conservation but has also resonated positively with environmentally conscious customers.



Work in progress at the NHC Embu Affordable Housing Project site. The units in Phase One are expected to be ready by mid 2024.



Work in progress at the Homa Bay AHP project



At the Corporation, we believe that our responsibility extends beyond the properties we build. We have continued our efforts to engage with and contribute to the communities in which we operate. Through our corporate social responsibilities, we have strengthened our relationships with residents, authorities and organizations, making a positive impact in the society. We have been instrumental in engaging communities in our estates in tree planting initiatives to serve as shades and wind-breaking agents. We have impacted the locality economically through employment creation and opening up areas where the projects are located. We have also participated in the annual Mater Heart Run organized by the Mater Hospital to support various medical initiatives at the hospital.

Community Engagement

Future Outlook

Looking ahead, we are confident in the growth prospects of the Corporation. Our robust pipeline of projects, strategic partnerships especially with the county governments and innovative technologies position us well to capitalize on changing market trends. As we embrace sustainable practices and leverage digital solutions, we are poised to set the pace in the housing industry in the coming years.

The real estate market continues to evolve, and we are well-positioned to adapt to changing customer preferences and market dynamics. Our focus will remain on delivering superior value to our customers, fostering innovation, and maintaining our role as an industry leader.

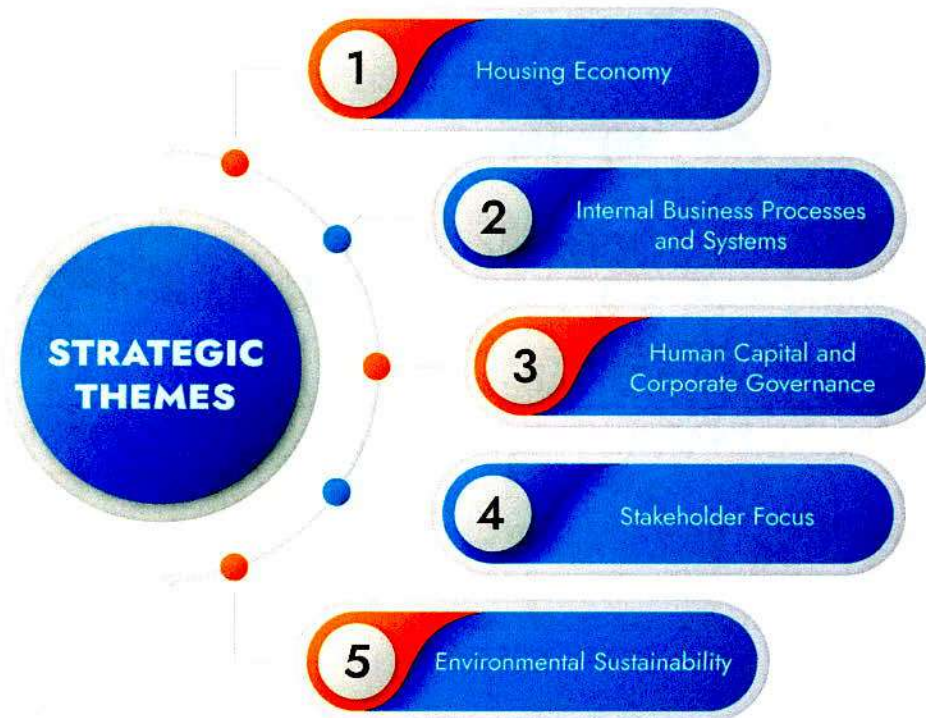
We are also committed to maintaining a robust balance between growth and profitability, always considering the best interests of our stakeholders. As we move forward, we will continue to explore innovative ways to enhance our housing offerings, strengthen our market presence, and create sustainable value for all.

In closing, I want to express my sincere gratitude to our stakeholders for their unwavering support, our dedicated team for their exceptional contributions, and our valued customers and partners for their trust and patronage. Your support and partnership have been instrumental in our success and together, we will continue to efficiently provide and facilitate access to innovative housing solutions for a brighter future.



7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

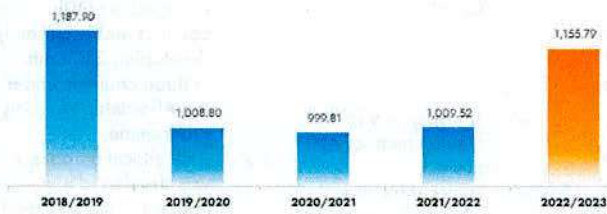
The National Housing Corporation has five (5) strategic themes and strategic objectives within the current Strategic Plan.



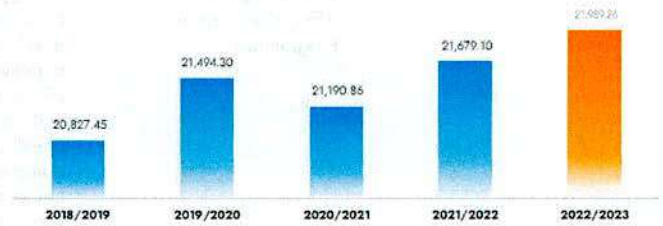
The National Housing Corporation develops its annual work plans based on the above five strategic themes. The Corporation carries out its quarterly performance assessment against the set targets derived from the annual work plan and budget using the performance contract; a tool for strategy implementation, therefore, the evaluation of this performance reflects the achievement attained in the strategy implementation.

Financial Highlights Analysis 2022/2023 (Amount in millions)

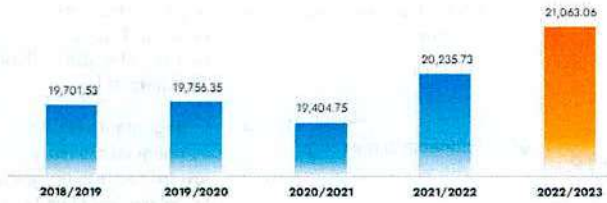
Gross Revenue



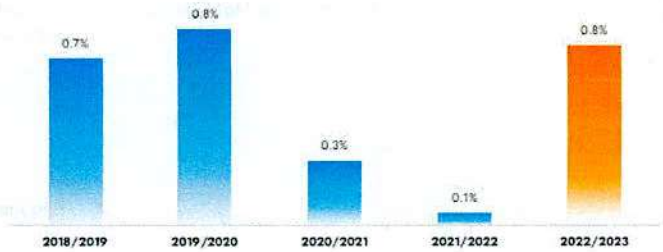
Total Assets



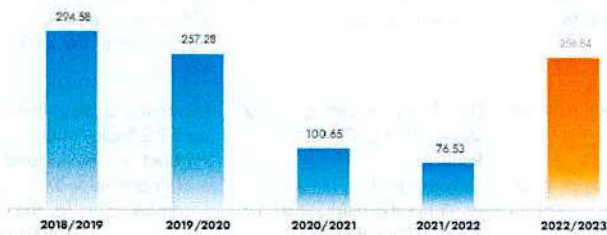
Growth in Equity



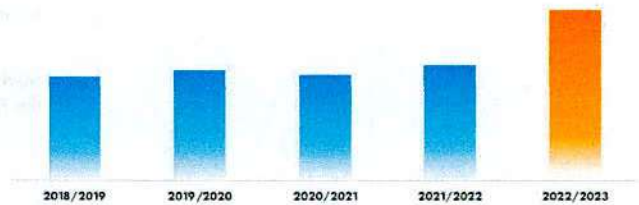
Return on Equity



Profit Before Tax



Current Ratio(C.A/C.L)



Statement of Performance against Predetermined Objectives for FY 2022/2023

The Corporation achieved its FY 2022/2023 performance targets based on the five strategic pillars, as indicated in the table below:

STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS		
Theme 1: Housing Economy	✓ To grow the Corporation's business by 144%	✓ To deliver 200 units through internal funding	<ul style="list-style-type: none"> ✓ Acquire land titles ✓ Source funds ✓ Deliver Houses 	<ul style="list-style-type: none"> ✓ Completed 80 Units ✓ 264 units at various stages of completion. 		
	✓ To fully implement Affordable Housing Programme	<ul style="list-style-type: none"> ✓ Collaborate with Counties and other development partners to deliver 17,600 affordable housing units annually ✓ Develop criteria/framework on AHP house allocation (Approved criteria) 	<ul style="list-style-type: none"> ✓ Engagement with Counties 	<ul style="list-style-type: none"> ✓ The Corporation engaged ten (10) counties and is currently developing 310 units in three counties under the Affordable Housing Programme. ✓ AHP allocation criteria was developed and applied in the allotment of the Parkroad housing units. 		
			<ul style="list-style-type: none"> ✓ Transparency in the management of AHP project ✓ Transparent and all-inclusive house allocation 			
		<ul style="list-style-type: none"> ✓ Develop and maintain Boma Yangu portal 	<ul style="list-style-type: none"> ✓ Operationalize the Boma Yangu portal 	<ul style="list-style-type: none"> ✓ Boma Yangu Portal has been established and is in use. 		
	✓ Resource Mobilization	<ul style="list-style-type: none"> ✓ Amount of finances accessed. 	<ul style="list-style-type: none"> ✓ Engage stakeholders to access funding from internal and external sources. 	<ul style="list-style-type: none"> ✓ Kshs.1.1 billion sourced internally. ✓ Approval from the National Treasury to secure Kshs. 3.81 billion commercial loan. 		
			<ul style="list-style-type: none"> ✓ Engagement initiated 		<ul style="list-style-type: none"> ✓ Partnership meetings 	<ul style="list-style-type: none"> ✓ Engagement with IFC as financial advisory towards accessing funds to deliver 3500 units at an advanced stage.
	✓ To grow EPS sales to Kshs 1 billion	<ul style="list-style-type: none"> ✓ EPS utilization in Corporation projects. 	<ul style="list-style-type: none"> ✓ Enhance application of EPS on NHC projects to reduce costs, pricing and speed up delivery 	<ul style="list-style-type: none"> ✓ Produced 24,000m2 EPS panels in 2022/2023 		
		<ul style="list-style-type: none"> ✓ Training of artisans and masons on use of EPS technology ✓ Marketing strategy for the Factory 	<ul style="list-style-type: none"> ✓ Train, empower and facilitate accredited contractors. 	<ul style="list-style-type: none"> ✓ Develop a marketing strategy for EPS Panels. ✓ Develop and implement a marketing plan for EPS Panels. 	<ul style="list-style-type: none"> ✓ The Corporation trained 715 artisans and masons on the use of the EPS Panels. ✓ Marketing strategy for the EPS Factory and Product was developed and implemented. ✓ Marketing plan for the EPS Factory and Product was developed and implemented. 	
			<ul style="list-style-type: none"> ✓ Enhance digital marketing for EPS Panels. 			<ul style="list-style-type: none"> ✓ Digital marketing of EPS panels ongoing

Statement of Performance against Predetermined Objectives for FY 2022/2023

STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
Theme 2: Internal Business Processes and Systems	✓ To fully re-engineer internal business processes and systems in line with the best practices	✓ Functional Quality Management System (QMS)	✓ Implementation of an approved annual ISO 9001:2015 internal audit programme	✓ QMS Maintained through ISO 9001:2015 Certification.
		✓ Information Security Management System (ISMS) 27001: 2013 Certification	✓ Training and documentation towards rolling out ISMS 27001:2013. ✓ Carry out Certification Audits	✓ The Corporation is ISMS 27003:2013 Certified
		✓ Automation of key processes	✓ Develop NHC App that will be used for various functions at the Corporation.	✓ NHC KENYA app was developed and is currently in use by members of public.
			✓ Utilize the bulk SMS to interact with NHC's stakeholders.	✓ Bulk Short Messages Service currently being used to communicate with our stakeholders.
			✓ Activate online access to NHC digital files	✓ Currently the Corporation is scanning all its documentation in preparation to rolling out an electronic document management system for use within the organization.
		✓ To enhance and implement NHC's business continuity in COVID-19 times and/ or during any other pandemic	✓ Zero infections	✓ Develop and implement framework on working from home for its employees.
	✓ Promote remote working through text and video platforms such as email, WhatsApp, Zoom and Microsoft Teams etc.			✓ The Corporation is currently utilizing the online platforms to enhance efficiency.

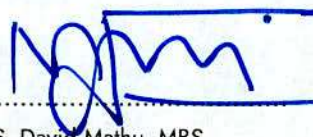
Statement of Performance against Predetermined Objectives for FY 2022/2023

STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
Theme 3: Stakeholder Focus	✓ To continuously identify and map out the Corporation stakeholders	<ul style="list-style-type: none"> ✓ List of stakeholders ✓ Stakeholder mapping matrix ✓ Create a detailed database for all customers/clients 	✓ Undertake continuous stakeholder identification and mapping	<ul style="list-style-type: none"> ✓ Database of stakeholders maintained. ✓ Baseline survey carried out in 2021.
		Data mining through Online surveys e.g., Customer satisfaction survey		
		✓ Create an interactive website	✓ Update and increase functionalities of our website to make it more interactive.	✓ NHC has revamped its website to make it accessible to persons living with disability by uploading the service charter in audio, sign language and it can now be accessed in Kiswahili.
	✓ Aggressive online presence	✓ Market NHC products using social media	✓ The Corporation is utilizing social media (Facebook, Twitter, LinkedIn) to interact with stakeholders and marketing its products.	
✓ To improve customer satisfaction from the current 67% to 77% (10% improvement)	✓ Customer satisfaction survey index	<ul style="list-style-type: none"> ✓ Implement Citizen's Service Charter ✓ Timely resolve of customers complaints ✓ Timely service delivery 	<p>The Corporation carried out a baseline survey with the following satisfaction index levels:</p> <ul style="list-style-type: none"> ✓ Employees: 55% ✓ Suppliers: 73% ✓ General Customers: 84% 	

Statement of Performance against Predetermined Objectives for FY 2022/2023

STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
Theme 4: Human Capital and Corporate Governance	✓ To Enhance the institutional capacity of the Corporation to carry out its business.	<ul style="list-style-type: none"> ✓ Number of staff recruited and deployed. ✓ Number of staff trained ✓ Revised Policies and Procedures ✓ Employee satisfaction index ✓ Implementation of survey findings 	<ul style="list-style-type: none"> ✓ Carry out recruitment ✓ Train staff ✓ Revise Human resource policies and procedures ✓ Carrying employee satisfaction survey 	<ul style="list-style-type: none"> ✓ Vacant top management positions were filled. ✓ Promotions of employees done. ✓ Human Resource instruments developed and approved for implementation. ✓ The Corporation carried out a baseline survey with the following satisfaction index level: Employee satisfaction index: 55% Recommendations of the survey were implemented. Implementation of survey findings was done. Follow up survey has been initiated.
	✓ To enhance Corporate Governance	<ul style="list-style-type: none"> ✓ Training needs assessment ✓ No. of trainings conducted 	<ul style="list-style-type: none"> ✓ Implement the Mwongozo guidelines ✓ Continuously train the Board and Management on Corporate Governance ✓ Mainstream the National Cohesion and Values into governance of the Corporation. 	<ul style="list-style-type: none"> ✓ Board and staff signed Code of Conduct. ✓ Board members trained on Mwongozo in South Africa and Tanzania. ✓ Board Evaluation was carried out. ✓ Staff sensitized on National Cohesion and Values.

STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
Theme 5: Environmental Sustainability	✓ To comply with all laws, regulations, policies, and guidelines that protect and promote environmental sustainability	<ul style="list-style-type: none"> ✓ Compliance with NEMA laws and regulations. ✓ Statutory workplace inspections. 	<ul style="list-style-type: none"> ✓ Acquire Environmental Impact Assessment licenses for all NHC projects. ✓ Undertake quarterly statutory workplace inspections. 	<ul style="list-style-type: none"> ✓ All ongoing projects have complied with NEMA requirements. ✓ Quarterly workplace inspections carried out and findings implemented.



QS. David Mathu, MBS
Managing Director

8. CORPORATE GOVERNANCE STATEMENT

Operational highlights

• Separation of Duties

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

• Responsibilities of Directors

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

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

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

• Board Composition

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

• Board Meetings – Information for Directors

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

• Oversight Role of the Board

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

The Board retains full and effective control over the Corporation and monitors management's implementation of the set strategic plans. It ensures compliance of relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the code of ethics. It strives to act above and beyond the minimum requirements, and benchmark performance against best practices.

In accordance with the principles of good corporate governance, each director undertakes to act in the best interest of the Corporation.

Each director is fully aware that the Board is responsible for determining the Corporation's vision, mission and values, deciding the strategic objectives and ensuring establishment of the organizational structure and procedures to achieve the set objectives.

• Conflict of Interest

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



NHC board members from left: CPA Mathews Ouko, Jane Mwangi, CPA Yassin Hussein, Mr. Bernard Torome, Hon. Yusuf Chanzu (Chairman), CS. Zachariah Mwangi, QS. David Mathu (Managing Director), Arch. Hindu Rashid, Adv. Joshua Nyamori, Eng. Gerald Rotich and Arch. Jeniffer Gathecha.

Committees of the Board

The Board has four committees; Audit Risk and Compliance Committee, Finance, Strategy and Business Development Committee, Technical Committee & Human Resource and Administration Committee, which have specific and detailed terms of reference as summarized below:

Board meetings

As per the annual workplan the Board meets quarterly or additionally when necessary to discuss issues relating to the overall management of the Corporation. The Board workplan and calendar are prepared at the start of the year and sufficient notice, agenda and Board papers are circulated within the required time frames.

The Board held its meetings as indicated in the tables below:

S/NO.	Name of Board Member/Meeting Dates	19.9.2022	20.12.2022	5.6.2023	29.3.2023
1.	Ben Gituku	✓	✓	N/A	N/A
2.	Patricia Gathuri	✓	✓	N/A	N/A
3.	Jane Mwangi	✓	✓	✓	N/A
4.	Silvester Migwi	✓	✓	N/A	N/A
5.	Jackson Kimuri	✓	✓	N/A	N/A
6.	Habil Olaka	✓	✓	N/A	N/A
7.	Violet Mbindyo	✓	✓	N/A	N/A
8.	Jacqueline Muindi	✓	✓	N/A	N/A
9.	Qs. Patrick Bucha (Ag. MD)	✓	N/A	N/A	N/A
10.	QS David Mathu (MD)	N/A	✓	✓	✓
11.	Yusuf Chanzu	N/A	N/A	✓	✓
12.	Arch. Hindu Rashid	N/A	N/A	✓	✓
13.	Mathews Ouko	N/A	N/A	✓	✓
14.	Joshua Nyamori	N/A	N/A	✓	✓
15.	Bernard Parsaloi	N/A	N/A	✓	✓
16.	Yasin Haji Hussein	N/A	N/A	✓	✓
17.	Arch. Jennifer Gathecha	N/A	N/A	✓	✓
18.	Eng. Gerald Rotich	N/A	N/A	✓	✓

Special Board meetings

S/NO.	Name of Board Member	13.7.22	27.7.22	28.7.22	1.8.22	15.8.22	12.10.22	12.10.22	28.10.22	12.1.23	13.4.23
1.	Ben Gituku	x	x	x	x	✓	✓	✓	✓	✓	N/A
2.	PS Charles Hinga		✓								
3.	Patricia Gathuri	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
4.	Jane Mwangi	✓	✓	x	✓	x	✓	✓	✓	✓	✓
5.	Silvester Migwi	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
6.	Caroline Armstrong	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
7.	Jackson Kimuri	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
8.	Habil Olaka	x	✓	✓	✓	✓	✓	✓	✓	✓	N/A
9.	Violet Mbindyo	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
10.	Jacqueline Muindi	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
11.	Qs. Patrick Bucha	x	✓	✓	✓	✓	x	✓	N/A	N/A	N/A
12.	Qs. Yusuf Chanzu	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
13.	Mathews Ouko	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
14.	Joshua Nyamori	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
15.	Bernard Parsaloi	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
16.	Eng. Gerald Rotich	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
17.	Arch. Jennifer Gathecha	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
18.	Arch. Hindu Rashid	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
19.	Qs. David Mathu	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓

Board Committee Meetings

Finance, Strategy and Business Development Committee

Finance, Strategy and Business Development Committee meets at least four times a year, with authority to convene additional meetings, as circumstances require. Its primary duty is to determine the Corporation's investment strategy and , and to consider the proposed strategic investments and make recommendation to the Board. It also maintains an interactive strategic planning, implementation and monitoring process with management.

The committee further addresses all the procurement matters at the corporate level.

The members of the Finance, Strategy and Business Development Committee upto 17th March 2023 were:

1. Caroline Armstrong **Chair**
2. Jackson Kimuri **Member**
3. Jacqueline Muindi **Member**
4. Qs. Patrick Bucha **Member (upto 6th November 2022)**

New appointees effective were: (Appointed 17th March 2023)

1. Joshua Nyamori **Chair**
2. Arch. Jennifer Gathecha **Member**
3. Mathews Ouko **Member**
4. Qs. David Mathu **MD (appointed on 7th November 2022)**

The Finance, Strategy and Business Development Committee meetings were held and attended as follows;

S/ NO.	Name of Board Member	6.7.22	11.8.22	5.9.22	7.10.22	26.10.22	15.12.22	5.1.23	7.2.23	9.3.23	12.4.23
1.	Caroline Armstrong	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
2.	Jackson Kimuri	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
3.	Jacqueline Muindi	✓	✓	✓	✓	✓	x	✓	x	N/A	N/A
4.	Violet Mbindyo (By invitation)	N/A	N/A	N/A	N/A	✓	x	✓	✓	✓	N/A
5.	Qs. Patrick Bucha	✓	✓	✓	x	✓	x	N/A	N/A	N/A	N/A
6.	Joshua Nyamori	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
7.	Arch. Jennifer Gathecha	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
8.	Mathews Ouko	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓
9.	Eng. Gerald Rotich (By invitation)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓
10.	Qs. David Mathu	N/A	N/A	N/A	N/A	N/A	✓	✓	✓	x	✓

Technical Committee

The Committee meets at least four times a year with authority to convene additional meetings, as circumstances require. The Committee is responsible for reviewing proposed projects and its implementation procedures to ensure adequacy and efficiency. It further reviews cost appraisals during construction and project quarterly reports.

The committee ensures that an environment to promote research and development in building technologies is created; it further assesses the impact of technology on projects.

The members of the Technical Committee were: (Served until 17th March 2023)

1. Violet Mbindyo Chair
2. Jane Mwangi Member
3. Silvester Migwi Member
4. Qs. Patrick Bucha Member (Served until 6th November 2022)

New Appointees: (From 17th March 2023)

1. Eng. Gerald Rotich Chair
2. James Maina Member
3. Arch. Hindu Rashid Member
4. Qs. David Mathu Member (appointed 7th November 2022)

The Technical Committee meetings were held and attended as follows;

S/NO.	Name of Board Member	12.9.22	26.10.22	6.12.22	2.2.23	25.4.23
1.	Violet Mbindyo	✓	✓	✓	✓	N/A
2.	Jane Mwangi	✓	✓	✓	✓	N/A
3.	Silvester Migwi	✓	✓	✓	✓	N/A
4.	Qs. Patrick Bucha	✓	x	N/A	N/A	N/A
5.	Caroline Armstrong (By invitation)	✓	✓	✓	✓	N/A
6.	Qs. David Mathu	N/A	N/A	✓	✓	✓
7.	Eng. Gerald Rotich	N/A	N/A	N/A	N/A	✓
8.	James Maina	N/A	N/A	N/A	N/A	✓
9.	Arch. Hindu Rashid	N/A	N/A	N/A	N/A	✓
10.	Joshua Nyamori (By invitation)	N/A	N/A	N/A	N/A	✓

Human Resource and Administration Committee

The Committee meets at least four times a year with authority to convene additional meetings, as circumstances require. Its primary role is to support the Company's strategic plan of ensuring there is an empowered, motivated and productive workforce. Further, the Committee is responsible for reviewing the corporate structure, terms of services and policies that touch on the Human Resource. It is also in charge of ensuring implementation and compliance with the human resource policies and procedures and recommend to the Board relevant reviews. The committee further addresses all the ICT, public relations, and legal matters at the corporate level.

The members of the Human Resource and Administration Committee up to 17th March 2023 were:

1. Patricia Gathuri **Chair**
2. Jackson Kimuri **Member**
3. Jane Mwangi **Member**
4. Qs. Patrick Bucha **Member**

New Appointees: (Appointed on 17th March 2023)

1. Arch. Jennifer Gathecha **Chair**
2. Bernard Parsaloi **Member**
3. James Maina **Member**
4. Qs. David Mathu **Member (appointed 7th November 2022)**

The Human Resource and Administration Committee meetings were held and attended as follows;

S/NO.	Name of Board Member	7.9.22	8.12.22	8.2.23	27.4.23
1.	Patricia Gathuri	✓	✓	✓	N/A
2.	Jackson Kimuri	✓	✓	✓	N/A
3.	Jane Mwangi	✓	✓	✓	N/A
4.	Qs. Patrick Bucha	✓	N/A	N/A	N/A
5.	Arch. Jennifer Gathecha	N/A	N/A	N/A	✓
6.	Bernard Parsaloi	N/A	N/A	N/A	✓
7.	James Maina	N/A	N/A	N/A	✓
8.	Qs. David Mathu	N/A	✓	✓	✓

Audit, Risk and Compliance Committee

Audit Risk and Compliance Committee meets at least four times a year, with authority to convene additional meetings, as circumstances require. Its primary responsibilities are to assist the Board in ensuring integrity of the Corporation's financial statements, review the Corporation's internal control systems, monitor and review the effectiveness of the internal audit function and ensuring the Corporation's compliance with legal and regulatory requirements. The Audit Committee has authority to conduct or authorize investigations into any matter within its scope of responsibility.

The Audit Risk and Compliance Committee provides oversight with regard to risk management by evaluating the extent to which management has established effective risk management strategies, reviewing the Corporation's portfolio of risks being aware of the most significant risks and confirming whether management is responding appropriately.

The Audit Committee regularly reports to the Board about committee activities and issues that arise with respect to the quality or integrity of the Corporation's financial statements, compliance with legal requirements, performance and independence of the Corporation's independent auditors and the performance of the internal audit function. The Corporation's internal audit manager acts as the secretary of the committee and senior management attend the committee meetings on invitation.

The members to the Audit, Risk and Compliance Committee upto 17th March 2023 were;

1. Habil Olaka Chair
2. Patricia Gathuri Member
3. Jacqueline Muindi Member

New Appointees (From 17th March 2023)

1. Yasin Hussein Chair
2. Mathews Ouko Member
3. Arch. Hindu Rashid Member

The Audit, Risk and Compliance committee meetings attended are listed below;

S/NO.	Name of Board Member	6.9.22	7.12.22	3.2.23	14.3.23	3.5.23
1.	Violet Mbindyo	✓	✓	✓	✓	N/A
2.	Jane Mwangi	✓	✓	✓	✓	N/A
3.	Silvester Migwi	✓	✓	x	✓	N/A
4.	Qs. Patrick Bucha	N/A	N/A	N/A	N/A	✓
5.	Caroline Armstrong (By invitation)	N/A	N/A	N/A	N/A	✓
6.	Qs. David Mathu	N/A	N/A	N/A	N/A	✓

9. MANAGEMENT DISCUSSION AND ANALYSIS

Integrity, commitment, and customer focus are the key core values that the Corporation is riding on to excel in fulfilling its mandate and vision of providing decent and sustainable housing to the Nation. The Corporation is committed in facilitating access to innovative housing solutions. Further, the NHC vision and mission is implemented using performance contracting process; a tool that has been in use for the last 20 years.

During the last three years, we have experienced tremendous growth in all areas of our operations as outlined below;

Finance Stewardship

NHC is a commercial state agency whose operations are financed internally. The Corporation's sources of income include houses for sale, rental property, interest earned from loans disbursed and sale of EPS panels.

We generate an average revenue of Kshs. 1.1 billion annually which is used to finance both recurrent and capital budgets.



Customer Service



NHC is cognisant of the fact that it operates in a highly competitive market; it therefore, uses every opportunity to set itself apart from the competitors. Customer centric service is the face of the Corporation's existence, and it endeavours to create lasting experience for all its customers.

The Corporation has a detailed and easy to understand Citizen's Service Delivery Charter, which explains the services on offer, how much they cost and the waiting time.

Resolving customer complaints is critical to ensure high satisfaction levels and repeat customers. Channels through which customers can raise complaints are provided, once the complaints are received, they are resolved and reports submitted to the Commission on Administration of Justice.

For the last three years, NHC has been scored at 100% on adherence to its Citizen's Service Delivery Charter and 97%, 94% and 98% respectively on resolution of public complaints.

Core Mandate

The Kenya Constitution 2010 Article 43(b) provides that every person has a right to accessible and adequate housing, and reasonable standards of sanitation. This is echoed in Vision 2030 and implemented through Medium Term Plans (MTPs)

The Corporation plays a critical role in achieving the Vision 2030 under the Social Pillar towards facilitating production of 200,000 housing units annually through various initiatives.

In the last five years, 550 housing units have been completed and 850 units are under construction at various levels of completion. Under the ongoing projects, 410 units are being developed under the Affordable Housing Programme and in collaboration with the county governments.

Housing forms one of the key priorities under the Bottom Up Economic Agenda (BETA) and to expedite delivery of Affordable Housing, research and promotion of Manufacturing towards new housing materials and technologies plays a critical role. The Corporation commissioned a factory at Mlolongo in Machakos County in 2013 which manufactures modern Polystyrene (EPS) technology for efficient delivery of houses, at 30% less in construction cost compared to conventional materials. In the last 5 years, the Corporation has produced 330,000M2 of the EPS panels. The factory has also focused on capacity building by training 2,800 artisans and masons on EPS technology in the last five years.



Implementation of Presidential Directives



H.E. President William Ruto at the Homa Bay AHP site during the commissioning of the project.

The current and previous government regimes have prioritised the Affordable Housing Programme as one of the main agendas in improving living conditions, creating jobs and providing Kenyans with an opportunity to own homes. To this effect the Corporation has been working towards implementation of the Presidential Directive on Affordable Housing Programme.

In the past one year, the Corporation has launched three Affordable Housing projects, which are at different levels of completion: Homa Bay (110 Units), Embu (100 Units) and Kirinyaga (100 Units). In the financial year 2023/2024, we expect to commence additional units under the Affordable Housing Programme and this includes the Nyandarua (100 Units) and Nyamira (100 units) projects.

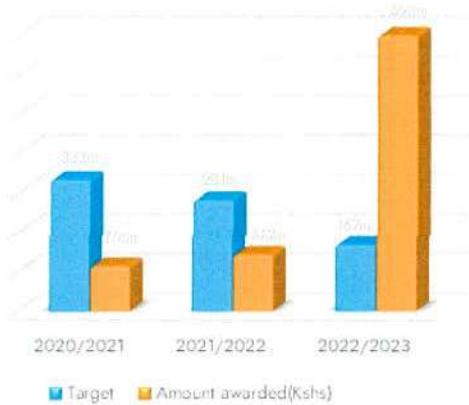
Further, there are currently partnership engagements with various Counties towards delivery of the Affordable Housing Programme, these include; Kiambu, Baringo, Trans Nzoia, Taita Taveta, Nandi, Kericho, Laikipia and Muranga.

Affirmative Action in Procurement

Access to Government Procurement Opportunities (AGPO)

30%

AGPO Tenders awarded



The Constitution of Kenya 2010 Article 227 on the fair, equitable and transparent procurement of goods and services requires all public procuring entities to reserve at least 30% of procurement opportunities for vulnerable groups including women, youth and persons Living with Disabilities.

Year	Target	Amount awarded (Kshs)
2020/2021	333,151,500	114,120,638
2021/2022	281,760,000	143,047,403
2022/2023	167,739,900	698,779,244

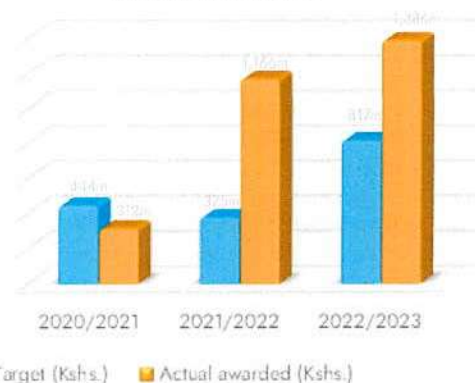
The strategy to this tremendous achievement has been carrying out sensitization sessions yearly targeted to these special groups, timely payments for services procured and setting aside procurement activities for the group.

Promotion of Local Content

To promote consumption of locally produced goods and services that will contribute to among other things, employment creation and growth of local industries; government institutions are required to spend 40% of their procurement budget on locally produced goods and services.

Year	Target	Amount awarded (Kshs)
2020/2021	444,202,000	312,838,857
2021/2022	375,680,000	1,166,488,714
2022/2023	815,260,000	1,386,397,109

Tender amounts awarded



Cross cutting Initiatives



The government has identified dynamic and social impact initiatives that once implemented will affect the Corporation employees' wellbeing. To promote equity and social justice, the Corporation engaged 456 youths on attachment and internship.

To promote self-development, staff attended various trainings and capacity building sessions that were organized internally and those offered by the Kenya School of Government.

To promote health and well-being of employees, the Corporation has an attractive medical cover for its staff and Board of Directors. In addition, NHC has partnered with Aga Khan Hospital for staff and their dependants to access personalized attention on communicable and non-communicable services.

We continue to sensitize workers in the construction sites on HIV/Aids prevention, effects of Alcohol and Drug Abuse, gender mainstreaming, corruption prevention and road safety issues.

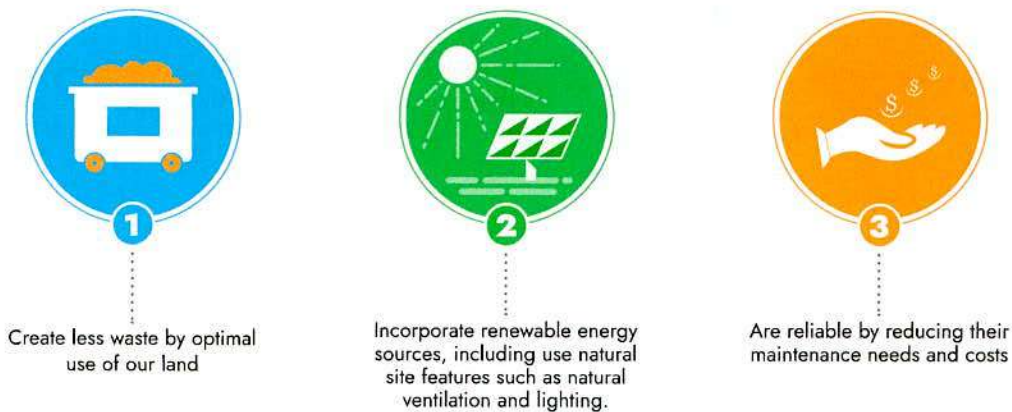
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

National Housing Corporation is mandated to implement Government housing policies and programmes. To ensure environmental sustainability; the Corporation has made strides in many ways to conserve the environment.

i. Sustainability strategy and profile

The Corporation is committed to making a positive impact through outstanding environmental sustainability performance.

The Corporation seeks to build homes that reduce the owner's carbon footprint and the impact of climate change. We are focused on building houses that:



We are striving to attain Edge certification in all our projects and hence position ourselves as the housing provider of choice. The Corporation is proud of the progress made so far during the year under review, and our commitment in training our team in Edge Certification is an example of what we have so far achieved.

The NHC team has been trained and certified as Edge champions and this will ensure that the Corporation delivers houses that provide for water harvesting, large windows for natural lighting and conserve energy through use solar lighting in common areas. The Corporation is pleased to report that our affordable housing project in Homa Bay is Edge certified.

ii. Environmental performance

The Corporation undertakes Environmental Impact Assessments (EIAs) as part of the statutory requirement for all proposed projects listed under the second schedule of the Environmental Management and Coordination Act, 1999 prior to commencement of any construction activities. These assessments determine the anticipated impacts that the proposed project will have on the biophysical environment and thus determine the probable mitigation measures to reduce the adversity of these impacts. The assessments capture both environmental and social impacts throughout the project's life cycle, key among them being waste management, effluent management, air pollution control, noise and excessive vibrations pollution control, biodiversity conservation and climate change vulnerability assessments.

In addition, as part of its core value on Environmental Sustainability, the Corporation undertakes annual Environmental Audits (EAs) for all its existing facilities and determine the impacts that the facilities' operations have on the environment. These audits enable the formulation of the environmental management plan, which is further communicated to functional departments to ensure compliance as well as implementation of the findings.

iii. Employee welfare

Several initiatives towards improving employee welfare have been implemented, they include bereavement support, promotion of personal development through paid leaves and a robust and comprehensive medical cover for all employees and their dependants. Further, the Corporation supports its members of staff by providing for an alcohol and drug abuse support programme and testing & preventive care for chronic illnesses.

Occupational Safety and Health form a greater part of the environmental emphasis for the Corporation. We have in-house Environmentalists who ensure that workplace inspections are carried out quarterly whereby recommendations are implemented to ensure safe work spaces. The reports are submitted to Directorate of Occupational Safety and Health (DOSHS) for compliance.



iv. Market place practices

The Corporation has made significant efforts to ensure:

a. **Responsible competition practice.**

NHC is focused on competing responsibly and it has therefore adopted practices that improve social, environmental, and economic outcomes. We strive to ensure that our prices are affordable and therefore ensure that the entire Kenyan population can access a product at the National Housing Corporation.

b. **Responsible supply chain and supplier relations**

The Corporation does not have any pending bill. Our goal is timely processing of all the suppliers' payments. The Corporation carried out a baseline survey with a satisfaction index levels of 73% on all its suppliers. This is an indication of a positive working relationship between the Corporation and its vendors. Further, we are focused on ensuring that we operate in a corruption free environment.

c. **Responsible marketing and advertisement**

Marketing and advertisement are critical to ensure that the target population is reached. We use conventional marketing methods including print media, e-government (MyGov), billboards, newspaper adverts, mail, television and radio. We maintain high standards while advertising our products.

d. **Product stewardship**

The National Housing Corporation takes consumer protection, interests and well-being seriously. To safeguard customers, we provide channels through which our customers can reach us to register complaints and or give ideas and complements on our products through organized yearly sensitization sessions and public Barazas. We also have a dedicated email, suggestion boxes and phone number through which customers can reach us confidentially.

v. Corporate Social Responsibility / Community Engagements

The National Housing Corporation is accountable for itself and its stakeholders. It impacts communities around its properties in various ways. Two years ago during the Customer service week, the Corporation held a baraza at one of its estates in Langata Nairobi and led its customers to plant trees at the estate open spaces.

During the last FY, we participated in the Mater Heart run where the Corporation supported thirty (30) employees to take part in the run to support various initiatives by the hospital.



Mater Heart Run event

Pictorial



Leaving nothing to chance. The Marketing team learning the basics of the Expanded Polystyrene Technology at the Corporation's EPS factory in Mavoko, Machakos County.



NHC Board members and the technical team during inspection of the Stani Athi Sector 2A. The units will be ready for occupation by July, 2024.



Directors Joshua Nyamori (second left), Jennifer Gathecha (masked) and Gerald Rotich (right) being taken through the specifics of the Homa Bay AHP project.



Managing Director QS. David Mathu, Chairman Hon. Yusuf Chanzu, Embu Governor Hon. Cecily Mbarire and Embu County Secretary Amy Ruria during the signing of agreement for the Construction of Embu AHP houses.



Stani Athi Sector 2A project in Athi River, Machakos County.



National Assembly Housing Committee members get briefed by the NHC Acting Chief Estates Officer Anne Saruni on the status of the Corporation's projects in Mombasa.



Kirinyaga Governor Anne Waiguru during the handover of the documents for the county's Kerugaya AHP project to Board Chairman Hon. Yusuf Chanzu.



Lands and Housing Cabinet Secretary Zachariah Mwangi addressing the Corporation's management team during the Strategic Plan retreat in Naivasha.



The ongoing works at the Konyakwar Phase III project in Kisumu Town.



The model plan of the Embu AHP project.

11. 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 the National Housing Corporation's affairs.

i. Principal activities

The principal activities of NHC are:

- Development of decent and affordable housing.
- Facilitation of Rural Housing development.
- Mobilization of Local and International capital for Housing Development.
- Forging partnerships with the County Governments, Cooperative Societies, Private Sector players and other stakeholders in housing development.

ii. Results

The results of the entity for the year ended June 30, 2023, are set out on pages 1-45. The net profit for the year of Kshs. 161,734,823 (2021/2022: Kshs. 10,414,133) has been added to retained profit.

iii. Dividends

Subject to the financial statements being audited, the Board of Directors recommends the payment of dividend for the year of Kshs. 8,086,741 based on 5% of profits after tax.

iv. Directors

The members of the Board of Directors who served during the year are shown on page V.

v. Auditors

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

By Order of the Board



William K. B. Keitany
Corporation Secretary

Date

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

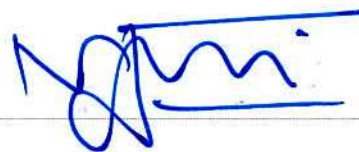
The Directors accept responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act, Cap 446. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of the Corporation's transactions during the financial year ended 30th June, 2023, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained by the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The Corporation's financial statements were approved by the Board on **27th Sep 2023** and signed on its behalf by:



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



QS. David Mathu, MBS
Managing Director

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL HOUSING CORPORATION 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 that the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Housing Corporation set out on pages 1 to 46, which comprise of the statement of financial position as at

30 June, 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Housing Corporation as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Housing Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Property, Plant and Equipment

The statement of financial position and Note 13(a) and (b) to the financial statements reflects property, plant and equipment with a net book value of Kshs.3,458,126,872. However, review of records revealed the following unsatisfactory observations:

- (i). The balance includes land with a total value of Kshs.2,296,149,894 in respect of fifteen (15) parcels of land owned by the Corporation. However, four (4) parcels of land with a total value of Kshs.88,287,260 were not supported with the respective ownership documents such as title deeds and were indicated in the fixed assets schedule as unsurveyed or untitled.
- (ii). Further, as previously reported sixty-eight (68) parcels of land were not valued and had not been included in the value of land balance of Kshs.2,296,149,894. Management explained that twenty-two (22) parcels had received title deeds while forty-six (46) parcels had no ownership documents.
- (iii). Two (2) of the untitled parcels within Kakamega County had ownership disputes. Management explained that one of the plots had received an allotment letter but the Corporation could not pay the required statutory fees since the title to the land had already been fraudulently obtained. Similarly, for the other plot, the Corporation could not obtain an allotment letter since the title to the land had already been fraudulently obtained. Review of records revealed that the matter of the two (2) plots was reported by Management to the Ethics and Anti-Corruption Commission vide a letter dated 19 December, 2022 but the matter is still under investigations.
- (iv). As previously reported, the valuation report for the Corporation's land provided for audit excluded two (2) pieces of land in Webuye and Pumwani, Nairobi with a total value of Kshs.10,358,358

- (v). Further, included in the property, plant and equipment balance is the Expanded Polystyrene (EPS) Factory building balance of Kshs.800,000,000. Review of records revealed that the land on which the building is situated is in the name of the PS Treasury and not in the Corporation's name. Therefore, the Corporation cannot claim ownership of the land and the respective developments on it.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.3,458,126,872 could not be confirmed.

2. Unconfirmed Investment in Subsidiary

The statement of financial position reflects Unquoted Investment balance of Kshs.104,657,797 which as disclosed in Note 17 to the financial statements includes an amount of Kshs.99,457,797 in respect of Research Development Unit Company Limited (RDU), a subsidiary Company wholly owned by the Corporation. However, the balance was not supported by a certificate of registration and share certificates.

Management explained that the former Chairman and former Managing Director of the Corporation were the only shareholders of the subsidiary Company holding 50% of the shares each. Upon their exit from the Corporation, the former Chairman and former Managing Director did not transfer the shareholding rights to the current Management and this has not been done to date. Management has explained that the Corporation filed a miscellaneous application No. E145 of 2022 seeking Court orders to compel the former Managing Director to execute transfer of the share certificate forms. The Corporation has contacted the administrators of the estate of the former Chairman to execute transfer of the share certificate forms, to facilitate transfer of the share he held in the Subsidiary to the Corporation. The transfer of the shares remained outstanding as at the time of the audit in the month of January, 2024.

Further, Management has disclosed that the operations of the Subsidiary were discontinued in the financial year 2013/2014 and the Board of Directors resolved that the Company be liquidated. However, no further information was provided whether the liquidation process was completed.

In the circumstances, the accuracy, completeness and existence of the unquoted investment value of Kshs.104,657,797 could not be confirmed.

3. Unauthenticated Inventory of Listing of Houses

As disclosed in Note 20 to the financial statements and as previously reported, the statement of financial position reflects a comparative inventories balance of Kshs.3,231,819,977 which includes stock of unsold houses amounting to Kshs.3,200,093,313 out of which Kshs.1,024,352,689 were additions during the previous year as a result of transfer of the Park Road Housing Scheme houses and commercial shops from the State Department of Housing and Urban Development to the Corporation. However, there was no detailed inventory listing of houses included in the inventory executed by the Accounting Officers of both the transferring and receiving entities.

This is contrary to Regulation 169(1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that when assets or liabilities of a procuring entity are transferred to another government entity or other institution by operation of law or reorganization of government functions, an accounting officer for the transferring procuring entity shall be required to identify an inventory list of such assets and liabilities.

In the circumstances, the accuracy and completeness of previous year's additions to stock of unsold houses balance of Kshs.1,024,352,689 could not be confirmed.

4. Insufficient Support for House Equalization Balance

The statement of financial position reflects a house equalization balance of Kshs.383,118,995 as disclosed in Note 29 to the financial statements. The balance includes amounts dating back to the year 2011 to 2016 which has remained outstanding to date.

Review of records revealed that the Corporation maintains a reserve account in which all income is recognized in respect to local authorities that the Corporation had entered into an agreement with, so as to ensure that their debts were cleared.

Further, the following observations were made;

- (i). Although the Memoranda of Understanding (MoU's) with the defunct local authorities indicated the amounts agreed upon as payments for their respective debts, it was not possible to ascertain how the balances were arrived at, since the negotiations process had not been concluded.
- (ii). Management did not provide the relevant approvals from the parent ministry or The National Treasury to allow writing off of interest accumulated from the debts owed by the defunct local authorities.
- (iii). Review of the house equalization support schedule provided for audit indicated entries which were not related to the sale of houses or equalization, such as salaries amounting to Kshs.8,401,650, management fees amounting to Kshs.5,644,981 and office administrative expenses amounting to Kshs.2,434,661. Further, the salaries, management fees and administrative expenses were provided for despite the fact that the outstanding balances from the defunct local authorities remained unremitted to the Corporation as at 30 June, 2023.

In the circumstances, accuracy and completeness of the house equalization balance of Kshs.383,118,995 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Housing Corporation Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1. Uncertainty in Sustainability of Service - Expanded Polystyrene Panels (EPS) Factory Operations

As previously reported, the Corporation has a factory which commenced in 2013 to address housing shortage problem, reduce cost and time spent in construction and also reduce environmental pollution by adopting the Expanded Polystyrene Panels (EPS) panels for slab and wall partitions. The statement of profit or loss and other comprehensive income and Note 10(b) to the financial statements reflects a trading loss of Kshs.58,533,950 from the operations of the EPS factory. This was an increase of Kshs.11,270,245 from the loss of Kshs.47,263,705 reported in the previous year which is an indication of the continued deterioration in the financial performance of the factory.

Although Management has explained the measures that the Corporation has put in place to reverse this unsatisfactory trend, the Management explanation on the factory's operations were not satisfactory.

2. Contingent Liabilities

Note 35 to the financial statements reflects contingent liabilities related to two (2) disputes with project contractors amounting to Kshs.1,370,555,082. Although Management has made the disclosure of the contingent liabilities in the financial statements, but had not indicated how Management has prepared itself in the event of crystallization of the liability. The Corporation may have a significant cash outflow should the disputes be determined in favour of the contractors.

3. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.1,599,409,000 and Kshs.1,155,779,000 respectively, resulting in under-collection of Kshs.443,630,000 or 28% of the budget. Similarly, the Corporation spent an amount of Kshs.898,933,000 against an approved budget of Kshs.1,599,409,000 resulting in an under-expenditure of Kshs.700,476,000 or 44% of the budget.

The under-collection and under-expenditure affected the planned activities of the Corporation and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect to these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, most of the issues remained un-resolved as at 30 June, 2023 and no explanation has been provided for failure to resolve the issues as required by the Public Sector Accounting Standards Board guidelines.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Stock of Unsold Houses

The statement of financial position reflects inventories balance of Kshs.1,305,018,402 which as disclosed in Note 20 to the financial statements includes an amount of Kshs.1,275,730,014 relating to stock of unsold houses held by the Corporation. As previously reported, despite some of the projects having been completed several years ago, the houses have remained unsold and hence they continue to be reported as inventories. Management explained that Management has scaled up engagement with County Governments, Saccos, Kenyans in the diaspora and other relevant institutions to market the unsold houses. Although the Corporation is currently renting out some the houses with a value of Kshs.843,032,824 to housing schemes as it awaits the sale of the houses to potential buyers, the remaining houses worth Kshs.432,697,190 remained unoccupied.

In the circumstances, the Corporation may not have obtained value for money for the schemes implemented at Kshs.1,275,730,014 included under inventories.

2. Officers in Acting Capacity Beyond Stipulated Time

During the year under review, the Corporation paid a total amount of Kshs.5,410,273 to its staff in respect of acting allowances. Review of the employment records and payroll data revealed that forty-four (44) officers, including top management, were working in various positions in acting capacity for periods exceeding the stipulated six months, and with some officers having been in the acting positions for several years. This was contrary to Section C.14 (1) of the Human Resource Policy and Procedures for Public Service

which states that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.

In the circumstances, Management was in breach of the law

3. Non-Compliance with the One Third of Basic Salary Rule

Review of payroll records revealed that during the months of July, 2022 and June, 2023, twenty-five (25) and eleven (11) staff members respectively had their salary deductions exceeding two-thirds (2/3) of their basic pay. This was contrary to Section C.1(3) of the Human Resource Policies and Procedures Manual for Public Service, May, 2016 which states that public officers shall not over-commit their salaries beyond two thirds (2 /3) of their basic salaries and heads of human resource units should ensure compliance.

In the circumstances, Management was in breach of the law

4. Delayed Implementation of Housing Projects

The statement of financial position and as disclosed in Note 18 to the financial statement reflects scheme in progress balance of Kshs.2,263,261,704. Review of records and audit inspection carried out on a sample of on-going projects revealed the following observations;

4.1 Proposed NHC Stoni Athi Economy Phase II Section 2A - Machakos County

The Corporation entered into the contract with a construction company at a contract sum of Kshs.769,976,976 on 30 September, 2021. The certificate of possession of site was issued on 19 October, 2021 and the project commenced on 9 December, 2021 with the expected completion date was 08 June, 2023.

However, review of payment certificate number 08 dated 25 January, 2023 revealed that the total value of works executed and materials on site amounted to Kshs.110,805,177 or 14% of the contract sum of Kshs.769,976,976. Further, the overall progress of works was at approximately 11% against 70% of time elapsed. In addition, the weekly progress report dated 26 January, 2023 indicated that the time period was at fifty-nine (59) weeks out of seventy-eight (78) weeks representing 75% of time lapsed while the overall progress was at 13%. The project is therefore significantly behind the scheduled time and the completion date of 08 June, 2023 had already lapsed.

As previously reported, NEMA issued a letter to the Corporation on 18 May, 2022 to stop the construction of the project for lack of Environmental Impact Assessment License which resulted to delays or stoppage in the project for 24 weeks starting from 17 May, 2022 to 24 October, 2022. However, the Corporation obtained Environmental Impact Assessment License from National Environmental Management Authority (NEMA) on 5 October, 2022, eleven (11) months after the project commenced on 9 December, 2021. As a result, the contractor in a letter dated 19 August, 2022 raised a

claim on compensation for extension of time and additional costs of Kshs.37,455,041 due to stoppage of works by NEMA.

An extension of time was however granted and completion date revised to 15 November, 2023 which also lapsed without the project having been completed. The contractor applied for an additional time extension on 9 November, 2023, for five (5) months with effect from 16 November, 2023. This application together with other applications were being discussed with the contractor in a bid to reach an amicable position. However, Management has not provided the measures put in place to ensure that the project is completed as expected.

4.2 Stalled Project at NHC Makande Estate - Septic Tanks and Roofing Works

The Corporation entered into a contract during 2018-2019 financial year with a contractor at a contract sum of Kshs.26,102,820 for installation of septic tanks and roofing works. The certified and paid amount as at 30 June, 2023 was Kshs.16,265,293 representing 62% of the contract sum, while the progress of works as at 30 June, 2023 was at 90%. The project commenced on 19 April, 2019 with an expected completion date of 09 August, 2019 which was later extended to 26 October, 2020. However, on 02 February, 2021 the contract was terminated while the progress of works was at 90%. At the time of the audit in the month of January, 2024 which is three (3) years and three (3) months after the expected completion date, the project had stalled and Management has not made any effort to ensure that the project is completed as expected.

Physical inspection carried out in the month of July, 2023 revealed that the septic tanks had been completed and the roofing works had been done. However, the downpipes and pipes connecting the manholes and the septic had not been done, some manholes had no covers and therefore there are pending works which have not been completed. Management did not provide any plans to complete the stalled project. Delay in completion of the project will adversely affect realization of the expected benefits to the Corporation and the public and value for money from the expenditure of Kshs.16,265,293 so far incurred on the project could not be confirmed.

4.3 Completion of Voi Infill Housing Scheme

The contract for the project was awarded to a contractor. The project was to take a period of fifty (50) weeks with an intended completion date of 08 May, 2019. By 30 June, 2023 the value of completed works certified and paid was Kshs.170,839,955 representing 76% of the contract sum and the project was at 75% completion. The contractor had sought and had been granted extension of completion time, and therefore the revised completion date was 18 April, 2024. However, at the time of the audit in January, 2024 the project had not been completed and Management did not provide the Corporation's plans to complete the stalled project.

4.4 Construction of Nyeri Mixed Use Development Project

The contract for the project was awarded to a contractor on 7 March, 2018 at a contract sum of Kshs.330,000,000 with an expected completion time of fifty-two (52) weeks to

21 May, 2019 as per the programme of works submitted by the contractor. The site was handed over to the contractor on 18 April, 2018.

Review of records revealed the following observations;

- i) According to the programme of works submitted by the contractor and the contract signed, the project was to be implemented within fifty-two (52) weeks effective 18 April, 2019 and to be completed by 21 May, 2019. However, the contract had over time been granted eight (8) extensions of time with the latest revised completion date being 25 April, 2023 which translates to two hundred and sixty-two (262) weeks project duration. Further, the contract price had been revised up to Kshs.397,649,358. The works were practically completed on 25 April, 2023 and the project is currently under the defects liability period up to 24 April, 2024. In addition, the houses and facilities were issued with the Occupation Permit on 15 August, 2023.
- ii) During physical inspection, it was observed that there was low demand for the houses since only thirty (30) units had been either booked or sold out of the ninety-one (91) units for sale, while the project was 98% complete.
- iii) The cost benefit analysis of the project revealed that from the expected sales of the units and development cost, the amount so far spent is more than the expected revenue that will be generated from the sales of the units, thus may be an uneconomical venture to the Corporation. As previously reported, the expected sales revenue for the ninety-one (91) units was Kshs.475,920,000 while the estimated development cost for the project was Kshs.527,126,243 thus resulting in an expected loss of Kshs.51,206,243 to the Corporation.
- iv) Management has not provided any evidence of measure taken to ensure that the expected losses have been mitigated to ensure the Corporation is not financially disadvantaged in this project. The delays in the project completion will adversely affect realization of value for money from the expected expenditure of Kshs.527,126,243.

In the circumstances, value for money from the total expenditure incurred on the project could not be confirmed.

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 matters described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Long Outstanding Loan Balances

1.1 Long-Term Loans Advanced

The statement of financial position and Note 16 to the financial statement reflect long term loan advanced balance of Kshs.2,960,170,767 an increase of Kshs.771,507,461 or 35% from the previous year's balance of Kshs.2,188,663,306. Further, the balance of Kshs.2,960,170,767 comprised of amounts of Kshs.19,163,926, Kshs.171,401,873, Kshs.406,135,582 and Kshs.2,363,469,387 in respect of local authorities, rural housing loans, staff loans and tenant purchase loans respectively that have been outstanding for long. Although Management has explained that the Corporation has put in place measures to ensure that the loans are repaid, the balance of Kshs.2,960,170,767 in respect of long-term loan advanced had increased significantly during the year and remained outstanding as at 30 June, 2023.

1.2 Loan Amount Receivables

As disclosed in Note 19 to the financial statements, the statement of financial position reflects loan amount receivable balance of Kshs.3,092,833,803. However, review of the financial statements, ledgers and other records provided for audit revealed the following anomalies:

- (i). Included in the balance is rural housing loans amount of Kshs.779,150,755. Review, of the ledgers supporting the balance revealed that an amount of Kshs.716,565,540 or 90% of the loan remained outstanding for more than one year. Although Management has indicated that various efforts and strategies have been used to recover the debts, the amount has remained outstanding for long.

Out of the Rural Housing loans balance of Kshs.779,150,755 an amount of Kshs.323,352,444 equivalent to 42% was in relation to unsecured loans which is an indication that the Corporation risks losing the amount should the beneficiaries default on the loan repayments.

- (ii). Further, included the balance is an amount of Kshs.2,122,172,674 in respect of outstanding loans from the defunct Local Authorities. This represented an increase of Kshs.259,506,132 from the previous year's balance of Kshs.1,862,666,542 which is an indication that the recoverability of these debts is in doubt.
- (iii). In addition, included in the balance is an amount of Kshs.24,509,528 in respect of staff loans. Review of records revealed that a balance of Kshs.15,491,150 or 63% was long outstanding for more than one year.

- (iv). The balance also includes an amount of Kshs.555,912,644 in respect of tenant purchase loans. The Corporation's loan policy requires invoices be paid within 21 days after they become due. It was however, noted that Tenant Purchase loans amounting to Kshs.389,240,953 remained outstanding for more than one year.

Although Management has explained that the Corporation has put in place measures to ensure the loans are repaid and that some of the debts are written off, the balance of Kshs.3,092,833,803 in respect of loan receivables was outstanding as at 30 June, 2023.

In the circumstances, existence of an effective debt management system could not be confirmed and the recoverability of the loans advanced remains doubtful.

2. Failure to Comply with the Approved Staff Establishment

Review of records revealed that the Corporation has an approved optimum staffing of three hundred and twenty-six (326) personnel. However, during the year under review, the Corporation had a total of one hundred and sixty-six (166) staff or 51% of the required staff. Further, key departments like the Estates Division, Internal Audit, Technical Division and Finance Division were significantly understaffed with some key departments lacking substantive office holder resulting to prolonged acting appointments and overwhelming the existing staff.

In addition, the Corporation had eighty-one (81) temporary staff during the year who paid a total of Kshs.18,333,053. Most of the casual staff were observed to have had their services renewed after every three(3) months throughout the year and were assigned to crucial departments such as finance where they were undertaking essential duties in the various departments due to understaffing in the Corporation. Management has attributed the prevalence of casual labour to the following:

- (i). The Corporation has not been recruiting for a long time owing to the recruitment embargo by the Government and as such, staff have been exiting without subsequent replacements.
- (ii). The Corporation has also been operating without the requisite Human Resources Policy documents as prescribed by the Government. The Corporation attempt to replace Office Administrators was declined by the Head of Public Service due to the lack of these instruments. The Human Resources Instruments were subsequently approved in July, 2023 and operationalized in September, 2023.
- (iii). In addition, the Corporation's salary structure was last reviewed in 2012 and staff promotions have been curtailed by the lack of the Human Resource Policy Instruments. This meant that staff have been in the same position and salary for over twenty (20) years or more.

In the circumstances, failure to recruit or retain the required number of employees may hinder the effective delivery of services by the Corporation.

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 the Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of the intention to terminate the Corporation 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 Corporation's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern 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 Corporation's ability to continue as a going concern. 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 Corporation to cease to continue as a going concern.

- 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 Corporation 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

15 May, 2024

14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2023

DESCRIPTION	NOTES	2022/2023	2021/2022
		Kshs	Kshs
INCOME			
Revenue	6	928,985,564	865,805,751
Cost of Sale		-	-
GROSS PROFIT		928,985,564	865,805,751
OTHER INCOME			
Finance Income	7	147,208,260	25,168,433
Other Income	8	34,831,162	26,436,404
Other Gain /Losses	9	(182,225)	711,770
EPS Sales	10 (b)	44,935,940	91,395,353
TOTAL REVENUE		1,153,778,701	1,009,517,711
OPERATING EXPENSES			
EPS Expenses	10 (c)	103,469,890	138,659,058
Administration Costs	11(a)	795,461,337	794,331,812
TOTAL OPERATING EXPENSES		898,931,227	932,990,870
Profit Before Taxation		256,847,474	76,526,841
Provision for tax	12 (a)	95,112,651	66,112,708
Profit After Taxation		161,734,823	10,414,133
Proposed Dividends	25	8,086,741	520,707
Retained Profits		153,648,082	9,893,426
Profit attributable to Shareholders		153,648,082	9,893,426

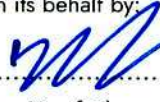
15. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

DESCRIPTION	NOTES	2022/2023	2021/2022
		Kshs	Kshs
ASSETS			
Non Current Assets			
Property, Plant & Equipment	13(b)	3,458,126,872	3,457,486,462
Intangible Asset	14	6,667,380	11,231,159
Investment Property	15	6,317,452,878	6,476,778,878
Long Term loan Advanced	16	2,960,170,767	2,188,663,306
Unquoted Investment	17	104,657,797	104,657,797
Total Non-Current Assets		12,847,075,694	12,238,817,602
Current Assets			
Schemes in Progress	18	2,263,261,704	1,974,829,300
Loan Amount Receivable	19	3,092,833,803	2,863,155,769
Inventories	20	1,305,018,402	3,231,819,977
Trade and other Receivables	21	1,352,592,151	480,014,388
Tax Recoverable	22	122,373,059	166,368,598
Deferred Tax asset	23	61,047,489	35,724,807
Cash and Bank balances	24	945,061,387	688,374,415
Total Current Assets		9,142,187,995	9,440,287,254
TOTAL ASSETS		21,989,263,689	21,679,104,856
EQUITY & LIABILITIES			
Capital and Reserves			
Equity	26	8,815,536,300	7,960,352,689
Unrealised Gain on Sale of Houses	27	405,340,338	435,095,730
Retained Earnings	28	4,014,868,691	3,861,220,609
House Equalization	29	383,118,995	383,118,995
Revaluation Reserve	30	7,447,464,652	7,595,940,879
Total Capital and Reserves		21,066,328,976	20,235,728,902
Current Liabilities			
Trade and other Payables	32	914,327,264	1,440,266,933
Dividend payable	25	8,607,448	3,109,021
Total Current Liabilities		922,934,712	1,443,375,957
TOTAL EQUITY & LIABILITIES		21,989,263,689	21,679,104,856

The Corporation's financial statements were approved by the Board on 27th Sep 2023 and signed on its behalf by:


QS. David Mathu, MBS
Managing Director


CPA Joel Gatune
General Manager Finance
ICPAK No. 3200


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

16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2023

	EQUITY	UNREALISED GAIN ON SALE OF HOUSES	RESTATED RETAINED PROFIT	HOUSE EQUALIZATION RESERVE	REVALUATION RESERVE	TOTAL
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
1ST JULY 2021	6,936,000,000	479,867,347	3,857,585,040	383,118,995	7,748,179,684	19,404,751,066
Park road AHP	1,024,352,689					1,024,352,689
Unrealised Gain (Note 27)		7,827,368				7,827,368
Realised Gain (Note 27)		(52,598,985)				(52,598,985)
Adjustment on overprovision of Dividend & Insurance			5,694,063			5,694,063
Adjustment on Unutilised Insurance Prepayments			(11,951,920)			
Proposed dividends for year (Note 25)			(520,707)			(520,707)
Profit for the year (Note 28)			10,414,133			10,414,133
Revaluation reserve (Note 30)					(152,238,805)	(152,238,805)
30th JUNE 2022	7,960,352,689	435,095,730	3,861,220,609	383,118,995	7,595,940,878	20,235,728,901
1ST JULY 2022	7,960,352,689	435,095,730	3,861,220,609	383,118,995	7,595,940,878	20,235,728,901
Park road AHP	855,183,611					855,183,611
Unrealised Gain (Note 27)		9,657,573				9,657,573
Realised Gain (Note 27)		(39,412,965)				(39,412,965)
Proposed dividends for year (Note 25)			(8,086,741)			(8,086,741)
Profit for the year (Note 28)			161,734,823			161,734,823
Revaluation reserve (Note 30)					(148,476,227)	(148,476,227)
30TH JUNE 2023	8,815,536,300	405,340,338	4,014,868,691	383,118,995	7,447,464,652	21,066,328,977

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2023

DESCRIPTION	NOTES	2022/2023	2021/2022
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from (used in) operations	33	309,803,075	(755,244,434)
Taxation paid	22	(76,439,793)	(106,352,259)
Dividends paid	25	(2,588,314)	(15,495,181)
Net cash generated from/(used in) operating activities		230,774,968	(877,091,874)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets			
- Property, Plant & Equipment	13	(58,891,766)	(23,953,834)
- Intangible Assets	14	-	(9,836,800)
- Investment Property	15	-	(2,328,830)
Proceeds from disposal of fixed asset		372,392	
Loans advanced	34	(46,282,010)	(77,954,084)
Tenant purchase loans advanced	34	(1,110,580,392)	(56,486,150)
Redemption of loans	34	120,439,345	160,307,301
Redemption of TP Loans	34	264,915,596	348,102,660
Net cash generated from/(used in) investing activities		(830,026,835)	337,850,263
CASH FLOWS FROM FINANCING ACTIVITIES			
Absa Loan Paid	31		(396,586,142)
Interest on Absa Loan Paid			(896,551)
Equity Injection (Parkroad AHP)	26	855,938,841	1,024,352,689
Net cash generated from/(used) in financing activities		855,938,841	626,869,996
Increase / (Decrease) in cash and cash equivalents		256,686,974	87,628,385
Cash & Cash Equivalents at the beginning of the period		688,374,413	600,746,028
Cash & Cash Equivalents at the end of the period	24	945,061,387	688,374,413

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2023

	Original Budget	Adjustments	Final Budget	Actual 2022 - 2023	Variance	% of Variance
Revenue	Kshs	Kshs	Kshs	Kshs		
Interest Earned	514,738	-	514,738	583,808	69,070	13%
Other income	40,720	-	40,720	34,831	(5,889)	-14%
Finance income	47,200	-	47,200	147,208	100,008	212%
Rental income	305,551	-	305,551	253,919	(51,632)	-17%
Professional fees	143,974	-	143,974	45,527	(98,447)	-68%
Gain on sale of houses	99,367	-	99,367	45,731	(53,636)	-54%
Loss on Disposal of asset	-	-	-	-182	(182)	-
EPS Factory sales	447,858	-	447,858	44,936	(402,922)	-90%
Total income	1,599,408	-	1,599,409	1,155,779	(443,630)	-28%
Expenses						
Salaries & Benefits	450,863	-	450,863	289,085	161,778	36%
Staff Uniforms	1,100	-	1,100	350	751	68%
Staff Training	25,000	-	25,000	17,222	7,779	31%
Staff Welfare/Sports Clubs	5,500	-	5,500	4,942	559	10%
Travelling General	20,000	23,000	43,000	38,000	5,000	12%
Marketing, Advertising & Public Relations	11,348	3,000	14,348	12,898	1,450	10%
Audit fees	1,320	-	1,320	1,200	120	9%
Rents - Offices	22,000	1,000	23,000	21,709	1,291	6%
Telephones & Postage	6,600	-	6,600	4,172	2,428	37%
Printing & Stationery	8,400	-	8,400	7953	106	1%
Exhibitions/Shows	3,576	-	3,576	2,098	1,478	41%
Library expenses & Publication/subscriptions	2,200	200	2,400	1,585	815	34%
Official Entertainment	8,400	1,000	9,400	9,370	30	0%
Debt collect expenses	5,000	4,000	9,000	7,256	1,744	19%
Motor vehicle - Running Expenses	8,780	2,000	10,780	10,664	117	1%
Furniture & other Equipment Maintenance	45,100	-11,500	33,600	23,107	5,915	18%
Insurance	9,000	-	9,000	5,213	3,788	42%
Bad Debts	70,000	10,500	80,500	75,344	5,156	6%
Legal charges	33,000	-	33,000	31,178	1,822	6%
Misc & Consultancy General	27,825	6,000	33,825	24,560	9,264	27%

(Continued)

	Original Budget	Adjustments	Final Budget	Actual 2022 - 2023	Variance	% of Variance
CSR	1,000	-	1,000	174	826	83%
NHC rebranding	552	-	552	-	552	100%
Depreciation	82,273	-	82,273	49,352	32,921	40%
Bank Charges	4,400	-	4,400	1,982	2,418	55%
Property & Estates	50,000	21,800	71,800	66,957	4,843	7%
Board Expenses	40,000	-	40,000	39,940	40	0%
Medical Insurance	56,000	-	56,000	49,152	6,845	12%
EPS Factory Expenses	431,651	-61,000	370,651	103,470	267,181	72%
Service charge valuation	15,000	-	15,000	-	15,000	100%
NHDF expenses	16,710	-	16,710	-	16,710	100%
NHDF remittance of profit	18,492	-	18,492	-	18,492	100%
Total expenditure	1,481,090	-	1,481,090	898,933	577,036	39%
Surplus for the period	118,318	-	118,318	256,846	136,557	53%

EXPLANATION OF MATERIAL VARIANCES ON STATEMENT OF BUDGET AND ACTUAL COMPARISONS

a. Revenues

i. Interest

The favourable variance reported in interest income was majorly attributable to Board's decision to on-board Parkroad Housing Scheme as one of our tenant purchase schemes upon receiving the title documents of the scheme from SDHUD. In addition, conversion of the Langata Commercial Center from an outright sale to a tenant purchase project, resulted in an increase in interest income.

ii. Finance Income

The major variance under the finance income was mainly due to the interest income on amounts that are being held in the Boma Yangu Fund that relate to proceeds from the sale of Parkroad.

iii. Gain on Sale of Houses

The negative variance is attributable to the slow market uptake of the Kibera Depot Housing Scheme. The scheme has since been converted a rental scheme as we wait to sell.

iv. Rent Income

The adverse variance on rental income is attributable to;

- i. Voids at NHC house, occasioned by the exit of some tenants namely; the Kenya National Examinations Council which previously occupied the mezzanine, first, second and third floors. The Nairobi College of Bread and Rovers restaurant also surrendered their let spaces in the period under review. So far, the Corporation has successfully let the mezzanine space and is currently marketing the other spaces through the various advertisement channels. We continue to receive a number of enquiries on the vacant spaces which we expect to progress to contracts.
- ii. The Corporation did not achieve its target due to delayed completion of the Changamwe Infill Phase II scheme. Out of 6 blocks, 5 blocks have been handed over to the Corporation and the last one block has been inspected by County Government and the occupational certificate has been issued. The block will be handed by September 2023.
- iii. The variance reported under Voi rental is attributable to the delayed completion of the housing scheme. In the period under review, the Corporation had budgeted rental income of Kshs. 11 million from this project. The contractor has been granted extension of time up to October 2023 to enable him to complete the works.

v. Professional Fees

The Corporation did not achieve its target due to delay in commencement of Changamwe III Sector I, Kericho Phase I, Kakamega Amalemba and Eldoret Phase I. However, we expect the projects to commence in this quarter one of 2023/2024, as the projects have been awarded.

b. Recurrent Expenditure

i. Salaries & Benefits

The Corporation had budgeted to recruit 23 more staff and adopt new HR instruments within the year under review. However, this is to be finalized in 2023/2024, hence the low expenditure.

ii. Depreciation

The variance reported is due to budgeted purchase of fixed assets that the Corporation is yet to buy. The management prioritized project expenditure over non-project capital expenditure in the year under review.

iii. EPS Expenses

The EPS factory did not achieve its target mainly due to stockout of beads. This has since been resolved and the factory is now operational.

iv. Other Operational Costs

The favourable variance reported is due to decision to adopt cost cutting measures in line with the prudent utilization of resources.

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement of re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. There are currently no areas involving a higher degree of judgement or complexity, or where assumptions and estimates made are significant to the financial statements.

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

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

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

i. *New and amended standards and interpretation in issue but not yet effective in the year ended 30th June 2023.*

TITLE	DESCRIPTION	EFFECTIVE DATE
IAS 8 - Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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

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

TITLE	DESCRIPTION	EFFECTIVE DATE
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements).

iii. *Early adoption of standards*

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

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

- i. **Revenue from the sale of goods and services** is recognised in the period in which the Corporation delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii. **Grants from National Government** are recognised in the period in which the Corporation actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii. **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv. **Dividend income** is recognised in the income statement in the period in which the right to receive the payment is established.
- v. **Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi. **Other income** is recognised as it accrues.

b) In-kind contributions

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

c) Property, Plant and Equipment

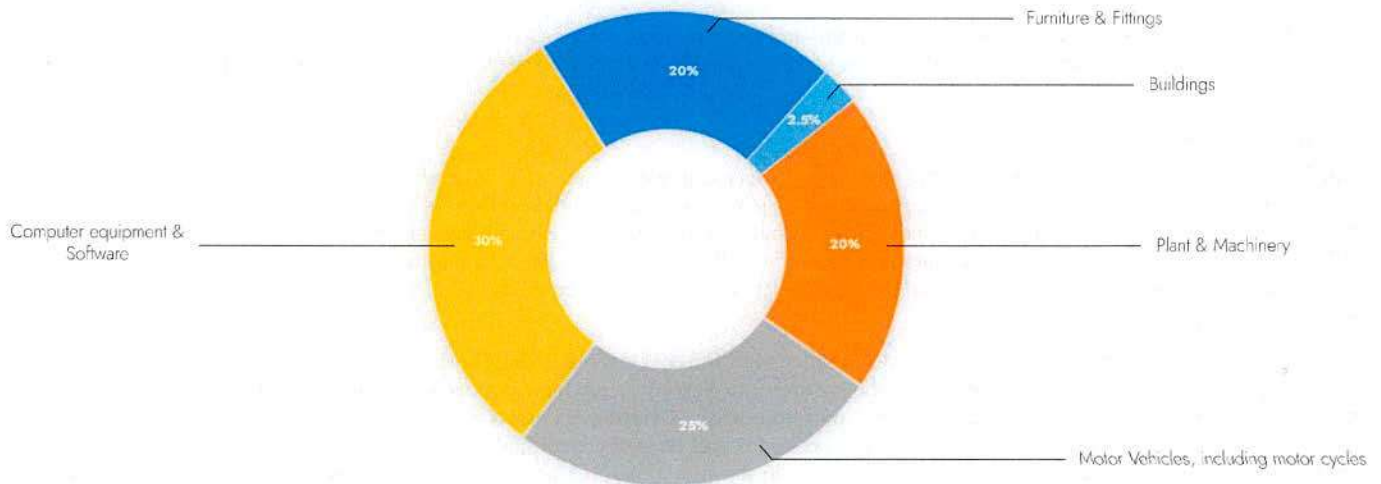
All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

d) Depreciation and Impairment of Property, Plant and Equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life. The annual rates in use are:



Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. Amortization of intangible assets is recognized in the income statement on reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life.

e) Intangible Assets

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. Amortization of intangible assets is recognized in the income statement on reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life.

f) Amortization and Impairment of Intangible Assets

Amortization is calculated on the reducing balance basis at a rate of 30% per annum. All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

g) Investment Property

Buildings, or part of a building and land held for long term rental yields and/or capital appreciation, and which are not occupied by the Corporation, are classified as investment property under non-current assets. The Corporation has carried some of its investment property at fair value, with the changes being recognized in other comprehensive income and changes in fair value of investment properties being recognized in the statement of profit or loss. Revaluations are performed by professional valuers every five years to ensure that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. In June 2017 the Corporation revalued its Land, Building and Investment properties. The valuation was done by an independent valuer Cyprian Wanjir of Dansal and Associates limited.

h) Unquoted investments

Unquoted investments stated at cost under non-current assets, comprise of equity shares held in other Government owned or controlled entities.

i) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the basis of first in first out (FIFO) method.

j) Trade and Other Receivables

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

k) Taxation

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

i. Income taxes

The Corporation is subject to income taxes in Kenya. Significant judgment is required in determining the Corporation's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

ii. Deferred Tax

The Corporation accounts for deferred tax in accordance with IAS 12, Income Taxes. Deferred tax liability is recognized for all taxable temporary differences except to the extent that the deferred tax liability arises from goodwill and initial recognition (except for business combinations and for transactions affecting neither profit nor loss). Deferred tax assets are recognized on amounts recoverable in future periods in respect of temporary differences, unused tax losses and unused tax credits carried forward. The carrying amount of deferred tax assets is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is measured at the tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

l) Cash and Cash Equivalents

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

m) Borrowings

Interest bearing loans are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

n) Trade and other payables

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

o) Retirement Benefit Obligations

The entity operates a defined contribution scheme for all full-time employees. The scheme is administered by an in-house team and is funded by contributions from both the Corporation and its employees.

The Corporation also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Corporation's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per month per employee.

q) Exchange Rate Differences

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

r) Comparative Figures

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

s) Subsequent Events

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

5. Significant Judgments and Sources of Estimation Uncertainty

i. Estimates and assumptions

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

ii. Useful lives and residual values

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

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

iii. Provisions

In determining the amount of potential loss in specific impaired loans or in the aggregate loan portfolio, all relevant factors are considered including, *but not limited to historical loan loss experience, current economic conditions, the effectiveness of the Corporation's lending policies and collection procedures, and the timeliness and accuracy of its loan review function.*

The following minimum percentage amounts for provisioning are maintained according to assigned classification. Where reliable information indicates that losses are likely to be more than these minimum amounts, larger provisions shall be made.

- a. For loan classified "Normal" 1%
- b. For loans classified "Watch" 3%
- c. For loans classified "Substandard" 20%
- d. For loans classified "Doubtful" 100%
- e. For loans classified "Loss" 100%.

Further, Management makes general provisions for potential non-loan losses annually in the financial statements. The conditions cited above for provisions of loan losses will also apply to non-loan losses. A provision of 10% of the outstanding rent shall be made on quarterly basis.

6. Revenue

	2022/2023	2021/2022
	Kshs	Kshs
Interest	583,808,236	479,863,585
Rents	253,919,462	261,829,873
Professional Fees	45,526,566	65,726,767
Gain on Sale of Houses	45,731,300	58,385,526
TOTAL	928,985,564	865,805,751

7. Finance Income

	2022/2023	2021/2022
	Kshs	Kshs
Interest from current accounts with banks	48,403,433	25,168,433
Interest Receivable from Boma Yangu	98,804,827	
TOTAL	147,208,260	25,168,433

8. Other Income

	2022/2023	2021/2022
	Kshs	Kshs
Interest on Staff Loans	15,416,820	16,294,880
Income from Partnerships	-	-
Gain on Disposal of Fixed Assets	-	
Service charge Management fees	7,894,779	5,368,541
Miscellaneous (Tender Documents, Legal fees, Safaricom Mast, Lease renewal fees)	11,519,563	4,772,982
TOTAL	34,831,162	26,436,404

9. Other Gains and Losses

	2022/2023	2021/2022
	Kshs	Kshs
Gain/(Loss) on Disposal of Fixed Assets	(182,225)	711,770
Total	(182,225)	711,770

10. Manufacturing, Trading, Profit and Loss Account (EPS Factory)

National Housing Corporation established the EPS factory as a division in 2009 to engage in the production and dissemination of an alternative building technology system named EPS. The factory manufactures expanded polystyrene panels (EPS) and meshes for use in the construction of affordable housing. The installed annual capacity of the factory is about 2,000 three-bedroom housing units. There are currently 33 number officers employed in the division with 24 number of them being machine operators (both permanent and casual) and the rest being in management and marketing operations.

a) Manufacturing Account

	2022/2023	2021/2022
	Kshs	Kshs
Raw Materials Consumed	34,792,917	55,513,696
Direct Labour	18,277,987	23,819,086
Other Direct Overheads	13,409,922	6,240,213
Prime Costs	66,480,826	85,572,995
Production and Other Factory Overheads	6,297,195	6,159,828
Depreciation	22,771,478	22,825,392
Opening Cost of Work in Progress	2,400,535	6,201,463
Add: Purchases	-	-
Less: Closing Cost of Work in Progress	(4,704,328)	(2,400,535)
Production Costs of Goods Completed	93,245,706	118,359,143

b) Trading, Profit and Loss Account

	2022/2023	2021/2022
	Kshs	Kshs
Sales	44,935,940	91,395,353
Cost of Goods Sold		
Opening Stock of Finished Goods	6,032,067	11,056,707
Production Costs of Goods completed	93,245,706	118,359,065
Closing Stock of Finished panels(Cost)	(7,273,465)	(6,032,067)
Cost of Goods Sold	92,004,308	123,383,705
Gross Profit / (Loss)	(47,068,368)	(31,988,352)
Selling and Marketing Costs	3,825,258	3,597,675
Depreciation	970,595	1,019,874
Administration expenses	6,669,729	10,657,804
Total Adm Expenses	11,465,582	15,275,353
Trading Loss	(58,533,950)	(47,263,705)

c) EPS trading loss is arrived at after charging

	2022/2023	2021/2022
	Kshs	Kshs
Cost of Goods Sold	92,004,308	123,383,705
Selling and Marketing Costs	3,825,258	3,597,675
Depreciation	970,595	1,019,874
Administration expenses	6,669,729	10,657,804
TOTAL	103,469,890	138,659,058

11. Profit Before Tax

a) Administration Cost

	2022/2023	2021/2022
	Kshs	Kshs
Staff Costs(Note 11b)	289,085,721	282,905,287
Directors' emoluments	39,940,254	21,372,407
Auditors Remuneration	1,200,000	1,200,000
Property & Estates	66,956,684	50,309,976
Motor Vehicle Expenses	10,663,993	6,402,842
Repairs of Equipment	23,106,576	19,807,432
Travelling General	38,000,502	19,800,408
Printing & Stationery	7,952,715	9,436,858
Office rents	21,708,926	21,098,894
Postage & Telephones	4,171,780	3,871,306
Advertising	12,898,387	12,215,540
Insurance	5,212,554	4,477,950
Bank Charges	1,982,269	2,437,590
Library Expenses	1,584,869	1,399,309
Staff Uniforms	349,584	1,148,526
Exhibition	2,097,612	6,236,349
Training	17,220,588	11,926,496
Bad Debts Provision	75,343,769	101,121,393
Post contract payments	-	56,299,493
Debt Collection Expenses	7,255,811	7,600,063
Legal Charges	31,178,458	21,678,882
Staff Sports Club	555,460	673,770
Consultancy General	24,560,941	22,349,822
Medical in Patient	49,151,983	51,341,199
Entertainment	9,370,409	8,365,496
Staff welfare	4,385,210	5,452,170
Donations	174,400	
Depreciation	44,788,103	38,933,576
Amortization	4,563,779	4,468,778
Total Administration Costs	795,461,337	794,331,812

b) Staff Costs

Staff costs comprise the following:

	2022/2023	2021/2022
	Kshs	Kshs
Salaries and Allowances	222,897,312	223,238,770
Temporary Employees	18,333,053	12,489,109
Interns Allowance	-	-
NSSF	1,963,440	2,069,280
Other pension contributions	24,833,821	25,518,372
Leave pay	12,781,057	12,699,743
Gratuity Provisions	8,277,039	6,890,012
GRAND TOTALS	289,085,721	282,905,287
The average no of employees at the end of the period was:		
Permanent Employees	142	142
Contracted Employees	24	28
Temporary Employees	81	48
TOTAL	247	218

The number of persons employed by the Corporation as at 30th June 2023 was 247.

National Housing Corporation established the NHC provident fund scheme in 1998. In compliance with the Treasury Circular number 18/2010, the scheme was closed from 1st July 2011 and the staff retirement benefits scheme (Defined Contribution) was established then. The provident fund scheme is established under trust and was closed to new entrants and any further contributions to the scheme were stopped by the Corporation.

The staff retirement benefits scheme was established for all new and eligible employees who had more than five years to attain the mandatory retirement age of sixty years and whose terms of service were not to remain contractual.

The Corporation therefore only makes contributions to the staff retirement benefits scheme. As at 30th June 2023, there were no amounts owed to the Staff Retirement Benefits Scheme.

c) Operating profit/(Loss)

	2022/2023	2021/2022
	Kshs	Kshs
Operating profit/(loss) is arrived at after charging/(crediting)		
Staff cost (note 9b)	(289,085,721)	(282,905,287)
Administration cost	(340,533,711)	(344,330,371)
Depreciation of property, plant and equipment	(44,788,103)	(38,933,576)
EPS Expenses	(103,469,890)	(138,659,058)
Amortisation of intangible assests	(4,563,779)	(4,468,778)
Provision of bad and doubtful debts	(75,343,769)	(101,121,393)
Directors' Emoluments - Fees	(39,946,254)	(21,372,407)
- Others		
Auditors' Remuneration - Current Period	(1,200,000)	(1,200,000)
Professional fees	45,526,566	65,726,767
Gain on sale of Houses	45,731,300	58,385,526
Finance income	147,208,260	25,168,433
Interest receivable	583,808,236	479,863,585
Rent receivable	253,919,462	261,829,873
EPS sales	44,935,940	91,395,353
Other incomes	34,831,162	26,436,404
Other Gains/Losses	(182,225)	711,770
OPERATING PROFIT	256,847,474	76,526,841

12. Income Tax Expenses/(Credit)

a) Current Taxation

	2022/2023	2021/2022
	Kshs	Kshs
Provision for tax for the Year	120,435,333	91,052,179
Deferred tax for the year	(25,322,682)	(24,939,471)
TAXATION CHARGE	95,112,651	66,112,708

b) Reconciliation of expected tax based on profit before taxation

	2022/2023	2021/2022
	Kshs	Kshs
Profit before taxation	256,847,474	76,526,841
Tax applicable rate of 30% of PBT	76,951,750	22,958,052
Tax effect of expenses not subject to tax	51,903,924	74,610,197
Wear & Tear allowance	(8,522,833)	(6,516,070)
Provision for tax	120,435,333	91,052,179
Deferred tax	(25,322,682)	(24,939,471)
Total taxation charge	95,112,651	66,112,708

13. (a) Property, Plant and Equipment Schedule

National Housing Corporation Property, Plant & Equipment Movement Schedule 2022/2023

FIXED ASSETS	LAND	BUILDING	EPS PRODUCTION PLANT & MACHINERY	EQUIPMENT	MOTOR VEHICLES	FURNITURE & FITTINGS	COMPUTER SYSTEM	TOTAL
COST		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
AT 1ST JULY 2021	2,296,227,003	800,000,000	562,136,778	85,841,745	64,293,988	137,490,575	100,442,542	4,046,432,631
Additions				1,755,907	7,085,700	9,517,486	5,594,741	23,953,834
Revaluation								-
Disposals				(93,000)				(93,000)
Adjustments	(77,107)					(504,300)		(581,407)
AT 30th JUNE 2022	2,296,149,896	800,000,000	562,136,778	87,504,652	71,379,688	146,503,761	106,037,283	4,069,712,058
AT 1ST JULY 2022	2,296,149,896	800,000,000	562,136,778	87,504,652	71,379,688	146,503,761	106,037,283	4,069,712,058
Additions				3,018,800	36,520,000	3,568,800	15,784,166	58,891,766
Revaluation								-
Disposals				(216,699)			(7,128,563)	(7,345,262)
Adjustments								-
AT 30th JUNE 2023	2,296,149,896	800,000,000	562,136,778	90,306,753	107,899,688	150,072,561	114,692,886	4,121,258,562
DEPRECIATION								
AT 1ST JULY 2021		77,845,864	180,698,117	67,935,171	47,798,444	101,884,952	84,872,065	561,034,612
Adjustment prior year								-
Charge for the Year								-
-Amortization								-
-Depreciation		5,751,598	17,664,139	2,973,473	4,165,400	4,013,628	4,568,981	39,137,218
On Disposal/ Adjustment		12,092,079		(38,282)				12,053,798
AT 30th JUNE 2022		95,689,541	198,362,255	70,870,362	51,963,844	105,898,580	89,441,045	612,225,627
AT 1ST JULY 2022		95,689,541	198,362,255	70,870,362	51,963,844	105,898,580	89,441,045	612,225,627
Adjustment prior year								-
Charge for the Year								-
-Amortization								-
-Depreciation		5,609,444	17,787,377	3,001,813	7,405,841	4,902,578	7,196,472	45,903,526
On Disposal/ Adjustment		11,793,217		(165,548)			(6,625,130)	5,002,539
AT 30th JUNE 2023	2,296,149,896	113,092,202	216,149,632	73,706,627	59,369,685	110,801,158	90,012,388	663,131,692
NET BOOK VALUE								
AT 30th JUNE 2022	2,296,149,896	704,310,459	363,774,523	16,634,290	19,415,844	40,605,181	16,596,238	3,457,486,431
AT 30th JUNE 2023	2,296,149,896	686,907,798	345,987,146	16,600,126	48,530,003	39,271,403	24,680,498	3,458,126,872

13. (b) Property, Plant and Equipment at Cost

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	2,296,149,896		2,296,149,896
Buildings	800,000,000	113,092,202	686,907,798
Plant and machinery	562,136,778	216,149,632	345,987,146
Motor vehicles, including motorcycles	107,899,688	59,369,685	48,530,003
Computers and related equipment	114,692,886	90,012,388	24,680,498
Office equipment	90,306,753	73,706,627	16,600,126
Furniture and fittings	150,072,561	110,801,158	39,271,403
	4,121,258,562	663,131,692	3,458,126,872

14. Intangible Assets

Intangible Assets have been recognized using the cost model as shown below;

	2022/2023	2021/2022
Cost	Kshs	Kshs
At start of the year	51,260,698	41,423,898
Additions	-	9,836,800
At end of the year	51,260,698	51,260,698
Amortization		
At start of the year	40,029,539	35,560,761
Charge in the year	4,563,779	4,468,778
At end of the year	44,593,318	40,029,539
Net Book Value	6,667,380	11,231,159

15. Investment Property

Investment property has been recognized using the cost model as shown below:

	2022/2023	2021/2022
Cost	Kshs	Kshs
At start of the year	7,349,668,269	7,347,262,332
Additions	-	2,328,830
Revaluation		
Disposals/ Adjustments	-	77,107
At end of year	7,349,668,269	7,349,668,269
Depreciation		
At start of the year	872,889,391	709,101,034
Charge for the Year	22,642,990	23,641,546
On Revaluation	136,683,010	140,146,811
Adjustment	-	-
At end of year	1,032,215,391	872,889,391
Net book Value	6,317,452,878	6,476,778,878

16. Long Term Loans Advanced

These are made of loans to Local Authorities, Rural Housing Loans, Staff Loans and Tenant Purchase Loans.

	2022/2023	2021/2022
	Kshs	Kshs
Local Authorities	19,163,926	20,125,821
Rural Housing Loans	171,401,873	214,660,646
Staff Loans	406,135,582	436,072,240
Tenant Purchase	2,363,469,387	1,517,804,600
Total	2,960,170,767	2,188,663,306

17. Unquoted Investments

These are investments held with;

	2022/2023	2021/2022
Consolidated Bank	Kshs	Kshs
4% Non-Cum Preference Shares of Sh.20.00 each	4,100,000	4,100,000
Ordinary Shares of Sh.20 each	1,100,000	1,100,000
Research & Development Ltd	99,457,797	99,457,797
Total	104,657,797	104,657,797

The Consolidated Bank shares are valued at cost. They arose following take-over of Jimba Credit, Union Bank and Business Finance Ltd by the Government of Kenya.

The Research Development Unit Company Limited (a wholly owned subsidiary of NHC). The Corporation suspended operations of the subsidiary in financial year 2013/2014 with a view to developing a new strategy to reverse the trend of losses. Thereafter, the Corporation resolved through its Board of Directors that the unit be liquidated.

The operations of the Subsidiary were discontinued in the financial year 2013/2014 hence it has not been operational since then. To comply with the reporting requirements in IAS 1 Presentation of Financial Statements, Management did not Consolidate the financials. This is because IAS 1 guides that when the going concern of the company is in question, consolidation of the financial statements would be misleading to users of the financial statements.

18. Schemes In Progress

These are valued at cost, and comprise:

	2022/2023	2021/2022
	Kshs	Kshs
Tenant Purchase	779,549,479	685,455,099
Outright sale	1,064,040,889	1,055,204,826
AHP Schemes	393,070,622	234,169,375
Other Projects	26,600,713	-
Total	2,263,261,704	1,974,829,300

19. Loan Amounts Receivable

	2022/2023	2021/2022
	Kshs	Kshs
Rural Housing Loans		
Amounts Due	779,150,755	770,347,150
Provision for Bad Debts	(403,512,107)	(379,607,915)
	375,638,648	390,739,235
Local Authorities	2,122,172,674	1,862,666,543
Staff Loans	24,509,528	21,270,459
Tenant Purchase	555,912,643	513,261,675
Outright sale Debtors	14,600,310	75,217,857
Total	3,092,833,803	2,863,155,769

Credit Management Policy

Credit risk is the potential that a borrower will fail to meet his obligation in accordance with the agreed terms. The Corporation mitigates against such risks through insurance and by carrying out credit risk control appraisal before issuing loans.

In arriving at the provision for bad debts, management has taken into consideration past loan loss experiences, current economic conditions, the composition of the debt portfolio and reviews and evaluations of specific loans.

A specific provision for bad debts has been provided for Rural Housing Loans and rent debtors and it is reflected in both the statements of financial position and the statement of comprehensive income as per NHC's Credit Management Policy clause 6.6.3.1 that provides for specific provisions. No provision has been provided for local authority, tenant purchase loans and outright sale debtors, as the debts are secured on the properties.

20. (a) Inventories

Inventories have been valued at the lower of cost and net realizable value (NRV) and are made up of:

	2022/2023	2021/2022
	Kshs	Kshs
Consumables	17,220,595	18,989,763
Stock of unsold houses - NHC	1,275,730,014	3,200,093,313
EPS Work In Progress	4,704,328	2,400,535
EPS stock of Finished panels	7,273,465	6,032,066
EPS stock of Raw materials	90,000	4,304,300
Total	1,305,018,402	3,231,819,977

20. (b) Consumables

	2022/2023	2021/2022
	Kshs	Kshs
Consumable Inventories - NHC	4,953,513	3,163,621
Consumable Inventories - EPS	12,267,082	15,826,142
Total	17,220,595	18,989,763

21. Trade And Other Receivables

	2022/2023	2021/2022
	Kshs	Kshs
Rent Arrears	316,059,751	297,910,288
Provision for bad debts on Rents	(152,911,183)	(101,471,605)
Sub-Total	163,148,567	196,438,683
Debtors	1,189,443,584	283,575,705
Total	1,352,592,151	480,014,388

a) Aging analysis (Rent)

DESCRIPTION	1 - 30 DAYS	31 - 60 DAYS	61 - 90 DAYS	91 - 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	TOTAL
NHC HOUSE	2,517,819	2,350,840	1,423,013	3,440,088	4,841,790	71,782,669	86,356,219
WOODLEY ESTATE	220,373	68,935	45,951	-	-	1,703,030	2,038,289
SADIROAD ESTATE	440,099	215,100	158,030	266,560	223,976	10,283,695	11,587,460
KIBERA	99,000	88,000	76,000	98,300	120,000	1,427,453	1,908,753
MD'S RESIDENCE - NYARI HSE	189,671	-	-	-	-	-	189,671
SADIROAD INFILL	227,840	160,421	97,500	122,420	162,500	7,680,561	8,451,242
WOODLEY INFILL	(14,039)	-	-	-	85,956	3,127,961	3,199,878
KARANJA ROAD INFILL FLATS	83,000	53,000	38,000	77,000	180,000	891,000	1,322,000
KIBERA OLYMPIC VIEW	393,400	228,000	138,750	109,500	50,000	-	919,650
MADARAKA	37,410	37,410	37,410	112,230	196,846	40,326,952	40,748,258
CHANGAMWE RENTAL	3,512,175	2,505,289	1,990,000	5,093,420	7,079,616	105,487,746	125,668,246
CHANGAMWE INFILL	370,815	182,874	129,985	289,727	306,105	2,008,939	3,288,445
VOI RENTALS	19,300	45,000	45,000	87,000	66,000	2,539,000	2,801,300
JOMO KENYATTA - RENTAL	268,593	102,322	41,445	69,720	45,370	246,578	774,027
LIKONI RENTAL	-	-	-	-	-	3,067,332	3,067,332
CHANGAMWE INFILL PHASE II	1,541,150	117,300	54,500	56,500	-	-	1,769,450
TUNTU RENTALS - NHC	-	-	-	-	-	313,880	313,880
STONI ATHI ECONOMY	194,500	260,800	215,650	386,250	534,700	695,800	2,287,700
STONI ATHI ECONOMY PHASE II	438,007	243,499	129,500	233,750	313,500	147,150	1,505,406
KITHIMANI RENTALS	36,000	33,000	32,000	89,000	191,750	1,718,650	2,100,400
MARSABIT RENTAL	19,000	19,000	19,000	47,000	75,000	1,337,141	1,516,141
WAMAGANA RENTAL SCHEME NYERI	14,000	14,000	11,744	33,000	36,000	240,240	348,984
MUMBI ESTATE - MURANG'A	64,400	45,996	42,000	72,000	58,500	37,500	320,396
NAKURU BONDENI RENTAL	-	-	-	-	-	1,468,250	1,468,250
NJORO RENTALS- NAKURU	20,758	17,000	14,300	38,350	55,081	305,454	450,943
MOGOTIO RENTALS	-	-	-	-	-	384,000	384,000
BONDENI I ELDORET RENTALS	48,800	15,800	6,400	1,550	-	26,200	98,750
BONDENI II ELDORET RENTALS	28,670	15,650	7,920	-	-	1,100	53,340
KAPSUSWA II ELDORET RENTAL	40,158	27,133	21,892	50,154	49,711	121,000	310,048
KAPSUSWA III ELDORET RENTALS	23,330	16,330	11,730	22,290	11,970	2,245	87,895
KIDIWA 4 ELDORET RENTALS	133,016	103,500	81,807	189,691	230,363	1,268,458	2,006,835
KIPCHOGE ELDORET RENTALS	85,052	52,190	35,108	59,481	46,500	116,720	395,051
ITEN RENTALS	-	-	-	-	-	591,000	591,000
ELGON VIEW-ELDORET	239,000	90,000	90,000	140,000	135,000	2,830,643	3,524,643
NAMBALE RENTAL SCHEME	40,000	40,000	40,000	120,000	200,000	1,008,120	1,448,120
AMAGORO RENTAL SCHEME	28,500	19,500	19,500	58,500	85,000	283,005	494,005
KISII RENTAL-NHC	1,100	550	550	1,650	2,750	60,550	67,150
MISC ESTATES	54,240	-	96,163	52,880	27,903	1,965,410	2,196,595
TOTALS	11,415,136	7,168,438	5,150,848	11,418,011	15,411,887	265,495,430	316,059,751

b) Aging Analysis (Debtors)

DETAILS	CURRENT	1-90 DAYS	91-180 DAYS	181-270 DAYS	271-360 DAYS	OVER 360 DAYS	TOTAL
Fuel Deposit Total Kenya				183,000		597,000	780,000
Deposit Ministry Of Works						765,741	765,741
Fuel Deposit - Mombasa						21,000	21,000
Deposit - Postmaster General						8,622	8,622
Toyota Kenya Repairs Deposit						200,000	200,000
Deposits With Nairobi Hospital						149,000	149,000
Deposits With Mater - Misericordiae						270,000	270,000
Deposits With Aga Khan Hospital						200,000	200,000
Deposits With Aga Khan Hospital -Mbs						50,000	50,000
Deposit With Gertrude G. Hospital						10,000	10,000
Deposits With Kenyatta N. Hospital						200,000	200,000
Deposits With Valley Hospital Nakuru						50,000	50,000
Deposit With Kp&Lc Kanyakwar Ph 1						500,000	500,000
Deposit-East Africa Courier Lt						30,000	30,000
Nyaencha W.& Ogetto Otachi & CO JA - legal fees			80,908,455			100,000	81,008,455
Rent Deposit - Kenya Re Kisumu Office						214,261	214,261
Deposits K.P. & T. Comm.						30,000	30,000
ASL Limited Trading	323,308					-	323,308
National Cement Company Ltd	160,068					-	160,068
Deposit K.P. & T. Comm.						216,520	216,520
HF Corporation						37,844,129	37,844,129
National Lands Commission						62,537,494	62,537,494
Due From Pile Investment						300,000	300,000
NHC Debts RHL						11,747,312	11,747,312
Rdu Limited Debt						31,047,760	31,047,760
Service Charge Debtors						42,980,552	42,980,552
Service Charge TP		25,097,123					25,097,123
Input VAT		386,015				9,803	395,818
Salary Advances	264,692						264,692
Imprest	3,988,213						3,988,213
Madaraka Old Rent & Rates Due		2,225,030				33,859,114	36,084,144
Standing Imprest (Office Float)	10,288						10,288
Gok Debtors	-					43,872,592	43,872,592
Amount Due From Parkroad Scheme	4,017,565						4,017,565
EPS Factory Debtors		765,256,954					765,256,954
VAT Refundable	-	37,556,764				-	37,556,764
National Oil Fuel Deposit						1,006,000	1,006,000
Safaricom Mast		249,207				-	249,207
Provision For Bad Debts Sundry Debtors						-	-
Total Sundry Debtors	8,764,134	830,771,093	80,908,455	183,000	-	268,816,901	1,189,443,584

22. Tax Recoverable

	2022/2023	2021/2022
Tax Movement Schedule	Kshs	Kshs
Balance Brought Forward	(166,368,598)	(151,111,751)
Provision for tax for the Year	120,435,333	91,052,179
Paid During the year	(76,439,793)	(106,309,026)
At end of the year	(122,373,059)	(166,368,598)

23. Deferred Tax Asset

Deferred tax is calculated in all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributed to the following items:

	2022/2023	2021/2022
	Kshs	Kshs
Accelerated capital allowances	2,694,214	(6,040,699)
Provision for liabilities and charges	22,628,467	30,980,170
Deferred tax during the year	25,322,681	24,939,471

The movement on the deferred tax account is as follows:

	2022/2023	2021/2022
	Kshs	Kshs
Deferred Tax Liability b/f	(35,724,807)	(10,785,337)
Accelerated capital allowances	(2,694,215)	6,040,699
Add: Various provisions	(22,628,467)	(30,980,170)
Deferred tax during the year	(25,322,682)	(24,939,471)
At end of the year	(61,047,489)	(35,724,807)

24. Cash And Bank Balances

For purposes of the cash flow statement, cash and cash equivalent represent cash and bank balances. The funds held in the banks are to be utilized to fund internally funded projects lined up in the coming quarters and support payment of recurrent expenditure.

	2022/2023	2021/2022
	Kshs	Kshs
Mobile Money	4,634,063	501,508
Co-operative Bank	379,352,883	638,607,186
National Bank of Kenya	536,087,881	37,838,819
Kenya Commercial Bank	24,961,782	8,236,316
ABSA Bank	24,778	3,190,586
Total	945,061,387	688,374,415

25. Proposed Dividends

Proposed dividends are provided for at 5% of the profit after tax.

	2022/2023	2021/2022
	Kshs	Kshs
At the beginning of the period	3,109,021	23,777,558
Adjustment during the year	-	(5,694,063)
Provision for the Period	8,086,741	520,707
Paid during the Period	(2,588,314)	(15,495,181)
At the end of the period	8,607,448	3,109,021

The Corporation's Dividend Policy requires that the Dividend payable to the National Treasury will be determined by the Board of Directors. In the financial year 2022/2023, the Board of Directors are proposing payment of 5% after tax profit as dividends to the National Treasury.

26. Equity

The Corporation was established under the Housing Act, Cap 117 and is fully owned by the Government of Kenya. The equity arose when the inter-ministerial Committee on National Housing Corporation's capital restructuring presented its report to the Cabinet in 2003. The Cabinet, during its deliberations, approved capital restructuring of NHC which included the following:

- Conversion of total debts (arrears and principal) owed to GoK by NHC amounting to Kshs. 5.32 billion into equity
- Injection of additional funds in the form of equity to the tune of Kshs.4.8 billion

The Corporation has so far received Kshs.1.616 billion additional equity as part of the implementation of the capital restructuring program. A detailed analysis of the Corporation's equity is as shown in the table below;

Equity Injection to NHC as at 30th June 2022	Kshs	Kshs	Kshs
2007/2008	216,000,000	216,000,000	216,000,000
2008/2009	250,000,000	250,000,000	250,000,000
2009/2010	250,000,000	250,000,000	250,000,000
2010/2011	900,000,000	900,000,000	900,000,000
Total	1,616,000,000	1,616,000,000	1,616,000,000
Conversion of Total Debts owed to GOK by NHC	5,320,000,000	5,320,000,000	5,320,000,000
Parkroad AHP 2021/2022	1,024,352,689	1,024,352,689	-
Parkroad AHP 2022/2023	855,183,611		
TOTAL EQUITY	8,815,536,300	7,960,352,689	6,936,000,000

Included in the amount of equity, is the value of the transferred Parkroad houses constructed and financed by GoK under the Affordable Housing Programme. These houses were transferred to the Corporation for ownership and management. The additional equity from these houses amounts to Kshs.855 million based on prevailing sale prices.

27. Unrealized Gain On Sale Of Houses

This is the gain on sale of Tenant Purchase schemes, which will be realized over the life of the Tenant purchase loans.

	2022/2023	2021/2022
	Kshs	Kshs
Opening balance	435,095,730	479,867,347
Add: Unrealized gain recognized in the year	9,657,573	7,827,368
Less: Realized gain recognized in the year	(35,214,591)	(52,598,985)
Less Adjustment for repossessed units	(4,198,374)	
Total Movement in the year	(29,755,392)	(44,771,617)
Closing Balance	405,340,338	435,095,730

The adjustment for repossessed units is as a result of reversed gain for the following units:

Kibera hse no 20	Kshs 1,128,796
Langata hse no 797	Kshs 2,000,000
Kanyakwar hse no A 87	Kshs 1,069,578
Total	Kshs 4,198,374

28. Retained Earnings

This is made up as follows;

	2022/2023	2021/2022
	Kshs	Kshs
Opening Balance	3,861,220,609	3,857,585,040
Adjustments on overprovision of Dividends	-	5,694,063
Adjustments on Utilized Insurance prepayment	-	(11,951,920)
Proposed Dividends	(8,086,741)	(520,707)
Profit after tax for the Year	161,734,823	10,414,133
Closing balance	4,014,868,691	3,861,220,609

29. House Equalization

	2022/2023	2021/2022
	Kshs	Kshs
Opening Balance	383,118,995	383,118,995
Charge in the Year		
Closing balance	383,118,995	383,118,995

This is a reserve account in which all income is recognized in respect to local authorities that the Corporation had entered into an agreement with a view to ensuring that their debts were cleared.

This treatment ensures that the Corporation's profits are not overstated; Income from the respective defunct local authorities' debtors will only be recognized when the debts owed are paid off.

30. Revaluation Reserve

	Land	Buildings	Investment Property	Total
	Kshs	Kshs	Kshs	Kshs
2021/2022				
Opening Balance	1,530,701,470	489,250,415	5,728,227,799	7,748,179,684
Charge in the Year	-	(12,091,994)	(140,146,811)	(152,238,805)
Adjustment				
Closing Balance	1,530,701,470	477,158,421	5,588,080,988	7,595,940,879
2022/2023				
Opening Balance	1,530,701,470	477,158,421	5,588,080,988	7,595,940,879
Charge in the Year	-	(11,793,217)	(136,683,010)	(148,476,227)
Adjustment			-	-
Closing Balance	1,530,701,470	465,365,204	5,451,397,978	7,447,464,652

31. Long Term Loans

	2022/2023	2021/2022
	Kshs	Kshs
Opening Balance	-	396,586,142
Amounts Borrowed in the Year		
Amount paid during the year		(396,586,142)
Closing balance	-	-

32. Trade And Other Payables

These Comprise:

	2022/2023	2021/2022
	Kshs	Kshs
House Deposits	314,992,443	757,175,324
Deposits from Gov. Agencies	3,885,000	3,885,000
Service Charge	113,950,720	62,737,404
Due to Contractors	89,420,514	137,258,745
Sundry Creditors	221,070,809	331,164,593
Prepayments	114,148,460	70,041,461
Affordable Housing	56,859,318	78,004,409
Total	914,327,264	1,440,266,936

House deposits are amounts received from prospective house purchasers in respect of the various housing schemes. The amounts are treated as creditors until the houses are completed and handed over to purchasers.

Service charge is amounts payable by house tenant purchasers and other rental property tenants to cater for maintenance of common areas and insurance of properties against fire and perils.

The amounts due to contractors relate to amounts accrued in respect of the ongoing and completed housing projects that are outstanding as at the reporting date.

33. Cash Generated From Operating Activities

	2022/2023	2021/2022
	Kshs	Kshs
a) Reconciliation of Operating Profit/(loss) to Cash Generated from/(Used In) Operation		
Profit or Loss before tax	256,847,474	76,526,841
Depreciation (Note 12 & 14)	68,546,517	62,778,763
- Intangible Assets (Note 13)	4,563,779	4,468,778
Gain on disposal (Note 4)	182,225	(711,770)
Retained earnings (prior year Adjustment)	-	(11,951,920)
Realised gain on sale of TP Houses(Note 23)	(39,412,965)	(52,598,985)
Unrealised gain on Sale of Tenant Purchase Houses (Note 23)	9,657,573	7,827,368
Bad Debts Provisions (Note 7a)	75,343,769	101,121,393
Operation Profit/(Loss) before Working Capital changes	375,386,732	187,460,468
Decrease/(Increase) in debtors & prepayments	(948,676,762)	(68,286,837)
Decrease (Increase) in inventories	1,926,801,575	(843,213,480)
Increase/(Decrease) in Trade and other Payables	(525,939,672)	74,525,874
Housing schemes in progress	(288,432,404)	(213,757,446)
Decrease/ (Increase) in Loan amount receivable	(229,678,034)	108,026,987
Working capital changes	(65,583,657)	(942,704,902)
Cash Generated from/(Used In) Operations	309,803,075	(755,244,434)
B) Analysis of Changes in Loans		
Balance at beginning of the year	-	396,586,142
Receipts during the year		-
Repayment during the year	-	(397,482,693)
Repayments of previous year's accrued interest		
Accrued interest		896,551
Balance at the end of the year	-	-

34. Redemption Of Long Term Loans

Long term loans include loans to Local Authorities, Rural Housing Loans and staff loans. See Note 16.

	2022/2023	2021/2022
	Kshs	Kshs
Tenant Purchase		
Opening Balance	1,517,804,591	1,808,279,441
Advanced	1,110,580,392	56,486,150
Redemption	(264,915,596)	(346,961,000)
Closing Balance	2,363,469,387	1,517,804,591
Other Loans		
Opening Balance	670,858,715	753,211,932
Advanced	46,282,010	77,954,084
Redemption	(120,439,345)	(160,307,301)
Closing Balance	596,701,380	670,858,715
Total	2,960,170,767	2,188,663,306

35. Contingent Liabilities

The Corporation is engaged in 2 disputes with some project contractors which are currently under arbitration. The value of the claims made by the claimants is analyzed as follows:

NHC ARBITRATION MATTERS AS AT 30th JUNE 2023			
No.	PARTIES	CLAIM/DISPUTE	STATUS OF ARBITRATION
1.	Mall of Africa - Versus - NHC	60,457,218	Yet to be Determined
2.	Tulsi Construction Limited - Versus - NHC	1,310,097,864	Yet to be Determined
	Total Claims	1,370,555,082	
	Settled Arbitration in the year under review.		
1.	Custom General Construction Ltd - Versus - NHC	83.6 million	Determined and settled.

36. Related Party Transactions

(a) Principal loan balances for staff

The amounts outstanding (balances not due) on loans to employees of the Corporation's are:

	2022/2023	2021/2022
	Kshs	Kshs
Tenant purchase loans	121,245,672	152,840,809
Staff loan		
Car loan	18,411,335	18,775,452
Motorcycle Loan	87,131	
Computer loan	3,139,713	1,781,446
House loan	360,126,862	389,158,817
Rural housing loan	24,370,543	31,736,199
Sub Total (Staff loan)	406,135,584	441,451,914
Total loan amount advanced to staff	527,381,256	594,292,723

The loans classified as staff loans are amount advanced to staff at an interest rate of 3% per annum.

Tenants purchase loans are loans advanced to the Corporation's staff under the same terms as the general public at an interest rate of 13% per annum. These amounts are included in the tenants purchase loans as detailed in note 15.

All the loans have been advanced as per the terms prescribed in the terms of employment and the Corporation's regulations.

20. APPENDICES

APPENDIX I: Progress And Follow Up of Issues Raised By External Auditor

Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
1. Unauthenticated Inventory Listing of Houses	The Statement of Financial Position and as disclosed under Note 19 (a) to the financial statements reflects balance of Kshs 3,231,819,977. Included in this balance is stock of unsold houses amounting to Kshs 3,200,093,313 out of which Kshs 1,024,352,689 were additions during the year as a result of the transfer of the Parkroad Housing Scheme houses and commercial shops from the State Department of Housing and Urban Development to the Corporation. However, there was no inventory list signed by accounting officers of both the transferring and receiving entities as required by the regulations. This is contrary Regulation 169(1) of the Public Procurement and Asset Disposal Regulations, 2020 states that when assets or liabilities of a procuring entity are transferred to another government entity or other institution by operation of law or reorganization of government functions, an accounting officer for the transferring procuring entity shall be required to identify an inventory list of such assets and liabilities.	The Corporation wrote to the State Department of Housing and Urban Development (SDHUD) requesting for a detailed inventory list of all the units transferred to the Corporation and is currently pursuing for a response.	Not Resolved	31st October 2023

Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
2. Unrecorded Land Parcels	<p>The statement of financial position and as disclosed in Note 12 (a) to the financial statements reflects balance of Kshs 2,296,149,894 in respect of land.</p> <p>a. It was however observed that out of the 113 parcels of land listed; only 45 parcels have title deeds. The remaining 68 parcels were not valued, did not have ownership documents and they were therefore, not included in the cost of land balance stated above.</p> <p>b. It was noted that two Parcels of land No. 260 & 402 in Amalemba in Kakamega County had ownership Disputes.</p>	<p>The number of parcels without titles and excluded from our financial statements are 22 and not 68 parcels as indicated in the draft audit report. Included in the 22 parcels of land are both developed and undeveloped properties. The undeveloped parcels were allocated to NHC by the government at zero cost. Therefore, the value of the property can only be determined upon valuation of the property and this will be done once we obtain the title documentation.</p> <p>IFRS on Recognition of Property, Plant and Equipment Our decision to defer recognition of the 22 number parcels of land in our financial statement is guided by IAS 16 which requires that</p> <p>Further, IAS 16 permits two accounting models:</p> <ul style="list-style-type: none"> • Cost model. The asset is carried at cost less accumulated depreciation and impairment. [IAS 16.30] • Revaluation model. The asset is carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided that fair value can be measured reliably. [IAS 16.31] – <i>The revalued amounts can only be determined once we obtain the title documentation and therefore carry out valuation of the properties.</i> <p>Ownership Disputes (Amalemba Parcels): Land parcel number 260 and 402 fall within piece of land measuring 24 acres that was reserved to the Corporation by National Government through Commissioner of Lands letter Ref No. 114418/6 dated 19th August, 1987. The Corporation developed housing scheme under Phase I (Amalemba USAID) which was later changed to Amalemba Tenant Purchase. Further, the Corporation subdivided the land and approved by the Director of Surveys on 09th November, 1990 having parcels of land registered as Kakamega Municipality Block 4/260-462, Computation file No. 22850 and Folio Number (FR NO) 199/33.</p> <p>The Corporation obtained ownership document (letter of allotment Ref. No. 145506 dated 27th November, 2018 and was not able to pay for the allotment statutory fees because later the Ministry of Land informed the Corporation that titles for Parcels of land 260 and 402 had been prepared and issued in favour of individuals. The Corporation lodged a complaint at Kakamega Directorate of Criminal Investigation (DCI) office and the case is still ongoing. These disputes are in court and are subject to court and arbitration processes. The disputes will be settled upon conclusion of these cases.</p> <p>Action Plan</p> <ul style="list-style-type: none"> • The Corporation has provided all the necessary documentations to EACC. • EACC has commenced investigations on the matters. 	Partly Resolved	31st March 2024

	<p>c. It was noted that the Land Valuation schedule provided excluded three (3) Parcels of Land valued at Kshs 360,358,358 i.e. Mariakani (00000001), Webuye (00000004) and Undeveloped Land – Pumwani (00000007).</p>	<p>Valuation report excluding some parcels:</p> <ol style="list-style-type: none"> 1. Asset No. 00000001 named Mariakani is also known as Mariguini as it is found in the Mariguini area of South B Estate in Nairobi. The value is included in the valuation report as Mariguini. This will be harmonized immediately to avoid any further confusion 2. Asset No. 00000004 named Webuye is part of our untitled land and is found in the schedule of untitled land. The Corporation was therefore unable to value the land due to lack of documentation despite having a development on the parcel of land. 3. Asset No. 00000007 Named Pumwani undeveloped land is part of the larger Pumwani housing development. The main title is yet to be subdivided and hence the parcel is part of the Pumwani Tenant Purchase land. The valuer was unable to value the land as they were unable to distinguish between the two parcels. Valuation will be undertaken once subdivision is complete. <p>Action Plan</p> <ul style="list-style-type: none"> • The valuation report names the Mariakani land as Mariguini and hence it was valued and included in the value of land. We have since corrected the error. • The Corporation has obtained approved PDP and Letter of Allotment to facilitate cadastral survey for approval and issuance of title for Webuye land parcel. 		
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Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
3. Loan Amounts Receivable	<p>The statement of financial position and as disclosed under Note 18 to the financial statement reflects loan amounts receivables balance of Kshs 2,863,155,769. However, examination of ledgers and other records provided for audit review revealed the following anomalies:</p> <p>i. Doubtful Rural Housing Loans Included in the loan amounts receivables balance of Kshs 2,863,155,769 is rural housing loans balance of Kshs 770,347,150. The following observations were made:</p> <p>a. Scrutiny of the ledgers supporting the balance revealed that Kshs 694,039,284 or 90% of the loan remained outstanding for more than one year. It was not clear why the Corporation had not made efforts to collect the loans.</p> <p>b. Out of the Kshs 770,347,150 rural housing loans reported, Kshs 431,113,600 equivalent to 56% were unsecured loans.</p>	<p>The rural housing loans scheme was introduced in 1967 to assist individual applicants apply for loans to construct their rural and peri-urban homes. Prior to 2006, the following were the terms for advancing loans</p> <ol style="list-style-type: none"> i. Proof of employment/ business income of the applicant. ii. Providing personal guarantees. iii. Community land could be used as a security <p>Although the Corporation has now discontinued disbursement of funds using the old terms indicated above, certain loans issued in the past have proved unrecoverable due to the following challenges:</p> <ol style="list-style-type: none"> i. Death of the principal borrower(s). ii. Loans were not insured – This has since changed; currently all loans are insured against the life of the principal borrower. iii. Repossessing community land has proved difficult. iv. Court injunctions barring the Corporation from repossessing property of borrowers who have defaulted. v. Inability to trace the borrowers and their guarantors especially for loans advanced before early 2000's. <p>We wish to clarify that, out of the Kshs 694,039,284 that's outstanding for more than a year, the amounts comprise of Kshs. 379,607,916 which is mostly unsecured loans is fully provided for and have been proposed for write off. The balance of arrears of Kshs 314,431,368 are secured loans and recoverable. The Corporation is aggressively pursuing the debts. The efforts being made include:</p>	Not Resolved	31st March 2024

		<ul style="list-style-type: none"> i. NHC revised its credit and debt management policy in a bid to strengthen the loan appraisal and debt recovery processes. ii. Issuance of statutory notices. iii. Engaging auctioneers to assist in recovering the arrears. iv. Pursuing recovery of debts by suing some of the debtors. v. Contacting loanees through telephone and emails etc. vi. Public auction of the charged properties. vii. Engaging private debt collectors. <p>Action Plan We have formed dedicated team of 5 staff members with specific targets on number of customers to contact and collect the debts and this will be reviewed on weekly basis.</p>	
	<p>ii. Doubtful Outstanding Loans from Various Counties</p> <p>As previously reported, included in the loan amounts receivables balance of Kshs 2,863,155,769 is Kshs 1,862,666,542 in respect of outstanding loans from the defunct Local Authorities. This is an increase by Kshs 90,891,451 from the previous year balance of Kshs 1,771,775,091. Since the Local Authorities were taken over by the respective County Governments, the Management has engaged the respective County Governments on debt recovery but the process has been slow.</p>	<p>Management is discussing with the Counties on various payments options. Kisumu County which is the main debtor under this category and owes the Corporation Kshs 1.4 Billion has committed to a debt swap with Ondieki Estate</p> <p>A valuation was carried out by the Government Valuer who returned a figure of Kshs 455 Million against the debt of Kshs. 1.4 Billion. We have subsequently written to the County Government seeking for the top up either in cash or another property. A meeting including the Board Chairman, Finance Chairperson and MD is scheduled for October 2023.</p>	
	<p>iii. Long Outstanding Staff Loans</p> <p>Included in the loan amounts receivables balance of Kshs 2,863,155,769 is Kshs 21,270,459 in respect of staff loans which includes Kshs 13,055,133 or 61% that was in arrears and remained outstanding for more than one year.</p>	<p>a. Steps Taken To Recover the Debts; The Corporation reviewed its staff car loan policy to incorporate guarantors (staff members) who are pursued to assist recover the debt in the event the borrower exits the Corporation before settling the debt.</p> <p>For staff loans, we have commenced the repossession and auction process of the house of Stephen Ambani whose house was in arrears of Kshs 3,456,395 as at 31/11/2022</p> <p>We also have engaged Albert Nyaga and asked him to settle his arrears.</p> <p>In addition, to the above, the following efforts have been put in place to recover arrears owed by staff include;</p> <ul style="list-style-type: none"> a. Issuance of demand and statutory notices. b. Recovery of debt from final dues. <p>Our strategy is as follows</p> <ul style="list-style-type: none"> i. Call the debtors ii. Contact tracing to determine where the cars are iii. Send out demand letters from legal iv. Listing on CRB. v. Auction/realization of the securities. vi. Repossession of vehicles where applicable. <p>We have formed dedicated team of 5 staff members with specific targets on number of customers to contact and collect the debts and this will be reviewed on weekly basis. We anticipate collecting Kshs 5 Million by 31st October 2023.</p>	

	<p>Long Outstanding Tenant Purchase</p> <p>Included in the loan amounts receivables balance of Kshs 2,863,155,769 is tenant purchase balance of Kshs 513,261,675. In addition, the loan policy requires invoices be paid within 21 days after they become due. It was however, noted that Tenant Purchase loans amounting to Kshs 366,993,689 or approximately 72% remained outstanding for more than one year.</p> <p>In the circumstances, the accuracy and full recoverability of the outstanding Tenant Purchase balance of Kshs 2,863,155,769 as at 30th June, 2022 could not be confirmed.</p>	<p>For Tenant Purchase arrears, a rapid response initiative (RRI) debt collection exercise is ongoing and various methods have been adopted to try and minimize arrears. The efforts have started paying off as is indicated in the attached RRI exercise minutes.</p> <p>Debt recovery methods being applied.</p> <ol style="list-style-type: none"> Use of mobile apps. The mobile app plays a key role in loan and rent payment by linking the payer to multiple channels (mobile money/visa) payments and also delivers real time customer statements. The app also sends regular demand notices. Legal action Repossession and sale of properties on loan. Enforcement by Estates and Finance Division. <p>NHC has embarked on enforcing loan repayments now that the economy is slowly recovering from the effects of the Covid-19 pandemic and inflation. Different teams are carrying out enforcement in Nairobi, Kisumu, Kakamega, and Kisii Counties.</p>		
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Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
4. Inaccuracies in Trade and Other Receivables	<p>The statement of financial position and as disclosed in Note 20 to the financial statements reflects a balance of Kshs 480,014,388 in respect of trade and other receivables. The following anomalies were noted;</p> <p>a. Unsupported Provision for Bad Debts</p> <p>Note 20 to the financial statements reflects rent arrears of Kshs 196,438,682 net of provision for bad debts on rents of Kshs 101,471,605, which further includes balance of Kshs 9,222,692 from various schemes whose supporting details were not provided for audit review.</p> <p>b. Unsupported Sundry Debtors</p> <p>Note 20(b) to the financial statements reflects aging analysis (sundry debtors) of Kshs 283,575,704. The following observations were made;</p> <ol style="list-style-type: none"> <ol style="list-style-type: none"> Supporting documents including invoices and statements for sundry debtors totaling to Kshs 251,656,852 were not provided for audit review. A review of documents provided to support some debtors revealed that the Corporation made some deposits totaling to Kshs 360,000 to four hospitals in respect to staff medical facilities between May, 1995 and September, 2002. Another deposit of Kshs 30,000 was made to a courier for provision of courier services. However, duly executed contract service agreements were not provided for audit review. <p>In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs 480,014,388 could not be confirmed.</p>	<p>The details given in the respective schemes are for specific debtors in our books and a listing is available for your review. The balance of Kshs. 9,222,692 relates to the amounts that were collected by the now defunct provincial/district officers but were never remitted to the Corporation. The Corporation is pursuing write off of the debts in its books.</p> <p>Action</p> <p>We are pursuing Cabinet approval for the write off of these balances.</p> <ol style="list-style-type: none"> The supporting documents are available for review by the auditor at our offices. We have since requested for refund of the deposits of Kshs 390,000.00 as the purpose for which they were deposited has elapsed/overtaken by events. Out of which we have seen positive feedback by receiving back Kshs 100,000.00 from Aga Khan Hospital. We shall keep following up with the other institutions to have the funds remitted back to NHC. <p>We have demanded these amounts and we target to collect them by 31st December 2024.</p>	Ongoing	31st March 2024

Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
5. Unsupported Investment in Research Development Company	<p>The statement of financial position and as disclosed in Note 16 to the financial statements reflects unquoted investments of Kshs 104,657,797, which further includes Kshs 99,457,797 as investment to Research Development Company Limited, a subsidiary company wholly owned by the Corporation. As previously reported, the balance was however, not supported by a certificate of registration and share certificates. In addition, the financial statements for the subsidiary were not submitted for audit review.</p> <p>In the circumstances, the accuracy, existence and validity of the investment of Kshs 99,457,797 as at 30th June, 2022 could not be confirmed.</p>	<p>The Research Development Unit Company Limited (RDU) is a fully owned subsidiary of NHC. The Corporation suspended operations of the subsidiary in the FY2013/14 with a view to developing a new strategy to reverse the trend of losses. Thereafter, the Corporation resolved through its Board of Directors that the unit be liquidated.</p> <p>RDU Share Certificate; RDU is a wholly owned subsidiary of NHC and therefore no share certificate has been issued to the Corporation. The Corporation only holds the Certificate of Incorporation, Company Search, Memorandum and Articles of Association.</p> <p>Writing off of debts owed to the Corporation is a lengthy process and all provisions have to be adhered to. However, the matter is in court and proceedings still ongoing.</p>	Not Resolved	31st March 2024

Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
6. Deteriorating Expanded Polystyrene Panels (EPS) Factory Operations	<p>Deteriorating Expanded Polystyrene Panels (EPS) Factory Operations</p> <p>As previously reported, the Corporation has a factory which commenced in 2013 to address housing shortage problem, reduce cost and time spent in construction and also reduce environmental pollution by adopting the EPS panels for slab and wall partitions. The statement of profit or loss and other comprehensive income under Note 9(b) to the financial statements discloses trading loss of Kshs 47,263,705 from the operations of the EPS factory. This was increase of Kshs 4,276,099 from the loss of Kshs 42,987,606 reported in the previous year. This is indicative of the continued deterioration in the financial performances of the subsidiary.</p> <p>Further, a visit to the factory in February, 2023, revealed the following observations:</p> <ol style="list-style-type: none"> i. Erratic availability of raw materials and long procurement method since two out of the three raw materials are imported leading to unreliable production and failure to meet the few orders made. Supply of beads was received on 26th November, 2022 after nine months of stock out from March to November, 2022. The Corporation ordered 132 Metric Tons but received 50 Metric Tons leaving a balance of 82 Metric Tons not supplied. At the time of the audit, the stock of the beads was running out and no reorder had been done. ii. The cost of production of the EPS panels has continued to rise compared to their income hence resulting to the factory operating on losses. iii. The factory was facing a low production capacity due to regular stock outs. <p>Although Management has highlighted strategies that have been put in place to avert the losses, the strategies have so far not yielded desired results.</p>	<p>We have initiated a framework agreement which should sort out the stock out issues and going forward we project to break even.</p> <p>Management has identified a team to visit Taiwan and Turkey with the aim of identifying manufacturers for the supply of raw materials.</p> <p>In the meantime we have adequate stocks and the factory is operational.</p>	Ongoing	31st December 2023

Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
7. Schemes Progress	<p>The statement of financial position and as disclosed under Note 17 to the financial statement reflects scheme in progress balance of Kshs 1,974,829,300. However, the following anomalies were noted;</p> <p>Stalled Implementation of Enterprise Resource Planning (ERP) System Included in scheme in progress balance of Kshs 1,974,829,300 is other projects costs balance of Kshs 234,169,375 which include capitalized expenditure amounting to Kshs 81,274,817 incurred in financial year 2013/2014 to procure an Enterprise Resource Planning (ERP) system for the Corporation. It was however noted that despite the payment made for the procurement of the system, the project stalled and the ERP had not been implemented as at the time of the audit in February, 2023.</p> <p>In the circumstances, value for money in the expenditure of Kshs 81,278,817 so far on the project could not be confirmed.</p>	<p>In accordance with proper accounting principles IAS 16 Property, Plant and Equipment, the project is still work-in-progress and would thus not be expected to generate immediate benefit to the Corporation. The total cost of the ERP project Kshs 81,274,417.50 has been recognized as scheme in progress under the current assets until closure of the project to allow for capitalization.</p> <p>The Board directed that a consultant be hired to review the stalled ERP implementation. The Management procured a consultant from an ICTA approved ERP consultants. The consultant has completed his report and presented the same to the HRAC Committee of the Board. The Board Committee shall present the consultant's report to the Full Board. The Board shall then give direction on the way forward.</p>	Not Resolved	31st March 2024

Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
8. Projects not Implemented During the Year	<p>Stalled Projects The Corporation had projected to start the following projects whose feasibility study costs of Kshs 70,177,579 were incurred. In the circumstances, value for money for the expenditure of Kshs 70,177,580 incurred so far on feasibility studies for the projects could not be confirmed.</p>	<p>Nakuru MUD</p> <ul style="list-style-type: none"> Tender for construction works has been awarded. Construction works are expected to commence by end of September 2023. <p>Meru MUD</p> <ul style="list-style-type: none"> Tender for construction works has been awarded. Construction works are expected to commence by end of September 2023. <p>Kericho Housing</p> <ul style="list-style-type: none"> Tender for construction works has been awarded. Construction works are expected to commence by end of September 2023. <p>Jomo Kenyatta Makande Replacement of water closets (WCs) and waste water stack pipes to be undertaken as part of Estates Repairs and Maintenance Works.</p> <p>Kakamega Amalemba Housing</p> <ul style="list-style-type: none"> Tender for construction works has been awarded. Construction works are expected to commence by end of September 2023. <p>Changamwe Infill Phase III</p> <ul style="list-style-type: none"> Tender for construction works has been awarded. Construction works are expected to commence by end of September 2023. <p>Eldoret Bondeni Office & Flats</p> <ul style="list-style-type: none"> Tender for construction works has been awarded. Construction works are expected to commence by end of September 2023. 	Resolved	30th September 2023

Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
9. Delayed Implementation and Completion of Projects	<p>a. Proposed Construction of NHC Stoni Athi Economy Phase II</p> <p>i. Delayed implementation of the Project</p> <p>The contract for the construction of Stoni Athi Economy Phase II Project in Machakos County was signed on 30th September, 2021 at a contract sum Kshs 769,976,976. The project commenced on 9th December, 2021 and was expected to be completed on 8th June, 2023. According to certificate number 08 dated 25th January, 2023 the total value of works certified and paid was Kshs 110,805,177 representing 14% of the contract sum. The project overall progress according to the progress report for the month of January, 2023 was 13% against 75% of time lapsed. The project was behind schedule and the completion date of 8th June, 2023 may not be met by the contractor and no extension of time has been sought and granted.</p> <p>ii. Failure to obtain necessary regulatory regulations before commencement of the project.</p> <p>Further, the Corporation obtained Environmental Impact Assessment License from National Environmental Management Authority (NEMA) on 5th October, 2022, eleven (11) months after the project commenced on 9th December, 2021. NEMA issued a letter to the Corporation on 18th May, 2022 to stop the construction of the project for lack of Environmental Impact Assessment License which resulted to delays/stoppage in the project for 24 weeks starting from 17th May, 2022 to 24th October, 2022. As a result, the Contractor in a letter dated 19th August, 2022 raised a claim on compensation for extension of time and additional costs of Kshs 37,455,041 due to stoppage of works by NEMA.</p> <p>In the circumstances, value for money from the total expenditure of Kshs 148,260,218 so far incurred on the project could not be confirmed.</p>	<p>i. Meetings and working sessions between the Corporation and the Contractor are ongoing on the latter's claim of Kshs 37,455,040 with respect to stoppage of works by NEMA.</p> <p>ii. The Contractor is yet to provide evidence to support his claim that NEMA directly issued him with order to stop works and follows are being made to this effect.</p> <p>iii. In the meantime, the Project Team has evaluated and recommended extension of time of 161 days with the revised completion date being 15th November 2023.</p>	Not Resolved	30th November 2023
	<p>b. Proposed Construction of Makande Project</p> <p>The contract was awarded at a contract sum is Kshs 26,102,820. The project started on 19th April, 2019 and was to be completed on 9th August, 2019 but later extended to 26 October, 2020. However, the contract was terminated on 2nd February, 2021. As at the time of audit in February, 2023, a total of 62% of the contract sum amounting to Kshs 16,265,293 were certified and paid. The progress of work as at 30th June, 2022 was at 90%. Physical verification done in February, 2023 revealed that the project had stalled and the contractor was not on site. The Corporation did not provide plans to complete the stalled project.</p> <p>Delay in completion of the project will adversely affect realization of the expected benefits to the Corporation and the public and value for money from the expenditure of Kshs 16,265,293 so far incurred on the project could not be confirmed.</p>	Replacement of water closets (WCs) and waste water stack pipes are to be undertaken as part of Estates Repairs and Maintenance Works by the end of October 2023	Not Resolved	30th November 2023

	<p>3. Proposed Construction of NHC Voi Infill Housing Scheme</p> <p>The contract was awarded at a contract sum of Kshs 224,574,140. The project completion period was 50 weeks with an expected completion date 8th May 2019. As at 30th June, 2022 works amounting to Kshs 102,521,397 representing 46% of the contract sum were certified and paid. As at the time of audit on in February, 2023, the contractor had been paid Kshs 111,885,532 representing 50% of certified works and the project was at 75% completion against 102% of the extended time elapsed as per the weekly progress report dated 10th February, 2023. The contractor is currently working with a revised completion time of 30th April, 2023.</p> <p>Delay in completion of the project will adversely affect realization of the expected benefits to the Corporation and the public and value for money from the expenditure of Kshs 111,885,532 so far incurred on the project on could not be confirmed.</p>	<ul style="list-style-type: none"> i. The Corporation received a letter from Kenya Revenue Authority indicating that the Contractor owes the Authority Kshs 16, 932,578 in unpaid taxes. ii. The Authority directed the Corporation to remit (to the former) any monies due to the Contractor in a bid to recover the unpaid taxes. iii. The Contractor has since filed a petition against KRA in Eldoret High Court with NHC as one of the respondents, and the proceedings are ongoing. iv. Since this legal matter between the Contractor and KRA adversely affects the progress of works and in light of the ongoing court case, the Corporation has sought guidance from KRA on their position on directive to remit monies due to the Contractor. v. Follow-ups are being made with KRA on the requested guidance. 	Not resolved	30th November 2023
	<p>4. Proposed Construction of Changamwe Infill II</p> <p>The contract was awarded at contract sum was Kshs 384,167,878 with a completion period of 52 weeks from the commencement date of 13th November, 2017. As per the progress report dated 9th February, 2023 works amounting to Kshs 328,607,755 were certified and paid representing 85% of the contract sum. Physical verification done in February, 2023 revealed that one of the blocks (Block A1) made up of 14 units of two bedroom was completed and occupied by tenants while the second one, Block F is near completion. However, it was noted that the occupied block A1 does not have an occupational certificate and no completion certificate was provided for audit review.</p> <p>In the circumstances, value for money from the total expenditure of Kshs 328,607,755 so far incurred on the project could not be confirmed.</p>	<ul style="list-style-type: none"> i. All blocks of flats are complete and the same have been issued with Certificate of Occupations accordingly. ii. 5 No. blocks of flats are occupied by tenants and the last block is expected to be occupied from September 2023. iii. External works are expected to be completed by 30th September 2023. 	Not Resolved	30th November 2023
	<p>5. Proposed Construction of Nyeri Mixed Use Development</p> <p>The project was awarded on 7th March, 2018 at a contract sum of Kshs 330,000,000 with expected completion time of 52 weeks translating to 21st May, 2019. The site was handed over to the contractor on 18th April, 2018. The following observations were made:</p> <ul style="list-style-type: none"> i. The initial contract price of Kshs 330,000,000 included an amount of Kshs 20,000,000 which was not attached to any works and it was to cover for any unforeseen eventualities. The amount attributable to works and administration of the project was Kshs 310,000,000. As at the time of audit, the contract price had been revised up to Kshs 397,649,358. This resulted to an increase of Kshs 87,649,358, equivalent to 28.3% price variation which is higher than the allowed 25% combined variation of both works and administration of the project as per the Public Procurement and Asset Disposal Regulations, 2020. 	<ul style="list-style-type: none"> i. The project is practically complete. ii. Kenya Power has installed transformer. Provision and laying of main cable to meter boards is expected to be complete by mid September 2023. iii. Final accounts are expected to be prepared and closed by the end of September 2023. 	Not Resolved	30th November 2023

	<p>ii. According to the program of works submitted by the contractor and the contract signed, the project was to be implemented within 52 weeks effective 18th April, 2019 and to be completed by 21st May, 2019. However, it was noted that the contract had over time been granted eight (8) extensions of time with the revised completion time being 15th March, 2023 translating to 248 weeks project time. The completion of the project has delayed by 196 weeks, equivalent to 377%. Consequently, every extension of time, the employer gave a rider that any contract over run beyond the requested extension of time shall attract a penalty. Review of the contractor accounts did not show any liquidated damages being charged.</p> <p>iii. At the time of audit verification, it was noted that there was low demand and sales for the units given that out of the 91 units for sale, only 22 units had either been booked or sold while the project was at 98% completion.</p> <p>iv. Cost benefit analysis of the project revealed that from the expected sales of the units and development cost, the amount so far spent is way more than the expected revenue that will be generated from the sales of the units, thus may be an uneconomical venture to the Corporation.</p>			
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Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
10. Boundary Wall and Civil Works at Stoni Athi	<p>As reported previously, the contract agreement for the boundary wall and civil works at Stoni Athi was signed with the understanding of the performance security being provided within fourteen (14) days of contract award and before taking site possession or commencement of the works. However, the contractor was issued with a certificate of possession of site on 18th November, 2016 before complying with bond terms in the signed contract. It was also observed that the Corporation deducted an amount of Kshs 5,850,222 from the first Interim Certificate No. 1 dated 24th February, 2017 raised by the contractor as a cash bond in lieu of the bond contrary to the terms of the contract and no satisfactory explanation was provided. This is contrary to the provisions of Section 142(1) of Public Procurement and Asset Disposal Act, 2015 which provides that a successful tenderer shall submit a performance security equivalent to not more than 10% of the contract amount before signing of the contract.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>The Corporation took advice from the auditors and it is now handing over sites to contractors after the requisite performance security and insurance cover have been provided.</p>	Resolved	Done

Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
11. Stock of Unsold Houses	<p>The statement of financial position under Note 19 to the financial statements reflects a balance of Kshs 3,212,830,214 on inventories. Included in this balance is Kshs 3,200,093,313 relating to stock of unsold houses. The Corporation implemented seven (7) projects under outright sale and tenant purchase schemes. Although some of the projects were completed as far back in 2013 and 2016, the same have not been sold and hence reported as inventories.</p> <p>In the circumstances, the Corporation may not have obtained value for money for the schemes implemented at Kshs 3,200,093,313 and included under inventories.</p>	<p>The Corporation has employed aggressive marketing strategies with aim of selling all the units and this has seen positive results by selling off houses leaving a balance of Kshs. 1.2 Billion. The remaining are expected to be sold before end of the year 2023/2024.</p>	Partly Resolved	30th June 2024

Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
12. Staff in Acting Positions for a Prolonged Period	<p>Review of the employment records and payroll data revealed that thirteen (13) employees including top Management have been appointed on acting capacity for more than six months contrary to Section C14 (1) of the Human Resource Policy and Procedures for Public Service which states that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.</p> <p>In the circumstances, Management was in breach of the human resource policies and procedures.</p>	<p>The observation by the auditors that the Corporation has officers who have served in an acting capacity and coordinating functions for a period longer than six (6) months. The arrangement is not inconsistent and is provided for in our current HR manual as cited below and does not violate the regulation. The Human Resource Manual chapter 5.4.5 provides that:</p> <ol style="list-style-type: none"> Appointment on acting basis is a transitory measure pending the substantive filling of a vacant post by either recruitment or resumption of duty by the substantive holder of the post. The appointment shall normally be limited to a continuous period of six (6) months or until the vacant post is filled whichever is the earlier, but may be extended by Board/ MD if the post remains vacant. The regulations therefore has a provision (see italics) that provides for scenarios where it may not be feasibly tenable to conclude a recruitment within the six (6) months duration or where recruitment embargos are imposed through various government circulars e.g. <ul style="list-style-type: none"> • OP/CAB.39/4A OF 28TH JULY 2017 freezing new employment; • Treasury circular no. 20/2015 ref no. ES 1/03"j"(79) of 4th November 2015 • PSC circular ref: PSC/22/(17) OF 5th November 2018 suspending advertisements/ waivers/ promotions and re-designations of staff. The functions in these vacant offices had to be discharged meanwhile and hence the request for the renewals. The cases cited in the query have been on acting capacity or coordinating functions of a higher office pursuant to appointment letters to either Act/Coordinate functions which letters explicitly indicated that the officers were approved to act for six months or until the positions were substantively filled whichever was earlier in line with the manual. All appointment letters to act and approvals from MD are available in the personnel matters confidential general file [NHC/ CONF/EST/2/22 VOL III & IV] and NHC/ CONF /EST/2/43 VOL II. These files were availed. The seeking of approvals for any extensions is for that reason consistent and in compliance with the provisions of the NHC staff regulations. 	Partly Resolved	31st December 2023

		<p>Remedial Actions</p> <p>a. Succession Management</p> <p>i. As part of prudent succession management and as a means of preparing staff for higher responsibilities whilst building downstream capacity, the Corporation has endeavored to appoint officers to various critical roles which are vacant in the establishment. This ensures seamless continuity of operations when incumbent leave the organization for whatever reason.</p> <p>ii. Members of staff appointed to discharge roles at higher levels are chosen on the basis of their ability and capacity to discharge the roles they are selected for.</p> <p>iii. There is no inherent risk of the objectives/targets not been met since the appointed staffers are professionals in their respective fields and possess the requisite skills for the roles appointed.</p> <p>iv. Practical succession planning and HR practices and concepts encourage job enrichment and job enlargement appointments (which involve giving staff more challenging roles in higher positions and widening their span of control) this is achieved through acting capacity appointments and special assignments.</p> <p>The staff are motivated by being accorded the opportunity to serve in these positions (<i>and are able to demonstrate their capability to make decisions through delegated authority while at the same time sharpening their management skills</i>). The Corporation also compensates them through an allowance (<i>either special duty allowance @ 15% or acting allowance at 20% of basic pay</i>) as provided for in the HR Manual for the <i>additional duties/responsibilities</i> they discharge. The risk of <i>de-motivation</i> of staff is therefore is minimal.</p> <p>b. Supplementary Amendment Of The HR Manual Notwithstanding that the HR manual has a provision to cater for instances which may necessitate an officer to act for longer than six months, the Corporation is in the process of amending its HR Instruments to be in-line with the PSC Act 2017, other Legislations, Regulations and prevailing policies.</p> <p>c. Internal Recruitments /Interviews/Current Status The Corporation has since promoted 27 staff substantively - some of whom have been acting in various roles. The Corporation has reviewed its HR Instruments and is awaiting approval before implementation which will enable recruitment pursuant to Circular OP/CAB.9/1A of 7th February 2022 on Recruitment of new staff.</p> <p>Action Plan</p> <ul style="list-style-type: none"> • The New HR instruments have since been approved and the Corporation is in the process of transiting current staff to the new structures. • The transition report is currently before the Board for approval to implement and plan to be finalized by December 2023. 		
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Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
13. Ineffective Controls Over Property, Plant and Equipment	<p>The statement financial position and as disclosed under Note 12 reflects property, plant and equipment with a net book value of Kshs 3,457,486,462. However, the following observations were made:</p> <p>i. Physical verification of assets additions during the year indicated that they were not tagged.</p> <p>ii. The Corporation for a long time has not cleaned up its assets register since some computers bought in 2008 and 2009 are still maintained in the register.</p> <p>iii. The Corporation had a standing appointment for inspection and acceptance committee against the provisions of Regulation 35(I) of the Public Procurement and Disposal Regulations, 2020, that requires an ad hoc appointment of such committees.</p> <p>iv. There were general delays in the inspection and acceptance of items supplied in some cases a duration of more than one month after delivery.</p> <p>In the circumstances, the effectiveness of internal controls over property, plant and equipment could not be confirmed.</p>	<p>i. The Corporation is in the process of outsourcing the tagging of assets which is in the procurement stage.</p> <p>ii. The cleaning of the assets is planned to be done upon completion of the tagging of assets.</p> <p>iii. The Corporation has since rectified the appointment of acceptance committee by adopting adhoc appointment of sub committees.</p> <p>iv. This delay was occasioned by having one committee of inspection and acceptance where some members were engaged on other assignments outside station but this has been resolved by appointment of adhoc committee.</p>	<p>Not Resolved</p> <p>Not Resolved</p> <p>Resolved</p> <p>Resolved</p>	<p>31st December 2023</p> <p>31st December 2023</p> <p>Done</p> <p>Done</p>

Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
14. Under - Establishment of Staff in Key Departments	<p>The Corporation has an approved optimum staffing of 326 personnel. However, in the financial year ended 30th June, 2022 a total of 168 staff were in place translating to 51.5% of the required number of staff. Key departments like Estates Division, Internal Audit, Technical Division and Finance Division were noted to be highly understaffed with some key departments lacking confirmed heads resulting to prolonged acting appointments and overwhelming the existing staff.</p> <p>The under-establishment if not addressed could adversely affect the attainment of the Corporation's mandate.</p>	<p>i. The Corporation has reviewed its HR Instruments and is awaiting approval before implementation which will enable recruitment pursuant to Circular OP/CAB.9/1A of 07th February, 2022 on Recruitment of new staff.</p> <p>ii. The request to recruit following the approval of HR Instruments and transition of current staff is before the Board.</p>	Not Resolved	30th June 2024

Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
15. Recurring Casuals Throughout the Year	<p>During the year under review, the Corporation spent an amount of Kshs 12,489,109 on engagement of casual workers. Most of the casuals were recurring after every three months. The casuals in some cases were assigned to crucial departments such as finance and are noted to be undertaking essential duties in these departments due to understaffing in the Corporation.</p> <p>Engagement of casuals in critical areas poses internal control challenges to the Corporation.</p>	The Corporation will be advertising for the vacant positions within the Staff Establishment immediately after the transition to the new approved instruments.	Not Resolved	30th June 2024

Reference No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Status: (Resolved/ Not Resolved)	Timeframe; (put a date when you expect the issue to be resolved)
16. Failure to Develop Risk Management Policy	<p>As previously reported, the Corporation did not have in place an approved customized Risk Management Policy and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks such as assessing the likelihood or occurrence of risk, estimating the significance of risks, identifying business risks relevant to financial reporting objectives and deciding about actions to address those risks. The Corporation was therefore in breach of chapter three of Mwongozo, Code of Governance for State Corporations on Governance Practice which requires the Board to among other things to ensure the development of a policy on risk management, which should consider sustainability, ethics and compliance risks, set out its responsibility for risk management in the Board charter and approve the risk management policy and the risk management framework.</p> <p>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.</p>	The Risk Management Policy was developed and approved by the Board in its 220th full board meeting held 9th May 2023.	Resolved	Done

APPENDIX I: Progress And Follow Up of Issues Raised By External Auditor

Status of Projects completion as at 30th June 2023.

PROJECT	TOTAL PROJECT COST	TOTAL EXPENDED TO DATE	COMPLETION % TO DATE	BUDGET	ACTUAL	SOURCES OF FUNDS
Stoni athi Phase IIA sector 2A	769,254,000	194,491,283	33%	520,000,000	50,724,891	Internal
Nyeri MUD	330,000,000	322,145,178	99%	40,400,000	0	Internal
Voi Rental phase 1	224,575,000	145,893,600	79%	24,000,000	0	Internal
Changamwe infill phase 11	385,000,000	367,708,699	90%	38,500,000	0	Internal
Homabay AHP phase 1	227,010,010	22,017,279	11%	250,000,000	12,781,483	Internal
Embu AHP Phase 1	227,125,341	0	5%	250,000,000	0	Internal
Kirinyaga AHP phase 1	228,973,645	0	4%	250,000,000	0	Internal

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