

REPUBLIC OF KENYA



REPORT

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VIHIGA COUNTY ASSEMBLY
MEMBERS AND STAFF MORTGAGE
AND CAR LOANS SCHEME FUND

FOR THE YEAR ENDED
30 JUNE, 2025

23



**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE
AND CAR LOANS SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025**

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

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***VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS
SCHEME FUND***

Annual Report and Financial Statements for the year ended June 30, 2025

Table of Contents

1. Acronyms and Definition of Key Terms	ii
2. Key Entity Information and Management	iii
3. Board of Management/Fund administrator	vi
4. Management Team	vii
6. Report of The Fund Administrator	ix
8. Corporate Governance Statement	xii
9. Management Discussion and Analysis	xv
10. Environmental and Sustainability Reporting	xvi
11. Report of The Fund	xvii
12. Statement of Management's Responsibilities	xviii
13. Report of The Independent Auditor on the Financial Statements	xix
14. Statement of Financial Performance for the Year Ended 30 th June 2025	1
15. Statement of Financial Position As at 30 June 2025	2
16. Statement of Changes in Net Assets for the year ended 30 th June 2025	4
17. Statement of Cash Flows for The Year Ended 30 June 2025	5
18. Statement Of Comparison Of Budget And Actual Amounts For The Period 2025	7
19. Notes to the Financial Statements	9
20. Annexes	32

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS
SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

1. Acronyms and Definition of Key Terms

A. Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

2. Key Entity Information and Management

a) Background information.

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND is established by and derives its authority and accountability from salaries and remuneration commission (SRC) Act circular number SRC/TS/WH/3/14 of 14th February 2014 and the VIHIGA COUNTY ASSEMBLY MEMBERS (CAR LOAN SCHEME FUND) REGULATIONS 2014 and 2015 on 11th July 2016. The Fund is wholly owned by the County Government of Vihiga and is domiciled in Kenya.

The fund's objective is to provide funds for the mortgage and the car loan schemes to enable the members and staff of the assembly to: (a) purchase, develop, renovate or repair their residential property and (b) purchase vehicles for personal use. The Fund's principal activity is to provide car loans and mortgage facilities to members of county assembly and staff. The fund was initiated in 2014 with a capital of Ksh.200 million to MCAs, the funds capital stands at Ksh.120 million.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide car loans and mortgage facilities to members of the county assembly and staff.

c) Fund Administration Committee

Ref	Name	Position
1	Hon Karega Mboku	Chairman
2	Hon Ambaka Kilinga	Fund Manager/Administrator
3	Hon Pauline Amwata	Member
4	Hon Fredrick Mavisi	Member
5	Hon Whimsy Osore	Member
6	Hon Getrude Lumire	Member
7	Hon Patrick Akhwale	Member

c) Key Management team

Ref	Name	Position
1	Ambaka Kilinga	Fund Manager/Administrator
2	Oscar Miyinzi Jagona	Director Finance and Planning
3	Abigael Nyandoya	Director Human Resources
4	Francis Rakewa	Principal Legal Counsel
5	Stephen Masambu	Fund Accountant
6	Michael Oloo	Payroll Manager

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS
SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

Key Entity and Management (Continued)

d) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	CPA Peter Edemba
2	Staff car Mortgage and car Loan Advisory Committee	CPA Patrick Lumwagi Kasamba
3	Audit Committee Member	CPA Josiah Aligula Egadwa
4	Audit Committee Member	CHRP Anne Jemimah Mmata

e) Registered Offices

P.O. Box 9050300
Clerks chambers
Majengo-Luanda Road/Highway
Nairobi, KENYA

f) Fund Contacts

Telephone: (254) 020 2094140
E-mail: vihigaassembly@gmail.com
Website: www.vihigacountyassembly.go.ke

g) Fund Bankers

1. Cooperative Bank of Kenya
Mbale Branch
P.O. Box 816 50300
Maragoli, Kenya

***VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS
SCHEME FUND***

Annual Report and Financial Statements for the year ended June 30, 2025

Key Entity and Management (Continued)

h) Independent Auditors

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

i) Principal Legal Adviser

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

j) County Attorney

Vihiga County Headquarters

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS
SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

3.

Name	Details of qualifications and experience
1. Joab Ambaka Kilinga	Born in 1962 Bachelor of education in Economics and Business Studies from Kenyatta University Executive Master's degree in Education, Leadership and Policy Management from Moi University Certificate in Strategic Leadership from KSG Having served in public sectors in more than a decade, he has wealth of experience in transformative leadership and management best practices
2.Hon. Manoah Mboku	Born in 1971 Elected Member of County Assembly
3.Hon. Pauline Amwata	Born in 1961 Elected Member of County Assembly
4.Francis Rakewa	Born in 1984 Post graduate Diploma
5.Oscar Jagona Miyinzi	Born in 1978 Masters of Business Administration (2014) Bachelor of Commerce Certified Public Accountant Experience of over 20 years

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

4. Management Team

Name	Details of qualifications and experience
1. Ambaka Kilinga Clerk	Born in 1962 Bachelor of education in Economics and Business Studies from Kenyatta University Executive Master's degree in Education, Leadership and Policy Management from Moi University Certificate in Strategic Leadership from KSG Having served in public sectors in more than a decade, he has wealth of experience in transformation leadership and management best practices
2. Miyinzi Oscar Jagona Director of Finance and Planning	Born in 1978 Masters of Business Administration (2014) Bachelor of Commerce Certified Public Accountant Experience over 18 years
3. Abigael Nyandoya Director of Human Resources	Born in 1977 Masters of Business Administration (2016) Certified Human Resource Professional Experience of over 12 years
4. Francis Rakewa Principal Legal Counsel	Born in 1984 Post graduate Diploma Experience of over 18 years
5. Stephen Masambu Accountant	Born in 1970 Bachelor of Commerce Certified Public Accountant Certified Investment and Financial Analyst

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS
SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

5. Fund Chairperson's Report

It is my pleasure to present on behalf of the County Assembly Service Board, the Car Loan and Mortgage Fund financial statements for the year ended 30th June 2025. The financial statement presents the financial performance of the fund over the past year.

Review of the Fund's performance

The income from interest amounted to Ksh.5,152,755 representing 129% of the budgeted amount of Ksh 4 000 000. There is no other income other than interest income

During the period a total of Ksh 55,800,248 was disbursed as new and additional loans

The total expenditure during the period amounted to Ksh 2,205 all of which were bank charges

There were also allowances paid to the committee amounting to Ksh.1,355,500 during the period and Insurance premium paid of Ksh.3,290,248.40.

Future outlook of the fund

The Fund is stable and sustainable.

Name Manoah Mbatia Signature [Signature] Date

Chairperson of the Fund

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

6. Report of The Fund Administrator

It is my pleasure to present the Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund's financial statements for the year ended 30th June 2025. The financial statements present the financial performance of the fund over the past year.

The fund was established on 1st May 2014 and started with an initial amount of Ksh.200 million. This year, a total of 21 loan beneficiaries made borrowings amounting to Ksh.55,800,248.

Financial performance

a) Revenue

In the year ended 30th June 2025, the fund projected revenue of Ksh.4 000 000. Out of the projected revenue the fund was able to realize Ksh.5,152,755 in actual revenues representing 129% performance, an improvement from the previous by 8%

In the table below, we present an analysis of the revenue performance during the year

Revenue Classification	Revenue Budget (Ksh)	Actual (Ksh)	Realization (%)
Revenue			
Interest Income	4,000,000	5,152,755	129
Total Income	4,000,000	5,152,755	129

(b) Loans

During the financial year 2024/2025, the fund disbursed new loans plus top ups totaling to Ksh.55,800,248.

(c) Cash Flows

The cash and cash equivalent increased from Ksh 5,803,922 to Ksh 14,751,767 as at 30th June, 2025 due to delays from treasury disbursements, payroll deductions for the car loan and mortgage for June 2025 had not been received which resulted to our debtor.

(d)Conclusions

In the financial year 2024/25, Ksh 55,118,081 was paid by the County Assembly through the imprest account which has cleared that outstanding borrowings.

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

I take this opportunity to thank the board of management for their support I would also want to thank all staff who we have worked hand in hand to ensure that Vihiga County Assembly Car Loans and Mortgage Fund achieve its mission

Ambaka Kilinga

Fund Administrator

7.Statement of Performance Against the County Fund’s Predetermined Objectives

The Fund’s capital that had been reduced by Ksh 80 million, was enhanced by Ksh 24,881,919 to bring the new revolving fund to Ksh 144,881,919. This financial year has witnessed the amount of loans being issued at Ksh 55,800,248

Introduction

Section 164 (2) of the Public Finance Management Act,2012 requires the, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity’s performance against predetermined objectives.

The key development objectives of Vihiga County Assembly Car Loans and Mortgage Fund for the year are to;

- (a)Provide quality mortgage facilities for members of the county assembly and staff.*
- (b)Provide car loans to enable members and staff purchase their own personal vehicles for easy mobility within the county and outside.*

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities to all members of staff	To ensure all staff have access to Mortgage facilities	Number mortgages successfully applied. All but MCA had benefited from this facility by close of the year	97% 36 out of 37 MCAs	During FY,2024/2025 Members of County Assembly accessed the facility and were able to build their own houses and purchase vehicles

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity’s performance against predetermined objectives.

The key development objectives of the Vihiga County Assembly Car Loans Mortgage Fund for the year are to:

- a) *Provide quality mortgage facilities for members of the county assembly and staff.*
- b) *Provide car loans to enable members and staff purchase their own personal vehicles for easy mobility within the country and outside.*

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities to all members of staff	To ensure all staff have access to Mortgage facilities	Number mortgages successfully applied	% of staff taking Mortgage facilities	During FY ,20 Members of staff accessed the facility and were able build their own houses

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

8. Corporate Governance Statement

The Vihiga County Assembly Car Loan and Mortgage Scheme are revolving fund established pursuant to the salaries and remuneration commission (SRC) circular number SRC/TS/WH/3/ of 14th February 2014. Section 167 of the Public Finance Management (PFM) Act 2012. Its mandate it provide car loans to staff members. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with board management its apex. The operations of the fund are governed by the Vihiga County Assembly Car Loan regulations 2015. The structure is designed to ensure an informed decision-making process based on accurate reporting to the committee.

The regulations 2015 provides that the committee members shall be made up of five trustees, including the chairman and shall consist of a chairman and six other members identified for appointment through a competitive process. The board of management is responsible for the Long-term strategic direction of the fund and recruitment of the fund administrator and senior management. The board of management exercises leadership, enterprise, integrity and judgement in directing the fund.

The management is provided with full, appropriate and timely information that enable them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day to day running of the operations of the fund is delegated to the fund administrator but the board of management is responsible for establishing and maintaining the funds sytem of internal controls for the realization of its mandate of providing financial support for improved access to water and sanitation in areas without adequate services.

All members of the fund management committee have been taken through a comprehensive induction program and are adequately trained on their roles as board member. The members are professional, committed and the fund administrator are evaluated by an independent body against targets agreed at the beginning of the year.

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

Fund management committee meetings

The committee meets monthly or as required in order to monitor the implementation of the fund's strategic plan and achievements of the targets and to approve loans by members and staff. The committee also pays an oversight role over all financial operation issues. The members held 10 full board and two special board meetings during the FY2024/2025.

Audit and risk committee

In ensuring that corporate governance and integrity is enhanced in between the governance of the fund, the county assembly service board has established an audit and risk committee. The committee was established to advice the board on institutional risk management and compliance committee was established to advice the board on institutional risk management compliance.

The members of the committee during the year under review were:

S/NO	NAME	POSITION IN COMMITTEE	PERIOD SERVED
1	Mr. Patrick Kasamba	Chairman	2 years
2	Mr. Joshua Aligula	Member	2 years
3	Ms. Anne Mmata	Member	2 years
4	Mr. Peter Edemba	Member	2 years

STATEMENT OF COMPLIANCE

The board confirms that the fund has throughout the FY2024/2025 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with principles of good corporate governance

Internal Control and Risk Management

Internal Control

The board is responsible for reviewing the effectiveness of the fund systems of internal control which is designed to provide reasonable but not absolute assurance regarding the safeguard of assets against unauthorized user or disposition and maintenance of proper accounting records and reliability of financial information used within a business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to

***VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS
SCHEME FUND***

Annual Report and Financial Statements for the year ended June 30, 2025

circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Standing instructions.

The fund has a code of ethics and services charter that is applicable to all employees. These have a number of standing instructions to employees of the fund designed to enhance internal control.

Organizational structure

A clear organization structure exists detailing lines of authority and control responsibilities. The professionalism and competence of the staff is maintained through both rigorous and recruitment policies and performance appraisal system which establishes targets and reinforces accountability and awareness of control. It identifies appropriate training requirements, training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfill their responsibilities and that fund can meet its future management requirements.

Strategic plan

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund and the annual targets to meet to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on annual basis approves the work supported by the financial plan for the year. Progress against the plan is monitored on quarterly basis.

***VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS
SCHEME FUND***

Annual Report and Financial Statements for the year ended June 30, 2025

9. Management Discussion and Analysis

The fund's activities expose it to variety of financial risks including credit and liquidity risks and effects of changes in foreign currency.

The fund's risk management program focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risks. The fund does not hedge any risks and has in place policies to ensure credit is only extended to staff within an established credit history.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and also making sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

BUSINESS PERFORMANCE

Revenue

The fund earned revenues amounting to KShs.5,152,755 from interest on loans.

Cash flow

The cash and cash equivalents increased from Kshs 5,152,755 as at 30th June 2024 to Kshs 14,751,767 as at 30th June 2025. There was a significant cash outflow at a total of Ksh 55,800,248 disbursed as loans.

OPERATIONAL PERFORMANCE

The fund's core operating activity has been the offering car loans and mortgage to members of county assembly's (MCAs) and staff. The county assembly has supported the fund and an increased collection from members of staff has also added to the fund's better performance.

Conclusion

We appreciate the unrelenting support from the board of management, staff, the county government, National Treasury and all key stakeholders. We look forward to the continued partnership and cooperation in areas of mutual interest in the FY2025/26

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

10. Environmental and Sustainability Reporting

The Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund policy on Environmental sustainability is to be responsible management of natural resources to fulfill current needs without compromising the ability of future generations to meet theirs. It aims to balance ecological, economic and social goals, such as reducing carbon emissions, promoting renewable energy and ensuring equitable resource access. We intend to embrace full use of technology and move away from use of stationery.

i) Market place practices-

The organization should outline its efforts to:

Responsible competition practice.

The Fund operates independently as a going concern. It gives out loans fairly and equitably based on the ability of the applicant and on a first come first served basis. In case of a service like insurance of the loans, open tendering is the best method adopted.

ii) Corporate Social Responsibility / Community Engagements

(The report discusses the details of Corporate Social Responsibility (CSR) activities carried out in the reporting period and the impact to the society.) The activities should be limited to the co-mandate of the entity. For example, Kenya Forest Services could report social investments arising from partnering with communities to propagate seedlings and then they buy back, agroforestry where the community is allowed to farm and take care of seedlings or an initiative supporting a community to use energy savings Jikos. Provide evidence of community engagement including charitable giving (cash and material), Corporate Social Investment (e.g. schools, dams, roads, boreholes, health facilities etc.) and other forms of community engagements (e.g. tree planting, free clinics, scholarships and bursaries awarded etc.). Or evidence of public participation, sensitization and civic education (e.g. in Law and by-laws formulation, budget making processes, community consultation on proposed development projects in their areas)

***VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS
SCHEME FUND***

Annual Report and Financial Statements for the year ended June 30, 2025

11. Report of The Fund

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund continue to be

- (a)Purchase, develop, renovate or repair residential property
- (b)Purchase motor vehicles for personal use for both members of county assembly and staff

Results

The results of the Fund for the year ended June 30, 2025 are set out on page 1 and 2.

Trustees

The members of the Board of Trustees who served during the year are shown on page(iii)- (vii). There were no changes in the Board during the financial year.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. OR Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *Vihiga County Assembly* for the year/period ended June 30, 2025 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board



.....
Chair of the Fund Administration Committee

Date: 26.08.2025

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by VIHIGA COUNTY ASSEMBLY MEMBERS (*CAR LOAN SCHEME FUND*) *REGULATIONS 2014 and 2015* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2025, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on _____ 26.08.25 and signed on its behalf by:

..........

Administrator of the Vihiga County Assembly Members and Staff Mortgage and Car Loan Scheme Fund

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON VIHIGA COUNTY ASSEMBLY MEMBERS & STAFF MORTGAGE & CAR LOANS SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Vihiga County Assembly Members & Staff Mortgage & Car Loans Scheme Fund set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Vihiga County Assembly Members & Staff Mortgage & Car Loans Scheme Fund as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, and do not comply with the International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management (Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund) Regulations, 2015 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Unsupported Interest Income

The statement of financial performance and as disclosed in Notes 9 and 10 to the financial statements, reflects interest income of Kshs.5,152,755. However, this amount was not supported with a verifiable loan amortization schedule showing how the interest was earned.

In the circumstances, the accuracy and completeness of interest income of Kshs.5,152,755 could not be confirmed.

2. Unsupported Rates Paid to the Fund Management Committee

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects general expenses of Kshs.1,355,500; which relates to payment of allowances to the Car Loan and Mortgage Fund committee for approval of loans. However, the ledger provided for audit reflected an amount of Kshs.4,645,748 resulting to a variance of Kshs.3,290,248. Additionally, there was no explanation as to how the rates paid to the committee members per sitting were arrived at.

Further, the statement of comparison of budget and actual amounts reflected a final budget allocation for fund administration expenses of Kshs.1,333,333 while the actual on comparable basis of Kshs.1,355,500. This shows that the Fund spent an additional Kshs.24,375 without a budget.

In addition, the Fund had only one Fund Management Committee and lacked the Members of County Assembly sub-committee and Members of Staff sub-committee in contravention with the Fund's regulations.

In the circumstances, the validity and accuracy of Kshs.1,355,500 paid as allowances to the committee members could not be confirmed.

3. Unsupported Loan Disbursements

The statement of cash flows reflects loan disbursements amounting to Kshs.55,800,248. However, the supporting ledgers reflect an amount of Kshs.53,320,000 resulting to a variance of Kshs.2,480,248. Additionally, the movements of the loan disbursed and repaid during the year under review were not provided for audit review. Scrutiny of the receivables ledgers indicated an amount of Kshs.61,432,490 as loans disbursed during the year resulting to a variance of Kshs.5,632,242 indicating that the balances did not reconcile with the receivables ledger.

In the circumstances, the accuracy and completeness of loan disbursements paid out of Kshs.55,800,248 could not be confirmed.

4. Variance in Long-term Receivables from Exchange Transactions

The statement of financial position reflects an amount of Kshs.106,272,318 relating to long term receivables from exchange transactions. However, scrutiny of the supporting ledgers revealed an amount of Kshs.105,626,699 resulting to a variance of Kshs.645,619.

In the circumstances, the accuracy and completeness of Kshs.106,272,318 relating to long term receivables from exchange transactions could not be confirmed.

5. Long Outstanding Loan Balances

The statement of financial position and as disclosed in Note 5 to the financial statements reflects current portion of long-term receivables from exchange transactions balance of Kshs.69,111,942. However, ledgers supporting the current portion of long-term receivables from exchange transactions amounted to Kshs.68,061,553.03 resulting in a variance of Kshs.1,050,389.

Further, the Kshs.69,111,942 relating to current portion of long-term receivables from exchange transactions includes long overdue debts totalling to Kshs.4,916,888.23. These were loans to five former Members of the County Assembly who are indicated in the ledgers supporting the financial statements to hold balances of Kshs.1,917,305.49, Kshs.903,104.68, Kshs.598,315.17, Kshs.1,022,533.90 and Kshs.475,629.00 respectively and had made no effort to repay the loans in the year under review. Ledger accounts for the defaulters were not maintained.

In the circumstances, the accuracy and recoverability of the current portion of long receivables from exchange transactions of Kshs.69,111,942 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Vihiga County Assembly Members & Staff Mortgage & Car Loans Scheme Fund Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amount indicates a budget on revenue on interest income of Kshs.4,000,000 and an actual revenue of Kshs.5,152,755; thus, surpassing the budget by Kshs.1,152,755. In addition, the fund budgeted to spend Kshs.1,338,333 during the year but spent Kshs.1,357,705 resulting in an over-expenditure of Kshs.19,372. It was also noted that the fund did not have an approved budget for the year under review.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the 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, Management had not resolved the issues as at 30 June, 2025 as detailed below:

S/No.	Financial Year	Audit Issues
1.	2023/2024	Unsupported Revenue from Exchange Transactions
2.	2023/2024	Unsupported Rates paid to Fund Management Committee
3.	2023/2024	Unsupported Receivables from Exchange Transactions
4.	2023/2024	Unsupported Current Portion of Borrowings
5.	2023/2024	Inaccurate Opening Net Assets Balances
6.	2023/2024	Unsupported Entries in the Cash Flows Statement
7.	2023/2024	Long Outstanding Loan Balances
8.	2023/2024	Budgetary Control and Performance
9.	2023/2024	Failure to Charge Properties Financed through Loans
10.	2023/2024	Lack of Mortgage Protection and Fire Policy
11.	2023/2024	Unsupported Rates paid to Fund Management Committee
12.	2023/2024	Incomplete Entries in the Individual Ledger Accounts
13.	2023/2024	Ineffective Internal Audit Unit
14.	2023/2024	Non- Implementation of Recommendations of Oversight Bodies

Other Information

The Management is responsible for the other information set out on page ii to xviii which comprise of Key Entity Information and Management, Management Team, The Chairman's Report, Report of the Fund Administrator, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Trustees, Statement of Management's Responsibilities and Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information and I am required to report that fact. Based on the audit procedures performed, because of the significance of the matters described in my Basis for Adverse Opinion, I confirm that the Other Information is materially inconsistent with the financial statements.

- i. Loan disbursements paid out of Kshs.53,320,000 in the Fund Chairperson's report is materially inconsistent with the financial statements;
- ii. Insurance premium paid of Kshs.3,290,248 in the Fund Chairperson's report is also materially inconsistent with the financial statements;

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Charge Properties Financed through Loans

The statement of cash flows reflects loan disbursements paid out amounting to Kshs.55,800,248 disbursed to twenty-one (21) beneficiaries. Review of the title deeds revealed that they were still in the name of the property sellers and although in the custody of the management, the title deeds were not registered in joint ownership by the County Assembly Service Board and the beneficiaries; contrary to Regulation 20(1) of the Public Finance Management (Vihiga County Assembly Members and Staff

Mortgage and Car Loans Scheme Fund) Regulations, 2015 which provides that the Board shall have a charge registered on property financed through a loan granted under these regulations and shall be entitled to have its name entered in all documents of title for that property.

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

2. Lack of Fire Insurance Policy on Mortgages

Review carried out on the car and mortgage loan repayment schedule revealed receivables of Kshs.175,384,260 as at 30 June ,2025. However, the management had not made arrangements for fire policy insurance cover in the year under review, contrary to Regulation 21(1) of the Public Finance Management (Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund) Regulations, 2015 which provides that a borrower shall take out and maintain a mortgage protection and fire policy with an insurance firm approved by the Board. Therefore, in the event that the mortgaged property was destroyed by fire, the burden of the mortgage repayment would be passed on to the mortgage holder.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Ineffective Internal Audit Function

During the year under review, it was noted that there was no internal audit review of the fund's activities contrary to Section 73(3)(b) of the Public Finance Management Act, 2012 which require that the Internal Auditor shall conduct internal auditing which includes risk-based, value-for-money and systems audits aimed at strengthening internal control mechanisms that could have an impact on achievement of the strategic objectives of the entity.


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 December, 2025

2. Incomplete Entries in the Individual Ledger Accounts

The statement of financial position and as disclosed in Note 5 to the financial statement reflects Kshs.106,272,318 relating to long term receivables from exchange transactions. However, review of the individual debtor's ledger accounts for car loan and mortgage loans revealed that the type of loan was not indicated for all beneficiaries. Further, there was no indication of review of the ledgers by an appointed or authorised reviewer. Additionally, the ledgers did not have index and folios for ease of tracing the individual ledger accounts of the beneficiaries as recorded and the fund maintained manual accounts for all the beneficiaries which is prone to errors and manipulations.

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 controls, 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 those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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


**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS
SCHEME FUND**

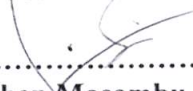
Annual Report and Financial Statements for the year ended June 30, 2025

14. Statement of Financial Performance for the Year Ended 30th June 2025

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Revenue from Non-Exchange Transactions			
Public Contributions and Donations		-	-
Transfers from the County Government		-	-
Fines, Penalties and Other Levies		-	-
		-	-
Revenue from Exchange Transactions			
Interest Income	1	5,152,755	4,783,620
Other Income	2	-	24,881,919
Total Revenue		5,152,755	29,665,539
Expenses			
General Expenses	3	1,355,500	2,774,000
Bank charges	3	2,205	3,355
Depreciation		-	-
Finance Costs		-	-
Total Expenses		1,357,705	2,777,355
Other Gains/Losses			
Gain/Loss on Disposal of Assets		-	-
Gain /Loss on fair value of investments		-	-
Surplus/(Deficit) for the Period	7	3,795,050	26,934,146

(The notes set out on pages 18 to 29 form an integral part of these Financial Statements)

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Name: Ambaka Kilinga
Administrator of the Fund

.....

Name: Stephen Masambu
Fund Accountant
ICPAK Member Number:10533

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS
SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

15. Statement of Financial Position As at 30 June 2025


Description	Note	2024/25	2023/24
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	4	14,751,767	5,803,922
Current Portion of Long- Term Receivables from Exchange Transactions	5	69,111,942	69,985,009
Interest receivables	5	445,841	446,094
Inventories		-	-
Investments in financial assets		-	-
Total current assets		84,309,549	76,235,025
Non-Current Assets			
Property, Plant and Equipment		-	-
Intangible Assets		-	-
Long Term Receivables from Exchange Transactions	5	106,272,318	111,679,203
Investment Property		-	-
Total non- current assets		106,272,318	111,679,203
Total Assets (A)		190,581,868	187,914,228
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions		-	-
Current Provisions		-	-
Current Portion of Borrowings	6	-	1,127,411
Employee Benefit Obligations		-	-
Social benefit liabilities		-	-
Total current liabilities		-	1,127,411
Non-Current Liabilities			
Non-Current Provisions		-	-
Long Term Portion of Borrowings		-	-
Non-Current Employee Benefit Obligation		-	-
Social benefit liabilities		-	-


VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

Description	Note	2024/25	2023/24
		Kshs	Kshs
Total Liabilities (B)		-	1,127,411
Net Assets (A-B)		190,581,868	186,786,817
Represented By:			
Revolving Fund	Pg. 4	120,00,000	120,000,000
Reserves		-	-
Accumulated Surplus		70,581,866	66,786,816
Total Equity		190,581,866	186,786,816

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 26.08.2025 and signed by:


 Name: Ambaka Kilinga
 Administrator of the Fund


 Name: Stephen Masambu
 Fund Accountant
 ICPAK Member Number:10533

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND
Annual Report and Financial Statements for the year ended June 30, 2025

16. Statement of Changes in Net Assets for the year ended 30th June 2025

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July (2023)	120,000,000	-	39,898,632	159,898,632
Surplus/(Deficit) For the Period	-	-	2,006,265	2,006,265
Funds Received During the Year	-	-	24,881,919	24,881,919
Transfers	-		(-)	
Revaluation Gain	-	-	-	-
Balance As At 30 June (2024)	120,000,000	-	66,786,816	186,786,816
Balance As At 1 July (2024)	120,000,000	-	66,786,816	186,786,816
Surplus/(Deficit) For the Period	-	-	3,795,050	3,795,050
Funds Received During the Year	-	-	-	-
Transfers	-		-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June (2025)	120,000,000	-	70,581,866	190,581,866

(Reserves are basically accumulated surplus and net interest)

THIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND
Annual Report and Financial Statements for the year ended June 30, 2025

17. Statement of Cash Flows for The Year Ended 30 June 2025

Description	Note	FY2024/25	FY2023/24
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		5,153,008	4,783,620
Receipts from other operating activities		-	24,881,919
Total receipts		5,153,008	29,665,539
Payments			
Fund administration expenses		-	-
General expenses	3	1,355,500	2,774,000
Bank charges	3	2,205	3,355
Other payments		-	-
Net cash flows from operating activities		3,795,303	26,888,184
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		(-)	(-)
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		60,952,789	54,525,998
Loan disbursements paid out		(55,800,248)	(132,300,000)
Net cash flows used in investing activities		5,152,541	(77,774,002)

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND
Annual Report and Financial Statements for the year ended June 30, 2025

Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings	6	-	1,127,411
Repayment of borrowings		(-)	55,118,081
Net cash flows used in financing activities		(-)	56,245,492
Net increase/(decrease) in cash & cash Equivalents		8,947,844	5,359,675
Cash and cash equivalents at 1 July		5,803,923	444,249
Cash and cash equivalents at 30 June		14,751,767	5,803,923

(PSASB has prescribed the direct method of cash flow preparation: presentation for all entities under the IPSAS accrual basis of accounting.)

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND
Annual Report and Financial Statements for the year ended June 30, 2025

18. Statement of Comparison Of Budget And Actual Amounts For The Period 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	D	e=(c-d)	f=d/c*100
Budget carryovers from 2023/2024	-	-	-	-	-	-%
Receipts						
Public Contributions and Donations	-	-	-	-	(-)	-%
Transfers from County Govt.						
Interest Income	4,000,000	-	4,000,000	5,152,755	1,152,755	128.81%
Other Income	-	-	-	-	-	-%
Total Income	4,000,000	(-)	4,000,000	5,152,755	1,152,755	128.81%
Expenses						
Fund Administration Expenses	1,333,333	-	1,333,333	1,355,500	(24,375)	101.66%
General Expenses	-	-	-	-	(-)	-%
Bank Charges	-	(-)	5,000	2,205	2,795	44.1%
Total Expenditure	1,338,333	(-)	1,338,333	1,357,705	(19,372)	101.45%
Capital expenditure	-	-	-	-	-	
Surplus for the Period	2,661,667	-	2,661,667	3,795,050	(1,133,383)	142.58%

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND
Annual Report and Financial Statements for the year ended June 30, 2025

Budget notes

1. *Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)*
2. *Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)*

Budget Reconciliation

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

The Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund is established by and derives its authority and accountability from the Salaries and Remuneration Commission (SRC) circular number SRC/TC/WH/3/14 of 14th February 2014 and the Vihiga County Assembly Members (Car Loan Scheme Fund) Regulations 2014 and 2015 of 11th July 2014 and 19th January 2016. The Fund is wholly owned by the Vihiga County Government and is domiciled in Kenya. The entity's principal activity is to provide car loans and mortgage facilities to members of County Assembly and staff.

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

There were no new and amended standards issued in the financial year.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognized as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46: Measurement</p>	<p><i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users</p>

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

	of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48: Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49: Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

(i) Early adoption of standards

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

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR
LOANS SCHEME FUND**
Annual Report and Financial Statements for the year ended June 30, 2025

4. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

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

b) Budget information

The fund is a revolving fund; therefore, we do not have a budget for it except issuing out loans when money is available and when it is requested.

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR
LOANS SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

Summary of Significant Accounting Policies (Continued)

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial cash flows has been presented.

c) Property, plant and equipment

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

a) Intangible Assets

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

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

b) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.(entity to amend appropriately)* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR
LOANS SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

Summary of Significant Accounting Policies (Continued)

c) Financial instruments

IPSAS 41 addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortized cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

***VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR
LOANS SCHEME FUND***

Annual Report and Financial Statements for the year ended June 30, 2025

Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL).

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR
LOANS SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

d) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method

Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

e) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

f) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognizes a social benefit as an expense for the social benefit scheme at the same time that it recognizes a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

***VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR
LOANS SCHEME FUND***

Annual Report and Financial Statements for the year ended June 30, 2025

Summary of Significant Accounting Policies (Continued)

g) Contingent liabilities

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

Contingent assets

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

h) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

i) Changes in accounting policies and estimates

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

j) Employee benefits – Retirement benefit plans

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

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

***VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR
LOANS SCHEME FUND***

Annual Report and Financial Statements for the year ended June 30, 2025

Summary of Significant Accounting Policies (Continued)

k) Foreign currency transactions

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

l) Borrowing costs

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

m) Related parties

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

n) Cash and cash equivalents

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

o) Comparative figures

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

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR
LOANS SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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

(Include provisions applicable for your organization e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR
LOANS SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

Notes to the Financial Statements Continued

1. Interest income

Description	2024-2025	2023-2024
	Kshs	Kshs
Interest Income from Mortgage Loans	5,152,755	4,783,620
Interest Income from Car Loans	-	-
Interest Income from Investments in financial assets	-	-
Interest Income on Bank Deposits	-	-
Total Interest Income	5,152,755	4,783,620

(This revenue is purely from interest.)

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

2. Other income

Description	FY2024/25	FY2023/24
	Kshs	Kshs
Insurance Recoveries	-	-
Income from Sale of Tender Documents	-	-
Bad debts recovered	-	-
Miscellaneous Income	-	24,881,919
Total Other Income	-	24,881,919

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified. Disclose write backs if any or recoveries from write offs).

3. Use of Goods and Services

Description	FY2024/25	FY2023/24
	Kshs.	Kshs.
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	1,355,500	-
Bank Charges	-	-
Electricity and Water Expenses	-	-
Fuel and Oil Costs	-	-
Insurance Costs	-	-
Postage and Courier	-	-
Printing and Stationery	-	-
Rental Costs	-	-
Security Costs	-	-
Telephone and Communication Expenses	-	-
Bank Charges	2,205	3,355
Audit Fees	-	-
Provision for Doubtful Debts	-	-
Other (<i>Specify</i>)	-	-
Social benefit expenses*	-	-
Total	1,357,705	3,355

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR
LOANS SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

4. Cash and cash equivalents

Description	2024-2025	2023-2024
	Kshs	Kshs
Vihiga County Assembly Car Loan Account	-	-
Vihiga County Mortgage Account	14,751,767	5,803,922
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others (<i>Specify</i>)	-	-
Total Cash and Cash Equivalents	14,751,767	5,803,922

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR
LOANS SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

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

Financial Institution	Account number	2024-2025	2023-2024
		Kshs	Kshs
a) Current Account			
Kenya Commercial Bank		-	-
Cooperative Bank of Kenya		14,751,767	5,803,922
Sub- Total		14,751,767	5,803,922
Grand Total			
		14,751,767	5,803,922

5.Receivables from exchange transactions

Description	2024-2025	2023-2024
	Kshs	Kshs
Current Receivables		
Interest Receivable	445,841	446,094
Current Loan Repayments Due	69,111,942	69,985,009
Other Exchange Debtors	-	-
Less: Impairment Allowance	(-)	(-)
Total Current Receivables	69,557,783	70,431,103
Non-Current Receivables		
Long Term Loan Repayments Due	106,272,318	111,679,203
Total Non- Current Receivables	106,272,318	111,679,203
Total Receivables from Exchange Transactions	175,830,101	182,110,306

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR
LOANS SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

Additional disclosure on interest receivable

Description	2024-2025	2023-2024
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	445,841	446,094
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	445,841	446,094
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

6. Borrowings

Description	2024-2025	2023-2024
	Kshs	Kshs
Balance at Beginning of The Period	1,127,411	
External Borrowings During the Year	-	
Domestic Borrowings During the Year	-	1,127,411
Repayments of External Borrowings During the Period	(-)	(-)
Repayments of Domestic Borrowings During the Period	(1,127,411)	(-)
Balance at End of The Period	-	1,127,411

The table below shows the classification of borrowings into external and domestic borrowings:

7. Cash generated from operations.

Description	2024/25 FY	2023/24 FY
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	1,315,055	26,888,184
Adjusted For:	-	
Insurance recoveries	-	-
Allowances	1,355,500	-
Bank charges	2,205	-
Interest Income	5,152,755	4,783,620
Finance Cost	-	-
Working Capital Adjustments		
Increase in Inventory	-	-
Increase in Receivables	-	-
Increase in Payables	-	-
Net Cash Flow from Operating Activities	3,795,050	26,888,184

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

8. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties^{3,7} who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

**VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR
LOANS SCHEME FUND**

Annual Report and Financial Statements for the year ended June 30, 2025

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Management.

b) Related party transactions

Description	2024-2025	2023-2024
	Kshs	Kshs
Transfers from Related Parties'	-	24,881,919
Transfers to Related Parties	-	-

Other Disclosures Continued

c) Due to related parties

Description	2024/2025 FY	2023/2024 FY
	Kshs	Kshs
Due to Parent Ministry	-	-
Due to County Government	-	-
Due to Key Management Personnel	-	-
Total	-	-

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

9. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2025				
Receivables from Exchange Transactions	175,830,101	175,830,101	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	14,751,767	14,751,767	-	-
Total	190,581,868	190,581,868	-	-
At 30 June 2024				
Receivables from Exchange Transactions	182,110,306	182,110,306	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	5,803,922	5,803,922	-	-
Total	187,914,228	187,914,228	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

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

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

b) Liquidity risk management

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

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual unaccounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade Payables	-	-	-	-
Current Portion of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2024				
Trade Payables	-	-	-	-
Current Portion of Borrowings	-	-	1,127,411	1,127,411
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	1,127,411	1,127,411

c) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

i. Foreign currency risk

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

The carrying amount of the entity's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June (Current FY)			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables	-	-	-
Liabilities			
Trade and Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)			

The Fund manages foreign exchange risk from future commercial transactions and recognized assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Foreign currency sensitivity analysis

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

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

Description	Change in currency rate	Effect on surplus/deficit	Effect on Equity
	Kshs	Kshs	Kshs
(Current FY)			
Euro	10%	-	-
USD	10%	-	-
(Comparative FY)			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

d) Capital risk management.

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	120,000,000	120,000,000
Accumulated surplus	70,581,866	66,786,816
Total funds	190,581,866	186,786,816
Total borrowings	-	1,127,411
Less: cash and bank balances	(14,751,192)	(5,803,922)
Net debt/(excess cash and cash equivalents)	(14,751,192)	(4,676,511)
Gearing	-%	.604%

10. Events after the reporting period

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

11. Ultimate and Holding Entity

The entity is a County Public Fund established by and derives its authority and accountability from the Salaries and Remuneration Commission (SRC) Act circular number SRC/TS/WH/3/14 of 14th February 2014 and the VIHIGA COUNTY ASSEMBLY MEMBERS (CAR LOAN SCHEME FUND) REGULATIONS 2014 and 2015 on 11th July 2016. The Fund is wholly owned by the County Government of Vihiga and is domicile in Kenya.

12. Currency

The financial statements are presented in Kenya Shillings (Kshs)

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND

Annual Report and Financial Statements for the year ended June 30, 2025

29. Annexes


Annex I: Progress on Follow Up of Prior Year Auditor’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7	Long outstanding loan balances	Legal department is handling the issue		2 years from now
1	Failure to charge Loans	Legal department is handling	N/R	1 year from now

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the time frame with the appointed Focal Point persons within your Fund responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Fund Manager) 

Date.....

VIHIGA COUNTY ASSEMBLY MEMBERS AND STAFF MORTGAGE AND CAR LOANS SCHEME FUND
Annual Report and Financial Statements for the year ended June 30, 2025

Annex II: Inter-Fund Confirmation Letter
[Insert your Letterhead]

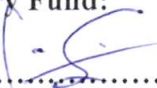
[Vihiga County Assembly Members and Staff Mortgage and Car Loans Scheme Fund]
[P.O.BOX 90,50300 MARAGOLI, KENYA.]

Wishes to confirm the amounts disbursed to you as at 30th June 2025 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 th June 2025							
Reference Number	Date Disbursed	Amounts Disbursed by [CC/SAGA/Fund] (Kshs) as at 30 th June 2025				Amount Received by [beneficiary Fund] (KShs) as at 30 th June 2025 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name STEPHEN MASAMBU Sign  Date 26.08.2025