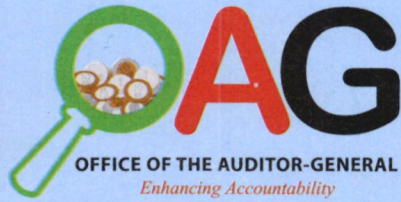


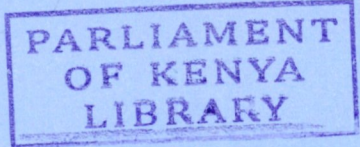
REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

**KILIFI COUNTY CAR LOAN AND
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2025**

PAPERS LAID	
DATE	19/11/2025
TABLED BY	Sen. Mutinda on behalf of Majority Leader
COMMITTEE	-
CLERK AT THE TABLE	Belinda





KILIFI COUNTY CAR LOAN AND MORTGAGE SCHEME FUND

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

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

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1. ACRONYMS AND DEFINITION OF KEY TERMS

A. ACRONYMS

Acronym	Meaning
CECM	County Executive Committee Member
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
SRC	Salaries and Remuneration Commission

B. DEFINITION OF KEY TERMS

Term	Meaning
Fiduciary Management	Members of Management directly entrusted with the responsibility of financial resources of the organization.
Comparative Year	Prior period

2. KEY FUND INFORMATION AND MANAGEMENT

a) Background information

The Kilifi County Car Loan and Mortgage Scheme Fund was established and derives its authority and accountability from the provisions under Section 116 of the PFM Act, 2012 and Section 167 of the PFM Act, 2012 and Salaries and Remuneration Commission (SRC) Circular SRC/CGOVT/3/61 dated 30th September, 2014.

The Kilifi County Car and Mortgage Scheme Fund was created in the fiscal year 2015-2016 as a dynamic revolving fund, in accordance with the Salaries and Remuneration Commission (SRC) Circular ref No. SRC/ADM/CIR/1/13 Vol. III (128) dated December 17, 2014. This directive outlined the Mortgage and Car Loan Schemes for State Officers and other Public Officers within the Government of Kenya.

Designed to offer financing solutions for the acquisition of motor vehicles for personal use, property acquisition, property development and residential property renovation, the fund aims to support the financial needs of its members. It is in line with this that the Fund has successfully facilitated four (4) car loans and thirty-eight (38) mortgages as at the close 30 June 2025.

The Fund remains excited and committed in its journey to delivering valuable financial services to our members while upholding the highest standards of transparency and accountability. Moving forward, we look forward to engaging and collaborating with external stakeholders to mutually benefit from the opportunities our fund brings to its members.

The Fund is wholly owned by the County Government of Kilifi and is domiciled in Kenya.

b) Principal Activities

The principal activity of the Fund is to provide loans to staff employed in the Executive Arm of the County Government of Kilifi for;

- i) The acquisition of motor car for their personal use.
- ii) Mortgage loans to members for the purpose of;
 - a. Purchasing an existing residential property;

Kilifi County Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2025

- b. Development of residential property on existing land;
- c. Purchase of land and construction of residential property;
- d. Construction, renovation and /or improvement of existing residential property;

The Fund is administered by the Kilifi County Car loans and Mortgage Scheme Fund Management Committee. The committee is charged with the responsibility of approving loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Fund.

Core Objectives

Providing accessibility and delivery of valuable financial services to our members while upholding the highest standards of transparency, accountability and integrity

c) Fund Administration Committee

Ref	Name	Position
1	Hezekiah Nguma Mwarua	Chief Officer Finance/ Chairperson Fund Management Committee
2	Joe Ndundi Tete	Chief Officer- Lands, Energy & Physical Planning/ Member
3	Jackson K. Mweni	Director of Human Resources / Member
4	Henry Kazungu Lughanje	County Attorney / Member
5	David Ngombo	Assistant Director of Housing / Member
6	Davison Karisa	Assistant Transport Officer / Member
7	Gideon Mumba	Ag. Secretary County Public Service Board / Member
8	Grace Mulaa Dzombo	Fund Administrator / Secretary

Key Fund Information and Management (Continued)

d) Key Management team

Ref	Name	Position
1	Grace Mulaa Dzombo	Fund Administrator / Secretary
2	David Ingosi Kazungu	Fund Accountant

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Directorate Internal Audit	Keziah Wangui Mugambi
2	Kilifi County Public Investments and Accounts Committee	

f) Registered Offices

P.O. Box 519 -80108
Kilifi County Treasury Building
Bofa Road, Kilifi
Kilifi, KENYA

g) Fund Contacts

P.O Box 519 – 80108, Kilifi
E-mail: cgkmortgage@kilifi.go.ke
Website: www.kilifi.go.ke

h) Fund Bankers

Kenya Commercial Bank
Kilifi Branch
P.O Box 528 - 80108
Kilifi, Kenya

Kilifi County Car Loan and Mortgage Scheme Fund
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Key Fund Information and Management (Continued)



i) Independent Auditors

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



j) County Attorney

The County Attorney
County Executive of Kilifi
Kilifi Plaza, 3rd Floor
P.O Box 519-80108

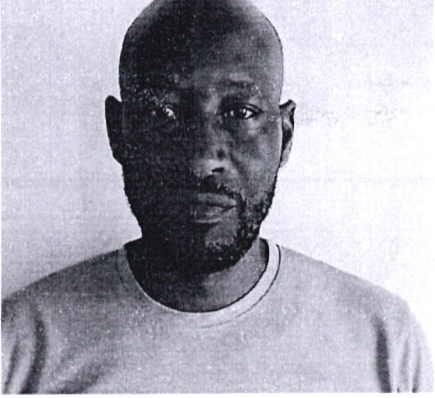

3. FUND MANAGEMENT COMMITTEE

Ref	Name	Details of qualifications and experience
1.	 <p>Hezekiah Nguma Mwarua Chief Officer Finance/ Chairperson: Fund Management Committee</p>	<ul style="list-style-type: none"> • Born in 1983, Hezekiah Mwarua was appointed as the Chairperson of the Kilifi County Car Loan and Mortgage Scheme Fund on October 1, 2024. • He holds a Bachelor of Technology degree in Chemical and Process Engineering from Moi University. • Mr. Mwarua brings on board a wealth of experience in leadership and public service. He has previously served as the Chief Officer in the Department of Water and Sanitation, Kilifi County Government. In addition, he held a senior leadership role as the Managing Director of the Kilifi Water and Sewerage Company Limited. • He is currently serving as the Chief Officer – Finance in the County Government of Kilifi.
2.	 <p>Joe Ndundi Tete Chief Officer- Lands, Energy & Physical Planning/ Member</p>	<ul style="list-style-type: none"> • Born in 1965. Joe Tete, was appointed as a member of the Fund Management Committee on December 8, 2022. • He holds a Bachelor’s in Land Survey Technology degree from Technical University of Kenya and a Master of Science in Geoinformatics from Taita Taveta University. • Mr. Tete is a long serving graduate land surveyor in both public and private sector. He brings a vast wealth of professionalism in the land and housing profession. • He is currently serving as the Chief Officer - Lands in the County Government of Kilifi.



**Kilifi County Car Loan and Mortgage Scheme Fund
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<p>3.</p>	 <p>Henry Kazungu Lughanje County Attorney / Member</p>	<ul style="list-style-type: none"> • Born in 1959. Henry Kazungu Lughanje, was appointed as a member of the Fund management Committee on December 8, 2022. • He holds a Bachelor’s degree in law from the University of Nairobi and was admitted to the bar in 1988 when he signed the advocates roll. • Mr. Lughanje is a seasoned advocate with a background in private practice. In addition to his role as a member of the committee he serves as the County Attorney for the County Government of Kilifi. • He being the principal legal advisor to the County Government of Kilifi puts him in the best position to advise in terms of legal matters that involve the Fund.
<p>4.</p>	 <p>Jackson K. Mweni Director Human Resource Management / Member</p>	<ul style="list-style-type: none"> • Born in 1983, Jackson Mweni was appointed as a member of the Fund management committee on June 12, 2024. • He holds a Bachelor of Commerce, Human Resource Management from Jomo Kenyatta University and a Master’s degree; Msc in Human Resource Management from The University of Nairobi. • Mr. Mweni is a registered member of the Institute of Human Resource Management. • He currently serves as the Director Human Resource Management – County Government of Kilifi



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<p>5.</p>	 <p>Davison Karisa Assistant Transport Officer/ Member</p>	<ul style="list-style-type: none"> • Born in 1976, Davison Karisa was appointed to the Fund Management Committee on June 12, 2024. • He holds a Certificate from Kenya National Exams Council (KNEC) in Road transport management and is currently pursuing a higher diploma on the same. • He is Currently serving as the assistant County Transport Officer within the County Government of Kilifi
<p>6.</p>	 <p>David Ngombo Assistant Director Housing/ Member</p>	<ul style="list-style-type: none"> • Born in 1985. David Ngombo was appointed as a member of the Fund Management Committee on October 28, 2020. • He holds a Bachelor's degree in Civil and Construction Engineering from the University of Nairobi. He is also a registered member of the Engineers Board of Kenya. • He is currently serving as the Assistant Director of Housing and Estate Management within the County Government of Kilifi. Previously, he held the position of Senior Estate Management Officer with the State Department of Housing and Urban Development in Nairobi.

**Kilifi County Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2025**

<p>7.</p>	 <p>Gideon Mumba Ag. CEO County Public Service Board / Member</p>	<ul style="list-style-type: none"> • Born in 1975. Gideon Mumba was appointed to the Fund Management Committee on June 12, 2024. • He holds a Bachelor of Arts degree and a Master's degree in Business Management (MBA) from Kenyatta University. • He is also a registered member of IHRM • He is currently serving as the acting Board Secretary, County Public Service Board within the County Government of Kilifi
<p>8.</p>	 <p>Fund administrator/ Secretary to the Board</p>	<ul style="list-style-type: none"> • Born in 1988, was appointed as the Fund Administrator on 28th October 2020. • She holds a Bachelor of Commerce degree in Finance from Kenyatta University and is currently pursuing a Master of Business Administration (MBA) at the University of Nairobi. Additionally, she is a Certified Public Accountant of Kenya (CPA(K)). • She currently serves in the role of a Chief Accountant within the County Government of Kilifi.

4. MANAGEMENT TEAM

Ref	Name	Details of qualifications and experience
1.	 <p>Grace Mulaa Dzombo Fund administrator</p>	<ul style="list-style-type: none"> • Born in 1988, serves as the Fund Administrator of the Kilifi County Car Loan and Mortgage Scheme Fund. • She holds a Bachelor of Commerce degree in Finance from Kenyatta University and is currently pursuing a Master of Business Administration (MBA) at the University of Nairobi. Additionally, she is a Certified Public Accountant of Kenya (CPA(K)). • She currently serves in the role of a Chief Accountant within the County Government of Kilifi.
2.	 <p>David Kazungu Ingosi Fund Accountant</p>	<ul style="list-style-type: none"> • Born in 1996, serves as the Fund Accountant of the Kilifi County Car Loan and Mortgage Scheme Fund. • He holds a Bachelor of Commerce degree in Finance from the University of Nairobi, and is currently pursuing a Master of Science in Finance at Jomo Kenyatta University of Agriculture and Technology (JKUAT). Additionally, he is a Certified Public Accountant of Kenya - CPA (K) • He serves the role of an Accountant within the Finance Department of the County Government of Kilifi as well as being a member of the Financial Reporting Unit

5. CHAIRPERSON’S REPORT

The Kilifi County Car Loan and Mortgage Scheme Fund was established in 2015 by the County Government of Kilifi, in line with the guidelines issued by the Salaries and Remuneration Commission (SRC). The objective of the Fund is to facilitate access to affordable residential housing and motor vehicle acquisition for County staff, thereby enhancing employee attraction, motivation, and retention.

Although the Fund was legally established in 2015, its official operations commenced during the 2022/2023 financial year with a revoted budget of Ksh 39,000,000. As at the end of the reporting period 2024/2025, cumulative funding from the County Government stands at Ksh 259,000,000, including Ksh 50,000,000 disbursed in the year under review. This continued financial support reflects the County Government’s commitment to improving the welfare of its workforce.

Growing interest among staff in the loan and mortgage facilities has been observed, and the Scheme remains committed to member sensitization and the continuous improvement of its operational processes to ensure the efficient and effective utilization of the Fund.

Sustainability Outlook

The Fund, in collaboration with its stakeholders, is prioritizing sustainability through prudent investment strategies and enhanced resource mobilization. These efforts are aimed at safeguarding the long-term viability of the Scheme, ensuring that it remains a self-sustaining facility capable of meeting current and future demands.

Governance and Management Changes

The governance of the Fund is guided by the Kilifi County Car Loan and Mortgage Scheme Fund Regulations, 2020, and the oversight frameworks established by the SRC. During the period under review, there were notable changes in the Fund’s leadership. Mr. Hezekiah Nguma Mwarua was appointed as the Chief Officer – Finance, succeeding Ms. Winnie Luwali Wakati as the Chairperson of the Fund Management Committee. These transitions were carried out in full compliance with the applicable regulations, and the Fund’s operational performance remained uninterrupted.

Financial Performance Review

For the fiscal year 2024/2025, the Fund recorded a total income of Ksh 6,653,270, which was primarily derived from interest earned on car loans and mortgage advances. In addition, a disbursement of Ksh 50,000,000 was received from the County Treasury. Total expenditure for the year amounted to Ksh 4,456,910, representing administrative costs incurred in managing the Fund.

Future Outlook

Looking ahead, the Kilifi County Car Loan and Mortgage Scheme Fund remains committed to strengthening its role as a key welfare initiative for County staff. The Fund will continue to focus on enhancing operational efficiency, increasing awareness among eligible beneficiaries, and simplifying access to financing through streamlined processes and member education.

With the strong financial backing of the County Government and sound governance structures in place, the Fund is well-positioned to sustain its growth trajectory. In the fiscal year 2025-2026, the Fund anticipates a budget allocation of Kshs. 50,000,000, further reinforcing its capacity to expand and deliver on its mandate. Strategic efforts will be directed towards diversifying funding sources and exploring investment opportunities to improve long-term financial sustainability.

In collaboration with stakeholders, the Fund will continue to uphold prudent financial management and transparency, ensuring that it remains a reliable and effective mechanism for staff empowerment through accessible car loan and mortgage financing.



Date: 28/10/2025

Hezekiah Nguma Mwarua

Chairperson, Fund Management Committee

6. REPORT OF THE FUND ADMINISTRATOR

The Kilifi County Car Loan and Mortgage Scheme Fund, established in accordance with existing government regulations, proudly presents its Financial Statements for the year ending June 30, 2025. These Financial Statements encompass the statement of financial performance, statement of financial position, statement of changes in net assets, and statement of cash flow.

Our commitment to prudent financial management and reporting is in strict adherence to the Public Finance Management (PFM) Act, 2012; Public Financial Management (County Government) Regulations, 2015, and International Public Sector Accounting Standards (IPSAS).

The Kilifi County Car Loan and Mortgage Fund management committee, in collaboration with the loan's appraisal committee, oversees the implementation and administration of the Scheme. These committees convene regularly to assess loan applications and provide recommendations. Since its inception, the Kilifi County Executive has allocated a total of Kshs. 259,000,000 to the scheme.

Financial Performance

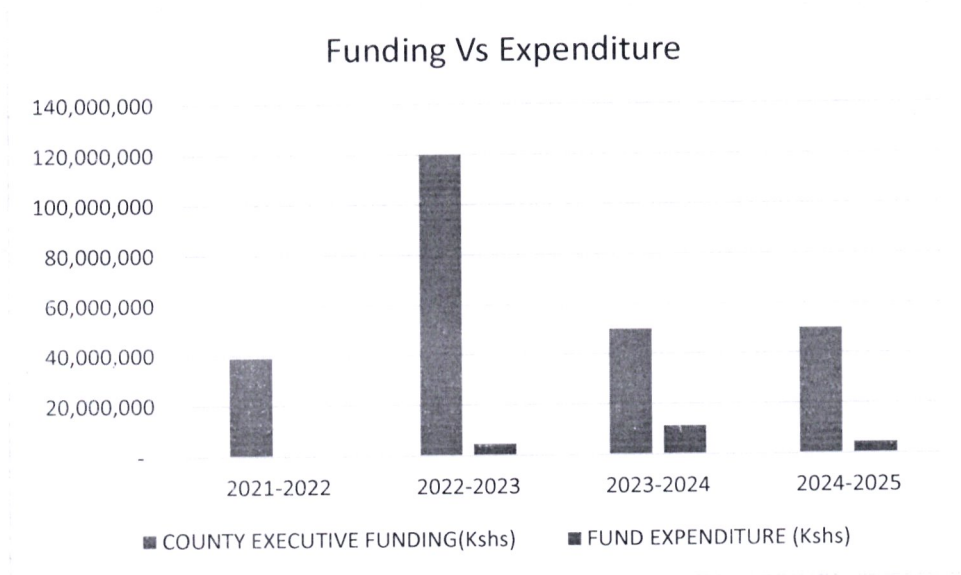
During the reporting period, the Kilifi County Car Loan and Mortgage Scheme Fund recorded a total revenue of Ksh 6,653,270 derived solely from exchange transactions (interest income). This marks a 45.9% increase compared to the previous year's revenue from exchange transactions (interest income) of Kshs 4,560,039. Expenses significantly reduced to Ksh 4,456,910 from Ksh 11,296,419 resulting in a surplus of Kshs 2,196,360 compared to a deficit of Ksh 1,947,102 the previous year.

Cumulative and Annual Budget Performance Vs Actuals

The Fund has cumulatively received Kshs 259,000,000 since inception (Kshs 39M in 2021/22, Ksh 120M in 2022/23, Kshs 50M in 2023/24, and a budgeted funds of Kshs 50M in the fiscal year 2025). The Fund's net assets stood at Kshs 258,914,472 as at June 30, 2025, reflecting strong fiscal discipline and prudent resource management. Below is a graphical analysis of the Fund's revenue Vs expenditure over the years.

Kilifi County Car Loan and Mortgage Scheme Fund
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FINANCIAL YEAR	COUNTY EXECUTIVE FUNDING(Kshs)	FUND EXPENDITURE (Kshs)
2021-2022	39,000,000	200
2022-2023	120,000,000	4,655,360
2023-2024	50,000,000	11,296,419
2024-2025	50,000,000	4,456,910



Programme Implementation Progress

Since inception, the Fund has successfully disbursed 42 loans (38 mortgages and 4 car loans) totaling Ksh 233,151,396. The disbursements demonstrate tangible impact in enhancing staff welfare and asset ownership. Efficient processing of loan requests has seen consistent uptake year on year and value for money has been achieved through direct welfare improvement. Mortgage uptake accounts for more than 90% of fund utilization, showing alignment among staff to housing priorities.

Kilifi County Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2025

Conclusion

The remarkable growth in our Fund's portfolio, driven by the increased uptake of car and mortgage facilities, heralds a bright future for our Scheme. As we chart our course for the upcoming year, we are committed to fostering an environment that maximizes productivity by offering a competitive loan scheme for our staff.

We extend our deepest gratitude to the Kilifi County Executive for their unwavering support, and to our dedicated committees, whose tireless efforts have transformed our schemes into invaluable resources for our staff.

I would also like to take this opportunity to express my heartfelt appreciation to the Fund management committee for their steadfast support, and to the loan appraisal committee for their relentless efforts in ensuring we fulfill our mandate effectively.

I encourage all staff members to take full advantage of these facilities to enhance their welfare and to remain resilient and focused in their duties.

**7. STATEMENT OF PERFORMANCE AGAINST THE COUNTY FUND'S
 PREDETERMINED OBJECTIVES**

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 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 strategic objectives for the Fund are stated in the Kilifi County Integrated Development Plan (CIDP) 2023-2027 Plan. However, to achieve the objective of the Salaries and Remuneration Commission (SRC) circular Ref. No SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December 2014 that initialized the establishment of the fund, the Fund incorporated the following as part of its strategic objectives;

- a.) To attract and retain productive and motivated human resources and improve staff living standards for smooth service delivery
- b.) Ensure that the Fund has relevant policies and activities in place to support the achievement and uptake of the facilities.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Car and Mortgage Loan facilities to all members of staff	To ensure all staff have access to Car loan and Mortgage facilities	Number mortgages successfully applied	% of staff taking Mortgage facilities	During the FY 2024/2025, one (1) new staff was facilitated with mortgage loan.

8. CORPORATE GOVERNANCE STATEMENT

The Kilifi County Car Loan and Mortgage Scheme Fund

The Kilifi County Car Loan and Mortgage Scheme Fund is a revolving fund established pursuant to the Kilifi County Car Loan and Mortgage Scheme Fund Regulations, 2020.

Its mandate is to provide car and mortgage loans to members of staff. 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 the Fund management committee at its apex. The operations of the fund are governed by the Kilifi County Car Loan and Mortgage Scheme Fund Regulations, 2020, the PFM Act, 2012, PFM Regulations, SRC Circulars and any other government legislation.

The Fund Management Committee

Section 6 & 10 of the Kilifi County Car Loan and Mortgage Scheme Fund Regulations, 2020 provides for appointment of the Fund Management Committee and administrator of the fund. The committee shall be made up of six members including the Chairperson and a Secretary identified for appointment through the CECM Finance. The Fund management committee is responsible for the long-term strategic direction of the fund. It exercises leadership, enterprise, integrity and judgement in directing the Fund.

The committee are provided with full, appropriate and timely information that enables 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 Fund management committee is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate.

All members of the Fund management committee have been taken through a comprehensive induction programme, and are adequately trained on their roles as members. The members are professional, committed and guided by the core values of the Fund in execution of their duties.

Kilifi County Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2025

Committee Meetings

The committee meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets. The committee also plays an oversight role over all other financial and operational issues. The committee held six full board meetings in the financial year under review as summarized below:

Fund Management Meeting Date	Members Present
20 th September, 2024	Ms Winnie Wakati Mr. Gideon Mumba Mr. Joe Tete Mr. Jackson Mweni Mr. Davison Karisa Mr. David Ngombo Ms Grace Mulaa Dzombo Ms Rehema Wasi Mwabaya
25 th November, 2024	Mr. Hezekiah Nguma Mwarua Mr. Gideon Mumba Mr. Joe Tete Mr. Jackson Mweni Mr. Davison Karisa Mr. David Ngombo Ms Grace Mulaa Dzombo Ms Rehema Wasi Mwabaya
6 th January, 2025	Mr. Hezekiah Nguma Mwarua Mr. Gideon Mumba Mr. Joe Tete

Kilifi County Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2025

Fund Management Meeting Date	Members Present
	Mr. Jackson Mweni Mr. Davison Karisa Mr. David Ngombo Ms Grace Mulaa Dzombo Ms Rehema Wasi Mwabaya
10 th February, 2025	Mr. Hezekiah Nguma Mwarua Mr. Gideon Mumba Mr. Joe Tete Mr. Jackson Mweni Mr. Davison Karisa Mr. David Ngombo Ms Grace Mulaa Dzombo Ms Rehema Wasi Mwabaya
10 th April, 2025	Mr. Hezekiah Nguma Mwarua Mr. Gideon Mumba Mr. Joe Tete Mr. Jackson Mweni Mr. Davison Karisa Mr. David Ngombo Ms Grace Mulaa Dzombo Ms Rehema Wasi Mwabaya

Kilifi County Car Loan and Mortgage Scheme Fund

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

Fund Management Meeting Date	Members Present
15 th May, 2025	Mr. Hezekiah Nguma Mwarua Mr. Gideon Mumba Mr. Joe Tete Mr. Jackson Mweni Mr. Davison Karisa Mr. David Ngombo Ms Grace Mulaa Dzombo Ms Rehema Wasi Mwabaya

9. MANAGEMENT DISCUSSION AND ANALYSIS

a. Operational and financial performance of the Fund during the period

During the financial year 2024/2025, Actual Loan disbursement totaled to Kshs. 12,875,780 whilst fund administration expenses amounted to Kshs. 4,456,910. Included in the loan amount is one (1) new Mortgage issue amounting to Kshs. 4,500,000 and Kshs. 8,375,780 relating to subsequent disbursements of mortgage loans to existing beneficiaries.

The fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to 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 staff with 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.

b. Fund's Key Projects or Investments Decision implemented or ongoing

The Fund has continued to invest in the car loan and mortgage scheme for the staff. This is intended to provide affordable housing for staff while at the same time facilitating their staff to conveniently commute to and from work.

c. Fund's compliance with statutory requirements

The Fund complied with all its statutory and tax obligations in the implementation of its mandate. Further the Fund complied with all the necessary laws and regulations applicable in the management of the funds

d. Risk management activities

The Scheme is putting in place a risk management framework for risk identification and mitigation. Further, it has embedded risk management in all its planning, execution, evaluation and business continuity arrangements.

Some of the key risks facing the scheme fund include:

- i. **Strategic Risks:** These are risks that affect the ability to carry out the long-term goals and objectives of the fund due to inadequate funding.
- ii. **Compliance Risks:** These are risks associated with non-compliance with applicable laws and regulations could result in litigation and conflict of interest.
- iii. **Financial Risks:** The risk of financial loss that may include ineffectiveness of internal controls, inadequate funding, inability to service the loans and delay in financial reporting due to reliance on third party financial information. The delaying funding may also result in the Fund's inability to fund all the applications hence delay in issuing loans and acquisition of the properties.
- iv. **Operational Risk:** The risk of direct and indirect loss or inability to provide core services especially to stakeholders, resulting from inadequate or failed financial processes, resources and systems.

e. Financial Probity and Governance

To obtain assurance on compliance and prudence in the management of the fund finances, the Scheme prepares the financial statements for the Car Loan and Mortgage funds which are subjected to both internal and external audit. The audit findings and recommendations will enable the Fund to strengthen the fund operational and financial systems.

10. REPORT OF THE FUND MANAGEMENT COMMITTEE

The Fund Management Committee 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 Fund's principal activities involve providing loans to staff employed in the Executive Arm of the County Government of Kilifi for;

- i) The acquisition of motor car for their personal use.
- ii) Mortgage loans to members for the sole purpose of;
 - a. Purchasing an existing residential property;
 - b. Development of residential property on existing land;
 - c. Purchase of land and construction of residential property;
 - d. Construction, renovation and /or improvement of existing residential property

Results

The results of the Fund for the year ended 30 June, 2025 are set out on pages 1 to 7.

Fund Management Committee

The governance and management of the Scheme strictly adhere to the regulations outlined in the Kilifi Car Loan and Mortgage Scheme Fund Regulations of 2020, as well as the guidelines provided by the Salaries and Remuneration Commission.

The members of the Fund management who served during the year are as shown on page ix to xiii.

In the year under review, significant changes occurred in key management positions as a result of appointments in accordance with the regulations governing the Fund Management Committee as shown below:

Kilifi County Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2025

S/No.	Name	Position in committee	Period Served
1	Ms. Winnie Wakati Luwali	Chairperson Fund Management Committee/ Chief Officer - Finance	8 th December 2022 - 20 th November 2024
2	Hezekiah Nguma Mwarua		November 2024 - Current

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.

By Order of the Fund Management Committee.



.....
Hezekiah Nguma Mwarua

Chairperson Fund Administration Committee

Date: 28/10/2025

11. 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 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 judgement 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 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 Fund Management Committee on 28 October, 2025 and signed on its behalf by:


.....

Grace Mulaa Dzombo
Fund Administrator
Kilifi County Car Loan and Mortgage Scheme Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KILIFI COUNTY CAR LOAN AND MORTGAGE 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.
- 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 Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on 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 aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kilifi County Car Loan and Mortgage Scheme Fund set out on pages 1 to 35, which comprise of the statement of

Report of the Auditor-General on Kilifi County Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2025

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, the financial statements present fairly, in all material respects, the financial position of Kilifi County Car Loan and Mortgage Scheme Fund as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kilifi County Car Loan and Mortgage 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 opinion.

Emphasis of Matter

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.91,772,910 and Kshs.27,428,985 respectively resulting to an under-funding of Kshs.64,343,925 or 70% of the budget. Similarly, the Fund spent an amount of Kshs.17,332,690 against actual receipts of Kshs.27,428,985 resulting to under expenditure of Kshs.10,096,295 or 37% of actual receipts.

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

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. There were no key audit matters to report in the year under review.

Other Information

The Management is responsible for the Other Information set out on page iii to xxvi which comprise of Key Fund Information and Management, Fund Management Committee, Management Team, Chairpersons Report, Report of the Fund Administrator, Statement of Performance Against the County Funds Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis,

Report of the Fund Management Committee and Statement of Management's Responsibilities. 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, I am required to report that fact. I have nothing to report in this regard.

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 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, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Sound Policies Regulating Management of the Fund

The audit revealed that the Kilifi County Car Loan and Mortgage Scheme Fund operated without approved policies and procedures to guide key aspects of the Fund. As a result, decisions are made without standardized controls or reference to formal documentation. This is contrary to Regulation 6(4)(b) of the Kilifi County Car Loan and Mortgage Scheme Fund Regulations, 2020, which provides that the functions of the

Loans Management Committee shall be to formulate sound policies for regulating the management of the Fund.

In the circumstances the effectiveness of internal controls to regulate the management of the Fund could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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.

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


04 November, 2025

Kilifi County Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2025

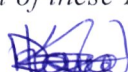
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2025

Description	Note	2023-2024	
		2024-2025	RESTATED
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	130,400
		-	130,400
Revenue From Exchange Transactions			
Interest Income	2	6,653,270	5,184,667
Other Income	3	-	4,034,250
		6,653,270	9,218,917
Total Revenue		6,653,270	9,349,317
Expenses			
Fund Administration (Use of goods and services)	4	(4,456,910)	(11,296,419)
Total Expenses		(4,456,910)	(11,296,419)
Other Gains/Losses			
Gain/Loss on Disposal of Assets		-	-
Surplus/(Deficit) for the Period		2,196,360	(1,947,102)

(The notes set out on pages 1 to 7 form an integral part of these Financial Statements)



Name: Grace Mulaa Dzombo
Administrator of the Fund
ICPAK Member Number: 26813



Name: David Kazungu Ingosi
Fund Accountant
ICPAK Member Number:33715

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2025

Description	Note	2024- 2025	2023 – 2024
		Kshs	RESTATED Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	5	10,096,295	772,910
Current Receivables from Exchange Transactions	6	79,261,120	24,953,278
Total current assets		89,357,415	25,726,188
Non-Current Assets			
Long Term Receivables from Exchange Transactions	6	188,678,870	208,489,516
Total non- current assets		188,678,870	208,489,516
Total Assets (A)		278,036,285	234,215,704
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	7	19,121,813	27,497,589
Total current liabilities		19,121,813	27,497,589
Non-Current Liabilities			
Long Term Receivables from Exchange Transactions		-	-
Total Liabilities (B)		19,121,813	27,497,589
Net Assets (A-B)		258,914,472	206,718,115
Represented By:			
Revolving Fund		259,000,000	209,000,000
Reserves		-	-
Accumulated Surplus		(85,528)	(2,281,885)
Net Assets		258,914,472	206,718,115

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 28 October, 2025 and signed by:

Kilifi County Car Loan and Mortgage Scheme Fund

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



.....
Name: Grace Mulaa Dzombo
Administrator of the Fund
ICPAK Member Number: 26813



.....
Name: David Ingosi Kazungu
Fund Accountant
ICPAK Member Number:33715

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE, 2025

Description	Car Loan & Mortgage Fund	Accumulated surplus	Total
		Kshs	Kshs
Balance As At 1 July 2023	159,000,000	(334,784)	158,665,216
Funds Received During the Year	50,000,000	-	50,000,000
Surplus/(Deficit) For the Period	-	(1,947,102)	(1,947,102)
Balance As At 30 June 2024	209,000,000	(2,281,885)	206,718,115
Balance As At 1 July 2024	209,000,000	(2,281,885)	206,718,115
Funds Received During the Year	50,000,000	-	50,000,000
Surplus/(Deficit) For the Period	-	2,196,358	2,196,358
Balance As At 30 June 2025	259,000,000	(85,528)	258,914,472

16. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2025

Description	Note	2024- 2025	2023 – 2024
			RESTATED
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	-	130,400
Interest received from car and mortgage loans		6,858,595	4,623,485
Receipts from other operating activities	3	-	4,034,250
Total receipts		6,858,595	8,788,135
Payments			
Fund administration expenses	4	(4,456,910)	(11,296,425)
General expenses		-	-
		(4,456,910)	(11,296,425)
Net cash flows from operating activities		2,401,685	(2,508,290)
Cash flows from investing activities			
Proceeds from loan principal repayments		19,797,480	14,809,059
Loan disbursements paid out		(12,875,780)	(118,030,748)
Net cash flows used in investing activities		6,921,700	(103,221,689)
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	50,000,000
Additional borrowings		-	-
Net cash flows used in financing activities		-	50,000,000
Net increase/(decrease) in cash & cash Equivalents		9,323,385	(55,729,979)
Cash and cash equivalents at 1 July	5	772,910	56,502,889
Cash and cash equivalents at 30 June	5	10,096,295	772,910

Notes: The Cash flow statement has been prepared using the Direct Method.

Kilifi County Car Loan and Mortgage Scheme Fund

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17. 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	Opening Balances	Supplementary Revision	Kshs	Kshs	Kshs	
		Kshs					
	a	B		C=(a+b)	D	e=(c-d)	f=d/c*100
Budget carryovers from the previous year*	-	-	-	772,910	772,910	-	100%
Receipts							
Public Contributions and Donations	-	-	-	-	-	-	0%
Transfers From County Govt.	250,000,000	-	(180,000,000)	70,000,000	-	-70,000,000	0%
Loan Repayments	20,000,000	-	(5,000,000)	15,000,000	19,797,480	(4,797,480)	132%
Interest Income	6,000,000	-	-	6,000,000	6,858,595	(858,598)	114%
Other Income	-	-	-	-	-	-	0%
Total Income	276,000,000	-	185,000,000	91,772,910	27,428,985	64,343,925	30%
Expenses							
Fund Administration Expenses	6,000,000	-	(500,000)	5,500,000	(4,456,910)	1,043,090	81%
Loans to staff	270,000,000	-	(184,500,000)	86,272,910	(12,875,780)	73,397,130	15%
Total Expenditure	(276,000,000)	-	(185,000,000)	91,772,910	(17,332,690)	74,440,220	19%
Surplus For the Period	-	-	-	-	10,096,295		

Kilifi County Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2025

Budget notes

1. The original budget was Kshs. 276,000,000 which was revised downwards by Kshs. 185,000,000 to Kshs.91,000,000.
2. Prior year unspent balances of Kshs. 772,910 have been revoted to the Financial Year 2024/2025.

A reconciliation of the Budgeted Surplus to the Cash and Cash equivalent balances is as shown below

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	10,096,295
1	Reconciling Item	-
2	Reconciling Item	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	10,096,295

18. NOTES TO THE FINANCIAL STATEMENTS

Significant Accounting Policies

1. General Information

Kilifi County Car Loan and Mortgage Scheme Fund entity is established by and derives its authority and accountability from the Public Finance Management Act (PFMA) 2012. The Fund is wholly owned by the County Government of Kilifi and is domiciled in Kenya. The entity’s principal activity is to provide financing to the members of staff employed under the Executive Arm of the County Government to purchase motor vehicle for personal use; purchase, develop, renovate or improvement of residential property.

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 (**Kshs**), 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.

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

*Kilifi County Car loan and Mortgage Scheme fund
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	<p>the financial position, financial performance and cash-flows of an Entity.</p> <p>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.</p> <p>The standard has no impact on the Kilifi County Car Loan and Mortgage Scheme Fund</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>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:</p> <p>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>The standard has no impact on the Kilifi County Car Loan and Mortgage Scheme Fund</p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p>Applicable 1st January 2025</p> <p>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>The standard has no impact on the Kilifi County Car Loan and Mortgage Scheme Fund</p>
<p>IPSAS 46: Measurement</p>	<p>Applicable 1st January 2025</p>

***Kilifi County Car loan and Mortgage Scheme fund
Annual Report and Financial Statements For the year ended 30 June 2025***

	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol 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></p> <p>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 of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>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.</p>

*Kilifi County Car loan and Mortgage Scheme fund
Annual Report and Financial Statements For the year ended 30 June 2025*

<p>IPSAS 49: Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>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.</p> <p>The standard has no impact on the Kilifi County Car Loan and Mortgage Scheme Fund</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <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. <p>The standard has no impact on the Kilifi County Car Loan and Mortgage Scheme Fund</p>

(i) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year 2024/2025.

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.

b) Budget information

The original budget for FY 2024-2025 was approved by the County Assembly on June 30, 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record any additional appropriations in the FY 2024-2025 budget following the approval of the Kilifi County Assembly.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance,

Summary of Significant Accounting Policies (Continued)

whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

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 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.

b) Financial instruments

IPSAS 41 addresses the classification, measurement and de-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 Kilifi County Car Loan and Mortgage Scheme Fund's financial statements.* A financial instrument is any contract that gives rise to a financial

Summary of Significant Accounting Policies (Continued)

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 flow 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.

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 de-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 uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

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.

c) 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.

Summary of Significant Accounting Policies (Continued)

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

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

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

d) 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

Summary of Significant Accounting Policies (Continued)

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.

e) 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.

f) 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.

g) 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

Summary of Significant Accounting Policies (Continued)

authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

h) Comparative figures

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

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

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- Availability of funding to replace the asset
- Changes in the market in relation to the asset

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Notes to the Financial Statements Continued

1. Public contributions and donations

Description	2024- 2025	2023- 2024
	Kshs	Kshs
Donation From Development Partners	-	130,400
Contributions From the Public	-	-
Total	-	130,400

(No donations were received in the fiscal year under review)

2. Interest income

Description	2024 - 2025	2023- 2024
		RESTATED
	Kshs	Kshs
Interest Income from Car and Mortgage Loans	6,653,270	4,560,039
Interest Income On Bank Deposits	-	624,628
Total Interest Income	6,653,270	5,184,667

(Interest income relates to interest receivable from repayment of car and mortgage loans)

3. Other income

Description	2024-2025	2023- 2024
		RESTATED
	Kshs	Kshs
Insurance Recoveries	-	52,500
Fees and other Charges – Insurance and Legal Fees	-	3,981,750
Total Other Income	-	4,034,250

Notes to the Financial Statements Continued

4. Use of Goods and Services

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Administration Costs	4,353,200	2,100,000
Domestic Travel and Subsistence Allowance	-	2,055,680
Committee Allowances	-	133,000
Hospitality Supplies and Services	100,000	3,344,780
Insurance Costs	-	3,480,750
Printing and Stationery	-	159,341
Bank Charges	3,710	22,868
Total	4,456,910	11,296,419

5. Cash and cash equivalents

Description	2024-2025	2023-2024
	Kshs	Kshs
Kilifi Car Loan and Mortgage Current Account	10,096,295	772,910
Total Cash and Cash Equivalents	10,096,295	772,910

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			
CGK-Car Loan & Mortgage Scheme Fund Account	1250660564	10,096,295	772,910
Grand Total		10,096,295	772,910

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Notes to the Financial Statements Continued

6. Receivables from exchange transactions

Description	2024- 2025	2023- 2024
		RESTATED
	Kshs	Kshs
Current Receivables		
Car loan & Mortgage Principal and interest Receivable	4,950,473	2,979,418
Less: Impairment Allowance	-	-
Appropriated Funds FY 2024-20255	50,000,000	-
Current portion of Long-term loans ²	24,310,647	21,973,860
Total Current Receivables	79,261,120	24,953,278
Non-Current Receivables		
Long Term Loan Repayments Due	188,678,870	208,489,516
Total Non- Current Receivables	188,678,870	208,489,516
Total Receivables From Exchange Transactions	267,939,990	233,442,794

7. Trade and other payables from exchange transactions

Description	2024 - 2025		2023 - 2024	
			RESTATED	
	Kshs		Kshs	
Other Payables	19,121,813		27,497,589	
Total Trade and Other Payables	19,121,813		27,497,589	
Ageing analysis (Trade and other payables)	Current FY	% of the Total	2023-2024	% of the Total
Under one year	19,121,813	100%	27,497,589	100%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	19,121,813	100%	27,497,589	100%

The trade payables balances of Kshs. 19,121,813 relates to Loan approved to be disbursed to staff after meeting conditions of the Loan Agreement

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8. Cash generated from operations.

Description	2024- 2025	2023- 2024
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	2,196,360	1,947,102
Adjusted For:		
Interest Income	(-)	(-)
Working Capital Adjustments		
Increase In Inventory	-	-
(Increase)/ Decrease In Receivables	205,325	561,188
Increase/ (Decrease) In Payables	-	-
Net Cash Flow From Operating Activities	2,401,685	2,508,290

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

Note: The movement in payables as per the statement of financial position is a decrease of trade payable balances by Kshs. 8,375,776. However, the amount has not been included in this reconciliation because the decrease relates to additional allocation of loans to borrowers which is captured under cash flows from investing activities.

The decrease in receivables of Kshs. 205,325 relates to the decrease in the interest receivable. The increase in the current loan repayment due has not been adjusted considering that it relates to a non-cash receivable that has been increasing.

Notes to the Financial Statements Continued

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 programme 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:

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Other Disclosures Continued

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counter-party will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The 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 2024				
Receivables From Exchange Transactions	24,953,278	-	-	-
Bank Balances	772,910	-	-	-
Total	25,726,188	-	-	-
At 30 June 2025				
Receivables From Exchange Transactions	79,261,120	-	-	-
Bank Balances	10,096,295	-	-	-
Total	89,357,415	-	-	-

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

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.

Other Disclosures Continued

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 undiscounted 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	19,121,813	-	-	-
Total	19,121,813	-	-	-
At 30 June 2024				
Trade Payables	27,497,589	-	-	-
Total	27,497,589	-	-	-

Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control

Other Disclosures Continued

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.

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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 2025			
Cash	-	-	-
Debtors/ Receivables	-	-	-
Liabilities			
Trade And Other Payables	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

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

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.

c) Capital risk management.

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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:

Other Disclosures Continued

Description	2024-2025	2023-2024
	Kshs	Kshs
Revolving fund	259,000,000	209,000,000
Accumulated surplus	(85,528)	(2,281,886)
Total funds	258,914,472	206,718,114
Less: cash and bank balances	(10,096,295)	(772,910)
Net debt/(excess cash and cash equivalents)	(10,096,295)	(772,910)

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 Kilifi County Car Loan & Mortgage Scheme Fund is a revolving Fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December, 2014 and Section 167 of the Public Finance Management Act (PFM) Act 2012. Its mandate is to provide car and mortgage loans to members of staff. The operations of the fund are governed by the Kilifi County Car Loan and Mortgage Scheme Fund Regulations, 2020, the PFM Act, 2012. PFM Regulations, SRC Circulars and any other government legislations.

Its ultimate parent is the County Government of Kilifi

12. Currency

The financial statements are presented in Kenya Shillings (Kshs)

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19. 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)
OAG/NCRO /AUD/5/2022 /2023(16)	<p><u>Budgetary Control and Performance</u></p> <p>The statement of comparison of budget and actual amounts for the year reflects the final budgeted receipts and actual on comparable basis of Kshs 163,769,794 and Kshs 159,029,601 respectively resulting in underfunding of Kshs 4,740,193(or 3%) of the budget. Similarly, the statement reflects actual expenditure of Kshs 106,758,586 against a final budget of Kshs 163,769,794 resulting in under absorption of Kshs 57,011,208 (or 35%) of the budget.</p> <p>The underfunding and under absorption affected the planned activities and may have impacted negatively on service delivery to the public</p>	Detailed explanation to observation given in the Audit Response	Not Resolved	The Fund is awaiting appearance before the County Public Investments and Special Funds Committee of the Senate and the subsequent issuance of their report.
OAG/NCRO /AUD/5/2022 /2023(16)	<p><u>Budgetary Control and Performance</u></p> <p>The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Ksh 38,999,200. Similarly, the statement reflects the actual expenditure of Kshs.200 during the year under</p>	Detailed explanation to observation given in the Audit Response	Not Resolved	The Fund is awaiting appearance before the County Public Investments and Special Funds Committee of the Senate and

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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)
	<p>review. The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.</p> <p>My opinion is however not modified in respect of the above matter.</p>			the subsequent issuance of their report.
OAG/NCRO /AUD/5/2022 /2023(16)	<p>Late Submission of Financial Statements for the Fund</p> <p>The Kilifi County Car Loan and Mortgage Scheme Fund was initiated in 2016. The initial budgetary allocation of Kshs. 39,000,000 was paid into the Fund on 18 July, 2019. Management asserted that the Fund incurred no expenditure for lack of requisite approvals by the Controller of Budget and that Kilifi County Executive recognized the bank balance of the scheme bank account in its audited financial statements for the year under review.</p> <p>However, Management submitted the financial statements for audit on 22 January, 2024 contrary to regulation 10(1) (c) (d) and (e) of the Public Finance Management (Kilifi County Car and Mortgage Scheme Fund) Regulations, 2020 which provides that the County Executive Committee Member for</p>	Detailed explanation to observation given in the Audit Response	Not Resolved	The Fund is awaiting appearance before the County Public Investments and Special Funds Committee of the Senate and the subsequent issuance of their report.

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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)
	<p>Finance and Economic Planning shall designate an officer to be the Fund Administrator, who shall cause to be kept books of accounts and other books and records in relation to the Fund and all loans financed from the Fund, prepare, sign and submit to the Auditor General in respect of each financial year and within three (3) months after the end thereof to the County Treasury, a financial statement of accounts relating to the Fund, prepared and signed by him or her specifying the income of the fund and showing the expenditure incurred from the Fund, and such details as the County may from time to time direct in accordance with the Public Finance Management Act and furnish such additional information as may be required for the purpose of examination and audit by the Auditor- General.</p> <p>In the circumstances, Management was in breach of the law.</p>			
OAG/KCL&MSF/2023/2024/(13)	<p>Inaccurate Revenue from Non-Exchange Transactions</p> <p>The statement of financial performance reflects revenue from non-exchange transactions totaling</p>	Detailed explanation to observation given in the Audit Response	Not Resolved	The Fund is awaiting appearance before the County Public Investments and Special

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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)
	<p>Kshs. 130,400 as disclosed in Note 1 to the financial statements. However, the amount excludes Kshs. 5,439,144 being a three percent (3%) portion of the approved budget of the Fund totaling Kshs. 181,304,794 to cater for fund administration expenses.</p> <p>In the circumstances, the accuracy and completeness of revenue from non-exchange transactions totaling Kshs. 130,400 could not be confirmed.</p>			<p>Funds Committee of the Senate and the subsequent issuance of their report.</p>
<p>OAG/KCL&MSF/2023/2024/(13)</p>	<p>Inaccurate Fund Administration Expenses</p> <p>The statement of financial performance and Note. 4 to the financial statements reflect fund administration expenses totalling Kshs. 11,296,419. Included in this expenditure is legal fees and insurance costs totalling Kshs. 2,100,000 and Kshs. 3,480,750 respectively which is a portion of the loans advanced, borne by the loanees and which has been included in the loan amounts issued. In the circumstances, the accuracy of the fund administration expenses totalling Kshs. 11,296,419 could not be confirmed.</p>	<p>Detailed explanation to observation given in the Audit Response</p>	<p>Not Resolved</p>	<p>The Fund is awaiting appearance before the County Public Investments and Special Funds Committee of the Senate and the subsequent issuance of their report.</p>

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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)
OAG/KCL&MSF/2023/2024/(13)	<p>Inaccurate Receivables from Exchange Transactions Balance</p> <p>The statement of financial position reflects receivables from exchange transactions balance of Kshs. 206,355,342. The balance includes Kshs. 496,639 and Kshs. 205,858,703 in respect of current portion of long-term receivables from exchange transactions and long-term receivables from exchange transactions respectively.</p> <p>However, a balance of Kshs. 23,571,447 being a portion that is realizable within one (1) year, and which should have been disclosed as current portion of long-term receivables from exchange transactions, as part of current portion of long-term receivables from exchange transactions, as part of current assets, was included in the long-term receivables from exchange transactions.</p> <p>In the circumstances, the accuracy, disclosure and completeness of exchange transactions balance could not be confirmed.</p>	Detailed explanation to observation given in the Audit Response	Not Resolved	The Fund is awaiting appearance before the County Public Investments and Special Funds Committee of the Senate and the subsequent issuance of their report.

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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)
OAG/KCL&MSF/2023/2024/(13)	<p>Irregular Issuance of Loan</p> <p>The statement of financial position reflects the current portion of long-term receivables from exchange transactions balance of Kshs. 205,858,703. Included in the balance is Kshs. 1,500,000 issued as car loan to a borrower. However, the logbook was not provided to confirm whether it was issued jointly between the financier and the borrower in accordance with Regulation 14(3) of the Public Finance Management (Kilifi County Car and Mortgage Scheme Fund) Regulations, 2020. In addition, an amount of Kshs. 5,500,000 was issued as mortgage to a borrower.</p> <p>However, the charge registered on the property financed through the loan granted with the name of the County entered in all documents of title, as required by Regulation 32 of the Public Finance Management (Kilifi County Car Loan and Mortgage Scheme Fund) Regulations, 2020) was not provided.</p> <p>In the circumstances, Management was in breach of the law.</p>	Detailed explanation to observation given in the Audit Response	Not Resolved	The Fund is awaiting appearance before the County Public Investments and Special Funds Committee of the Senate and the subsequent issuance of their report.

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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)
OAG/KCL&MSF/2023/2024/(13)	<p>Failure to Insure Loans</p> <p>The statement of financial performance and Note 4 to the financial statements reflects fund administration expenses totaling Kshs. 11,296,419. Included in this expenditure is Kshs. 3,480,750 relating to insurance costs. Out of the twenty-two (22) members who were issued with new loans during the year under review, three (3) members did not insure their loans totaling Kshs. 17,049,474 contrary to the Regulation 16 and Regulation 33 of the Public Finance Management (Kilifi County Car and Mortgage Scheme Fund) Regulations, 2020.</p> <p>In the circumstances, Management was in breach of the law.</p>	Detailed explanation to observation given in the Audit Response	Not Resolved	The Fund is awaiting appearance before the County Public Investments and Special Funds Committee of the Senate and the subsequent issuance of their report.
OAG/KCL&MSF/2023/2024/(13)	<p>Failure to Act on Internal Audit Reports</p> <p>Review of the internal audit reports revealed that Kilifi County Car loan and Mortgage Scheme Fund has been audited during the financial year under review. However, there was no evidence that the accounting officer developed and submitted response and action plan as required by Section 165</p>	Detailed explanation to observation given in the Audit Response	Not Resolved	The Fund is awaiting appearance before the County Public Investments and Special Funds Committee of the Senate and the subsequent issuance of their report.

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Annual Report and Financial Statements For the year ended 30 June 2025*

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)
	of the Public Finance Management (County Governments) Regulations, 2015. Further, audit recommendations implementation status report was not prepared by the internal auditor.			

Hezekiah Nguma Mwarua

Grace Mulaa Dzombo

Name: Hezekiah Nguma Mwarua

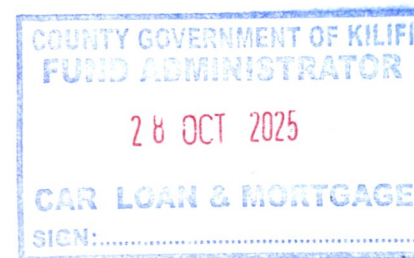
Name: Grace Mulaa Dzombo

Chairperson Fund Management Committee

Administrator of the Fund

Kilifi County Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30 June, 2025

Annex II: Inter-Fund Confirmation Letter



KILIFI COUNTY CAR LOAN AND MORTGAGE SCHEME FUND
P.O BOX 519 – 80108 KILIFI

The Kilifi County Car Loan and Mortgage Scheme Fund 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 Kilifi County Car Loan and Mortgage Scheme Fund as at 30th June 2025							
Reference Number	Date Disbursed	Amounts Disbursed by County Executive, Kilifi (Kshs) as at 30th 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)		
	11.07.2025	50,000,000	-	-	50,000,000	50,000,000	-
Total		<u>50,000,000</u>	<u>-</u>	<u>-</u>	<u>50,000,000</u>		

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

Fund Administrator:
 Name Mwala Grace Sign [Signature] Date 28/10/25