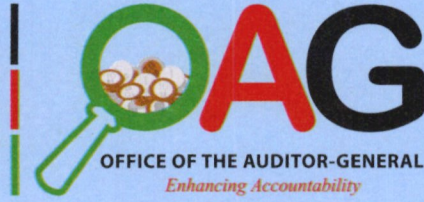


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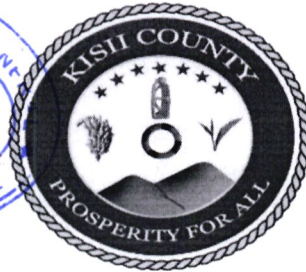
THE AUDITOR-GENERAL

ON

**KISII COUNTY LOANS AND MORTGAGE
FUND**

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

PAPERS LAID	
DATE	12.11.25.
TABLED BY	S.M.L
COMMITTEE	=
CLERK AT THE TABLE	Angela.



KISII COUNTY LOANS AND MORTGAGE FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025

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

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1. ACRONYMS AND DEFINITION OF KEY TERMS

A. Acronyms

BOM	Board of Management
CECM	County Executive Committee Member
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KCG	Kisii County Government
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SRC	Salaries and Remuneration Commission
KDIC	Kenya Deposit Insurance Corporation
Kshs	Kenya Shillings

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

2. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Kisii County Loans and Mortgage Fund is established by and derives its authority and accountability from Section 116 (2) of the PFM Act, 2012 on 7th January, 2016. The Fund is wholly owned by the County Executive of Kisii and is domiciled in Kenya.

The fund's objective is to advance loans and mortgages to the county executive committee members and employees of the County Government of Kisii

b) Principal Activities

The fund's objective is to advance Loans and mortgage to the county executive committee members and employees of the County Government of Kisii.

c) Fund Administration Committee

Ref	Name	Position
1	Ms. Grace Nyarango	Chairperson
2	Mr Vincent Okioma	Fund Administrator
3	Ms. Fanise Ombongi	Member
5	CPA Antonette Kanani (Wef 1 st April 2025)	Fund Accountant
6	CPA Johnes Nyakebati (retired 31 st March 2025)	Fund Accountant

d) Key Management team

Ref	Name	Position
1	Ms. Grace Nyarango	Chair Person
2	Mr. Vincent Okioma	Fund Administrator/ Secretary
3	CPA Antonette Kanani	Fund Accountant

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	CPA Nicodemous Karori
2	Fund Committee Chairman	Ms. Grace Nyarango
3	Fund Administrator	Mr. Vincent Okioma

f) Registered Offices

P.O. Box 4550-40200
Municipal Building
Kisii-Keroka RD
Kisii, KENYA

g) Fund Contacts

Telephone:(254) 582030005
E-mail: info@kisii.go.ke
Website: www.kisii.go.ke

h) Fund Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

SBM Bank
Kisii branch
Telephone: 0202774150
Kisii

Key Entity 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) Principal Legal Adviser

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



k) County Attorney

Office of the County Attorney
Kisii Municipal Building
P.O. Box 4550
GOP 40200
Kisii, Kenya

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

3. KISII COUNTY LOANS AND MORTGAGE FUND COMMITTEE

Name	Details of qualifications and experience
<p>Ms. Grace Nyarangi</p> 	<p>Grace is the county executive committee member of Lands, Physical Planning, Housing, and Urban Development. She holds a Master's degree in Business Administration (MBA) from Middlesex University, United Kingdom (UK), and a Bachelor's Degree in Economics and Management, from Spicer Memorial Pune. She has extensive experience in public sector management, having served as Deputy Director of Pensions at the National Treasury. She was a component manager under the Public Financial Management Sector Reform (PFMR) Programme under the pensions Department. She worked at the regional level as a consultant at the East African Community under the World Bank Financial Sector Development regionalization project. As a Pension Specialist, she was in charge of the East African Community (EAC) Partner states in matters of regional policy to facilitate the EAC Integration process. Additionally, has vast knowledge in public policy development/formulation and implementation. She is the chair Loans and Mortgage committee</p>
<p>Fanise Ombongi</p> 	<p>Fanise is the deputy director of Human resource management Kisii County government, previously she has served as a principal Human resource management officer and an administrative assistant. She holds a master of business administration in Human relations and a bachelor of Arts in Business Administration. She is a member of the Institute of Human Resource Management.</p>
<p>Mr. Vincent Okioma</p> 	<p>Mr. Vincent - Chief Officer of Finance and Accounting services prior to that he served as the chief officer Infrastructure, Roads & Public works in Kisii County Government. He also worked at the Parliamentary Service commission as a constituency manager for Dagoretti North Constituency. He Holds a Bachelors of Arts in International Relations from the Kenya Methodist University. Has a vast of skills in administration, community mobilization, Budget and financial management as well as Project management. Hes is the Secretary to the committe.</p>

<p>CPA Antonette Kanani</p> 	<p>CPA Antonette holds a Master of Business Administration (Finance) from United States International University–Africa and a Bachelor of Commerce (Finance) from the University of Nairobi. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Association of Women Accountants of Kenya (AWAK).</p> <p>With over 15 years of experience, Antonette has built a strong career in financial management and reporting, accounting, taxation, corporate governance, and budgeting. She is also deeply committed to mentoring and coaching young women professionals, actively contributing to the growth and empowerment of the next generation of leaders.</p> <p>Fund accountant with effect from 1st April 2025</p>
<p>CPA Johnes Nyakebati</p> 	<p>Johnes was the A.G. Chief Finance Officer, Kisii County. Before his appointment, he served as a Deputy Chief Finance officer. He holds a Master In Business Administration –Finance from Kenyatta University and, a Bachelor of Arts in Education from the University of Nairobi.</p> <p>He has vast experience in Budget formulation and execution, reporting, Financial Management, and policy formulation.</p> <p>He is a member of the Institute of Certified Public Accountants of Kenya and Served as the Fund accountant until 31st March 2025</p>

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>Ms. Grace Nyarango</p> 	<p>Grace is the county executive committee member of Lands, Physical Planning, Housing, and Urban Development. She holds a Master's degree in Business Administration (MBA) from Middlesex University, United Kingdom (UK), and a Bachelor's Degree in Economics and Management, from Spicer Memorial Pune. She has extensive experience in public sector management, having served as Deputy Director of Pensions at the National Treasury. She was a component manager under the Public Financial Management Sector Reform (PFMR) Programme under the pensions Department. She worked at the regional level as a consultant at the East African Community under the World Bank Financial Sector Development regionalization project. As a Pension Specialist, she was in charge of the East African Community (EAC) Partner states in matters of regional policy to facilitate the EAC Integration process. Additionally, has vast knowledge in public policy development/formulation and implementation. She is the chair Loans and Mortgage committee</p>
<p>Mr. Vincent Okioma</p> 	<p>Mr. Vincent - Chief Officer of Finance and Accounting services prior to that he served as the chief officer Infrastructure, Roads & Public works in Kisii County Government. He also worked at the Parllimentary Service commision as a constituency manager for Dagoretti North Constituency. He Holds a Bachelors of Arts in International Relatons from the Kenya Methodist University.</p> <p>Has a vast of skills in administration,community mobilization,Budget and financial management as well as Project management. He is the secretary and Fund adminstrator for the Loans and Mortgage Committee</p>

CPA Antonette Kanani



CPA Antonette holds a Master of Business Administration (Finance) from United States International University–Africa and a Bachelor of Commerce (Finance) from the University of Nairobi. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Association of Women Accountants of Kenya (AWAK).

With over 15 years of experience, Antonette has built a strong career in financial management and reporting, accounting, taxation, corporate governance, and budgeting. She is also deeply committed to mentoring and coaching young women professionals, actively contributing to the growth and empowerment of the next generation of leaders.

She is the Fund Accountant.

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

5. FUND CHAIRPERSON'S REPORT

Kisii County Government established the Kisii County Loans and Mortgage Fund in the financial year 2015/2016. The Fund was set up in line with the Salaries and Remuneration Commission (SRC) guidelines to facilitate staff in acquiring residential housing and motor vehicles at favorable interest rates.

The governance and management of the Fund are guided by the Kisii County Loans and Mortgage Fund Regulations, 2015 (Revised 2023), in accordance with the SRC guidelines. This legislative framework provides a strong foundation for enhancing the Fund's operations and achieving its objectives.

The Fund extends its sincere appreciation to the Kisii County Government and all stakeholders for their invaluable guidance and support. Their collective efforts have been instrumental in realizing the Fund's objectives, ensuring sustainability, and improving the lives of our beneficiaries. We remain steadfast in our commitment to fulfilling the Fund's mandate and look forward to continued collaboration with all stakeholders as we work towards even greater impact in the years ahead.

Name **Grace Nyarango** Signature..........Date.....**15/9/2025**.....

Chairperson of the Fund

6. REPORT OF THE FUND ADMINISTRATOR

The Kisii County Loan and Mortgage Fund is established to provide affordable loan facilities to eligible County staff for the purchase and development of residential properties, as well as for the acquisition of motor vehicles for personal use.

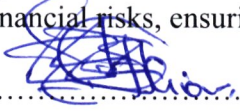
During the financial year under review, the Fund did not receive any budgetary allocation. However, through efficient management of the existing revolving fund, we successfully processed and issued loans to an additional two (2) beneficiaries, bringing the total number of beneficiaries thus far to nineteen (19).

The Fund continues to partner with SBM Bank Kenya for the administration and oversight of its financial operations. This partnership has ensured the Fund remains professionally managed, with strong financial controls and efficient service delivery.

Loan repayment performance remained satisfactory, with beneficiaries consistently adhering to their agreed repayment schedules. This reflects both the financial discipline among our members and the effectiveness of the Fund's monitoring framework.

In administering the Fund, we have continued to uphold robust financial management controls, anchored on the principles of compliance, transparency, and accountability, to safeguard the integrity of the Fund and protect the interests of both the beneficiaries and the County Government.

The Fund has put in place key risk management strategies to ensure sustainability and financial health. These include strict eligibility checks, regular loan repayment monitoring, professional fund administration through SBM Bank Kenya, continuous internal controls and compliance reviews, and reinvestment of repayments under a revolving fund model. These measures help minimize credit, operational, and financial risks, ensuring the Fund remains sustainable

Mr. Vincent Okioma Signature.......... Date... 15/09/2025

Fund Administrator

**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 Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key objective of the fund is to:

- a. Provide loan facility for purchase and development of residential houses
- b. Provide loan facility for purchase of Motor vehicles for personal use.

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above fund objectives to specific sectors, all the objectives were made specific, measurable, achievable, realistic and time bound (SMART) and converted into fund outcomes. Attended indicators were identified for reasons of tracking progress and for performance measurement.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities members of staff	To provide loan facility for purchase and development of residential houses, and purchase of motor vehicles for personal use	Number mortgages successfully applied	No of staff advanced loan to facilitate purchase or develop residential houses	During the year ,2 Members of staff accessed the facility to purchase or develop residential houses, bring the total number of beneficiaries thus far to 19.

8. CORPORATE GOVERNANCE STATEMENT

a. Introduction

Kisii County Loans and Mortgages Fund is established by and derives its authority and accountability from Section 116 (2) of the PFM Act, 2012 on 7th January, 2016.

The purpose and objective of the fund is provided for in section 4 of the Kisii county loans and mortgage fund regulations, 2023.

The object and the purpose of the Fund shall be to provide funds for granting car loans and mortgages to the County Executive Committee members and the employees of Kisii County Government as may be prescribed from time to time by the Salaries and Remuneration Commission.

The fund is committed to complying with the set out corporate governance regulations.

b. Appointment of fund committee members

The Committee shall comprise of a Chairperson nominated by the County Governor, the County Chief Officer responsible for matters of staff welfare; the County Chief Officer responsible for matters of finance who shall be the Secretary of the Committee, the County Director responsible for matters of finance; the head of human resources in the County or his nominee appointed in writing; and the Secretary of the County Public Service Board or his or her nominee in writing. The Committee may co-opt any person to attend any of its meetings for purposes of assisting or advising the Committee but any such person so co-opted has no right to vote on any decision.

c. Roles and function of the fund committee

Section of 8 of the KCG loans and mortgage regulations ,2023 states that the roles of the committee which include but not limited to:

- i. To make recommendations with respect to the conditions under which a loan or a mortgage shall be granted or repaid under these regulations
- ii. To formulate sound policies for regulating the management of the Fund;
- iii. To raise and solicit for funds and other assistance to promote the functions of the Committee;
- iv. To receive any gifts, donations, grants or endowments made to the Fund and to make legitimate disbursements therefrom;
- v. To establish links with financial institutions for the furtherance of the purposes for which the Fund is established;
- vi. To grant loans and mortgages, as the Committee may deem fit to eligible applicants upon recommendation of the Appraisal Committee;
- vii. To consider appeals from any applicant against any decision of the Loans Appraisal Fund Committee; and
- viii. To perform and exercise all other functions and powers conferred to the Committee by these Regulations or any other law.

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

- ix. The Committee shall be responsible for submitting names of all applicants to the Fund Manager for appraisal where the loans appraisal committee is not established.

d. Attendance and fund committee meetings

The committee meets regularly as required in order to deliberate on staff request and monitor performance of the fund and achieve of planned objectives. The committee plays an oversight role over the funds activities.

e. Conflict of interest

Members of the fund committee are required to declare any conflict of interest at the start of every meeting.

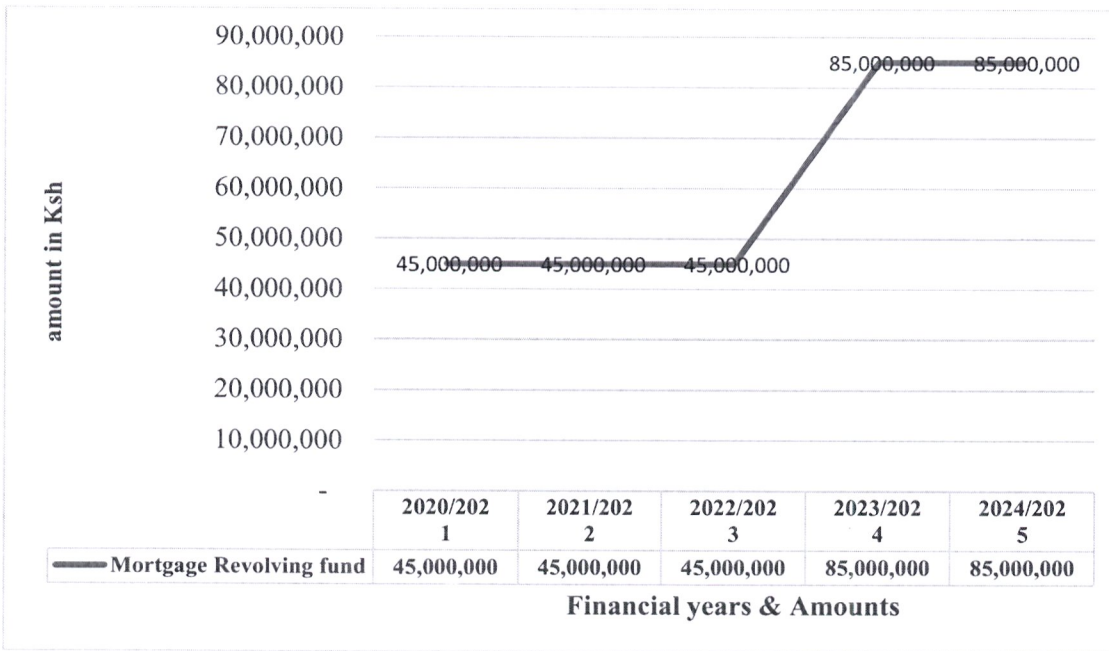
f. Audit

The fund is audited by the Internal Audit Unit within the county and the office of the Auditor General

9. MANAGEMENT DISCUSSION AND ANALYSIS

a) Operational and financial performance of the fund during the period

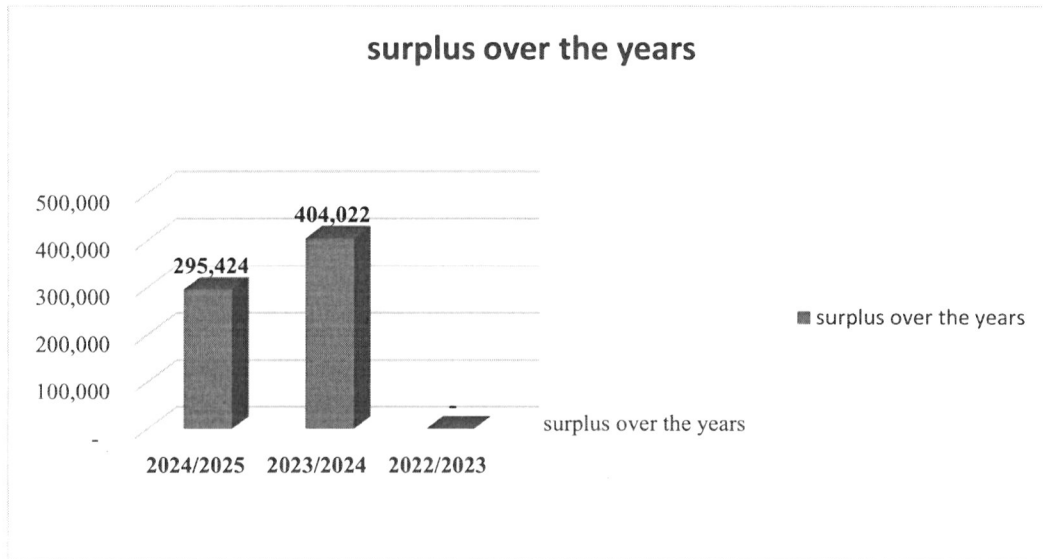
This section provides an over view of the fund’s financial position as at the close of financial year 2024/2025



The Kisii county loans and mortgage fund was operationalized in FY 2018/19. The mortgage fund has grown from its initial investment of Ksh 45,000,000 to the current accumulated fund of Ksh 85,000,000. The source of funding is from the county executive through appropriations by the county assembly.

The accumulated surplus over the years is as shown below

**Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**



b) Funds key Projects and investments

The fund earns interest from fixed deposit account with the bank where surplus funds are deposited.

c) Number of Loans issued and status at the end of the period

No. of loans issued	Total Amount issued	Loan Outstanding	Total Loan Repaid
19	71,500,000	45,434,451	26,065,549

d) Risk management Activities

The fund has put in place risk management framework for risk identification and mitigation. Some of the key risks facing the scheme include;

- i. **Funding Risk:** The Fund is highly dependent on revolving loan repayments, with no new budgetary allocations in the current year. Prolonged lack of allocations may limit the Fund's ability to meet future demand from members.
- ii. **Credit Risk:** There is a risk of loan default or delayed repayments from beneficiaries, which could affect cash flow and reduce the Fund's capacity to issue new loans.
- iii. **Operational Risk:** Inefficiencies in loan processing, disbursement delays, or inadequate oversight could lead to operational bottlenecks and member dissatisfaction.

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

- iv. **Liquidity Risk:** Delays in loan repayments or a sudden increase in loan demand may strain the Fund's liquidity position, limiting its responsiveness to members' loan needs.
- v. **Market and Economic Risk:** Broader economic challenges such as inflation, changes in interest rates, or salary delays in the county may affect loan demand and repayment behaviors.

To mitigate these risks, the Fund continues to apply robust financial controls, rigorous credit assessments, regular monitoring, and professional fund management practices.

e) Funds compliance with statutory requirements

The fund made efforts to comply with the necessary statutory requirements in administration and management of the fund.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

1. Sustainability Strategy and profile

The Kisii County Loan and Mortgage Fund, under the stewardship of top management, continues to prioritize sustainability as a core aspect of its operations by emphasizes the need to integrate sustainable efforts into the Fund's financial and operational strategies. Current political and macroeconomic trends, including the global shift toward sustainable financing and climate-responsive policies, have influenced our sustainability priorities. The Fund is committed to aligning with international best practices in sustainability reporting, focusing on transparency, inclusivity, and accountability.

2. Environmental Performance

The Kisii County Government follows a comprehensive environmental policy aimed at minimizing environmental impacts which, guides the organization's efforts in managing environmental concerns by: Implementation of energy-saving measures in office buildings to reduce carbon emissions and Waste reduction efforts, with a focus on recycling office waste.

3. Employee Welfare

Kisii county Government adheres to equitable hiring practices that promote gender diversity and inclusion. Stakeholder engagement is a key part of our human resource policy, and we periodically review our policies to ensure alignment with best practices.

Our safety policy strictly adheres to the Occupational Safety and Health Act of 2007 (OSHA), ensuring that our work environment is compliant with national safety standards.

4. Market place Practices

a) Responsible Competition Practices

The Fund is committed to fair competition and adheres to anti-corruption regulations. We engage in responsible political involvement and promote ethical business practices. We maintain transparency in our financial dealings and respect our competitors within the financial services sector.

b) Product stewardship

We are dedicated to safeguarding the rights and interests of our clients by ensuring that our loan and mortgage products are structured transparently, with full disclosure of terms and conditions.

5. Corporate Social Responsibility / Community Engagements

The Loans and Mortgage Fund did not undertake any corporate social responsibility or community engagement activities during the financial year under review.

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

11. REPORT OF THE TRUSTEES

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

Principal activities

The principal activities of the Fund are to

- a) provide loan facility for purchase and development of residential houses
- b) Provide loan facility for purchase of Motor vehicles for personal use

Results

The results of the Fund for the year ended June 30, 2025 are set out on page 1 to 6

Trustees

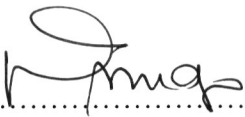
The members of the Fund Administration committee who served during the year are shown on page vi. The changes in the Board during the financial year are as shown below:

S/NO	Incoming	Position	Outgoing
1.	CPA Antonette Kanani	Fund Accountant	CPA Johnes Nyakebati

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 Board


.....

Chair of the Fund Administration Committee

Date:15/9/2025.....

12. STATEMENT OF MANAGEMENT’S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of Kisii County Loans and Mortgage Fund established by section 3(1) of the Public Finance – Kisii County Loans and Mortgage Fund Regulations, 2023 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

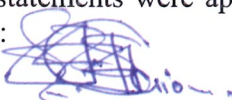
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i)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

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (Kisii county loans and mortgage fund regulations, 2023). 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.

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

Approval of the financial statements

The Fund’s financial statements were approved by the Board on 30/07 2025 and signed on its behalf by:



.....

Administrator of the 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 KISII COUNTY LOANS AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, 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 are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements for Kisii County Loans and Mortgage Fund set out on pages 1 to 25, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respect, the financial position of Kisii County Loans and Mortgage 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 Kisii County Loans and Mortgage Fund Regulations 2023 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Going Concern of the Fund

The audit revealed that surplus has reduced from previous year amount of Kshs.404,022 to Kshs.295,425 for the current year. This reduction of surplus combined with the bank utilizing all interest income of Kshs.1,613,453 earned from the loan repayment as an administration fee raises concern of long-term sustainability of the fund.

In the circumstances, the financial statements have been prepared on a going concern basis on the assumption of continued financial funding.

2. Long Outstanding Receivables from Non-Exchange Transactions

As previously reported, the statement of financial position reflects long term receivables from non-exchange transactions balance of Kshs.6,750,000 as disclosed in Note 11 to the financial statement. The balance is held by Kenya Deposit Insurance Corporation (KDIC). Review of records revealed that the total amount of Kshs.7,250,000 was transferred to Kenya Deposit Insurance Corporation (KDIC) by Chase Bank on 15 August 2018. On 6 December, 2022 an amount of Kshs.500,000 was transferred by Kenya Deposit Insurance Corporation (KDIC) to the Kisii County Loans and Mortgage Fund account number 0252322396001 at SBM Bank leaving an outstanding balance of Kshs.6,750,000. Since then, no further recoveries have been made and the balance has been outstanding for over two years.

In the circumstances, the accuracy of the long-term receivables from non-exchange transactions balance of Kshs.6,750,000 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in the Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Fund in 2024/2025 revealed that the following matters remained unresolved:

S/No.	Financial Year	Audit Issue
1	2023/2024	Long Outstanding Receivables from Non-Exchange Transactions
2	2023/2024	The Regularity of Loan Disbursements
3	2023/2024	Use of Public Fund as Collateral Instead of Charging the Assets Acquired
4	2023/2024	Irregular Utilization of Interest Income

Other Information

The Management is responsible for the Other Information set out on pages iii to xxi which comprises, which comprises the Report of Fund Administrator, Statement of Performance Against the County Fund's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Trustees, Statement of Management Responsibilities. The Other Information does not include the financial statements and my auditor's 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.

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, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Regularity of Loan Disbursements

During the year of audit, a total of loan disbursement of Kshs.4,000,000 was disbursed to two applicants on 30 October, 2024 and 15 February, 2025 of Kshs.2,000,000 each as per cashbook. However, review of the two bank accounts held by Kisii County Loans and Mortgage Fund revealed no loan disbursement to specific loan beneficiaries or the vendors of property purchased. This was contrary to Clause 10.1 on the disbursements of loans of the County Fund Scheme Administration agreement.

In circumstances, Management was in breach of the law.

2. Breach of Loaning Procedures and Regulations and Use of Public Funds as Collateral Instead of Charging the Assets Acquired

The statement of financial position reflects current portion of long-term receivables from exchange transactions and long-term receivables from exchange transactions balances of Kshs.19,875,755 and Kshs.25,558,696 respectively and as disclosed in Note 10 to the financial statement, which represents outstanding loan balances of the nineteen (19) County executive committee members and staff of the Kisii County Executive.

However, the audit revealed that all the nineteen (19) beneficiaries of the said loans did not provide securities to the committee for charging and safe custody, official search of title from the Lands Department, certified sale agreement, land valuation reports and bill of quantities or engineers' drawings and estimates for construction loans before the loans were disbursed to their accounts.

No securities to the total loans disbursed of Kshs.71,500,000 were provided for audit review nor were there registered charges being held by the committee nor did the committee facilitate the registration of charging in contravention of clause 4.6 of the County Fund Scheme administration agreement between SBM Bank Ltd. and Kisii County Government on the obligation of the committee which requires that the committee to facilitate the registration of the charge and/or chattels mortgage in favor of Kisii County Government (KCG) prior to disbursement of the funds to the qualifying beneficiaries.

Therefore, the loans were disbursed to the beneficiaries before they provided any of the requisite documents. It was unsatisfactorily explained that the loans were secured by cash deposited by the County Government into the SBM bank account for loans and mortgages.

In circumstances, Management was in breach of the law.

3. Irregular Issuance of Personal Unsecured Loans as Mortgages

The loans statements provided for audit, revealed that all loans disbursed totaling to Kshs.71,500,000 were issued out as personal unsecured loans in the guise of mortgage facilities This is contrary to the object and purpose of the Fund as stated in Regulation 4 of the Kisii County Loans and Mortgage Fund Regulation, 2023.

In circumstances, Management was in breach of the law.

4. Irregularities in the Utilization of Interest Income

As previously reported, the statement of financial performance reflects use of goods and services amount of Kshs.1,958,658 as disclosed in Note 8 to the financial statements. This amount includes administration fees expenditure of Kshs.1,613,453 which is equal to interest income from mortgage loans reflected in Note 6 to the financial statements. Review of records provided for audit indicates that the mortgage interest amounts were directly debited in the individual members loan accounts and credited to Administration account, where SBM Bank debits those amounts as its portion of administration fee of 3% without invoicing the fund for the payment. Similarly, the Fund does not raise payment voucher in recognition of that expense charged in the account. This is contrary to Regulation 99(3) of the Public Finance Management (County Governments) Regulations, 2015.

Further, interest income of Kshs.1,613,453 was utilized for administration fees which exceeded required maximum of three (3%) percent of the approved budget by Kshs.1,565,049, contrary to Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015.

In circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

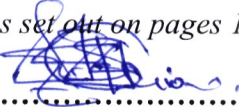
27 October, 2025

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025


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

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue From Exchange Transactions			
Interest Income	6	1,958,658	1,328,401
Other Income	7	2,000	59,305
		-	
Total Revenue		1,960,658	1,387,706
Expenses			
Use of goods and services	8	1,665,233	983,684
Total Expenses		1,665,233	983,684
Surplus/(Deficit) for the Period		295,425	404,022

(The notes set out on pages 18 to 20 form an integral part of these Financial Statements)



Name: Vincent Okioma
Administrator of the Fund



Name: CPA Antonette Kanani
Fund Accountant
ICPAK Member Number:11429

Kisii County Loans and Mortgage Fund
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15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	9	33,514,996	18,666,082
Current Portion of Long- Term Receivables from Exchange Transactions	10	19,875,755	17,751,228
Total current assets		53,390,751	36,417,310
Non-Current Assets			
Long Term Receivables from Exchange Transactions	10	25,558,696	42,236,712
Long Term Receivables from Non Exchange Transactions	11	6,750,000	6,750,000
Total non- current assets		32,308,696	48,986,712
Total Assets		85,699,447	85,404,022
Net Assets		85,699,447	85,404,022
Represented By:			
Revolving Fund		85,000,000	85,000,000
Accumulated Surplus		699,447	404,022
Net Assets		85,699,447	85,404,022

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 30/07 2025 and signed by:

.....
Name: Vincent Okioma
Administrator of the Fund

.....
Name: Antonette Kanani
Fund Accountant
ICPAK Member Number:11429

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2025

Description	Revolving Fund	Accumulated surplus	Total
		Kshs	Kshs
Balance As At 1 July 2023	45,000,000	-	45,000,000
Surplus/(Deficit) For the Period		404,022	404,022
Funds Received During the Year	40,000,000	-	40,000,000
Balance As At 30 June 2024	85,000,000	404,022	85,404,022
Balance As At 1 July 2024	85,000,000	404,022	85,404,022
Surplus/(Deficit) For the Period		295,425	295,425
Funds Received During the Year	-	-	-
Balance As At 30 June 2025	85,000,000	699,447	85,699,447

Kisii County Loans and Mortgage Fund

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

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025

Description	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Interest received		1,958,658	1,328,401
Receipts from other operating activities		2,000	59,305
Proceeds from loan principal repayments		18,553,489	7,618,818
Total receipts		20,514,147	9,006,524
Payments			
Fund administration expenses		1,613,453	928,693
General expenses		51,780	54,991
Loan disbursements paid out		4,000,000	67,500,000
Total Payments		5,665,233	68,483,684
Net cash flows from operating activities	12	14,848,914	(59,477,160)
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	40,000,000
Blocked Funds at KDIC		-	(6,750,000)
Net cash flows used in financing activities		-	33,250,000
Net increase/(decrease) in cash & cash		14,848,914	(26,227,160)
Equivalents			
Cash and cash equivalents at 1 July		18,666,082	44,893,242
Cash and cash equivalents at 30 June	9	33,514,996	18,666,082

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Receipts						
Interest Income	1,666,453	-	1,666,453	1,958,658	(292,205)	118
Other Income	2,000	-	2,000	2,000	-	100
Total Income	1,668,453	-	1,668,453	1,960,658	(292,205)	118
Expenses						
Fund Administration Expenses	1,613,453	-	1,613,453	1,613,453	-	100
General Expenses	55,000	-	55,000	51,780	3,220	94
Total Expenditure	1,668,453	-	1,668,453	1,665,233	3,220	100
Capital expenditure	-	-	-	-	-	-
Surplus For the Period				295,425		

Budget notes

1. *Over utilization of interest income by 18% was as result of increase in fixed deposit interest rate which was not anticipated*

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	295,425
1	Basis differences (Loan principal repayments)	18,553,489
2	Loans issued during the period	(4,000,000)
3	Balance b/f	18,666,082
	Closing Cash and Cash Equivalent as per the statement of Cash flows	33,514,996

Kisii County Loans and Mortgage Fund
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19. NOTES TO THE FINANCIAL STATEMENTS

Significant Accounting Policies

1. General Information

Kisii County Loans and mortgage fund is established by and derives its authority and accountability from section 116(2) of the PFM Act,2012 on 7th January, 2016. The entity is wholly owned by the Kisii County Government and is domiciled in Kenya. The entity's principal activity is Provide loan facility for purchase and development of residential houses and Provide loan facility for purchase of Motor vehicles for personal use.

2. Statement of compliance and basis of preparation

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

3. Adoption of new and revised standards

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

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

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

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities. <i>No impact</i>
IPSAS 44: Non- Current Assets Held for Sale and	<i>Applicable 1st January 2025</i> The Standard requires,

**Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

Discontinued Operations	<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>No impact</p>
IPSAS 45: Property Plant and Equipment	<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 recognised 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>No impact</p>
IPSAS 46: Measurement	<p>Applicable 1st January 2025</p> <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>No impact</p>
IPSAS 47: Revenue	<p>Applicable 1st January 2026</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>No impact</p>

**Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

<p>IPSAS 48: Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. <i>No impact</i></p>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. <i>No impact</i></p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <i>No impact</i></p>

(i) Early adoption of standards

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

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

4. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2024-2025 was approved by the committee on 15th August 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.

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

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Summary of Significant Accounting Policies (Continued)

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

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

c) Property, plant and equipment

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

a) Intangible Assets

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

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

b) Investment property

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

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Summary of Significant Accounting Policies (Continued)

c) Financial instruments

IPSAS 41 addresses the classification, measurement and 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 Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

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

Kisii County Loans and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Impairment

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

Kisii County Loans and Mortgage Fund
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Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

d) Inventories

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

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and 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.

e) Provisions

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

f) Social Benefits

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

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Summary of Significant Accounting Policies (Continued)

g) Contingent liabilities

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

Contingent assets

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

h) Nature and purpose of reserves

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

i) Changes in accounting policies and estimates

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

j) Employee benefits – Retirement benefit plans

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

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

Kisii County Loans and Mortgage Fund

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Summary of Significant Accounting Policies (Continued)

k) Foreign currency transactions

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

l) Borrowing costs

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

m) Related parties

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

n) Cash and cash equivalents

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

o) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

Kisii County Loans and Mortgage Fund

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

Notes to the Financial Statements Continued

6. Interest income

Description	2024-2025	2023-2024
	Kshs	Kshs
Interest Income from Mortgage Loans	1,613,453	928,693
Interest Income From Car Loans		-
Interest Income On Bank Deposits	345,205	399,708
Total Interest Income	1,958,658	1,328,401

7. Other income

Description	2024-2025	2023-2024
	Kshs	Kshs
Application fee	2,000	20,000
Miscellaneous Income	-	39,305
Total Other Income	2,000	59,305

8. Use of Goods and Services

Description	2024-2025	2023-2024
		FY
	Kshs.	Kshs.
Administration Fees	1,613,453	928,693
Bank Charges	-	985
Withholding tax expense	51,780	54,006
	-	-
Total	1,665,233	983,684

9. Cash and cash equivalents

Description	2024-2025	2023-2024
	Kshs	Kshs
Kisii County loans and Mortgage Account	6,083,859	16,236,945
Administration Account	2,431,137	2,429,137
Fixed Deposits Account	25,000,000	-
Total Cash and Cash Equivalents	33,514,996	18,666,082

Kisii County Loans and Mortgage Fund**Annual Report and Financial Statements for the year ended June 30, 2025**

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

Financial Institution	Account number	2024-2025	2023-2024
		Kshs	Kshs
a) Current Account			
SBM Bank	0252322396001	6,083,858	22,986,945
SBM Bank	0252322396004	2,431,137	2,429,137
Sub Total		8,514,995	25,416,082
b) On -call deposits			
SBM Bank	0253322396009	25,000,000	-
Sub Total		25,000,000	-
Grand Total		33,514,995	25,416,082

10. Receivables from exchange transactions

Description	2024-2025	2023-2024
	FY	FY
	Kshs	Kshs
Current Receivables		
Current Loan Repayments Due	19,875,755	17,751,228
Less: Impairment Allowance	-	-
Total Current Receivables	19,875,755	17,751,228
Non-Current Receivables		
Long Term Loan Repayments Due	25,558,696	42,236,712
Total Non- Current Receivables	25,558,696	42,236,712
Total Receivables From Exchange Transactions	45,434,451	59,987,940

11. Receivables from Non exchange transactions

Description	2024-2025	2023-2024
	Kshs	FY Kshs
Non-Current Receivables		
Blocked Funds at KDIC	6,750,000	6,750,000
	6,750,000	6,750,000

Chase bank was placed under receivership with KDIC as receiver managers, and the funds were placed under moratorium on 15th August 2018

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12. Cash generated from operations.

Description	2024-2025	2023-2024
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	295,425	404,022
Adjusted For:		
Working Capital Adjustments		
Decrease In Receivables	14,553,489	(59,881,183)
Net Cash Flow From Operating Activities	14,848,914	(59,477,160)

13. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	2024-2025	2023-2024
	Kshs	Kshs
Transfers From Related Parties'	-	40,000,000

14. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The 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:

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Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2025				
Receivables From Exchange Transactions	59,987,940	59,987,940	-	-
Receivables From Non-Exchange Transactions	6,750,000	6,750,000	-	-
Bank Balances	18,666,082	18,666,082	-	-
Total	85,404,022	85,404,022	-	-
At 30 June 2024				
Receivables From Exchange Transactions	45,434,451	45,434,451	-	-
Receivables From Non-Exchange Transactions	6,750,000	6,750,000	-	-
Bank Balances	33,514,995	33,514,995	-	-
Total	85,699,446	85,699,446	-	-

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

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

b) Liquidity risk management

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

c) Market risk

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

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

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

Kisii County Loans and Mortgage Fund
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i. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

d) Capital risk management.

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

Description	2024-2025	2023-2024
	Kshs	Kshs
Revolving fund	85,000,000	85,000,000
Accumulated surplus	699,446	404,022
Total funds	85,699,446	85,404,022
Total borrowings	-	-
Less: cash and bank balances	33,514,995	18,666,082
Net debt/(excess cash and cash equivalents)	33,514,995	33,514,995
Gearing	0%	0%

15. Events after the reporting period

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

16. Ultimate and Holding Entity

The entity is a County Public Fund established by the Kisii County loans and mortgage regulations under the Ministry of Finance. Its ultimate parent is the County Government of Kisii.

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17. Currency

The financial statements are presented in Kenya Shillings (Kshs)

**Kisii County Loans and Mortgage Fund
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20. 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.

Referen ce 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)
	Long outstanding receivables from non-exchange transactions	Management is making follow up with the liquidation agent as they indicated that the amounts will be paid as and when the funds are available from loan recoveries and the sale of assets of Chase Bank Ltd and a divided declared thereafter	Not Resolved	June 2026
1.	The regularity of loan disbursements	Management affirms that necessary procedures are on course to charge appropriate securities for all loans disbursed	Not resolved	December 2025
2.	Use of public funds as collateral instead of charging the asset acquired	Management has took note of this and will engage the fund managers to revise the Memorandum of Understanding to favorable terms .	Not resolved	June 2027
3.	Irregularities in utilization of interest income	Management took note of this and will engage the fund managers to revise the Memorandum of Understanding to favorable terms .	Not Resolved	June 2027



.....
Fund Administrator

Date.....15/09/2025.....

Kisii County Loans and Mortgage Fund

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Annex II: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

This report does not apply to the fund.

Kisii County Loans and Mortgage Fund

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Annex III: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

This report does not apply to the fund