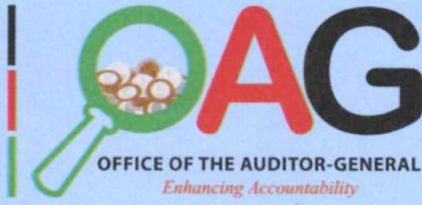


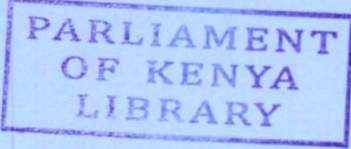
REPUBLIC OF KENYA



REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



203

REPORT

OF

THE AUDITOR-GENERAL

ON

**KERICHO COUNTY EXECUTIVE STAFF
MORTGAGE SCHEME FUND**

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

PAPERS LAID	
DATE	
TABLED BY	
COMMITTEE	
CLERK AT THE TABLE	

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COUNTY GOVERNMENT OF KERICHO
KERICHO COUNTY EXECUTIVE STAFF MORTGAGE SCHEME FUND

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

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

Kericho County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2025

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Acronyms and Glossary of Term

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
CT	County Treasury
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
Comparative FY	Financial year proceeding the current financial year.

Kericho County Executive Staff Mortgage Scheme Fund
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1. Key Entity Information and Management

a) Background information

Kericho County Executive Staff Mortgage Scheme Fund is established by and derives its authority and accountability from Public Finance Management Act (*Kericho County Executive Staff Mortgage Scheme Fund*) on 20th January 2016. The Fund is wholly owned by the County Government of Kericho and is domiciled in Kenya.

The fund's objective is to and purpose shall be to provide loan for the purchase, development, renovation or repair of residential property by members of the County Executive Staff.

The fund principal activity is to operate individual accounts for each borrower which shall provide details of recoveries of the loan, chargeon properties acquired through loans from the fund to protect the interest of the fund and act as custodian of such charges, the fund also disburse payments to newly approved borrowers after the necessary documentation is completed by the committee and pay all out going and issue demand notices where necessary to the staff though the officer administering the fund upon repayment of the loan, interest and other expenses which may be outstanding to discharge the charge and release of the security document to the borrower and upon default to call in the loan on behalf of the committee sell the charged property by public auction or private treaty in which event the fund shall meet any short fall between the loan outstanding and the proceeds of sale.

b) Principal Activities

The principal fund's objective is to and purpose shall be to provide loan for the purchase, development, renovation or repair of residential property by members of the County Executive Staff.

c) Fund Administration Committee

Ref	Name	Position
1	Jackson K Rop	Chairman of Board
2	Adv Lenny K Kirui	County Secretary
3	CPA George K Kirer	Chief Officer Finance
4	Geoffrey Koech	County Chief of Staff
5	Sylvia Inziani	County Physical Planner
6	Adv Gideon Mutai	County Attorney
7	Mr Duncan Mutai	County Payroll Manager

Kericho County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2025

d) Key Management Team

Ref	Name	Position
1	Hon Jackson K Rop	Chairman of Board
2	CPA George K Kirer	Chief Officer Finance
3	CPA Fernandes K Korir	Director Finance
4	CPA Willy Chirchir	Prin Accountant
5	Mr Duncan Mutai	County Payroll Manager

Kericho County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2025

e) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies at the County Fund for the period ended 30th June, 2025 were:

- a. County Budget and Economic Forum, which presents the ideal opportunity to strengthen the engagement between the County Government and the County residents.
- b. Finance and Investments sub-committee of the County Executive deliberates and sets agenda on fiduciary matters to be presented to the County Executive Committee.
- c. The Budget and Appropriation Committee reviews the budget estimates submitted by County Executive and proposes the same for adoption or rejection of the same to the full house of the County Assembly.
- d. Internal Audit unit and Audit Committee undertake periodic reviews of expenditures and make recommendations on improprieties noted.
- e. The County Treasury receives and consolidates all financial and non-financial information from all the departments and entities of the County Government.
- f. Independent offices set by law which are the Office of the Auditor General and the Controller of Budget for review of programmes to ensure there is no wastage and Value for Money is achieved.
- g. County Assembly Public Accounts and Investment Committee reviews all audit reports submitted by the County Executive.

1	Director Internal Audit	Miss. Caroline Chepkemoi
2	Staff Mortgage Advisory Committee	Hon Jackson Rop
3	County Assembly of Kericho	Hon Martin Epus

f) Registered Offices

P.O. Box 112-20200
County headquarters Building
Kericho- Nakuru Highway
Kericho

g) Fund Contacts

Telephone:(254) 052 2-21100
E-mail: info@kericho.go.ke
Website: www.kericho.go.ke

h) FundBankers

1. Kenya Commercial Bank
Kenyatta Road
Chai Square
PO BOX 00200
Kericho, Kenya
2. State Bank of Mauritius
Kenyatta Road
PO BOX
KERICHO, Kenya

i) Independent Auditors

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

j) Principal Legal Adviser





State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200

k) The County Attorney




County Headquarter
Kericho County
P.O. Box 112 20200

**Kericho County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2025**




3. Fund Administration Committee

Name	Details of qualifications and experience
<p>Hon. Jackson K Rop</p> 	<p>Mr. Jackson Kipkorir Rop is an accomplished financial management professional and public servant with a strong track record in fiscal governance, civil service, and legislative oversight. Born in 1964, he brings over 30 years of progressive experience in public administration, financial management, and leadership at both County and National levels. He holds a Bachelor of Commerce (Accounting) degree from Barkatullah University, Bhopal, India, and an Executive MBA from Moi University, Kenya. Mr. Rop has served in the civil service for 19 years, including over a decade as a District Accountant. He has also served in Public Accounts Committee (PAC). Currently, Mr. Rop serves as the County Executive Committee Member (CECM) for Finance and Economic Planning and Head of County Treasury. He also chairs the Kericho County Executive Staff Mortgage Scheme Fund.</p>
<p>Adv Lenny K Kirui</p> 	<p>Lenny K Kirui was born in 1966 and holds degree in Law and has been practising for over ten years. He joined the County this year as the Chief Officer Office of the Governor and Ag. County Secretary.</p>
<p>CPA Dr. George K Kirer (PhD)</p> 	<p>CPA Dr. George K Kirer (PhD) was born in 1981 with over ten years' experience in Public Finance & Planning from Audit to Accounts. He holds Doctorate in Strategic Management, CISA, and Bachelors in Commerce Accounting Option and holds CPA (K) and a member of ICPAK. He is the Fund Administrator of the Kericho County Executive Staff Mortgage Scheme Fund.</p>
<p>Geoffrey Koech</p> 	<p>Geoffrey Koech was born in 1982 and holds a Master of Business Administration from Kenyatta University and also a PhD final year candidate at Kabarak University. He has 16 years of experience in Public Sector Management and is currently the Chief of Staff having joined in February 2025.</p>

Kericho County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2025

<p>Adv Gideon Mutai</p> 	<p>Gedion K Mutai was born in 1976 and holds a degree in Law and he is an advocate of the High Court in Kenya with over 14 years' experience in Government. He is currently serving as a County Attorney.</p>
<p>Plnr Sylvia Inziani</p> 	<p>M/s Sylvia Inziani was born in 1983 and holds a degree in Urban and Regional Planning and has an experience of over ten years in public sector. She is the county physical planner and Committee member of the Kericho County Executive Staff Mortgage Scheme Fund. She is the Secretary of Kericho County Executive Staff Mortgage Scheme Fund.</p>
<p>Mr Duncan Mutai</p> 	<p>Duncan Mutai was born in 1990 and has over ten years in the County Government in various positions. He has Accounting knowledge with CPA III and has experience in Payroll Management and he is the current Payroll Manager.</p>

4. Management Team

Name	Details of qualifications and experience
<p>Hon. Jackson K Rop</p> 	<p>Mr. Jackson Kipkorir Rop is an accomplished financial management professional and public servant with a strong track record in fiscal governance, civil service, and legislative oversight. Born in 1964, he brings over 30 years of progressive experience in public administration, financial management, and leadership at both County and National levels. He holds a Bachelor of Commerce (Accounting) degree from Barkatullah University, Bhopal, India, and an Executive MBA from Moi University, Kenya. Mr. Rop has served in the civil service for 19 years, including over a decade as a District Accountant. He has also served in Public Accounts Committee (PAC). Currently, Mr. Rop serves as the County Executive Committee Member (CECM) for Finance and Economic Planning and Head of County Treasury. He also chairs the Kericho County Executive Staff Mortgage Scheme Fund.</p>
<p>CPA Dr. George K Kirer (PhD)</p> 	<p>CPA Dr. George K Kirer (PhD) was born in 1981 with over ten years' experience in Public Finance & Planning from Audit to Accounts. He holds Doctorate in Strategic Management, CISA, and Bachelors in Commerce Accounting Option and holds CPA (K) and a member of ICPAK. He is the Fund Administrator of the Kericho County Executive Staff Mortgage Scheme Fund.</p>
<p>CPA Fernandes K Korir</p> 	<p>CPA Fernandes Korir was born in 1982 and has over fifteen years' experience in both the private and public sector financial management. Currently he serves as the Deputy Director Accounting Services with the County Government. He holds an MBA in Finance, CPA (K) and also a member of ICPAK in good standing.</p>

Kericho County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2025

CPA Willy Chirchir



Willy Chirchir was born in 1972 and has over twenty years in the County Government in various positions. He has an Accounting knowledge with CPA (K) and a graduate of Moi University with Degree in Finance, holds CPA (K) and also a member of ICPAK.

Mr Duncan Mutai



Duncan Mutai was born in 1990 and has over ten years in the County Government in various positions. He has Accounting knowledge with CPA III and has experience in Payroll Management and he is the current Payroll Manager.

5. Fund Chairperson’s Report

Introduction

The Kericho County Executive Staff Mortgage Scheme Fund is committed to supporting home ownership among county executive staff by providing affordable mortgage financing. The Fund is administered by an eight-member committee tasked with overseeing its operations, policy direction, and implementation of strategic objectives.

This report covers the activities, financial updates, challenges, and recommendations related to the Fund’s performance during the third quarter of the 2024/2025 financial year, specifically the period from Jul 1st 2024 to June 30th, 2025.

Committee Meetings and Deliberations

During the reporting period, the committee held a total of five official meetings and several informal consultations. The key agenda items addressed included:

- Review and approval of new mortgage applications
- Assessment of fund liquidity and pending disbursements
- Follow-up on the pending FY 2024/25 County Government allocation
- Discussion on compliance, loan recovery, and performance monitoring
- Engagement with relevant county departments on policy alignment

Fund Allocation and Disbursements

The Fund has received KES 20 million from the County Government, representing the annual allocation for the Financial Year 2024/25. The committee processed and conditionally approved 16 new mortgage applications. These applications were vetted based on merit, affordability, employment status, and compliance with the Fund’s policy framework.

Loan Recovery and Repayment Monitoring

The Fund continues to monitor ongoing loan repayments through monthly payroll deductions in collaboration with the County Treasury.

However, a few cases of delayed remittances were noted, mostly due to payroll processing issues. These cases are being followed up with the Human Resource and Finance departments.

Challenges Faced

1. Increasing demand for mortgages – The volume of applications continues to rise, creating a need for more funding and efficient processing mechanisms.
2. Lack of digital systems – Manual processing continues to slow decision-making and record-keeping.
3. Policy gaps – Certain areas, such as early loan settlement and refinancing, require clearer policy guidelines.

Recommendations

- Immediate disbursement of the KES 20 million to enable the Fund to meet current demand and reduce the application backlog.
- Implementation of a digitized loan management system to enhance efficiency, transparency, and reporting.
- Policy review and update to cover emerging issues such as top-up loans, early repayment, and co-ownership mortgages.
- Capacity building for committee members and fund staff to keep abreast of best practices in mortgage management.

Kericho County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Conclusion

The Kericho County Executive Staff Mortgage Scheme Fund remains a vital tool in promoting staff welfare and financial empowerment through home ownership. Despite funding constraints, the committee has maintained operational discipline, transparency, and fairness in managing the Fund.

We appreciate the support of the County Government and urge timely release of funds to help meet the growing ownership of car County Staff. We remain committed to improving the Fund's performance and impact in the financial years ahead.



Hon. Jackson K Rop
Chairperson-Kericho County Executive Staff Mortgage Scheme Fund
Date: 30.6.2025

6. Report of The Fund Administrator

1. Executive Summary

The Mortgage Fund continued to serve as a critical financial tool in supporting County Executive staff with access to affordable mortgage loans. During the period ended June 30th, 2025, the Fund maintained steady performance despite budgetary constraints. The Fund Committee, comprising eight dedicated members, ensured that the administration, supervision, and disbursement of loans adhered to statutory and policy guidelines.

2. Governance and Oversight

The Mortgage Fund is managed by a committee of eight members, appointed to oversee operations, review applications, and ensure policy compliance. The committee held regular meetings to deliberate on:

- New mortgage applications
- Loan disbursement schedules
- Arising operational challenges
- Review of fund policies

The governance structure remains robust, enabling transparent and accountable operations.

3. Fund Budget and Financial Allocation

- Current Allocation (2024/25): Kshs. 20 Million
- Previous Year Allocation: Kshs. 14.5 Million
- Change: -Kshs. 5.5 Million (37.9% increase)

The reduced allocation impacted the Fund's ability to extend loans to all qualifying applicants. Nevertheless, through prudent financial management and monthly staff contributions, the Fund continued to meet core obligations.

4. Loan Issuance and Recovery

Loan Disbursement

- Total Loans Disbursed :Kshs. 71.45 Million
- Number of Beneficiaries: 18 County Executive staff

Loan Recovery

- Recovery remains on track through payroll deductions.
- No significant defaults reported in the quarter.
- A loan monitoring mechanism is in place to track delinquencies early.

5. Challenges

a. Inadequate Funding:

The most pressing challenge is the reduction in budget allocation, which limits the number of beneficiaries and slows down new mortgage approvals.

b. Rising Housing Costs:

Market inflation and increased real estate costs are affecting the affordability of housing, putting pressure on loan limits.

c. Political Risk:

Political instability at the County level poses a threat to consistent funding, operations, and confidence in the sustainability of the Fund.

6. Risk Management Strategies

a. Credit Risk Management

- Conducting creditworthiness assessments for new applicants
- Verifying employment and repayment capacity
- Enhancing internal audit mechanisms
- Introducing a borrower risk rating model

b. Political Risk Mitigation

- Advocating for policy insulation of the Fund from political cycles
- Engagement with stakeholders to ensure continuity despite political shifts

c. Operational Risk

- Ongoing digitalization of loan processing
- Strengthening internal controls
- Staff training on fraud prevention and compliance

7. Strategic Recommendations

1. **Increased Budget Allocation:**
Advocate for restoration or increase of the budget to meet rising demand and inflationary pressure.
2. **Policy Review:**
Revise loan limits and eligibility criteria to align with current housing market trends.
3. **Public Awareness Campaign:**
Promote the mortgage scheme internally to educate staff on eligibility, application procedures, and benefits.
4. **Automation and Digitization:**
Implement a digital loan application and tracking system to improve efficiency, transparency, and user experience.
5. **Stakeholder Engagement:**
Strengthen collaboration with housing developers and financial institutions to create affordable housing options.

8. Conclusion

Despite financial limitations, the Mortgage Fund made notable strides in supporting staff home ownership. With enhanced funding, strengthened governance, and proactive risk management, the Fund is well-positioned to scale its impact in subsequent quarters.

**Kericho County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

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.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Purchase, development, renovation or repair of residential property	To enhance the living standard of executive	Increased efficiency and job motivation	Increased uptake of mortgage loans by staff	Timely repayments of the mortgage loans issued to staff through deductions from the monthly pay

8. Corporate Governance Statement

Certainly, below is a detailed and structured Corporate Governance Report tailored specifically for a Mortgage Fund. It outlines governance principles, roles, meeting frequency, transparency, remuneration, and accountability. This version is comprehensive and suitable for annual reports, audits, or official documentation.

1. Introduction

Corporate governance is a critical pillar in the successful administration of the Mortgage Fund. It provides the framework through which the Fund is directed, controlled, and held accountable. This report outlines the governance structure, roles and responsibilities, meeting attendance, remuneration, and key practices adopted to ensure transparency, accountability, and ethical management of the Fund.

2. Governance Structure

The Mortgage Fund is overseen by a Fund Administration Committee consisting of eight members, all drawn from various departments within the County Executive. The Committee's composition reflects diverse expertise, enabling informed decision-making on fund management and loan approvals.

Key Roles of the Fund Administration Committee:

- Formulating and reviewing policies governing the Fund
- Evaluating and approving mortgage loan applications
- Monitoring loan disbursement and recovery
- Reviewing the Fund's financial performance
- Advising on risk mitigation measures and compliance

3. Committee Meetings and Attendance

During the financial year, the Committee demonstrated exemplary commitment to its mandate. All members attended meetings as required by the Act governing the Fund.

Meeting Highlights:

- Regular quarterly meetings were held to monitor fund progress
- Special sessions convened to address urgent loan applications and policy issues
- Approval of one major mortgage loan to a qualifying staff member

The attendance record for all scheduled meetings was above average, reflecting a strong culture of accountability and engagement.

4. Transparency and Accountability Mechanisms

To uphold public trust and ensure the Fund operates in the best interests of beneficiaries, the following governance practices were implemented:

- Meeting minutes and resolutions are properly documented and stored
- Quarterly reports are submitted to relevant oversight bodies
- An internal audit framework is in place to assess compliance and financial integrity
- Conflict of interest disclosures are made by committee members where applicable

5. Remuneration and Compensation

At present, a formal remuneration policy specific to the Fund Committee has not been established. However:

- Committee members are salaried employees of the County Executive and continue to draw salaries from their respective departments
- Sitting allowances are paid for attendance at official Mortgage Fund meetings, recognizing the additional responsibility and time commitment required

A review of the remuneration framework is recommended to ensure alignment with public sector compensation guidelines and to enhance motivation and accountability.

6. Risk Oversight and Compliance

The Committee is responsible for identifying and mitigating risks that could affect the Fund's operations. Governance efforts during the year included:

- Assessment of credit risk exposure and improvement of loan vetting procedures
- Consideration of political and operational risks that may impact fund continuity
- Initiation of discussions to strengthen legal and regulatory compliance

7. Governance Challenges

Despite the overall effective governance of the Fund, some challenges were noted:

- Lack of a codified governance charter or formal operating procedures
- Limited training for committee members on evolving governance standards and financial oversight
- Delayed establishment of a permanent secretariat to support governance functions

Kericho County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Addressing these challenges will enhance the efficiency and credibility of the governance system.

8. Future Governance Enhancements

To further strengthen corporate governance within the Mortgage Fund, the following actions are recommended:

- Develop a comprehensive Governance Policy and Charter
- Establish a permanent secretariat or administrative support team
- Implement training programs for committee members on fiduciary responsibilities, fund management, and ethical practices
- Introduce a performance evaluation framework for the committee

9. Conclusion

The governance of the Mortgage Fund during the financial year was marked by active engagement, adherence to oversight principles, and an ongoing commitment to improvement. While certain structural and policy gaps remain, the foundation for strong and accountable governance has been laid, and continued reforms will ensure that the Fund remains sustainable, transparent, and responsive to staff housing needs.

Kericho County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2025

9. Management Discussion and Analysis

The fund endeavours to adhere to all statutory requirements in the Kericho County Executive Staff Mortgage Loan Scheme Fund Regulations 2016. The major risk faced by the fund is the inadequate funding and budgetary allocations to ensure the fund attains its mandate and all interested staff is able to access mortgage loans.

The fund does not have any material arrears in statutory and financial obligations to any institution.

The operation performance of the fund during the year is as follows;

	2024/2025
Revenue From Non-Exchange Transactions	
Public Contributions and Donations	-
Transfers From the County Government	-
Fines, Penalties and Other Levies	-
	-
Revenue From Exchange Transactions	
Interest Income	10,208,398
Other Income	-
	10,208,398
Total Revenue	10,208,398
Expenses	
Employee Costs	
Use of goods and services	14,382
Staff Mortgage Disbursement	
Total Expenses	14,382
Other Gains/Losses	
Gain/Loss on Disposal of Assets	
Gain /Loss on fair value of investments	
Surplus/(Deficit)for the Period	10,194,016

10. Environmental and Sustainability Reporting

Kericho County Executive Staff Mortgage Loan Scheme Fund exists to transform lives of Kericho County Executive staff. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy in putting staff as our first priority, delivering services, and improving operational excellence. Below is a brief highlight of our achievements;

1. Sustainability strategy and profile

The board management seeks to make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

2. Environmental performance

The Fund seeks to advance staff mortgage provide loan for the purchase, development, renovation or repair of residential property. This is done in compliance with NEMA (National Environment Management Authority of Kenya) whose mandate is to supervise and coordinate environmental activities and serving as the main national body to implement environmental policies in all sectors within the country.

3. Employee welfare

The core mandate of Kericho County Executive Staff Mortgage Loan Scheme Fund is to improve the welfare of the Kericho County Executive staff by advancing mortgage loans to purchase, development, renovation or repair of residential properties of their choice. This is a reward system that seeks to improve the morale of staff.

4. Market place practices

A member of staff who, prior to the commencement of these Regulations had purchased, developed, expanded, renovated or repaired residential property stipulated under sub regulation (1) on loan from a financial institution, may apply for a loan under these Regulations to offset any remaining loan transferred from the financial institution to the loan scheme under these Regulations.

5. Community Engagements

During the period ended June 30th, 2025, Kericho County Executive Staff Mortgage Loan Scheme Fund did not participate in any community engagement.

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 established by Kericho County Subsidiary Legislation, (Kericho County Executive Mortgage and Car Loan Scheme Fund) on 20th January 2016, 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 the period ended June 30th, 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 by Kericho County Subsidiary Legislation, (Kericho County Executive Staff Mortgage Loan Scheme Fund) 2016 Legal Notice number 5. 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 quarter ended June 30th, 2025, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund’s financial statements were approved on 30.6.2025 and signed on its behalf by:


Sign
CPA Dr. George K Kirer (PhD)
Administrator of the Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: 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 KERICHO COUNTY EXECUTIVE STAFF 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; 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 of Kericho County Executive Staff Mortgage Scheme Fund set out on pages 1 to 24 which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance,

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kericho County Executive Staff 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 the Kericho County Executive Mortgage Scheme Fund Regulations, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracy of Transfer from the County Government

The statement of financial performance reflects Nil transfers from the County Government. However, the amount differs with the transfers from County Government amounting to Kshs.20,000,000 reflected in Note 1 to the financial statements resulting in unexplained variance of Kshs.20,000,000.

Further, the amount differs with transfers from the County Government amounting to Kshs.34,500,000 reflected in the statement of cash flows resulting in unexplained variance of kshs.34,500,000.

In the circumstances, the accuracy and completeness of Nil transfers from the County Government could not be confirmed.

2. Inaccuracy of Total Revenue

The statement of financial performance reflects total revenue amounting to Kshs.30,208,398. However, the amount differs with the recomputed total revenue of Kshs.10,208,398 resulting in unexplained variance of Kshs.20,000,000.

In the circumstances, the accuracy and completeness of total revenue amounting to Kshs.30,208,398 could not be confirmed.

3. Inaccuracy of Accumulated Surplus

The statement of financial position reflects accumulated surplus totalling Kshs.124,636,272. However, the amount differs with accumulated surplus totalling Kshs.104,636,272 reflected in the statement of changes in net assets resulting in unexplained variance of Kshs.20,000,000.

In the circumstance, the accuracy and completeness of accumulated surplus totalling Kshs.124,636,272 could not be confirmed.

4. Long-Term Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 7 to the financial statements reflects long-term receivables from exchange transactions totalling Kshs.298,406,026. However, reconciliation of the receivables revealed receivables totalling Kshs.210,592,868 resulting to unexplained variance of Kshs.87,813,158 as shown below:

Details	Amount (Kshs)
Opening Balance as at 1 July,2024	227,647,625
Add loans Issued as per the statement of cash flows	71,450,000
Less Loans Repayments as per the statement of cash flows	18,989,102
Less Interest received	10,208,398
Less current portion of long-term receivables from exchange	59,307,257
Reconciled balance	210,592,868
Less: Reported balance in financial statements	(298,406,026)
Variance (Kshs)	87,813,158

In the circumstance, the accuracy and completeness of long-term receivables from exchange transactions totalling Kshs.298,406,026 could not be confirmed.

5. Inaccuracy of the Statement of Cash Flows

The statement of cash flows reflects total receipts from operating activities totalling Kshs.46,626,498. The amount includes transfers from the County Government amounting to Kshs.34,500,000 in respect of additional revolving fund. However, the amount has not been disclosed under cash flows from financing activities. The amount also includes bank receivables amounting to Kshs.1,918,100 which was not supported and disclosed in the statement of financial performance.

Further, the statement reflects payments in respect of payables to car fund which was not supported and disclosed in the statement of financial performance.

In addition, the statement reflects net cash flows from operating activities amounting to Kshs.46,170,100. The amount includes surplus for the year before tax amounting to Kshs.37,194,015. However, the surplus differs with the surplus amounting to Kshs.10,194,016 reflected in the statement of financial performance resulting in unexplained variance of Kshs.26,999,999. The net cash flows from operating activities also amount includes increase in receivables totalling Kshs.1,232,413. However, the

amount differs with the recomputed increase in receivables totalling Kshs.70,660,898 resulting in unexplained variance of Kshs.69,428,485.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

6. Inaccuracy of the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects original and final budget amounting to Kshs.8,000,000. However, the amount differs with the recomputed original and final budget amounting to Kshs.10,000,000 resulting in unexplained variance of Kshs.2,000,000.

Further, the statement reflects actual surplus for the year amounting to Kshs.10,194,016. However, the amount differs with the recomputed surplus for the year amounting to Kshs.9,105,618 resulting in unexplained variance of Kshs.1,088,398.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

7. Inaccuracy of Proceeds from Loan Repayments

The statement of cash flows and as disclosed in Note 13 to the financial statements reflects proceeds from loan principal repayments amounting to Kshs.18,989,102. Review of the payroll revealed total deductions for mortgage loans totalling Kshs.26,589,690 . However, only Kshs.22,119,575 of the deduction was remitted to the Fund resulting in unremitted deductions amounting to Kshs.4,470,114.95 as shown in the table below:

Month	Amount deducted as per the payroll (Kshs)	Amount remitted as per the cash book (Kshs)	Variance (Kshs)
July 2024	2,021,978	2,006,715.00	15,263.00
August 2024	1,948,007	1,932,743.50	15,263.00
September 2024	1,948,007	1,932,743.50	15,263.00
October 2024	2,456,057	2,440,794.00	15,263.40
November 2024	2,456,057	2,440,794.00	15,263.40
December 2024	2,456,058	2,440,794.00	15,263.55
January 2025	2,456,058	2,440,794.00	15,263.55
February 2025	2,201,873	-	2,201,873.25
March 2025	2,161,399	2,161,399.28	-
April 2025	2,161,399	2,161,398.80	-
May 2025	2,161,399	2,161,398.80	-

Month	Amount deducted as per the payroll (Kshs)	Amount remitted as per the cash book (Kshs)	Variance (Kshs)
June 2025	2,161,399	-	2,161,398.80
Total (Kshs)	26,589,690	22,119,574.88	4,470,114.95

In the circumstance, the accuracy and completeness of proceeds from loan principal repayments amounting to Kshs.18,989,102 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kericho County Executive Staff 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 qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total receipts final budget against actual on comparable basis amounting to Kshs.8,000,000 and Kshs.9,120,000, respectively, resulting in over collection of revenue by Kshs.1,120,000 or fourteen percent (14%) of the budget.

Further, the statement reflects total payments amounting to Kshs.14,382 against actual receipts on comparable basis amounting to Kshs.9,120,000 resulting in under absorption of funds of Kshs.9,105,618 or one hundred percent (100%) of the receipts.

In addition, Management has not disclosed by footnote in the financial statements' reasons for the material difference between the budgeted and actual amounts. This is contrary to Regulation 130(2)(c) of the Public Finance Management (County Governments) Regulations, 2015 which requires an Accounting Officer to provide footnotes to the annual financial statements provides reasons for material differences between approved estimates and actual expenditure, or actual collection of Appropriation-in-Aid.

The underfunding and underperformance 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. Except for the effect of 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 Matters

In the audit of the previous year, fourteen (14) issues were raised under the Report on the Financial Statements, Emphasis of Matter, Other Matter and Report on Lawfulness and Effectiveness in the Use of Public Resources and on Effectiveness of Internal Controls, Risk Management and Governance as shown in **Appendix I**. However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

Other Information

Management is responsible for the Other Information set out on page iv to xxii which comprise of Key Entity Information and Management, Fund Administration Committee, Management Team, Fund Chairperson's Report, Report of the Fund Administrator, Statement of Performance Against the County Fund's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, 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 conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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. Failure to Register Charge on Property Financed

The statement of cash flows reflects loan disbursed amounting to Kshs.71,450,000. However, charges were not registered on the property financed and title deeds of the properties were not provided for audit verification. This was contrary to Regulation 16 (1) of the Kericho County Executive Staff Mortgage Scheme Fund Regulations, 2016 which states that the County Government of Kericho shall have a charge registered on the property financed through a loan granted under these Regulations and shall be entitled to have its name entered in all documents of title for such property.

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

2. Non-Remittance of Fringe Benefit Tax

Review of records revealed that the Fund did not remit fringe benefit tax amounting to Kshs.4,608,140. This was contrary to the provisions of Section 12B of the Income Tax Act which provides that a tax to be known as fringe benefit tax shall be payable in respect of a loan provided at an interest rate of three percent (3%) which is lower than the market interest rate to an individual who is a director or an employee by virtue of his employment or employment of the person to whom it relates and is payable by an employer on or before the tenth day of the following month. The failure to remit the taxes has attracted penalties totalling Kshs.1,382,442 which has also not been remitted.

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

3. Default in Loan Repayments

The statement of financial position reflects long-term receivables from exchange transactions totalling Kshs.298,406,026. Review of records revealed that twenty-six (26) staff members have defaulted in repayment of their loans with the unpaid amount standing at Kshs.44,189,597 . However, the Loan Management Committee has not repossessed their property as required by the provisions of Regulation 18 of the Public Finance Management, Kericho County Executive Staff Mortgage Scheme Fund Regulations, 2016 or taken any measures to recover the debts.

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

4. Lack of Approved Budget

The statement of comparison of budget and actual amounts reflects final revenue and expenditure budget amounts of Kshs.8,000,000 and Kshs.15,000, respectively. However, the budget for the year under review was not prepared . This was contrary to Regulation 31 of the Public Finance Management (County Government) Regulations, 2015 which provides that an accounting officer shall ensure that the draft estimates relating to her or his department are prepared.

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

5. Lack of Mortgage Protection Policy

Mortgage loan totalling Kshs.71,450,000 was granted to to seventeen (17) beneficiaries. However, a general insurance policy on the properties purchased using funds from the scheme was not taken. This was contrary to Regulation 17 (1) of the Public Finance Management (County Executive Staff Mortgage Scheme Fund) Regulations, 2016 which requires a Borrower to take out and maintain a general insurance policy with a reputable insurance firm.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing 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 Risk Management Policy

The Fund Management had not established Risk Management Policy. This is contrary to Regulation 158 (1) (a) (b) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the accounting officer shall ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In the circumstance, the existence of an effective mechanism to safeguard against risks 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 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

08 December, 2025

Appendix I

Unresolved Prior Year Audit Matters

Paragraph	Financial Year	Issue
		Qualified Opinion
1	2023/2024	Proceeds from loan repayment
2	2023/2024	Unsupported loan disbursements paid out
3	2023/2024	Current portion of Long-Term Receivables from Exchange Transactions
4	2023/2024	Long outstanding non-serviced loans
5	2023/2024	Long term Receivables from Exchange Transactions
6	2023/2024	Trade and other payables from Exchange Transactions
7	2023/2024	Unsupported Cash and Cash Equivalents
		Emphasis of Matter
	2023/2024	Budgetary Control and Performance
		Other Matter
	2023/2024	Prior year Matters
		Report on Lawfulness and Effectiveness in the Use of Public Resources
1	2023/2024	Lack of Approved Annual Budget
2	2023/2024	Non-compliance to the Fund Administration Committee appointments
3	2023/2024	Failure to register charges on securities
		Report on Effectiveness of Internal Controls, Risk Management and Governance
1	2023/2024	Lack of risk Management policy
2	2023/2024	Lack of Mortgage Protection Policy

Kericho County Executive Staff Mortgage Fund Scheme
Annual Report and Financial Statements for the year ended June 30, 2025

13. Statement of Financial Performance for the period ended 30th June, 2025

Description	No te	2024/2025	2023/2024
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations		-	-
Transfers From the County Government	1	-	14,500,000
Fines, Penalties and Other Levies			-
		-	14,500,000
Revenue From Exchange Transactions			
Interest Income	2	10,208,398	9,042,066
Other Income		-	2,332
		10,208,398	9,044,398
Total Revenue		30,208,398	23,544,398
Expenses			
Employee Costs			
Use of goods and services	3	14,382	1,060,914
Other Expenses		-	-
Total Expenses		14,382	1,060,914
Other Gains/Losses			
Gain/Loss on Disposal of Assets		-	-
Gain /Loss on fair value of investments		-	-
Surplus/(Deficit)for the Period		10,194,016	22,483,484

.....
 CPA Dr. George K Kirer (PhD)
Administrator of the Fund
 ICPAK MNo:9499

.....
 CPA Willy Chirchir
Fund Accountant
 ICPAK MNo:17247

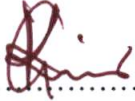
Kericho County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2025

14. Statement of Financial Position as at 30th June, 2025

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	4	3,359,089	9,649,887
Current Portion of Long- Term Receivables From Non-exchange transaction	5	0	16,300,000
Current Portion of Long- Term Receivables From exchange transaction	6	59,307,257	43,104,760
Prepayments		-	-
Total current assets		62,666,346	69,054,647
Non-Current Assets			
Property, Plant and Equipment		-	-
Intangible Assets		-	-
Long Term Receivables from Exchange Transactions	7	298,406,026	227,647,625
Investment Property		-	-
Total non- current assets		298,406,026	227,647,625
Total Assets		361,072,372	296,702,272
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	8	118,100	442,016
Current Portion of Borrowings		-	-
Employee Benefit Obligations		-	-
Social benefit liabilities		-	-
Total current liabilities		118,100	442,016
Non-Current Liabilities		-	-
Total non-current liabilities		-	-
Total Liabilities		118,100	442,016
Net Assets		<u>360,954,272</u>	<u>296,260,256</u>
Revolving Fund	9	236,318,000	201,818,000
Reserves		-	-
Accumulated Surplus		124,636,272	94,442,256
Total Net Assets and Liabilities		<u>360,954,272</u>	<u>296,260,256</u>

Kericho County Executive Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2025

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 30.6.2025 and signed by:



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CPA Dr. George K Kirer (PhD)
Administrator of the Fund
ICPAK MNo:9499



.....
CPA Willy Chirchir
Fund Accountant
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Kericho County Executive Staff Mortgage Fund Scheme
Annual Report and Financial Statements for the year ended June 30, 2025

15. Statement of Changes in Net Assets for the period ended 30th June, 2025

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance as at 1 July 2023	176,818,000	-	20,352,336	197,170,336
Surplus/(Deficit) For the Period	-	-	22,483,484	22,483,484
Funds Received During the Year	25,000,000	-	-	25,000,000
Transfers	-	-	51,606,436	51,606,436
Revaluation Gain	-	-	-	-
Balance as at 30 June 2024	201,818,000	-	94,442,256	296,260,256
Balance as at 1 July 2024	201,818,000	-	94,442,256	296,260,256
Surplus/(Deficit)For the Period	-	-	10,194,016	30,194,016
Additional Revolving Amount	34,500,000	-	-	34,500,000
Prior Year Adj	-	-	-	-
Revaluation Gain	-	-	-	-
Balance as at June 30th, 2025	236,318,000	-	104,636,272	340,954,272

.....
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.....
 CPA Willy Chirchir
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Kericho County Executive Staff Mortgage Fund Scheme
Annual Report and Financial Statements for the year ended June 30, 2025

16. Statement of Cash Flows for the period ended 30th June, 2025

Description	Note	2024/2025	2023/2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the county government		34,500,000	25,000,000
Interest received		10,208,398	9,042,066
Bank Receivables		1,918,100	2,332
Total receipts		46,626,498	34,044,398
Payments			
Use of goods and services		14,382	1,060,914
Payables to Car Fund		442,016	1,206,243
Finance Cost			
Total Payment		456,398	2,267,157
Net cash flows from operating activities		46,170,100	31,777,241
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible Assets			
Proceeds from sale of property,plant&equip		-	-
Proceeds from loan principal repayments		18,989,102	14,093,112
Loan disbursements paid out		(71,450,000)	(59,650,000)
Net Cash flows used in investing activities		(52,460,898)	(45,556,888)
Cash flows from financing activities			
Proceeds from revolving fund receipts			
Additional borrowings			
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease)in cash &cash Eqv		(6,290,798)	(13,779,647)
Cash and cash equivalent as at 1July 2024		9,649,887	23,429,534
Cash and cash equiv as at June 30th, 2025	4	3,359,089	9,649,887

.....
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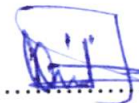
Kericho County Executive Staff Mortgage Fund Scheme
Annual Report and Financial Statements for the year ended June 30, 2025

17. Statement of Comparison of Budget and Actual Amounts for the period ended 30th June, 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
Revenue						
Public Contributions and Donations	-	-	-	-	-	-
Public Contribution and Donation	-	-	-	-	-	-
Interest Income	10,000,000	-	10,000,000	9,120,000	880,000	-
Other Income	-	-	-	-	-	-
Total Income	8,000,000	-	8,000,000	9,120,000	880,000	114
Expenses						
Use of Goods and Services	15,000	-	15,000	14,382	618	
Other Exp	-	-	-	-	-	-
Total Expenditure	15,000	-	15,000	14,382	618	96
Surplus For the Period	7,985,000	-	7,985,000	10,194,016	879,382	128



.....
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 ICPAK MNo:9499



.....
 CPA Willy Chirchir
Fund Accountant
 ICPAK MNo:17247

Kericho County Executive Staff Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

18. Notes to the Financial Statements

1. General Information

Kericho County Executive Staff Mortgage Scheme Fund is established by the Public Financial Management Act and derives its authority and accountability from Kericho County Executive Staff Mortgage Scheme Fund) on 20th January 2016. The entity is wholly owned by the Kericho County Government and is domiciled in Kenya. The entity’s principal activity is to purchase, development, renovation or repair of residential property by members of the Kericho County Executive Staff.

2. Statement of compliance and basis of preparation

The Fund’s financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024

IPSAS 41: Financial Instruments	<p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and
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Kericho County Executive Staff Mortgage Fund

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

Standards	
	<ul style="list-style-type: none"> • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA</p>

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Standard	Effective date and impact
	<p>2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

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

Standard	Effective date and impact
IPSAS 43	<p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<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>

(iii) Early adoption of standards

The Kericho County Executive Staff Mortgage Fund adapted to the new or amended standards in the financial year 2024-25

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1. 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 2024-25 was approved by the County Assembly on June 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.

Kericho County Executive Staff Mortgage Fund
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Summary of Significant Accounting Policies (Continued)

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance 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.

d) 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.

e) 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.

Summary of Significant Accounting Policies (Continued)

f) 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. 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 amortised 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.

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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)

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.

g) 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.

h) 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.

i) 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)

j) 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.

k) Nature and purpose of reserves

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

l) 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.

m) 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.

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Summary of Significant Accounting Policies (Continued)

n) 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.

o) 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.

p) 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.

q) 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.

r) 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.

Kericho County Executive Staff Mortgage Fund
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6. Notes to The Financial Statements

1. Transfers from County Government

Transfers From County Govt. –Operations	20,000,000	14,500,000
	-	-
Total	20,000,000	14,500,000

2. Interest income

Interest Income from Mortgage Loans	10,205,944	9,042,066
Interest Income from SBM	2,454	2,332
Total Interest Income	10,208,398	9,044,398

3. Use of Goods and Services

General Office Expenses	-	-
Administration Fees	-	135,000
Insurance Costs	-	911,700
Bank Charges-KCB	14,014	-
Bank Charges-SBM	368	14,214
Total	14,382	1,060,914

Kericho County Executive Staff Mortgage Fund
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4. Cash and Cash Equivalents

	2024/2025	2023/2024
Kericho County Mortgage Account	3,318,829	9,611,713
Fixed Deposits Account- SBM	40,260	38,174
Total Cash And Cash Equivalents	3,359,089	9,649,887

5. Receivables from Non-Exchange Transactions

	2024/2025	2023/2024
Exchequer due for the current year	-	14,500,000
Erroneous bank debit	-	1,800,000
Total	-	16,300,000

6. Current Portion of Term Receivables from Exchange Transactions

	2024/2025	2023/2024
Current portion of Term Recv from Exchange Transactions	56,074,353	40,106,092
Due from car loan	1,072,505	1,072,505
June PRD	2,160,399	1,926,162
Total	59,307,257	43,104,760

7. Long Term Receivables from Exchange Transactions

	2024/2025	2023/2024
Long Term Receivables from Exchange Transactions	298,406,026	227,647,625
Total	298,406,026	227,647,625

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8. Trade and other Payables from exchange transaction

Due to car loan	118,100	442,016
Total	118,100	442,016

9. Revolving Fund

Revolving Account	236,318,000	201,818,000
Total	236,318,000	201,818,000

Transfers for last Financial year	34,500,000	25,000,000
Total	34,500,000	25,000,000

Notes to the Financial Statements Continued

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

a) Current Account			
Kenya Commercial Bank	1216449678	3,318,829	9,611,713
SBM1	0471328991001	-	-
SBM2	0471328991002	40,260	38,174
Grand Total		3,359,089	9,649,887

Kericho County Executive Staff Mortgage Fund
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12. PRIOR YEAR ADJUSTMENTS

A prior period adjustment really applies to the correction of an error in the financial statements of a prior period.

Bank account Balances	-	-	-
Accum Surplus/ (Deficit) for the period	-	-	-
Cash in hand	-	-	-
Accounts Payables	-	-	-
Receivables	-	-	-
Others (<i>specify</i>)	-	-	-
Total	-	-	-

1. Cash generated from operations

Surplus/ (Deficit) For the Year Before Tax	37,194,015	22,483,484
Adjusted For:		
Depreciation		
Amortisation		
Gains/ Losses On Disposal of Assets		
Interest Income	10,208,398	9,042,066
Finance Cost		
Working Capital Adjustments		
Increase In Inventory		
Increase In Receivables	1,232,413	251,691
Increase In Payables		
Net Cash Flow From Operating Activities	46,170,100	31,777,241

Notes to The Financial Statements (Continued)

2. 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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Notes To The Financial Statements (Continued)

b) 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:

Revaluation reserve	-	-
Revolving fund to date	236,318,000	201,818,000
Accumulated surplus	131,636,272	94,442,256
Total funds	367,954,272	296,260,256
Total borrowings to date	367,710,256	296,260,256
Less: cash and bank balances as at 30.06.2025	3,359,089	(9,649,887)
Net debt/(excess cash and cash equivalents)	364,351,167	286,610,369
Gearing	0.99	0.96

3. Events after the reporting period

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

4. Ultimate and Holding Entity

The entity is a County Public Fund established by Public Finance Management Act (Kericho County Executive Staff Mortgage Scheme Fund) on 20th January 2016 under the Ministry of Finance and Economic Planning. Its ultimate parent is the County Government of Kericho.

5. Currency

The financial statements are presented in Kenya Shillings (Kshs)

**Kericho County Executive Mortgage fund
Annual Report and Financial Statements for the year ended June 30, 2025**

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.

1	Proceeds From Loan Repayments	To Provide Amortization Schedule.	Not Resolved	December 2025
2	Unsupported Loan Disbursement	To Provide List Of Loan Beneficiaries	Not Resolved	December 2025
3	Current Portion Of Long Term Receivables From Exchange Transaction	To Provide Members Schedule Detailing The Receivables.	Not Resolved	December 2025
4	Long Outstanding Non serviced loans	To Take Appropriate Action As Per The Regulation	Not Resolved	December 2025
5	Long term receivables from Exchange Transactions	To Provide Members Schedule Detailing The Receivables	Not Resolved	December 2025
6	Trade and other payables from exchange Transactions	To Provide The Creditors Ledgers	Not Resolved	December 2025
7	Unsupported Cash And Cash Equivalent	To Provide Source Documents To Support The Same	Not Resolved	December 2025
8	Lack of an Approved Budget	Provide Approved Budget	Not Resolved	December 2025

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CPA Dr. George K Kirer (PhD)

Administrator of the Fund

Date:30.6.2025

**Kericho County Executive Mortgage Fund
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**Annex II: Inter-Fund Confirmation Letter
County Government of Kericho**

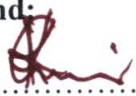
Kericho County Executive Staff Mortgage Scheme Fund
P.O. Box 112-20200
County headquarters Building
Kericho- Nakuru Highway
Kericho.

The Kericho County Executive Staff Mortgage Scheme Fund wishes to confirm the amounts disbursed to you as at June 30th, 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 Kericho County Executive Staff Mortgage Scheme Fund as at June 30th, 2025							
Reference Number	Date Disbursed	Amounts Disbursed by Kericho County Executive Staff Mortgage Scheme Fund (Kshs) as at June 30th, 2025				Amount Received by [beneficiary Fund] (KShs) as at June 30th, 2025 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
N/A	N/A	N/A	-	-	-	N/A	-
Total	N/A	N/A	-	-	-	N/A	-

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

Head of Accountants department of beneficiary Fund:

Name: CPA Dr. George K Kirer (PhD) **Sign:**  **Date:** 30-6-2025