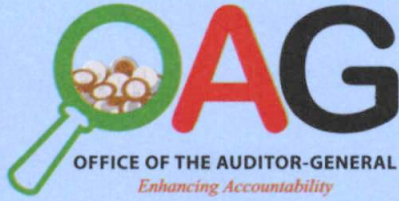


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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REPORT

OF

THE AUDITOR-GENERAL

ON

KILIFI COUNTY ASSEMBLY STAFF
MORTGAGE SCHEME FUND

FOR THE YEAR ENDED

30 JUNE, 2025 17/02/26

DATE	17/02/26
TABLED BY	Se. (Dr) telegu
COMMITTEE	
CLERK AT THE TABLE	Tyng

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KILIFI COUNTY ASSEMBLY STAFF MORTGAGE SCHEME FUND

AMENDED

**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)**

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

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

1. Acronyms and Definition of Key Terms

A. Acronyms

KCASB	Kilifi County Assembly Service Board
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
PIAC	Public Investments and Accounts Committee
SRC	Salary Review Commission
Kshs	Kenya Shillings

B. Definition of Key Terms

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

Comparative Year Means the prior period.

D.O.B. Date of Birth

C.P.A. Certified Public Accountant

C.S.R. Corporate Social Responsibility

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

2. Key Entity Information and Management

a) Background information

Kilifi County Assembly (Staff) Mortgage Scheme Fund is established by and derives its authority and accountability from the PFM Act, Section 116, on 16th October 2015. The Fund is wholly owned by the County Government of Kilifi and is domiciled in Kenya.

The Kilifi County Assembly (Staff) Mortgage Scheme Fund is headed by the Deputy Clerk who is the chairperson. The specific regulation governing this fund is Kilifi County Assembly (Staff) Mortgage Scheme Fund Regulations, 2015.

The Fund's objective is to provide a loan scheme for the purchase, development, renovation or repair of residential property by members of the scheme.

b) Principal Activities

The Fund's principal activity is to disburse mortgage loans to the members of staff and prudently account for all monies entrusted into the Fund by ensuring that these regulations together with the Public Finance Management Act, 2012 and Public Finance Management (County Government) Regulations, 2015 are adhered to.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Silas K. Mulewa	Chairperson (Deputy Clerk)
2	Lilian Ngala	Secretary
3	C.P.A. Michael B. Ngala	Fund Administrator
4	Patience P. Kingi	Director Legal Services
5	C.P.A. Charles Mapinga Lwiga	Fund Accountant- Director Finance
6	Harrison Chizambo	Director Human Resource
7	Mathias Jefwa Mwachiru	Deputy Director-Supply Chain

d) Key Management team

Ref	Name	Position
1	C.P.A. Michael Bidii Ngala	Fund Administrator
2	C.P.A. Charles M. Lwiga	Fund Accountant
3	Silas K. Mulewa	Chairperson (Deputy Clerk)
4	Lilian Ngala	Secretary
5	Patience P. Kingi	Director Legal Services
6	Harrison Chizambo	Director Human Resource & Administration
7	Mathias Jefwa Mwachiru	Deputy Director- Supply Chain

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

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	- C.P.A. Gideon Furaha Karisa
2	Staff Mortgage Loan Advisory Committee	- Silas K. Mulewa - C.P.A. Charles Mapinga' - Patience P. Kingi - Harrison Chizambo
3	PIAC Members	- Hon. Thaura Mweni - Hon. Mohamed Mwambire - Hon. Thomas Mumba Chengo - Hon. Elina Mapenzi Samini - Hon. Mary Maneno - Hon. Hassan Mohamed - Hon. Biryra Fondo - Hon. Agnes Sidi - Hon. Twaher Abdulkarim

f) Registered Offices

Kilifi County Assembly Headquarters
 County Assembly Complex
 Assembly Road
 P.O. Box 332 - 80200
Malindi, Kenya

g) Fund Contacts

Telephone: (254) 020 21271220
 E-mail: clerk@kilifiassembly.go.ke
 Website: www.kilifiassembly.go.ke

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

h) Fund Bankers

1. Kenya Commercial Bank, Malindi Branch
P.O. Box 9 – 80200
Malindi, Kenya

2. SBM Bank, Malindi Branch
P.O. Box - 80200
Malindi, Kenya

Key Entity and Management (Continued)

i) Independent Auditors

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

j) Principal Legal Adviser





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

k) County Attorney




County Attorney
Kilifi County Government
P.O. Box 519 - 80100
Kilifi, Kenya.

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

3. Board of Trustees/ Fund Administration Committee

Name	Details of qualifications and experience
<p>1. Silas K. Mulewa</p> 	<ul style="list-style-type: none"> ▪ Masters in Business Administration – Strategic Management (<i>Ongoing</i>) ▪ Bachelor of Commerce ▪ 15 Years of Experience ▪ D.O.B 8th April 1982 ▪ Chairperson- Kilifi County Assembly Staff Mortgage Fund Committee
<p>2. Lilian Ngala</p> 	<ul style="list-style-type: none"> ▪ Masters in Business Administration - Management ▪ Bachelor of Business Administration - Management ▪ Bachelor of Business Administration - Marketing ▪ 10 Years Working Experience ▪ D.O.B 17th March 1990 ▪ <i>Ex-Officio</i>/Secretary in the Committee
<p>3. Harrison Chizambo</p> 	<ul style="list-style-type: none"> ▪ Masters in Business Administration - Human Resource Management ▪ Bachelor in Business Administration - Human Resource Management ▪ Higher Diploma, Human Resource Management and Industrial Relations ▪ 17 Years Working Experience ▪ D.O.B 21st March 1966 ▪ Member - Kilifi County Assembly Staff Mortgage Fund Committee
<p>4. Mathias Jefwa Mwachiru</p> 	<ul style="list-style-type: none"> ▪ Masters in Science – Procurement and Logistics ▪ Bachelor of Business Information Technology ▪ Senior Management Course (KSG) ▪ 6 Years Working Experience ▪ D.O.B. 11th November 1982 ▪ Member-Kilifi County Assembly (Staff) Mortgage Fund Committee




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

<p>5. C.P.A. Charles Mapinga Lwiga</p> 	<ul style="list-style-type: none"> ▪ Masters in Project Management ▪ Bachelor of Commerce - Accounting option ▪ Certified Public Accountant of Kenya ▪ 12 Years Working Experience ▪ D.O.B 12th December, 1972 ▪ Fund Accountant
<p>6. Patience P. Kingi</p> 	<ul style="list-style-type: none"> ▪ Bachelor of Law ▪ 10 Years Working Experience ▪ D.O.B: 27th March 1982 ▪ Member & Legal Advisor
<p>7. C.P.A. Michael Bidii Ngala</p> 	<ul style="list-style-type: none"> ▪ Masters in Business Administration – Strategic Management ▪ Bachelor of Commerce ▪ Certified Public Accountant-Kenya ▪ 15 Years of Experience ▪ D.O.B: 12th October, 1977 ▪ Fund Administrator

4. Management Team

Name	Details of qualifications and experience
<p>1. Silas K. Mulewa</p> 	<ul style="list-style-type: none"> ▪ Masters in Business Administration – Strategic Management (<i>Ongoing</i>) ▪ Bachelor of Commerce ▪ 15 Years of Experience ▪ D.O.B 8th April 1982 ▪ Chairperson- Kilifi County Assembly Staff Mortgage Fund Committee
<p>2. Lilian Ngala</p> 	<ul style="list-style-type: none"> ▪ Masters in Business Administration - Management ▪ Bachelor of Business Administration - Management ▪ Bachelor of Business Administration - Marketing ▪ 10 Years Working Experience ▪ D.O.B 17th March 1990 ▪ <i>Ex-Officio</i>/Secretary in the Committee
<p>3. Harrison Chizambo</p> 	<ul style="list-style-type: none"> ▪ Masters in Business Administration - Human Resource Management ▪ Bachelor in Business Administration - Human Resource Management ▪ Higher Diploma, Human Resource Management and Industrial Relations ▪ 17 Years Working Experience ▪ D.O.B 21st March 1966 ▪ Member - Kilifi County Assembly Staff Mortgage Fund Committee
<p>4. Mathias Jefwa Mwachiru</p> 	<ul style="list-style-type: none"> ▪ Masters in Science – Procurement and Logistics ▪ Bachelor of Business Information Technology ▪ Senior Management Courser (KSG) ▪ Supply Chain Management ▪ 6 Years Working Experience ▪ D.O.B 11th November 1982 ▪ Member-Kilifi County Assembly (Staff) Mortgage Fund Committee

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

<p>5. C.P.A. Charles Mapinga Lwiga</p> 	<ul style="list-style-type: none"> ▪ Masters in Project Management ▪ Bachelor of Commerce - Accounting option ▪ Certified Public Accountant of Kenya ▪ 12 Years Working Experience ▪ D.O.B 12th December, 1972 ▪ Fund Accountant
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<p>7. C.P.A. Michael Bidii Ngala</p> 	<ul style="list-style-type: none"> ▪ Masters in Business Administration – Strategic Management ▪ Bachelor of Commerce ▪ Certified Public Accountant-Kenya ▪ 15 Years of Experience ▪ D.O.B: 12th October, 1977 ▪ Fund Administrator

5. Board/Fund Chairperson's Report

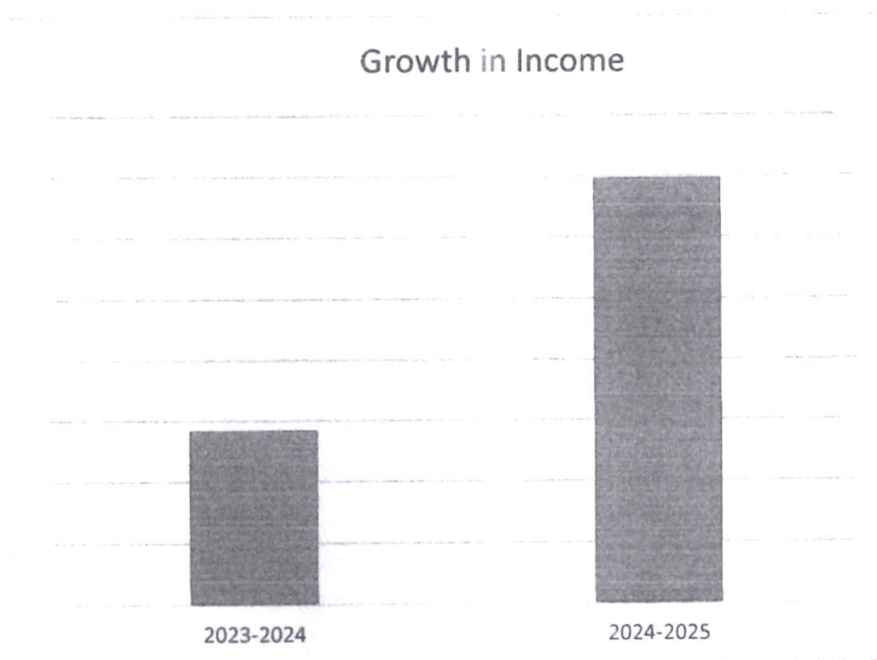
Changes in the Fund during the year (in terms of the Board or key Management Team)

There was no change in the Key Management team of the Kilifi County Assembly Staff Mortgage Scheme Fund.

Review of the Fund's performance

In the financial year ended 30th June 2025, the Fund reported a total income of Kshs. 9,994,006.00 as compared to the prior financial year income of Kshs. 9,168,607.00. The fund had a surplus of Kshs. 9,232,770.00. The surplus subsequently increased the accumulated surplus thus used to disburse more loans to members of staff in the event of loan refinancing. The revolving fund balance during the year ended 30th June 2025 is Kshs. 412,796,281.00. There was no increase from the prior year balance of Kshs. 412,769,281.

The total expenditure for the year ended 30th June 2025 is Kshs 761,235.00 as compared to Kshs. 2,475,308 in the financial year 2023/2024.



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

Future outlook of the Fund

The fund is developing a five (5) year strategic plan which will be reviewed after every three (3) years. It will also have its own staff that shall be deployed and posted by the County Assembly Service Board. It will also budget for emergencies and support corporate social responsibility. There are neither projects nor investments undertaken by the fund.

During the financial year ended 30th June 2025, the Fund ensured compliance with the Public Finance Management Act No. 18 of 2012 and the Public Finance Management (County Government) Regulations, 2015 and other statutory requirements.

The fund is exposed to loan defaults by loan beneficiaries. The fund has insured all the loans disbursed to the members of staff thus mitigating against the risk of default.

Name: Silas Kahindi Mulewa Signature  Date: 31st August 2025

Chairperson of the Loan Management Committee

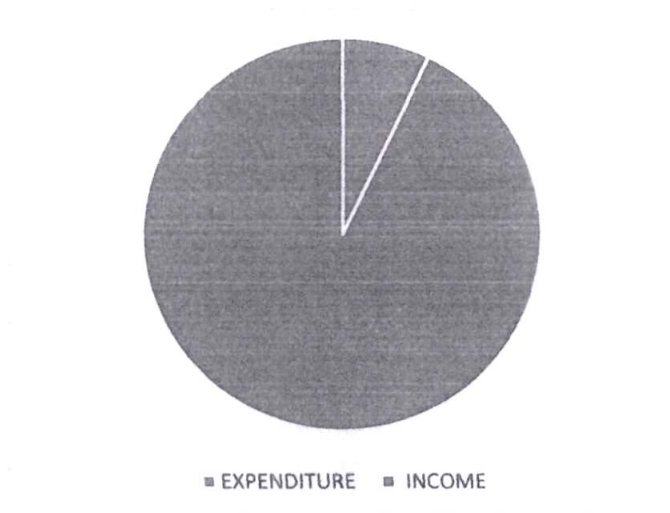
**Kilifi County Assembly Staff Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

6. Report of The Fund Administrator

In the financial year ended 30th June 2025, the Fund reported a total income of Kshs. 9,994,006.00 as compared to the prior financial year income of Kshs. 9,168,607.00. The fund had a surplus of Kshs. 9,232,770.00.

The revolving fund balance during the year ended 30th June 2025 is Kshs. 412,796,281.00. There was no increase from the prior year balance of Kshs. 412,769,281.

Total current expenditure stood at Ksh 761,235.00 as compared to Kshs 2,475,308.00 in the financial year 2023-2024 which is 8% of the total income.



The fund is developing a five (5) year strategic plan which will be reviewed after every three (3) years. It will also have its own staff that shall be deployed and posted by the County Assembly Service Board. It will also budget for emergencies and support corporate social responsibility.

There are neither projects nor investments undertaken by the fund.

During the year ended 30th June 2025, the Fund complied with the Public Finance Management Act No. 18, 2012 and the Public Finance Management (County Government) Regulations, 2015 and other statutory requirements.

The main activity of the fund is to disburse mortgage loans to the members of staff. The objective, key performance indicators and actual performance of the loan advanced is summarized in the table below.

Program	Objective	Outcome	Indicator	Performance
Mortgage Loans	To offer good and comfortable housing facilities to the members of staff	Good security Improve living standard	Comfortable housing -Number of loans advance	- 6 loans disbursed totalling to Kshs 7,320,000.00

Kilifi County Assembly 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.

The Kilifi County Assembly Staff Mortgage Scheme Fund is yet to achieve its objectives to staff in terms of disbursing loans promptly. Liquidity issues have contributed significantly to qualifying members of staff not been facilitated with the loans.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities to all members of staff.	To ensure all the members of staff have access to Mortgage facilities.	10 members of staff had successfully applied for mortgage.	60 % (6 out of 10) members of staff were disbursed with the Mortgage facility.	During FY 2024-2025, 6 Members of staff accessed the facility and were able to construct 6 No. of houses.

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

8. Corporate Governance Statement

During the financial year ended 30th June 2025, Fund Administration Committee (Staff Mortgage Scheme Fund) accumulatively held 10 (ten) meetings with enough quorums.

The table below outlines the succession plan.

Position title	Incumbent name	Exit date	No. of candidates	Candidate name
Fund Administrator	CPA. Michael B. Ngala	11/10/2037	1	Silas Mulewa
Chairman	Silas Mulewa	03/08/2042	1	Patience Pili
Member	Charles Mapinga	11/12/2032	1	Joseph Chaka
Member	Harrison Chizambo	20/03/2042	1	Damaris Bakari
Member	Patience Pili	26/03/2042	1	Rashid Mbeto
Member	Mathias Jefwa	10/11/2042	1	Emmanuel Karia
Secretary	Lilian Gabriel	16/03/2050	1	Mwagandi Kiponda

SERVICE CHARTER

Our Commitment:

This Customer Service Charter marks an important milestone in our commitment to excellence in service delivery. It is a commitment to offer excellent services to our Staff.

Our Obligation:

We shall endeavour to provide our Staff with high quality service by: communicating effectively; acting on any feedback relayed and prompt response; providing accurate, complete, and upto date information; and being polite and courteous.

Our promise:

Attend to you within ten (10) minutes of your visit and treat your concern with confidentiality and privacy.

When you call us on the telephone we shall:

Answer your call within the 3rd ring, be ready and willing to serve, let you know who you are speaking to and remain polite, courteous and friendly.

When you write an e-mail to us, we shall:

Provide an initial response within 12 hours; let you know who is dealing with your inquiry and address the issue to completion within 48 hours i.e. 3 working days.

When you have a complaint about service, we shall:

Acknowledge receipt of the complaint with an initial response within 12 hours and resolve the complaint within 48 hours i.e. 3 working days.

Credit facilities;

Loan/advance processing and disbursements shall be as follows:

- Mortgage - 7 (*seven*) days
- Refinance Loan - 4 (*four*) days

The Government:

It is the duty of the Committee to comply with Regulations as set by all Government bodies.

General Information:

Our offices are open from Monday to Friday (Weekdays) 8.30 a.m to 4.30 p.m. and we are closed on weekends, public and national holidays.

Process of Appointment and removal of trustees:

Regulation 6(1), 6(2) and 6(3) of the Kilifi County Assembly (Staff) Mortgage Scheme Fund Regulations, 2015 amended in 2020 provides for the composition of the Kilifi County Assembly (Staff) Mortgage Fund Committee.

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

Roles and Functions of the Administration Committee Members/Trustee:

Regulation 6(4a-j) to Regulation 6(6) of the Kilifi County Assembly (Staff) Mortgage Scheme Fund Regulations 2015 amended in 2020 outlines the roles and function of the Kilifi County Assembly (Staff) Mortgage Fund Committee.

The Loan Management Committee operates in accordance with the broad principles set out in Section 116 of the Public Finance Management Act, 2012 and is responsible for:

- a) Receive and analyze reports from the Fund Administrator
- b) Endorsing loan application
- c) Advising on any additional funds that may be required for the fund
- d) Liaising with the mortgage company (if any) to set up revolving fund for the disbursement of the loans; and
- e) Performing any other functions that may be necessary for the administration of the fund.

Induction and training;

- I. The Secretary, working with the Chairperson shall provide an induction program for new members to enable them to familiarize themselves with their responsibilities, general principles of corporate governance and practices. The induction program will also provide the members with an orientation of the financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics.
- II. The Secretary may develop and the Board shall approve procedures for continuing education for the members to maintain or enhance their skills and abilities, especially on matters related to management.

Board and Member performance;

- i. On an annual basis, the committee shall undertake an evaluation of its functions as a collective agency.
- ii. In particular, pursuant to section 167 of the Public Finance Management Act, 2017, the Fund Administrator shall be caused to prepare Annual Financial Statements in a form prescribed by the Public Service Accounting Standards Board (PSASB)
- iii. Every member shall familiarize himself/herself with the legal, regulatory and policy instruments impacting on the discharge of the mandates of the Committee for the discharge of his/her duties.
- iv. A member shall not be liable for any act done in good faith in carrying out duties and responsibilities. However, there is no limitation of liability for negligence or breach of the member's duty of care to the organization or its stakeholders, or for acts or omissions not in good faith, or which involve intentional misconduct or violation of the law.

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

Conflict of Interest;

- i. Each member undertakes to disclose to the Committee promptly the holding of any office or the possession of property in respect of which the Fund has or, may have, an interest or duty that may create (directly or indirectly) a conflict with the member's duties.
- ii. The disclosure must include full details of the nature character and extent of the conflict or potential conflict and made as soon as the Member becomes aware of the conflict or potential conflict.
- iii. Each member shall comply with the requirements of Section 14(11) of the Leadership and Integrity Act, 2012 in relation to the disclosing of the registrable interest.
- iv. A member who has a registrable interest in a matter being discussed at the service meeting may not be present at the meeting while the matter is being considered and if present may not participate in the discussion or vote on that matter.
- v. The declaration of a conflict of interest under (i) above shall also be minuted.

Board/Trustee Renumeration;

Committee members will receive allowance as advised from time to time by the SRC through Gazette notices.

Ethics, Conduct and Governance Audit;

The committee should ensure that a governance audit of the fund is undertaken on an annual basis. The purpose of the governance audit is to ensure that the fund conforms to the highest standards of good governance. The governance audit should cover the following parameters among others;

- a) Leadership and strategic management;
- b) Transparency and disclosure;
- c) Compliance with Laws and Regulations;
- d) Communication with stakeholders;
- e) Committee independence and governance;
- f) Committee systems and procedures;
- g) Consistent shareholder and stakeholders' value enhancement; and
- h) Corporate social responsibility and investment.

9. Management Discussion and Analysis

During the Financial Year ended 30th June 2025, loan advanced to staff amounted to Kshs. 7,320,000.00 as compared to Kshs 66,799,957.00 in the prior financial year. The decrease was due to non – receipt of disbursement from the exchequer receipt which had earlier been budgeted at Kshs 50,000,000.00 but was later reallocated during the supplementary budget.

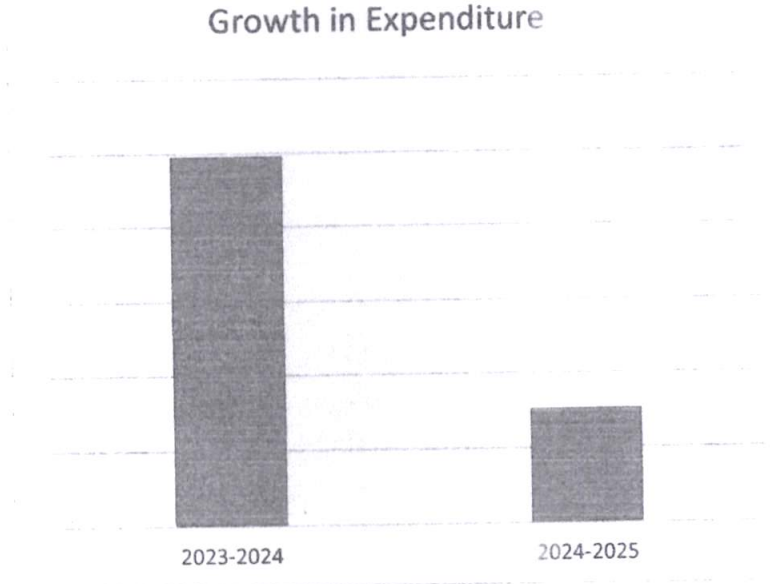
The operational costs of the Fund comprise of general expenses which include bank charges and sitting allowances paid to loan committee members amounting to Kshs. 761,236 .00.

The Fund activities are in compliance with the Public Finance Management Act, 2012; Public Finance Management (County Governments) Regulations, 2015; Kilifi County Assembly (Staff) Mortgage Scheme Fund Regulations 2015 amended in 2020 and all other statutory requirements.

In the financial year ended 30th June 2025, the Fund reported a total income of Kshs. 9,994,006.00 as compared to the prior financial year income of Kshs. 9,168,607.00. The fund had a surplus of Kshs. 9,232,770.00. The surplus subsequently increased the accumulated surplus thus used to disburse more loans to members of staff in the event of loan refinancing. The revolving fund balance during the year ended 30th June 2025 is Kshs. 412,796,281.00. There was no increase from the prior year balance of Kshs. 412,769,281.

Total current expenditure stood at Ksh 761,235.00 as compared to Kshs 2,475,308.00 in the financial year 2023-2024. During the financial year ended 30th June 2025. A total of 10 meetings were held as compared to 45 meeting that were held I the previous financial year. The decrease of meetings held thus led to the reduction in expenditure.

Growth in Expenditure



Loan defaults is a major risk. The Fund management has implemented controls to address the risk by ensuring that all disbursed loans are secured and the respective title deeds charged to the mortgage Fund.

10. Environmental and Sustainability Reporting

In the financial year 2024-2025, the Fund did not participate in any CSR activity.

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

11. Report of The Trustees

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

Principal activities

The principal activities of the Fund is to disburse mortgage loans to the Staff and prudently account for all monies entrusted into the fund by ensuring that the Mortgage Regulations together with the Public Finance Management Act, 2012 and the Public Finance Management (County Government) Regulations, 2015 are adhered to.

Results

The results of the Fund for the year ended June 30, 2025 are set out in the Financial Performance; Statement of Financial Position, Statement of Changes in Net Assets, Statement of Cashflow, Statement of Comparison of Budget and Actual amounts as reflected on pages 1 to 6 of the Financial Statements.

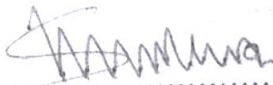
Trustees

The Fund does not have a Board of Trustees, but rather, the administrative functions of the Fund are performed by Kilifi County Assembly Staff Mortgage Fund Committee. The members of the Committee who served during the financial year ended 30th June 2025 are shown on pages vi to ix of the financial statements. There were no changes in Kilifi County Assembly (Staff) Mortgage Fund Committee in the financial year.

Auditors

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

By Order of the Board



.....
Chair of the Mortgage Fund Committee

Date: 31st August 2025

12. Statement of Management’s Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by (Kilifi County Assembly (Staff) Mortgage Scheme Fund) shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kilifi County Assembly (Staff) Mortgage Scheme Funds Regulation 2015 amended in 2020.

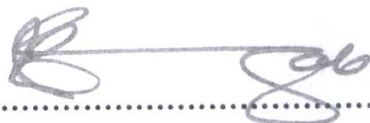
The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2025, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

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

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

Approval of the Financial Statements

The Fund’s Financial Statements were approved by the Board on 31st August 2025 and signed on its behalf by:



.....

C.P.A. Michael Bidii Ngala
Administrator of the County Public Fund



**REPORT OF THE AUDITOR-GENERAL ON KILIFI COUNTY ASSEMBLY 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 Kilifi County Assembly Staff Mortgage Scheme Fund set out on pages 1 to 29, which comprise 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 Kilifi County Assembly Staff Mortgage Scheme Fund as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kilifi County Assembly Staff Mortgage Scheme Fund Regulations, 2015 amended 2020 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Long Outstanding Receivables Balance

The statement of financial position reflects current portion of long-term receivables from exchange transactions of Kshs.86,917,709 as disclosed in Note 10 to the financial statements. The balance includes Kshs.74,668,055 in respect of receivables from County Assembly and a balance of Kshs. Kshs.12,249,654 being a deposit with Insurance Corporation of Kenya which was held in Chase Bank. The balance of Kshs.74,668,055 owed from the County Assembly, was not supported by a detailed schedule indicating name of employee, designation, amount owed and period of debt. Further, regarding the balance held in Chase Bank, the bank was placed under receivership and taken over by SBM Bank upon completion of receivership process. It is not clear why this debt was not settled during the receivership process.

In the circumstances, the accuracy, completeness and recoverability of receivables balance of Kshs.86,917,709 could not be confirmed.

2.0 Inaccuracy in the Financial Statements

The statement of financial position reflects net increase in current portion and long-term receivables from exchange transactions of Kshs.10,623,008 as computed below:

Particulars	Financial Statement Balance (Kshs)	Prior year Balance (Kshs)	Increase (Kshs)
Current portion of Long-Term Receivables from Exchange Transactions	86,917,709	75,230,934	11,686,775
Long Term Receivables from Exchange Transactions	332,677,047	333,740,814	(1,063,767)
Total	419,594,756	408,971,748	10,623,008

However, the increase of Kshs.10,623,008 is inconsistent with the statement of cash flow increase in receivables amount of negative Kshs.21,368,214 resulting to

unreconciled variance of Kshs.10,745,206. Further, the statement of cash flows reflects total receipts amount of Kshs.8,389,738 whereas the statement of comparison of budget and actual amounts reflects total income amount of Kshs.9,994,005 resulting to unreconciled variance of Kshs.1,604,267.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kilifi County Assembly 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.

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

Other Matter

Unresolved Prior Year Matters

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

No	Financial Year	Audit Issue
1	2023/2024	Long Outstanding Receivable Balance
2	2023/2024	Budgetary Control and Performance
3	2022/2023	Unresolved Previous Year Matters
4	2023/2024	Lack of Office Tenure for Loan Committee Members

Other Information

The Management are responsible for the Other Information set out on page iii to xxii which comprise of Key Entity Information and Management, Board of Trustees/Fund Administration Committee, Management Team, Board/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, Report of the Trustees 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 effects of the matter 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.Non-Performing Loans

As previously reported, the statement of financial position reflects non-performing loans balance of Kshs.14,827,486 owed by deceased scheme members as disclosed in Note 10 to the financial statements. Evidence of whether the loans were insured was not provided for audit review. Further, and in the absence of insurance cover for the loans, the Management has not enforced full recovery of the balance through auctioning the assets procured or entering into a settlement agreement with the deceased scheme members' estate trustees. This is contrary to Section 16(1) of the Kilifi County Assembly Staff Mortgage Scheme which states that the Committee shall have a charge on the property financed through a loan granted under these Regulations and shall be entitled to have the name of the Board entered in all documents for such property.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of 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

28 November, 2025

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

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

Description	Note	2024 - 2025	2023 - 2024
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Revenue From Exchange Transactions			
Interest Income	6	9,527,614.00	8,672,016.00
Other Income	7	466,391.00	496,591.00
Total Revenue		9,994,005.00	9,168,607.00
Expenses			
Employee Costs		-	-
Use of Goods and Services	8	761,235.00	2,475,308.00
Depreciation and Amortization Expense		-	-
Finance Costs		-	-
Total Expenses		761,235.00	2,475,308.00
Surplus/(Deficit) for the Period		9,232,770.00	6,693,299.00

(The notes set out on pages 19 to 22 form an integral part of these Financial Statements)

.....
Name: C.P.A. Michael B. Ngala
Administrator of the Fund
ICPAK Member Number: 23174

.....
Name: C.P.A. Charles L. Mapinga
Fund Accountant
ICPAK Member Number: 10435

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

15. Statement of Financial Position As at 30 June 2025

Description	Note	2024 - 2025	2023 - 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	9	505,598.00	1,795,836.00
Current Portion of Long- Term Receivables from Exchange Transactions	10	86,917,709.00	75,230,934.00
Prepayments		0.00	0.00
Total current assets		87,423,307.00	77,026,770.00
Non-Current Assets			
Long Term Receivables from Exchange Transactions	10	332,677,047.00	333,740,814.00
Non performing loans	10	14,827,486.00	14,827,486.00
Investment Property		0.00	0.00
Total non- current assets		347,504,533.00	348,568,300.00
Total Assets (A)		434,927,840.00	425,595,070.00
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	11	100,000.00	0.00
Total current liabilities		100,000.00	0.00
Non-Current Liabilities			
Non-Current Provisions		-	-
Long Term Portion of Borrowings		-	-
Non-Current Employee Benefit Obligation		-	-
Non-Current Employee Benefit Obligation		-	-

Kilifi County Assembly Staff Mortgage Scheme Fund

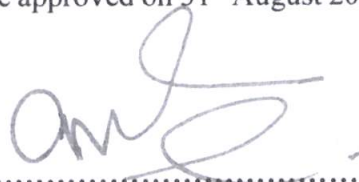
Annual Report and Financial Statements for the year ended June 30, 2025

Description	Note	2024 - 2025	2023 - 2024
		Kshs	Kshs
Total Liabilities (B)		100,000.00	0.00
Net Assets (A-B)		434,827,840.00	425,595,070.00
Represented By:			
Revolving Fund		412,769,281.00	412,769,281.00
Reserves		0.00	0.00
Accumulated Surplus		22,058,559.00	12,825,789.00
Net Assets		434,827,840.00	425,595,070.00

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 31st August 2025 and signed by:



.....
Name: C.P.A. Michael B. Ngala
Administrator of the Fund
ICPAK Member Number: 23184



.....
Name: C.P.A. Charles M. Lwiga
Fund Accountant
ICPAK Member Number: 10435

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

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

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2023	362,769,281.00	-	6,132,490.00	368,901,771.00
Surplus/(Deficit) For the Period	-	-	6,693,299.00	6,693,299.00
Funds Received During the Year	50,000,000.00	-	-	50,000,000.00
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2024	412,769,281.00	-	12,825,789.00	425,595,070.00
Balance As At 1 July 2024	412,769,281.00	-	12,825,789.00	425,595,070.00
Surplus/(Deficit) For the Period	-	-	9,232,770.00	9,232,770.00
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2025	412,769,281.00	-	22,058,559.00	434,827,840.00

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

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

Description	Note	2024 - 2025	2023 - 2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Interest received	6	8,000,297.00	8,672,016.00
Receipts from other operating activities	7	389,441.00	496,591.00
Total receipts		8,389,738.00	9,168,607.00
Payments			
Fund administration expenses		0.00	0.00
Use of Goods and Services	8	761,235.00	2,475,308.00
Total payments		761,235.00	2,475,308.00
Operating cash flows before adjusting for changes in working capital		7,628,503.00	6,693,299.00
Adjustments For:			
Increase in Receivables		(21,368,214.00)	(16,999,682.00)
Increase in Payables	11	100,000.00	-
Net Cash Flows from Operating Activities		(13,639,711.00)	(10,306,383.00)
Cash flows from investing activities			
Proceeds from loan principal repayments		19,669,473.00	19,813,567.00
Loan disbursements paid out		(7,320,000.00)	(66,799,957.00)
Net cash flows used in investing activities		12,349,473.00	(46,986,390.00)
Cash flows from financing activities			
Proceeds from revolving fund receipts		0.00	50,000,000.00
Net cash flows used in financing activities		(0.00)	(50,000,000.00)
Net increase/(decrease) in cash & cash Equivalents		(1,290,238.00)	(7,292,773.00)
Cash and cash equivalents at 1 July	9	1,795,836.00	9,088,610.00
Cash and cash equivalents at 30 June	9	505,598.00	1,795,836.00

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

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Budget carryovers from the previous year*	-	-	-	-	-	-%
Receipts						
Public Contributions and Donations	-	-	-	-	-	-%
Transfers From County Govt.	50,000,000.00	(50,000,000.00)	-	-	-	-%
Interest Income	10,205,466.00	-	10,205,466.00	9,527,614.00	677,852.00.00	93%
Other Income	500,132.00	-	500,132.00	466,391.00	33,741.00	94%
Total Income	60,705,598.00	(50,000,000.00)	10,705,598.00	9,994,005.00	711,593.00	93%
Expenses						
Fund Administration Expenses	-	-	-	-	-	-%
General Expenses	800,000.00	-	800,000.00	761,235.00	38,765.00	95%
Finance Cost	-	-	-	-	-	-%
Loan Disbursed	59,400,000.00	(50,000,000.00)	9,400,000.00	7,320,000.00	2,080,000.00	78%
Total Expenditure	60,200,000.00	(50,000,000.00)	10,200,000.00	8,081,235.00	2,118,765.00	80%
Capital expenditure	-	-	-	-	-	
Surplus For the Period	505,598.00	0.00	505,598.00	1,912,770.00	(1,407,172.00)	

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

Budget notes

1. Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)
 - The Under utilization in loan disbursement was as in line with the loan applications received.
2. The budget change was as a result of budgetary reallocation of Kshs 50,000,000.00 during the Supplementary budget.

3. – Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	1,912,770.00
1	Unrealized receipts as per budget	711,593.00
2	Reduced expenses as per budget	(2,118,765.00)
3	Reason for differences	-
4	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	505,598.00

Kilifi County Assembly Staff Mortgage Scheme Fund/Board
Annual Report and Financial Statements for the year ended June 30, 2025

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

County Assembly of Kilifi is established by and derives its authority and accountability from County Government Act. The entity is wholly owned by the Kilifi County Government and is domiciled in Kenya. The entity's principal activity is representation, legislature and oversight.

2. Statement of compliance and basis of preparation

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

3. Adoption of new and revised standards

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

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

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

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

**Kilifi County Assembly Staff Mortgage Scheme Fund/Board
Annual Report and Financial Statements for the year ended June 30, 2025**

<p>IPSAS 45: Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46: Measurement</p>	<p><i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>

**Kilifi County Assembly Staff Mortgage Scheme Fund/Board
Annual Report and Financial Statements for the year ended June 30, 2025**

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

(i) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2024-2025 was approved by the County Assembly on 26th 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. Accordingly, the Fund did not record additional appropriations in the FY 2024-2025 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.

Kilifi County Assembly Staff Mortgage Scheme Fund/Board
Annual Report and Financial Statements for the year ended June 30, 2025

Summary of Significant Accounting Policies (Continued)

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial cash flows has been presented under section 18 of these financial statements.

c) Property, plant and equipment

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

a) Intangible Assets

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

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

b) Investment property

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

c) Financial instruments

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

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at 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.

Summēost

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') are set out in *Note xx*.

Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

d) Inventories

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

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

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

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

e) Provisions

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

Social Benefits

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

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Summary of Significant Accounting Policies (Continued)

g) Contingent liabilities

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

Contingent assets

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

h) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

i) Changes in accounting policies and estimates

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

j) Employee benefits – Retirement benefit plans

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

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

Summary of Significant Accounting Policies (Continued)

k) Foreign currency transactions

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

l) Borrowing costs

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

m) Related parties

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

n) Cash and cash equivalents

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

o) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

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

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Notes To the Financial Statements Continued

6. Interest income

Interest Income from Mortgage Loans	7,993,617.00	8,665,534.00
Accrued interest	1,527,316.00	0.00
Interest Income From Car Loans	0.00	0.00
Interest Income From Investments in financial assets	0.00	0.00
Interest Income On Bank Deposits	6,681.00	6,482.00
Total Interest Income	9,527,614.00	8,672,016.00

- The interest income is derived from the beneficiary monthly deductions at a rate of 3% reducing balancing.

- Interest income on Bank deposits is from the deposits of monies held in SBM Bank Accounts.

7. Other income

Insurance Recoveries	466,391.00	496,591.00
Income from Sale of Tender Documents	0.00	0.00
Bad debts recovered	0.00	0.00
Miscellaneous Income	0.00	0.00
Total Other Income	466,391.00	496,596.00

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8. Use of Goods and Services

Use of Goods and Services		
Committee Allowances	746,000.00	804,000.00
Bank Charges	15,235.00	17,308.00
Insurance Costs	0.00	1,560,000.00
Other (Specify) – Accommodation charges	0.00	94,000.00
Social benefit expenses*	0.00	0.00
Total	761,235.00	2,475,308.00

9. Cash and cash equivalents

Cash and cash equivalents		
Kilifi County Assembly Mortgage Account	505,598.00	1,795,836.00
Total Cash and Cash Equivalents	505,598.00	1,795,836.00

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

Detailed analysis of the cash and cash equivalents			
a) Fixed Deposits Account			
Kenya Commercial Bank		0.00	0.00
Equity Bank, Etc.		0.00	0.00
Sub- Total		0.00	0.00
b) On - Call Deposits			
Kenya Commercial Bank		0.00	0.00
Equity Bank - Etc.		0.00	0.00
Sub- Total		0.00	0.00
c) Current Account			
Kenya Commercial Bank	1181021499	372,901.00	1,661,378.00
SBM Bank	0191330273003	109,354.00	106,076.00
SBM Bank	0191330273002	23,343.00	28,383.00
Sub- Total		505,598.00	1,795,837.00
d) Others(Specify)			
Cash In Transit		0.00	0.00
Cash In Hand		0.00	0.00
Sub- Total		0.00	0.00
Grand Total		0.00	0.00

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10. Receivables From Exchange Transactions

	2024	2023
	Kenya Shs.	Kenya Shs.
Current Receivables		
Interest Receivable	0.00	0.00
Current Portion of Long Term Receivables from Exchange Transactions	86,917,709.00	60,403,448.00
Other Exchange Debtors	0.00	0.00
Less: Impairment Allowance	(0.00)	(0.00)
Total Current Receivables	86,917,709.00	60,403,448.00
Non-Current Receivables		
Long Term Loan Repayments Due	332,677,047.00	333,740,814.00
Non Performing Loans	14,827,486.00	14,827,486.00
Total Non- Current Receivables	347,504,533.00	348,568,300.00
Total Receivables From Exchange Transactions	434,422,242.00	423,799,234.00

Analysis of Current Receivables

	2024	2023
	Kenya Shs.	Kenya Shs.
Receivables from County Assembly	74,668,055.00	48,153,794.00
SBM Bank – Kenya Deposit Insurance Corporation	12,249,654.00	12,249,654.00
Total Receivables from non-exchange transactions	86,917,709.00	60,403,448.00

Analysis of Non-current Receivables

	2024	2023
	Kenya Shs.	Kenya Shs.
Non-current Receivables		
Long term loan repayments due Mortgages to County Assembly Staff	332,677,047.00	333,740,814.00
Non Performing Loans	14,827,486.00	14,827,486.00
Total Non-current Receivables	347,504,533.00	348,568,300.00

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Additional disclosure on interest receivable

Additional disclosure on interest receivable		
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	1,527,316.00	-
Interest receivable from current portion of long-term loans issued in the current year	77,059.00	-
Current loan repayments due		
Current portion of long-term loans from previous years	100,140,820.00	-
Accrued principal from long-terms loans from previous periods	325,357,047.00	-
Current portion of long-term loans issued in the current year	7,320,000.00	-

11. Trade and Other Payables

11. Trade and Other Payables				
Trade Payables	100,000.00			0.00
Refundable Deposits	0.00			0.00
Accrued Expenses	0.00			0.00
Other Payables	0.00			0.00
Total Trade and Other Payables	100,000.00			0.00
Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	100,000.00	100%	0.00	-%
1-2 years	-	-%	0.00	-%
2-3 years	-	-%	0.00	-%
Over 3 years	-	-%	0.00	-%
Total (tie to above total)	100,000.00	100%	0.00	

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12. Related Party Balances

a) Nature of related party relationships

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

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

b) Related Party Transactions

[REDACTED]		
Transfers From Related Parties' (Due from County Assembly and KDIC)	86,917,709.00	60,403,448.00
Total	86,917,709.00	60,403,448.00

13. 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:

At 30 June 2025				
Receivables From Exchange Transactions	86,917,709.00	86,917,709.00	0.00	-
Receivables From Non-Exchange Transactions	347,504,533.00	332,677,047.00	14,827,486.00	-
Bank Balances	505,598.00	505,598.00	-	-
Total	434,927,840.00	420,100,354.00	14,827,486.00	-
At 30 June 2024				
Receivables From Exchange Transactions	60,403,448.00	60,403,448.00	0.00	-
Receivables From Non-Exchange Transactions	363,395,786.00	348,568,300.00	14,827,486.00	-
Bank Balances	1,795,836.00	1,795,836.00	-	-
Total	425,595,070.00	410,767,584.00	14,827,486.00	-

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

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

The entity has significant concentration of credit risk on amounts of Ksh 14,827,486.00 due from the late Felix Mwarabu Kshs 9,730,937.00 and the late Getrude Shume Mbuche Ksh 5,096,549.00

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

b) Liquidity risk management

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

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

At 30 June 2025				
Trade Payables	100,000.00	-	-	100,000.00
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	100,000.00	-	-	100,000.00
At 30 June 2024				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

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c) Market risk

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

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

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

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

14. Events after the reporting period

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

15. Ultimate and Holding Entity

Kilifi County Assembly (Staff) Mortgage Scheme Fund is established by and derives its authority and accountability from the PFM Act, Section 116, on 16th October 2015. Its ultimate parent is the County Government of Kilifi.

16. Currency

The financial statements are presented in Kenya Shillings (Kshs)

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20. Annexes

Annex I: Progress on Follow Up Of Prior Year Auditor's Recommendations

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

1	Unrecovered Receivables from Kenya Deposit Insurance Corporation (KDIC).	The amount is safe in the Government Agency (KDIC) and in due time we will recover the amount.	Unresolved	25 th April 2026
2	Long outstanding balances on Receivables from Staff and Members of the County Assembly	A Board paper to CASB and a resolution will be made on recovery of the outstanding loans of the deceased members of staff and honourable member.	Unresolved	25 th April 2026
3	Issuance of Loans above the Recommended ceilings	The Honourable Member, Mr. Emmanuel Changawa is now paying previous loan on top of the current loan over and above his new term loan. He is being deducted Kshs 132,096 monthly instead of Kshs. 99,099	Resolved	