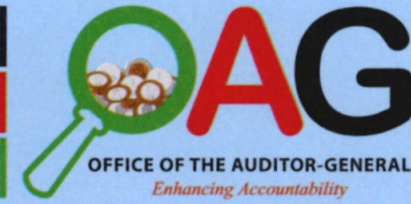


REPUBLIC OF KENYA



**REPORT**

DATE: 25 FEB 2026

DAY.  
Wednesday

TABLED  
BY:

Majority Party Whip

**OF**

BY: Irene Nduku

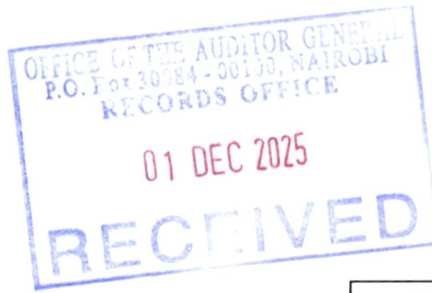
PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

**NATIONAL IRRIGATION AUTHORITY CAR  
LOAN AND MORTGAGE SCHEME**

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



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# NATIONAL IRRIGATION AUTHORITY CAR LOAN/ MORTGAGE SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2025

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

*National Irrigation Authority Car loan/Mortgage Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*

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## **1. Acronyms and Definition of Key Terms**

### **A. Acronyms**

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
NIA	National Irrigation Authority

### **B. Definition of Key Terms**

**Fiduciary Management** - Members of Management directly entrusted with the entity's financial resources.

**Comparative Year**- Means the prior period.

## **2. Key Fund information and management**

### **a) Background information**

NIA Car Loan/ Mortgage Scheme is established by and derives its authority and accountability from Mortgages Special Provision CAP 304 Act Laws of Kenya on 23<sup>rd</sup> October, 2013. The Fund is wholly owned by NIA and is domiciled in Kenya.

### **b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to facilitate the staff with car and mortgage loan.

The Fund is administered by the Fund Administrator. There is a committee charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Fund.

The fund administrator is responsible for the day-to-day operations.

### **c) Board of Trustees/Fund Administration Committee**

<b>SN</b>	<b>Position</b>	<b>Name</b>
1	Chairperson	Florence N. Ndai
2	Chairperson	Daniel Nzozzo
3	Committee Member	Victoria Aloo
4	Committee Member	Jullyanne Akello
5	Committee Member	Joyce Kiura
6	Fund Administrator/Secretary	Patrick Olimba

**Key Fund and Information Management (Continued)**

**d) Key Management**

<b>SN</b>	<b>Position</b>	<b>Name</b>
1	Chairperson	Florence N. Ndai
2	Chairperson	Daniel Nzozzo
3	Committee Member	Victoria Aloo
4	Committee Member	Jullyanne Akello
5	Committee Member	Joyce Kiura
6	Fund Administrator/Secretary	Patrick Olimba

**e) Fiduciary Oversight Arrangements**

<b>SN</b>	<b>Position</b>	<b>Name</b>
1	Directorate Internal Audit	CPA Daniel Opiyo
2	Staff Mortgage and car Loan Advisory Committee	N/A

**f) Registered Offices**

P.O. Box 30483-00100  
Irrigation House  
Lenana Road  
Nairobi, KENYA

**g) Fund Contacts**

Telephone: (254) 711061000  
E-mail: [ceo@irrigationauthority.go.ke](mailto:ceo@irrigationauthority.go.ke)  
Website: [www.irrigationauthority.go.ke](http://www.irrigationauthority.go.ke)

**h) Scheme Bankers**

1. Development Bank of Kenya

**Key Fund and Information Management (Continued)**

**i) Independent Auditor**



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 and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**3. Fund Administration Committee**

Name	Details of qualifications and experience
 <p><b>Ms. Florence Grace Njoki Ndai</b></p>	<p>Ms. Ndai was appointed as Ag. Deputy Director, Planning &amp; Resource Mobilization on June 1, 2025 and heads Strategy &amp; Planning Directorate. Prior to this appointment she was Assistant Director Planning &amp; Resource Mobilization and served in various capacities within planning Directorate where she spearheaded the operationalization of Resource Mobilization function.</p> <p>Ms. Ndai holds a Master of Economics and a Bachelor Arts (Economics) both from Kenyatta University respectively.</p> <p>With over 17 years' experience in Strategy Formulation, Strategic Planning, Performance Contracting Project, Monitoring &amp; Evaluation and Budgeting having joined NIA from Ministry of Agriculture, Livestock &amp; Fisheries where she worked as an Economist/Statistician in Central Planning &amp; Monitoring Unit.</p> <p>She is a member of the Economists Society of Kenya.</p>
 <p><b>Mr. Daniel Mwanzi Nzonzo, HSC</b></p>	<p>Mr. Nzonzo is the Head of Corporate Communication since March 19, 2018.</p> <p>He is a Communication and Public Relations expert with more than thirteen (13) years' experience in Public Service Corporate Communication. He has been involved in development and execution of Public Relations and Communication Strategies, Campaigns, Media Management and Monitoring, Events Planning and execution among others.</p> <p>Mr. Nzonzo holds a Master of Arts degree in Communication specializing in Public Relations and a Bachelor of Arts degree with a double major in Communication, Political Science and Public Administration both from the University of Nairobi.</p> <p>He is a full member of the Public Relations Society of Kenya (PRSK).</p>

 <p><b>Mr. Patrick Olimba</b></p>	<p>Tom Patrick Olimba is a holder of Certified Public Accountant of Kenya Part II certificate, currently serving in the National Irrigation Authority’s Directorate of Finance and Accounts in the position of Senior Accountant. He joined the institution on 21<sup>st</sup> March 1990.</p> <p>Mr. Olimba is an experienced professional with over 30 years in the institution’s financial management with expertise in budgeting, accounting and reporting. Apart from his day to day duties within the Directorate, he has also served as a Trustee in the National Irrigation Authority Staff Retirement Benefits Scheme for a period of 10 years. He is currently serving as the Trust Secretary of the Scheme. He was appointed to serve in the position of Secretary of the institution’s Staff Mortgage &amp; Car loans’ Committee which is charged with the responsibility of processing loan applications by staff.</p>
 <p><b>Ms. Jullyanne Awino Okello</b></p>	<p>Ms. Jullyanne is the Ag. Corporation Secretary of the Authority since 28<sup>th</sup> February 2023. She provides Board Secretarial Duties and ensures that the Board has the resources required to fulfil its fiduciary duties. She is also the Ag. Principal Planning Officer, heading the Monitoring and Evaluation function of the Institution. Ms. Okello holds a Bachelor of Science from Kenyatta University, a Master of Business Administration from The University of Nairobi and a Master of Science in Project Management from Jomo Kenyatta University of Agriculture and Technology. She is currently pursuing a Master of Science in Monitoring and Evaluation and a Doctor of Philosophy in Project Management both at Jomo Kenyatta University of Agriculture and Technology.</p>
	<p>Ms. Victoria is the Deputy Director HR &amp; Administration and heads HR &amp; Administration Division.</p>



**Ms. Victoria Akinyi Aloo**

She is a holder of a Master of science degree with specialization in Human Resource Management from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Arts in Social Development from Agra University – India.

Prior to joining the Public Service she worked for 8 years in the Private sector both in the hospitality and manufacturing sector as an HR Executive.

She has over 25 years’ wealth of experience in Human Capital Management, Training & Development, Welfare Administration and Employee relations.

She is a Full member of the Institute of Human Resource Management (IHRM) in good standing and currently pursuing a Certification course for HR practitioners.



**Ms. Joyce Kiura**

Ms. Joyce is the Ag. Assistant Director Finance in the National Irrigation Authority’s Directorate of Finance and Accounts.

She is currently pursuing a Master of business administration degree with specialization in Finance from Kabarak University.



She holds a degree in Bachelor of Commerce Finance option, from Jomo Kenyatta University of Agriculture and Technology and a CPA (K) graduate.

She has over 15 years of experience in Finance.

She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

**4. Management Team**

Name	Details of qualifications and experience
 <p><b>Ms. Florence Grace Njoki Ndai</b></p>	<p>Ms. Ndai was appointed as Ag. Deputy Director, Planning &amp; Resource Mobilization on June 1, 2025 and heads Strategy &amp; Planning Directorate. Prior to this appointment she was Assistant Director Planning &amp; Resource Mobilization and served in various capacities within planning Directorate where she spearheaded the operationalization of Resource Mobilization function.</p> <p>Ms. Ndai holds a Master of Economics and a Bachelor Arts (Economics) both from Kenyatta University respectively.</p> <p>With over 17 years' experience in Strategy Formulation, Strategic Planning, Performance Contracting Project, Monitoring &amp; Evaluation and Budgeting having joined NIA from Ministry of Agriculture, Livestock &amp; Fisheries where she worked as an Economist/Statistician in Central Planning &amp; Monitoring Unit.</p> <p>She is a member of the Economists Society of Kenya.</p>
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**Ms. Victoria Akinyi Aloo**

Ms. Victoria is the Deputy Director HR & Administration and heads HR & Administration Division.

She is a holder of a Master of science degree with specialization in Human Resource Management from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Arts in Social Development from Agra University – India.

Prior to joining the Public Service she worked for 8 years in the Private sector both in the hospitality and manufacturing sector as an HR Executive.

She has over 25 years' wealth of experience in Human Capital Management, Training & Development, Welfare Administration and Employee relations.

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She holds a degree in Bachelor of Commerce Finance option, from Jomo Kenyatta University of Agriculture and Technology and a CPA (K) graduate.

She has over 15 years of experience in Finance.

She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

## **5. Chairman's Report**

The approved NIA Staff Mortgage and Car Loan Scheme is expected to facilitate NIA Staff to benefit from government funded loans to access mortgage facilities and purchase cars with the contracted mortgage and car loan finance institution. It is expected that implementation of the benefit will motivate NIA staff and immensely contribute towards attraction and retention of requisite skills in NIA in line with the provision of the Irrigation Act 2019.

The objective and purpose for which the Scheme is established is to: -

- i. Provide mortgage loan facilities to NIA staff for the purpose of either purchasing or construction a residential house.
- ii. Provide car loan facilities to NIA staff for the purpose of purchasing a private non-commercial car.

The Scheme fund has progressively grown over the years and stood at Ksh 209 million as at 30<sup>th</sup> June 2025. The cumulative loan amount to NIA staff was Ksh 148 million. Notably, the fund balance is Ksh 61 million available for staff to access mortgage facilities and purchase cars as envisaged.

Looking ahead, we remain committed to serving our main customers who are the eligible staff of National Irrigation Authority and delivering long-term value for stakeholders of the Fund. Our strategy for the years ahead focuses on sustainability and improved customer experience.

On behalf of the Scheme Administration Committee, I extend my gratitude to the Board, Management and Staff of NIA and to the Development Bank of Kenya Ltd for their continued support.



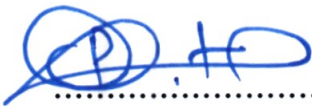
.....  
*Mr. Daniel Nzonzo, HSC*  
*Chairman Fund Administration Committee*

**6. Report Of the Fund Administrator**

The NIA Staff Mortgage and Car Loan Scheme has over the years facilitated NIA Staff to purchase/construct residential houses and purchase private non-commercial cars.

The Scheme fund value stood at Ksh 209 million as at 30th June 2025. The cumulative loan amount to NIA staff was Ksh 148 million. The fund balance of Ksh 61 million available for staff to access mortgage facilities and purchase cars as envisaged.

It is worth noting that the low uptake of this facility by staff has been occasioned by economic uncertainties, market volatility and recent regulatory changes. However, operational arrangements in respect of loan processing are available to staff who qualify for this facility.



.....

*Mr. Patrick Olimba  
Fund Administrator*

**7. Statement of Performance Against Predetermined Objectives**

NIA staff mortgage scheme came into existence in FY 2013 /2014 and regularized through SRC's regulation Ref. No: SRC/ADM/CIR/1/13 Vol. III (128) dated December 17th, 2014 with the objective of providing a loan scheme for the purpose of residential property and motor vehicles for the staff.

The Scheme fund value stood at Ksh 209 million as at 30th June 2025. The cumulative loan amount to NIA staff was Ksh 148 million. The fund balance of Ksh 61 million available for staff to access mortgage facilities and purchase cars as envisaged.

<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Facilitate the staff with car and mortgage loan	Staff accessing the car loan/mortgage	Development Bank issuing of staff car loan/Mortgage	25 number of staff have so far benefited from the scheme

## **8. Corporate Governance Statement**

The National Irrigation Authority (NIA) Car Loan and Mortgage Fund is committed to the highest standards of corporate governance, accountability, transparency, and ethical leadership. The Fund Administration Committee (FAC), acting as Trustees, provides oversight in accordance with the Public Finance Management Act, 2012, the Mortgages Special Provision Act (Cap 304, Laws of Kenya), and other applicable laws and regulations.

### ***Appointment and Removal of Trustees***

Trustees and Administration Committee members are appointed by the sponsoring entity, the National Irrigation Authority, based on competence, integrity and professional qualifications. The appointment process ensures adherence to the principles of merit and representation. Removal of a Trustee may occur through resignation, expiry of term, or for just cause, including breach of fiduciary duty, conflict of interest, or contravention of statutory requirements.

### ***Roles and Functions of the Administration Committee***

The Fund Administration Committee provides fiduciary oversight and strategic direction to the Fund. Its core responsibilities include:

- Processing and approving staff loan applications in line with established policies and regulations.
- Supervising and guiding the Fund Administrator in day-to-day operations.
- Safeguarding Fund resources and ensuring prudent financial management.
- Approving policies and monitoring compliance with financial, governance, and risk management standards.
- Overseeing performance of the Fund against predetermined objectives to ensure sustainability and alignment with its mandate.

### ***Composition of the Fund Administration Committee***

As at 30<sup>th</sup> June 2025, the Fund Administration Committee comprised six members as follows:

1. Florence N. Ndai – Chairperson
2. Daniel Nzozzo- Chairperson
3. Victoria Aloo – Member
4. Jullyanne Okello – Member
5. Joyce Kiura – Member
6. Patrick Olimba – Fund Administrator/Secretary

This structure ensures representation, diversity of skills, and effective oversight of the Fund's operations.

### ***Succession Planning***

The Fund has put in place a succession plan to ensure continuity of leadership and the uninterrupted management of Fund affairs. The plan focuses on capacity building, mentorship of potential

leaders and retention of institutional knowledge, thereby reducing risks associated with leadership gaps.

### ***Service Charter***

The Fund operates under a Service Charter that outlines service delivery commitments to its stakeholders. The Charter sets clear standards on loan processing timelines, customer service and accountability, thereby enhancing transparency, responsiveness and stakeholder confidence.

### ***Induction and Training of Committee Members***

Newly appointed Committee members undergo a structured induction program covering the Fund's legal framework, governance structures, financial operations and ethical obligations. In addition, continuous professional development is encouraged to enhance governance, risk management, and financial oversight competencies.

### ***Conflict of Interest***

The Fund upholds a strict conflict-of-interest policy. Trustees are required to disclose any personal or professional interests that may interfere with their impartiality. Such disclosures are recorded and managed in accordance with best governance practices to ensure that all decisions are made objectively and in the best interest of the Fund.

### ***Compliance with Laws and Regulations***

The Fund complies with the Public Finance Management Act, 2012, the Mortgages Special Provision Act (Cap 304), International Public Sector Accounting Standards (IPSAS), and other relevant laws and regulations. Regular compliance reviews are undertaken to ensure that operations remain aligned to statutory and regulatory requirements.

### ***Ethics and Conduct***

In line with Chapter Six of the Constitution of Kenya on Leadership and Integrity, Trustees and Committee members uphold the highest standards of ethics, integrity, confidentiality and professionalism in discharging their duties. The Committee is committed to a culture of fairness, accountability, and transparency.

### ***Governance Audit***

Consistent with the Mwongozo Code of Governance for State Corporations, a governance audit was undertaken the previous year before the year of review to evaluate the Fund's compliance with governance principles, structures and practices. The audit confirmed that the Fund has adequate governance mechanisms in place and made recommendations for continuous improvement, which the Committee is progressively implementing.

**9. Management Discussion and Analysis**

NIA staff mortgage scheme came into existence in FY 2013 /2014 and regularized through SRC's regulation Ref. No: SRC/ADM/CIR/1/13 Vol. III (128) dated December 17<sup>th</sup>, 2014 with the objective of providing a loan scheme for the purpose of residential property and motor vehicles for the staff.

The fund has grown over the years from the initial seed capital of Kshs.150, 000,000.00 to Kshs. 209,153,539.55 by 30th June 2025. The fund grew by Kshs. 2,762,122.10 in FY 2024/25. The table below shows the fund growth for the last five financial years:

<b>Financial Year</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>	<b>2023/2024</b>	<b>2024/025</b>
<b>Amount</b>	1,220,497.65	638,009.65	1,935,434.25	2,006,687.95	2,762,122.10

## **10. Environmental And Sustainability Reporting**

The National Irrigation Authority (NIA) Car Loan and Mortgage Fund recognizes that environmental sustainability is integral to long-term development and improved quality of life for the communities we serve. In line with the Government of Kenya's commitments under the Constitution (Article 42) and the National Climate Change Action Plan, the Fund has integrated Environmental and Social Responsibility (ESR) into its operations.

### ***Environmental and Social Responsibility Activities***

During the year under review, the Fund undertook various ESR initiatives aimed at promoting environmental conservation and community well-being. Key among these was a tree planting program carried out in collaboration with NIA staff and community stakeholders.

- *Tree Planting and Environmental Conservation:*  
The Fund supported afforestation and reforestation efforts by planting trees in identified sites within irrigation schemes and surrounding areas. This initiative contributes directly to Kenya's national target of increasing tree cover to 30% by 2032.
- *Awareness Creation:*  
Staff and beneficiaries were sensitized on the importance of tree planting, water conservation, and sustainable land use practices.
- *Partnerships:*  
The Fund partnered with local communities and relevant environmental agencies to ensure continuity and sustainability of the planted trees through community ownership and regular follow-up.

### ***Impact on Society***

The ESR activities have had measurable positive impacts, including:

- *Climate Change Mitigation:* The trees planted will enhance carbon sequestration, contributing to the global fight against climate change.
- *Environmental Protection:* Tree planting helps prevent soil erosion, conserve water resources, and improve biodiversity within the areas of operation.
- *Community Empowerment:* Involving local communities in the initiatives has created a sense of ownership, increased awareness on sustainable environmental practices and provided opportunities for collaboration between the Fund and stakeholders.
- *Improved Aesthetics and Livelihoods:* Greener spaces contribute to healthier environments, improved air quality, and long-term benefits such as potential agroforestry products.

### ***Commitment Going Forward***

The Fund remains committed to expanding its environmental sustainability initiatives. Plans are underway to increase the scale of tree planting programs, strengthen partnerships with government agencies and community groups, and mainstream environmental conservation in all Fund operations.

*National Irrigation Authority Car loan/Mortgage Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*

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Through these efforts, the Fund continues to demonstrate its commitment to sustainable development and to leaving a positive legacy for present and future generations.

## **11. Report of The Fund Administration Committee**

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

### **Principal activities**

The principal activity of the Fund to provide loans to the staff.

### **Performance**

The performance of the Fund for the year ended June 30, 2025, is set out on page 1

### **Trustees**

The members of the Board of Administration Committee who served during the year are shown on page iii

### **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



.....

**Daniel Nzonzo, HSC**

**Chair of the Fund Administration Committee**

## **12. Statement of Management's Responsibilities**

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund established by the Mortgages Special Provision Act (Cap 304, Laws of Kenya) 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 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 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 the Mortgages Special Provision Act (Cap 304, Laws of Kenya), and other applicable laws and regulations.

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 Scheme has assessed the Fund's ability to continue as a going concern. 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 01/12/ 2025 and signed on its behalf by:



.....

**Name: Daniel Nzonzo, HSC  
Chairman of the Scheme**



.....

**Name: Patrick Olimba  
Scheme Administrator**

# REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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

## REPORT OF THE AUDITOR-GENERAL ON NATIONAL IRRIGATION AUTHORITY CAR LOAN AND MORTGAGE SCHEME FOR THE YEAR ENDED 30 JUNE, 2025

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### 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 National Irrigation Authority Car Loan and Mortgage Scheme set out on pages 1 to 23, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Irrigation Authority Car loan and Mortgage Scheme 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 National Treasury Circular ZZ/MOF/26/03/B/(10) dated 13 December, 2016 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies of Financial Statements**

Review of the financial statements revealed the following anomalies:

- i. Interest income amount of Kshs.3,249,556 was not supported with a schedule of interest received.
- ii. Taxes on interest earned amount of Kshs.487,433 was not supported with a schedule and remittance instructions.
- iii. Cash and cash equivalent amounting to Kshs.60,985,865 was not supported with the cashbook, bank reconciliations and certificate of bank balance.
- iv. Receivables from exchange transactions amounting to Kshs.148,167,675 was not supported with a loan amortization schedule.

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

#### **2. Unaccounted for Cash and Cash Equivalent Balance**

The statement of financial position and Note 3 to the financial statement reflects cash and cash equivalents balance of Kshs.60,985,865 which was not supported with the cashbook balance and bank reconciliations since a cashbook has never been maintained since the inception of the car loan and mortgage scheme.

Further, the certificate of bank balance indicates an amount of Kshs.209,153,539 while the financial statements reflects Cash and cash equivalent balance of Kshs.60,985,865 resulting in an unexplained and unsupported variance of Kshs.148,167,674.

In the circumstances, the accuracy, validity and completeness of cash and cash equivalent balance of Kshs.60,985,865 could not be confirmed.

#### **3. Unsupported Interest Income**

The statement of financial performance and Note 1 and 2 to the financial statement reflects interest income and taxes on interest earned Kshs.3,249,556 and Kshs.487,433 respectively. Review of the Schemes records revealed the following;

- i. Applicable loan interest rate payable on Loan was revised from 3% to 5% per annum on a reducing balance effective 1 July 2022 hence 5 out of 36 staff members were charged 5% interest rate. However, the revised rate was not approved by Salaries and Remuneration Commission (SRC).
- ii. Cashbook was not maintained while the bank statements did not indicate trail of transactions such as loan interest deducted from the staff and reinvestment of 2% interest portion in fixed deposit, 6.4% interest income on funds invested in fixed deposits and 15% withholding taxes. In absence of trail of transactions, the audit could not ensure that every cash movement was properly recorded and supported by way of documentation.
- iii. The 3% interest portion charged by Development Bank of Kenya to cater for administrative cost is not reflected as an expense in the Statement of Financial performance.

In the circumstances, the accuracy, validity and completeness of interest income could not be confirmed

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Irrigation Authority Car loan and Mortgage Scheme 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, I have determined that there are no other key audit matters to communicate in my report.

### **Other Information**

The Management is responsible for the Other Information set out on page i to xxiii which comprise of Key Fund Information and Management, The Board of Trustees and Fund Administration Committee, Management Team, Chairman's Report, Report of the Fund Manager, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Trustees, Statement of Management Responsibilities, Statement of Performance Against Predetermined Objectives). The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Mortgage Fund Scheme financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect(s) of the matter(s) 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. Fringe Benefit Tax

The statement of financial position reflects long-term receivables from exchange transactions balance of Kshs. 148,167,675 being car loan and mortgage balances held by various members of staff as at 30 June 2025. However, no records were availed to show that fringe benefit tax was being remitted by the employer (National Irrigation Authority) to Kenya Revenue Authority. This was contrary to section 12(B) of the Income Tax Act cap 470 states (1) Notwithstanding any other provision of this Act, a tax to be known as fringe benefit tax shall be payable commencing on the 12th June, 1998 by every employer in respect of a loan provided at an interest rate lower than the market interest rate,

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

#### 2. Management of Staff Loan Facilities

The securities for the loans issued i.e., motor vehicle logbooks and title charges for mortgages, were registered jointly between the bank and the staff members, instead of between the National Irrigation Authority and the staff.

Further, the initial interest rate charged on the loans was three (3) percent, which was fully retained by the Development Bank of Kenya as an administration fee. An addendum to the agreement on July 2022, later increased the interest rate to five (5) percent, of which 3 percent was retained by the Development Bank of Kenya while only two (2) percent accrued to the National Irrigation Authority. The two (2) percent earned by the Authority is below the minimum three (3) percent return on staff loan schemes as prescribed by the Salaries and Remuneration Commission.

Further, no evidence of insurance documentation on the loans was availed for audit review, contrary to the requirement in the agreement that the bank secures mortgage protection and other insurance covers.

In the circumstances, Management was in breach the law.

### **3. Failure to Prepare Regulations**

National Irrigation Authority staff car loan and mortgage scheme was established in the financial year 2013/2014 and regularized through SRC Circular Ref No SRC/ADM/CIR/1/13 Vol III (128) Dated 17 December, 2014 with objective of providing a loan scheme for the purpose of residential property and motor vehicle for its staff. The entity however failed to prepare regulations which would guide in the implementation of the scheme as prescribed in the SRC circulars.

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

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

#### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

##### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

##### **Lack of Committee Meetings During the Year Under Review**

Audit review revealed that the committee responsible for managing the Mortgage and Car Loan Scheme did not hold any meetings during the year under review. No minutes, resolutions, or records of deliberations were provided for audit verification. Management failed to enforce compliance with statutory and governance requirements regarding committee operations, resulting in weak oversight practices. And there was no documented decisions to guide implementation, monitoring, and reporting on the scheme

In the circumstances, the effectiveness of the oversight and governance structures supporting the Mortgage and Car loan scheme could not be confirmed

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

## **Responsibilities of the Management and Board of Trustees**

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 Mortgage Schemes' 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.

The Board of Trustee's is responsible for overseeing the Mortgage 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**

**11 December, 2025**

*National Irrigation Authority Car loan/Mortgage Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*

**14. Statement of Financial Performance for the year ended 30th June 2025.**

	Note	2024/2025	2023/2024
		Kshs.	Kshs.
<b>Revenue from exchange transactions</b>			
Interest income	1	3,249,556	2,360,809
<b>Total revenue</b>		<b>3,249,556</b>	<b>2,360,809</b>
<b>Expenses</b>			
Taxes on interest earned	2	487,433	354,121
<b>Total expenses</b>		<b>487,433</b>	<b>354,121</b>
<b>Surplus/ (Deficit)</b>		<b>2,762,123</b>	<b>2,006,688</b>

The financial statements were approved on 01/12/2025 by:



Name: Daniel Nzonzo, HSC  
Chairperson of the  
Board/Scheme



Name: Patrick Olimba  
Scheme Administrator



Name: Joyce Kiura  
Scheme Accountant

ICPAK M/No.15914


*National Irrigation Authority Car loan/Mortgage Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*


**15. Statement of Financial Position as at 30th June 2025**

	Note	2024/2025	2023/2024
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	60,985,865	75,584,369
<b>Total Current Assets</b>		<b>60,985,865</b>	<b>75,584,369</b>
<b>Non-current assets</b>			
Receivables from exchange transactions	4	148,167,675	130,807,048
<b>Total Non-Current Assets</b>		<b>148,167,675</b>	<b>130,807,048</b>
<b>Total assets (A)</b>		<b>209,153,540</b>	<b>206,391,417</b>
<b>Liabilities</b>			
<b>Total Current Liabilities</b>		-	-
<b>Total Non- current liabilities</b>		-	-
<b>Total liabilities (B)</b>		-	-
<b>Net Assets (A-B)</b>		<b>209,153,540</b>	<b>206,391,417</b>
<b>Represented By:</b>			
Car loan revolving fund /Mortgage revolving fund		150,000,000	150,000,000
Accumulated surplus/Deficit		59,153,540	56,391,417
<b>Net Assets</b>		<b>209,153,540</b>	<b>206,391,417</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Fund financial statements were approved on 01/12/ 2025 and signed by:

  
Name: Daniel Nzonzo, HSC  
Chairperson of the  
Board/Scheme

  
Name: Patrick Olimba  
Scheme Administrator

  
Name: Joyce Kiura  
Scheme Accountant

ICPAK M/No.15914

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

	Car/Mortgage Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
<b>Balance as at 1 July 2024</b>	150,000,000	56,391,417	<b>206,391,417</b>
Surplus/(deficit) for the period		2,762,123	2,762,123
<b>As at 30 June 2025</b>	<b>150,000,000</b>	<b>59,153,540</b>	<b>209,153,540</b>

**17. Statement of Cash Flows for the year ended 30th June 20xx**

	Note	<i>Insert Current FY</i>	<i>Insert comparative FY</i>
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received		2,762,123	2,006,688
<b>Total receipts</b>		<b>2,762,123</b>	<b>2,006,688</b>
<b>Net cash flow from operating activities</b>	5	<b>(14,598,504)</b>	-
<b>Cash flows from investing activities</b>			
<b>Net cash flows used in investing activities</b>		-	75,584,369
<b>Cash flows from financing activities</b>			
<b>Net cash flows used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(14,598,504)</b>	-
Cash and cash equivalents at 1 July	3	75,584,369	-
<b>Cash and cash equivalents at 30 June</b>	3	<b>60,985,865</b>	<b>75,584,369</b>

**18. Statement of Comparison of Budget and Actual Amounts for the year ended 30th June 2025**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		
	A	b	C=(a+b)	d	e=(c-d)	F=d/c	
<b>Revenue</b>							
Internal Transfers	206,391,417	-	206,391,417	206,391,417	-	100%	
Interest income	2,762,123	-	2,762,123	2,762,123	-	100%	
<b>Total Revenue</b>	<b>209,153,540</b>	<b>-</b>	<b>209,153,540</b>	<b>209,153,540</b>	<b>-</b>	<b>100%</b>	
<b>Surplus for the period</b>	<b>2,762,123</b>	<b>-</b>	<b>2,762,123</b>	<b>2,762,123</b>			

## **19. Notes to the Financial Statements**

### **1. General Information**

NIA Car Loan/Mortgage Scheme is established by and derives its authority and accountability from Mortgages Special Provision CAP 304 Act. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is provide car and loan mortgage to the staff.

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note xx. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Fund*. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### 3. Adoption Of New and Revised Standards

*i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*

There are no new standards effective in the FY.

*ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43: Leases	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> 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 recognize, measure and present information on right of use assets and lease liabilities. <b><i>The standard has no direct impact on the scheme</i></b>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> 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. <b><i>The standard has no direct impact on the scheme</i></b>
IPSAS 45: Property Plant and Equipment	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognized as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. <b><i>The standard has no direct impact on the scheme</i></b>
IPSAS 46: Measurement	<b><i>Applicable 1<sup>st</sup> January 2025</i></b>

	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><b><i>The standard has no direct impact on the scheme</i></b></p>
IPSAS 47: Revenue	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><b><i>The standard has no direct impact on the scheme</i></b></p>
IPSAS 48: Transfer Expenses	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><b><i>The standard has no direct impact on the scheme</i></b></p>
IPSAS 49: Retirement Benefit Plans	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><b><i>The standard has no direct impact on the scheme</i></b></p>

***iii. Early adoption of standards***

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

#### **4. 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 Fund and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realized in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

##### **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 for each period.

###### **Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established. There were no dividends distributed from the scheme.

###### **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.

There were no rental income from the scheme.

**b. Budget information**

The original budget was approved in 2013. 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. 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.

**c. Property, plant, and equipment (PPE)**

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 Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d. Intangible assets**

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

**e. Investment property**

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

**f. Financial instruments**

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

## **I. Financial assets**

### **Classification of financial assets**

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

### **Subsequent measurement**

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

### **Amortized cost**

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any noncollectable 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.

## **II. Financial liabilities**

### **Classification**

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

#### **g. Contingent liabilities**

The Fund 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.

#### **h. Contingent assets**

The Fund 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 Fund 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.

#### **i. Nature and purpose of reserves**

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

#### **j. Changes in accounting policies and estimates**

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

**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. Related parties**

The Fund regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Directors/Trustee, the Fund Managers, and Fund Accountant.

**m. 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.

**n. Comparative figures**

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

**o. Events after the reporting period**

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

**p. Ultimate and Holding Fund**

The Fund is established under Section 24 (4) PFM Act under the Department of xxx/ State Corporation. Its ultimate parent is the Government of Kenya.

**q. Currency**

The financial statements are presented in Kenya Shillings (Kshs.).

**5. Significant judgments and sources of estimation uncertainty**

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

**a) Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. (*see 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:

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

## Notes to the Financial Statements

### 1. Interest income

Description	<i>Insert Current FY</i>	<i>Insert comparative FY</i>
	Kshs.	Kshs.
Interest Income from Car/Mortgage Loans	3,249,556	2,360,809
<b>Total Interest Income</b>	<b>3,249,556</b>	<b>2,360,809</b>

### 2. Taxation

Description	<i>Insert Current FY</i>	<i>Insert comparative FY</i>
	Kshs.	Kshs.
Tax Charged on Interest Income	487,433	354,121
<b>Income Tax expense</b>	<b>487,433</b>	<b>354,121</b>

### 3. Cash and cash equivalents

Description	<i>Insert Current FY</i>	<i>Insert comparative FY</i>
	Kshs.	Kshs.
Car Loan/ Mortgage Account	60,985,865	75,584,369
<b>Total Cash and Cash equivalents</b>	<b>60,985,865</b>	<b>75,584,369</b>

#### 16 a) Detailed analysis of the cash and cash equivalents

Financial Institution	Account number	<i>Insert Current FY</i>	<i>Insert comparative FY</i>
		Kshs.	Kshs.
<b>Mortgage and Car Loan Fund</b>			
Development Bank of Kenya	0000201198	60,985,865	75,584,369
<b>Sub- Total</b>		<b>60,985,865</b>	<b>75,584,369</b>
<b>Grand Total</b>		<b>60,985,865</b>	<b>75,584,369</b>

#### 4. Receivables from exchange transactions

Description	Insert Current FY		Insert comparative FY	
	Kshs.		Kshs.	
<b>Current Receivables</b>				
Interest Receivable	-		-	
<b>Non-Current Receivables</b>				
Long Term Loan Repayments Due	148,167,675		130,807,048	
<b>Total Non- Current Receivables</b>	<b>148,167,675</b>		<b>130,807,048</b>	
<b>Total Receivables</b>	<b>148,167,675</b>		<b>130,807,048</b>	
<b>Ageing analysis (receivable from exchange transactions)</b>	<b>Current FY</b>	<b>%of total</b>	<b>Comparative FY</b>	<b>%of total</b>
Over 3 years	148,167,675	100%	130,807,048	100%
<b>Total (tie to totals above)</b>	<b>148,167,675</b>	<b>100%</b>	<b>130,807,048</b>	<b>100%</b>

#### 5. Net cash flows from operating activities

Description	Insert Current FY		Insert comparative FY	
	Kshs.		Kshs.	
<b>Surplus/ (deficit) for the year before tax</b>	<b>2,762,123</b>		<b>2,006,688</b>	
<b>Adjusted for:</b>				
<b>Working capital adjustments</b>	-			
Increase in receivables	(17,360,627)		-	
<b>Net cash flow from operating activities</b>	<b>(14,598,504)</b>		<b>2,006,688</b>	

#### 6. 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 counterpart 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 Fund'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 Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

<b>Description</b>	<b>Total amount Kshs.</b>	<b>Fully performing Kshs.</b>	<b>Past due Kshs.</b>	<b>Impaired Kshs.</b>
<b>At 30 June 2025</b>				
Receivables From Exchange Transactions- Car loans and mortgages	148,167,675	122,422,168	25,745,507	-
Bank Balances	60,985,865	60,985,865	-	-
<b>Total</b>	<b>209,153,540</b>	<b>183,408,033</b>	<b>25,745,507</b>	<b>-</b>
<b>At 30 June 2024</b>				
Receivables From Exchange Transactions- Car loans and mortgages	130,807,048	130,807,048	-	-
Bank Balances	75,584,369	75,584,369	-	-
<b>Total</b>	<b>206,391,417</b>	<b>206,391,417</b>	<b>-</b>	<b>-</b>

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 noncollectable amounts that the Fund has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

**b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the Fund's short, medium, and long-term funding and liquidity management requirements. The Fund 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.

**c) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Fund 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 Fund'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 and for the day-to-day implementation of those policies.

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

**d) Interest rate risk**

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

***Management of interest rate risk***

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

### Sensitivity analysis

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

### e) Capital risk management.

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

Description	Insert Current FY	Insert comparative FY
	Kshs.	Kshs.
Revolving fund	150,000,000	150,000,000
Accumulated surplus ( <i>Reserves</i> )	59,153,540	56,391,417
<b>Total funds</b>	<b>209,153,540</b>	<b>206,391,417</b>
Less: cash and bank balances	(60,985,865)	(75,584,369)
Net debt/(excess cash and cash equivalents)	148,167,675	130,807,048
<b>Gearing</b>	<b>%</b>	<b>%</b>

## 7. 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) National government Fund
- b) Key management;
- c) Board of Trustees/Committee; etc.

## 8. Events after the Reporting Period

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

**9. Ultimate And Holding Entity**

The Entity is a Scheme under the sponsorship of NIA entity which is a state Corporation

**10. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling.

**11. 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>

There were no prior year audit issues.

Daniel Nzonzo, HSC

Fund Manager

Date  .....

