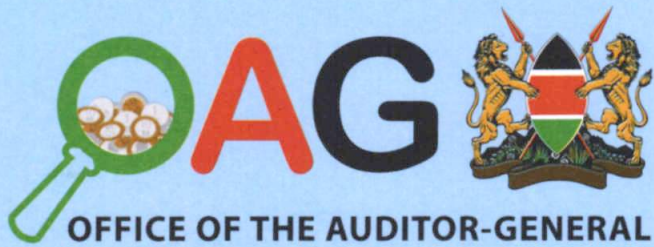


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REPORT

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**MACHAKOS COUNTY EXECUTIVE
COMMITTEE AND CHIEF OFFICERS
CAR LOAN AND MORTGAGE SCHEME**

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

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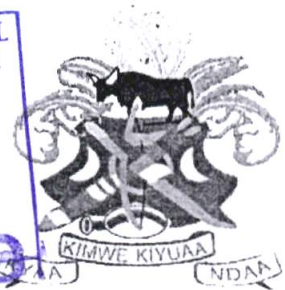




OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.

28 NOV 2025

RECEIVED



**MACHAKOS COUNTY EXECUTIVE COMMITTEE AND CHIEF OFFICERS' CAR
LOAN AND MORTGAGE SCHEME**

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

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

Machakos County Executive Committee and Chief Officer's Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended 30 June 2025

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Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
ly Report and Financial Statements for the year ended 30 June 2025

1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management:- The key management personnel who had financial responsibility

2. Key Entity Information and Management

a) Background information

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme was established by the County Executive Committee Member for Finance and Economic Planning and derives its authority from the Legal Notice No. 1 of 2015 (Machakos County Executive Committee and Chief Officers Car Loan and Mortgage Scheme) *Regulations*, 2015. The Fund is wholly owned by the County Government of Machakos and is domiciled in Kenya. The object and purpose of the scheme is to provide affordable loan for the purchase, development, renovation or repair of property with the aim of motivating, attracting and retaining state and public officers in the public service of the County Government of Machakos.

The scheme's principal activity is to manage all funds disbursed from the County Treasury to the fund.

b) Principal Activities

The principal mandate of the scheme is to provide Mortgage and Car Loan services to Machakos County Executive Committee members and Chief Officers in accordance to the Machakos County Executive Committee and Chief Officers Car Loan and Mortgage Scheme *regulations*, 2015 and within Public Finance Management (PFM) Act 2015.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Dr. Consolata Mutisya	CECM Public Service/Chairperson
2	Onesmus Muia Kuyu	CECM Finance & Economic Planning/Alt. Chairperson
3	Dr. Muya Ndambuki	County Secretary/Fund Administrator
4	Lawrence Mwanza	CO Public Service /Member
5	CPA Julius Kasanga	CO County Treasury/Member
6	Anthony Mutunga	CO Lands & Physical Planning/Member

d) Key Management

Ref	Name	Position
1	Dr. Muya Ndambuki	Fund Administrator
2	Johnstone W. Ndonye	Fund Accountant

**Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
Report and Financial Statements for the year ended 30 June 2025**

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	CPA Daniel Mumo
2	Staff car Mortgage and car Loan Advisory Committee	<ul style="list-style-type: none">● Dr. Consolata Mutisya● Onesmus Muia Kuyu● Dr. Muya Ndambuki● Lawrence Mwanza● CPA Julius Kasanga● Anthony Mutunga
3	County Assembly	Various County Assembly Committees

f) Registered Offices

P.O. Box 1996-90100
Off Machakos-Nairobi Highway
Machakos, Kenya

g) Fund Contacts

Telephone: (254) 726-583-172
E-mail: info@machakosgovernment.co.ke
Website: www.machakosgovernment.co.ke

h) Fund Bankers

SBM Bank-Machakos Branch
Machakos Executive Car Loan and Mortgage Account
0342375723001-Machakos
Tel:-2544420246

i) Independent Auditors

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

j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue

***Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
ly Report and Financial Statements for the year ended 30 June 2025***



P.O. Box 40112
City Square 00200
Nairobi, Kenya

k) County Attorney

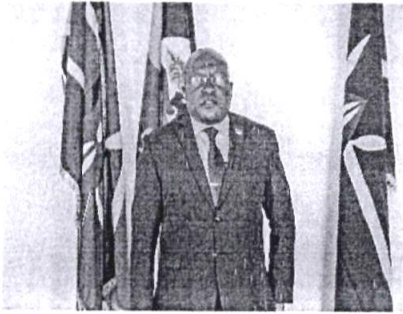

The County Executive has an operational full pledged Legal Department that is optimally staffed with qualified legal staff that are responsible for handling legal matters relating to the County Executive and County Entities as well.

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme Report and Financial Statements for the year ended 30 June 2025

The Board of Trustees (or any other governing body for the Fund)

Name	Details of qualifications and experience
 <p>Dr. Consolata Mutisya Fund Chairperson</p>	<p>Born in 1971, Dr. Consolata Mutisya is an experienced results-driven professional with a passion for management. She has 25 years of experience in both the Kenyan Private and Public sector mainly in the higher education training sector. She holds a Doctorate and a Master's Degree in Information and Communication Studies both from the University of Nairobi. She also holds a Bachelor's Degree in Education.</p> <p>Dr. Consolata is passionate about Community Empowerment with a special focus on Women Empowerment and Rural Development. Telling community stories through the media focusing on peoples' struggles and successes.</p> <p>She currently serves in the Board of Management Tala High School and St. Josephs Kwa Kathule Secondary School where she chairs the Academic Sub Committee in both capacities. She is also the Patron of Mitaboni Parish Choir.</p>
 <p>Dr. Muya Ndambuki Fund Administrator</p>	<p>Dr. Muya Ndambuki is an expert strategic planning, strategy alignment and implementation, research, training and has a special interest in policy planning and implementation. Dr. Ndambuki has served as the Co-coordinator of Master of Science degree programs (Department of Business Administration) and Head of Research and Conferences at the Faculty of Business and Management Sciences, University of Nairobi. He has served as a lecturer University of Nairobi since 2003 alongside being an Adjunct Professor in Lunar College, Ethiopia and PAC University, Kenya. He has also served as the Training Manager at the Kenya Institute of Management.</p> <p>He holds a Ph D in Business Administration, an MBA and a Bachelor of Commerce Degree from the University of Nairobi. He is a member of the Kenya Institute of Management (MKIM) and the Marketing Society of Kenya (MMSK)</p> <p>He is also a Board Member at Keaa Primary School.</p>

3. Management Team

Name	Details of qualifications and experience
 <p>Dr. Muya Ndambuki Fund Administrator</p>	<p>Dr. Muya Ndambuki is an expert strategic planning, strategy alignment and implementation, research, training and has a special interest in policy planning and implementation. Dr. Ndambuki has served as the Co-coordinator of Master of Science degree programs (Department of Business Administration) and Head of Research and Conferences at the Faculty of Business and Management Sciences, University of Nairobi. He has served as a lecturer University of Nairobi since 2003 alongside being an Adjunct Professor in Lunar College, Ethiopia and PAC University, Kenya. He has also served as the Training Manager at the Kenya Institute of Management.</p> <p>He holds a PhD in Business Administration, an MBA and a Bachelor of Commerce Degree from the University of Nairobi. He is a member of the Kenya Institute of Management (MKIM) and the Marketing Society of Kenya (MMSK)</p> <p>He is also a Board Member at Keaa Primary School.</p>
 <p>CPA Johnstone W. Ndonye – Fund Accountant</p>	<p>CPA Ndonye holds a Bachelor of Commerce in Finance and currently pursuing Master of Science (MSc) in Finance from KCA University. He is also a Certified Public Accountant of Kenya registered under ICPAK Member Number 9277 with 15 years experience in internal audit, accounting and financial reporting.</p>

***Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
ly Report and Financial Statements for the year ended 30 June 2025***


4. Board/Fund Chairperson's Report

The County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme was established pursuant to the Salaries and Remuneration Circular no SRC/TS/WB/3/14 of 14th February 2014. For proper management of the Fund as advised by the Salaries and Remuneration Commission in the Circular under reference, Machakos County Government adopted *The County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme Regulations 2015* to guide operationalization of the Scheme.

The Scheme eventually began its operations in the financial year 2019/2020. The fund is managed externally by the SBM Bank (formerly Chase Bank) as stated in the memorandum of understanding between the County Executive and the SBM bank which has been running the fund effectively and with the professionalism required.

This being the fifth financial year of running the scheme, the uptake of the loans by qualified members has been relatively low owing to the loans' term duration which most qualified members feel it doesn't match the remaining period of their employment term contracts. However, the future outlook of the fund is promising as we have already submitted an amendment proposal to the County Assembly for approval for the fund to adopt all members of the County Government of Machakos Staff to benefit from this scheme. As we continue the third term of devolution, we expect that all the future staff to the County Government of Machakos will eventually get to benefit from this scheme at an early stage of their service.

I would like to encourage the management team and the technical staff to set up and operationalise a scheme that will benefit all County Government of Machakos staff.

Name: Hon. Dr. Consolata Mutisya. Sign:..........Date 29/11/2025,
2025

Chairperson of the Board

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
ly Report and Financial Statements for the year ended 30 June 2025

***Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
ly Report and Financial Statements for the year ended 30 June 2025***

5. Report of the Fund Administrator

Pursuant to PFM Act 2012 section 116 (1) the County Executive Member for Finance and Revenue Collection established the Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme under the department of Public Service with the objective of providing affordable loans for the purchase, development, renovation or repair of property with the aim of motivating, attracting and retaining state and public officers in the public service of the County government of Machakos at the Cabinet and the Chief Officers' level.

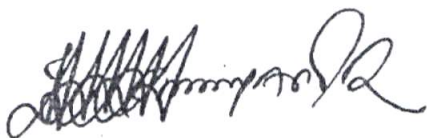
Section 167 of the Public Finance Management Act 2012 mandates the Administrator of Public Funds with preparation of Annual Financial Statements in formats prescribed by the Public Sector Accounting Standards Board and submission of the entity's financial statements within three months after the end of each financial year to the Auditor General with copies delivered to the County Treasury, Controller of Budget and Commission on Revenue Allocation.

The financial statements for Machakos County Executive Committee and Chief Offices' Car Loan and Mortgage Scheme for the FY 2024/2025 have been prepared to comply with relevant Accounting Standards as prescribed by the Public Sector Accounting Standards Board of Kenya.

The scheme has received a total of Kshs 96,000,000/- from its date of establishment from the County Treasury that was deposited with SBM Bank at the onset of the 2019/2020 financial year. A Cumulative of Kshs. 55,285,000/- had been loaned to six members as at the end of the reporting period. This is a revolving fund and as at the end of the 2024/2025 financial year, loans worth 15,285,000/- had completely been paid off.

There has been a challenge of loan uptake by the officers as specified by the terms of the scheme because all of these officers are on a limited term contract which does not allow a favourable repayment period that aligns well with asset or property acquisition. The Committee has been working towards expanding the scheme to include all members of Staff and has forwarded a proposal of the amendment to the County Assembly.

Signed: _____



Dr. Muya Ndambuki - Fund Administrator

**Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
ly Report and Financial Statements for the year ended 30 June 2025**

6. Statement of Performance Against the County Fund's Predetermined Objectives

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government Entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key objectives of the Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme is to provide affordable loans for the purchase, development, renovation, or repair of property with the aim of motivating, attracting and retaining state and public officers in the public officers in the public service of the County Government of Machakos. The Scheme which is a revolving fund has received a total of Kshs. 96,000,000/- from the County Treasury through its account held at SBM Bank since its establishment and which serves as security in the event a beneficiary defaults (*Non-Performing Loan*). Up to date, the fund has approved and disbursed loans amounting to Kshs. 55,285,000/- tabulated below;

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Facilities					
As at 30 June 2025					
S.No	Executive Member	Facility	Amount	Outstanding Loans- 30. 06. 2025	Status
1	H.E Wavinya Ndeti	Mortgage	40,000,000	22,601,665	Active
2	H.E Francis Wambua Maliti	Mortgage	6,000,000	0	Loan cleared in September 2022
3	Jacinta Mwelu Masila	Mortgage	2,730,000	0	Loan cleared in September 2022
4	Catherine Ngarachu	Mortgage	2,250,000	0	Loan cleared in September 2022
5	James Musango Kathili	Car Loan	2,505,000	0	Loan cleared in June 2022
6	Edson Joseph Ochwada	Car Loan	1,800,000	0	Loan cleared on September 2022
	TOTAL		<u>55,285,000</u>	<u>22,601,665</u>	

The biggest challenge that faced in administering the scheme and making sure that it benefits as many members as possible was the members' length of employment contracts all of which expired between August 2022 and October 2022. To many members, the repayment period required does not align with their terms of contract duration and therefore not suitable to many.

***Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
ly Report and Financial Statements for the year ended 30 June 2025***

The Committee resolved to amend the Scheme to include all officers in the County Government of Machakos. The proposal to amend the scheme was forwarded to the County Assembly of Machakos in March 2022 and was approved with amendments in November 2022.

7. Corporate Governance Statement

During the year, the Loans Management Committee held four meetings whose attendance met the required quorum of the Chairperson and any other four members as per the regulations. The succession plan is envisaged in law as to when one can become a member of the Loan Management Committee.

As per the fund regulations the composition of the Committee is comprised of the following members;

- a) The County Executive Committee Member for Public Service who shall be the Chairperson;
- b) The County Executive Committee Member for the time being responsible for Finance and Revenue Collection who shall be the Alternate Chairperson;
- c) The County Executive Committee Member for the time being responsible for Housing;
- d) The County Executive Committee Member for the time being responsible for Lands;
- e) The County Secretary who shall be the Secretary to the Committee and the Officer Administering the Scheme and;
- f) The Chief Officers in the portfolios in (a), (b), (c) and (d) above.

The Scheme is administered by the County Secretary who sits in the Scheme's Committee and the management of the Scheme.

This means that the management committee is appointed immediately persons assume the above mentioned portfolios. Removal from office is automatic when a member ceases to hold either of the above mentioned offices.

The role of the Committee is to:

- a) Process applications for loans in accordance with the set out regulations and attendant guidelines provided by the SRC;
- b) May appoint or liaise with a bank, housing company and financial institutions to set up a revolving fund for the disbursement of loans; and

***Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
ly Report and Financial Statements for the year ended 30 June 2025***

- c) Supervise the day to day running of the scheme.

The meetings of the committee are convened by the Chairperson or in the absence of the Chairperson, by the alternate Chairperson and shall be convened at such times as may be necessary for the discharge of the Committee's functions provided that the Committee shall not meet less than four (4) times within a financial year.

The quorum for a meeting of the Committee shall be the Chairperson and any four (4) members.

The members of the Committee are inducted upon joining. They have participated in the committee activities and have shown ethical conduct in their transaction with the fund. The audit is conducted by the office of the Auditor General in line with the law.

No allowances paid for the sittings during the period.

8. Management Discussion and Analysis

The Machakos County Executive Committee and Chief Officers' Car loan and Mortgage Scheme has received a total of Ksh. 96,000,000/- from the county treasury paid directly to SBM Bank to date. The Committee has successfully approved and disbursed 6 loans to its members totaling to Kshs. 55,285,000/-. Only one loan is currently active.

9. Environmental and Sustainability Reporting

This is a Car Loan and Mortgage fund held by the county as a revolving fund for the benefit of senior executive members.

10. Report of The Trustees

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

Principal activities

The principal activity of the Fund is to manage all funds disbursed from the County Treasury to the fund.

Results

The results of the Fund for the period ended June 30th, 2025, are set out on page 6.

Trustees

The members of the Board of Trustees who served during the year are shown on page iii (*refer to the key entity information and management page*). The changes in the Board during the financial year are as shown below:

- a). After the end of the second devolution term, all members were replaced after the inauguration of the third term from September 2022.

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 Board/Fund Administration Committee

Date: 29/11/2025

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme Report and Financial Statements for the year ended 30 June 2025

11. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by *Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme Regulations 2015* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

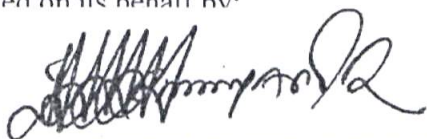
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial Period ended on June 30th, 2025. This responsibility includes: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

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme Regulations 2015*. 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 Period ended on June 30th, 2025, and of the Fund's financial position as at that date. The Administrator further confirms 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

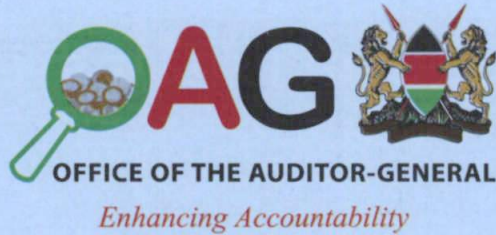
The Fund's financial statements were approved by the Board on 29/11/ 2025 and signed on its behalf by:



.....
Administrator of the Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MACHAKOS COUNTY EXECUTIVE COMMITTEE AND CHIEF OFFICERS CAR LOAN AND MORTGAGE SCHEME 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 Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme set out on pages 1 to 47,

Report of the Auditor-General on Machakos County Executive Committee and Chief Officers Car Loan and Mortgage Scheme for the year ended 30 June, 2025

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 Machakos County Executive Committee and Chief Officers' 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 the Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme Regulations, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Failure to Recognize Interest Income

The statement of financial performance reflects Nil interest income. Review of documents revealed that since inception of the Fund in the financial year 2019/2020, the Fund had loaned six (6) members cumulative total loans of Kshs.55,285,000. However, the interest income on the loans was not disclosed in the statement of financial performance. Management did not provide an explanation for failure to recognize the interest income despite the report of the Fund Administrator revealing that the Fund is a revolving fund.

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

2. Failure to Recognize Long-Term Receivables

The statement of financial position reflects Nil balances for current portion of long-term receivables and non-current long-term receivables from exchange transactions. However, the report of the Fund Administrator indicates that since inception, the Fund had loaned six (6) members cumulative total loans of Kshs.55,285,000 out of which loans amounting to Kshs.15,285,000 had been cleared as at the end of the financial year 2024/2025 leaving an outstanding loan balance of Kshs.40,000,000. Although Management indicated that it would not be prudent to recognize the loans issued as long-term receivables from exchange transaction since it would be treated as a direct charge from the deposit of Kshs.96 million which serves as a security, the explanation did not conform to any accounting principle.

In the circumstances, the accuracy and completeness of the Nil balances for current portion of long-term and non-current long-term receivables from exchange transactions could not be confirmed.

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

and Chief Officers' 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 section, 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 pages iii to xvi which comprise of Key Entity Information and Management, The Board of Trustees, 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 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

Idle Funds

As previously reported, the statement of financial position and as disclosed in Note 12 to the financial statements reflect cash and cash equivalents balance of Kshs.96,000,000

as at the close of the financial year. The amount was deposited with SBM Bank (K) limited since inception of the Scheme in the year 2019 and has remained unutilized over the years.

Review of the report of the Fund Administrator indicates that the Fund which is a revolving Fund, had an accumulative loan disbursement of Kshs.55,285,000 to six (6) members since inception. Management has not demonstrated the rationale of holding excess unutilized funds in the bank account which does not attract any interest. This is contrary to Regulations 83(2)(c) of Public Finance Management (County Governments) Regulations, 2015 on sound cash management which requires avoiding accumulation of idle balances.

Although Management explained that Kshs.96,000,000 acts as security on loans issued, and that they are in the process of reviewing the memorandum of understanding in order to put the amount under call deposits to enable the Fund generate interest income, no evidence was provided for audit review to confirm the measures to be put in place.

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 THE 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 the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 December, 2025

*Machakos County Executive Committee and Chief Officer's Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended 30 June 2025*

13. Statement of Financial Performance for the year ended 30 June 2025

	Note	FY 2024 - 2025	FY 2023 - 2024
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	-	-
Transfers From the County Government	2	-	-
Fines, Penalties and Other Levies	3	-	-
Revenue From Exchange Transactions			
Interest Income	4	-	-
Other Income	5	-	-
Total Revenue		=	=
Expenses			
Employee Costs	6	-	-
Use of goods and services	7	-	-
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
Total Expenses		=	=
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	-	-
Surplus/(Deficit) For The Period		=	=

NB: SBM bank disburses to the beneficiaries its own funds since the Ksh.96,000,000 held serves as security in the event a beneficiary defaults.

(The notes set out on pages 8 to 38 form an integral part of these Financial Statements)

.....
Name: Dr. Muya Ndambuki
Administrator of the Fund

.....
Name: Johnstone W. Ndonye
Fund Accountant
ICPAK Member Number: 9277

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
ly Report and Financial Statements for the year ended 30 June 2025

14. Statement of Financial Position as at 30 June 2025

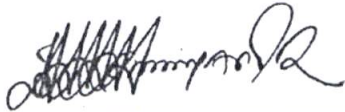
	Note	FY 2024 - 2025	FY 2023 - 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	12	96,000,000	96,000,000
Current Portion of Long-Term Receivables From Exchange Transactions	13	-	-
Prepayments	14	-	-
Inventories	15	-	-
Investments in financial assets	16		
		<u>96,000,000</u>	<u>96,000,000</u>
Non-Current Assets			
Property, plant and equipment	17	-	-
Intangible assets	18	-	-
Long Term Receivables from Exchange Transactions	13	-	-
Investment Property	19		
Total Assets (A)		<u>96,000,000</u>	<u>96,000,000</u>
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	20	-	-
Current Provisions	21	-	-
Current Portion of Borrowings	22	-	-
Employee Benefit Obligations	23	-	-
Social benefit liabilities	24	-	-
Non-Current Liabilities			
Non-Current Provisions	21	-	-
Long Term Portion of Borrowings	22		
Non-Current Employee Benefit Obligation	23		
Social benefit liabilities	24	-	-
Total Liabilities (B)		<u>-</u>	<u>-</u>
Net Assets (A-B)		<u>96,000,000</u>	<u>96,000,000</u>
Represented By:			

***Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
ly Report and Financial Statements for the year ended 30 June 2025***

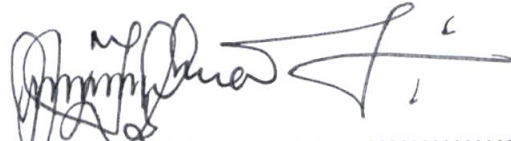
Revolving Fund		96,000,000	96,000,000
Reserves		-	-
Accumulated Surplus		-	-
Net Assets		<u>96,000,000</u>	<u>96,000,000</u>

NB: SBM bank disburses to the beneficiaries its own funds because the Ksh.96,000,000 held serves as security in the event a beneficiary defaults. To-date, there has been no default recorded and therefore these funds are still available in totality.

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 29/11/ 2025 and signed by:



.....
Name: Dr. Muya Ndambuki
Administrator of the Fund



.....
Name: Johnstone W. Ndonye
Fund Accountant
ICPAK Member Number: 9277

*Machakos County Executive Committee and Chief Officer's Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended 30 June 2025*

15. Statement Of Changes in Net Assets for the year ended 30 June 2025

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2023	96,000,000	-	-	96,000,000
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	-	-
Prior Year Adjustment	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2024	<u>96,000,000</u>	-	-	<u>96,000,000</u>
Balance As At 1 July 2024	96,000,000	-	-	96,000,000
Surplus/(Deficit) For the Period	-	-	-	-
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30th June 2025	<u>96,000,000</u>	-	-	<u>96,000,000</u>

NB: SBM bank disburses to the beneficiaries its own funds because the Ksh.96,000,000 held serves as security in the event a beneficiary defaults. To-date, there has been no default recorded and therefore these funds are still available in totality.



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Administrator of the Fund



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Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
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Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
ly Report and Financial Statements for the year ended 30 June 2025


16. Statement of Cash Flows For The year ended 30 June 2025

Description	Note	FY 2024 - 2025	FY 2023 - 2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		-	-
Receipts from other operating activities		-	-
Total receipts		=	=
Payments			
Fund administration expenses		-	-
General expenses		-	-
Finance cost		-	-
Other payments		=	=
Net cash flows from operating activities		_____ -	_____ -
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		=	=
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-

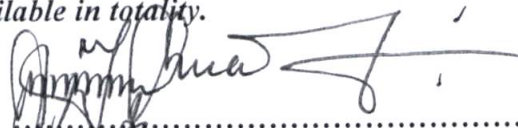
**Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
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Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		=	=
Net increase/(decrease) in cash & cash Equivalents		-	-
Cash and cash equivalents at 1 July 2024		<u>96,000,000</u>	<u>96,000,000</u>
Cash and cash equivalents at 30 June, 2025		<u>96,000,000</u>	<u>96,000,000</u>

NB: SBM bank disburses to the beneficiaries its own funds because the Ksh.96,000,000 held serves as security in the event a beneficiary defaults. To-date, there has been no default recorded and therefore these funds are still available in totality.



.....
Name: Dr. Muya Ndambuki
Administrator of the Fund



.....
Name: Johnstone W. Ndonye
Fund Accountant
ICPAK Member Number: 9277

17. Statement of Comparison Of Budget And Actual Amounts For year ended 30th June 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	2024/2025	2024/2025	2024/2025	2024/2025	2024/2025	2024/2025
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Public Contributions And Donations	-	-	-	-	-	-
Transfers From County Govt.	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
Total Income	≡	≡	≡	≡	≡	≡
Expenses						
Fund Administration Expenses	-	-	-	-	-	-
General Expenses	-	-	-	-	-	-
Finance Cost	-	-	-	-	-	-
Total Expenditure	≡	≡	≡	≡	≡	≡
Surplus For The Period	-	-	-	-	-	-
Capital expenditure	-	-	-	-	-	-

Budget notes

1. There was no additional budget allocation towards the fund during the Financial year 2024/25.
2. The revolving Budget of Kshs 96,000,000 was provided for in the FY 2018/19.

**Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended 30 June 2025**

18. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme entity is established by the County Executive Committee Member for Finance and Economic Planning and derives its authority from the Legal Notice No. 1 of 2015 (Machakos County Executive Committee and Chief Officers Car Loan and Mortgage Scheme) *Regulations*, 2015. The entity is wholly owned by the Machakos County Government and is domiciled in Kenya. The scheme's principal activity is to manage all funds disbursed from the County Treasury to the fund.

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

***Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended 30 June 2025***

	performance.
IPSAS 45- Property Plant and Equipment	<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>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<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>
IPSAS 48- Transfer Expenses	<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>
IPSAS 49- Retirement Benefit Plans	<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>

***Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended 30 June 2025***

(i) Early adoption of standards

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

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 during the financial year.

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.

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 performance has been presented under section - 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.

Summary of Significant Accounting Policies (Continued)

c) Financial instruments

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

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at 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.

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

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

f) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit

Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended 30 June 2025

scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
Annual Report and Financial Statements for the year ended 30 June 2025

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.

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.

Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
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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:

- 1.The condition of the asset based on the assessment of experts employed by the Entity
- 2.The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- 3.The nature of the processes in which the asset is deployed
- 4.Availability of funding to replace the asset
- 5.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 -.

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)

*Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
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6. Notes To The Financial Statements

1. Public contributions and donations

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	FY - 22024	FY 2023 - 2024
	Kshs	Kshs
Transfers From County Govt. – Operations	-	-
Payments By County On Behalf Of The Entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
Total	-	-

(Provide brief explanation for this revenue)

4. Interest income

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Interest Income From Mortgage Loans	-	-
Interest Income From Car Loans	-	-
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
Total Interest Income	-	-

*Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
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5. Other income

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	-	-
Total Other Income	-	-

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

6. Employee Costs

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other <i>(Specify)</i>	-	-
Total	-	-

7. Use of Goods and Services

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	-	-
Bank Charges	-	-
Electricity And Water Expenses	-	-
Fuel And Oil Costs	-	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	-	-
Rental Costs	-	-
Security Costs	-	-

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Telephone And Communication Expenses	-	-
Bank Charges	-	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Other (<i>Specify</i>)	-	-
Total	=	=

Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
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Notes to the Financial Statements Continued

8. Depreciation and Amortization Expenses

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Property Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

9. Finance costs

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
Total	-	-

10. Gain/(loss) on disposal of assets

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Property, Plant And Equipment	-	-
Intangible Assets	-	-
Total	-	-

11. Gain/ (loss) on Fair Value Investments

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
Total Gain	-	-

*Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
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Notes to the Financial Statements Continued

12. Cash and cash equivalents

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Machakos Executive and C.O 's Car Loan & Mortgage Account 0342375723001	96,000,000	96,000,000
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	-	-
Others	-	-
Total Cash And Cash Equivalents	96,000,000	96,000,000

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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

Financial Institution	Account number	FY 2024 - 2025	FY 2023 - 2024
		Kshs	Kshs
a) Revolving Fund Account			
SBM Bank	0342375723001	96,000,000	96,000,000
		-	-
Sub- Total		96,000,000	96,000,000
b) Fixed Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
c) On-Call Deposits			
Kenya Commercial		-	-

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Bank			
Bank B		-	-
Sub- Total		-	-
d) Current Accounts		-	-
Kenya Commercial Bank		-	-
Bank B		-	-
Sub- Total		-	-
Grand Total		96,000,000	96,000,000

13. Receivables from exchange transactions

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Current Receivables		
Interest Receivable	-	-
Current Loan Repayments Due	-	-
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	-
Total Current Receivables		
Non-Current Receivables		
Long Term Loan Repayments Due	-	-
Total Non- Current Receivables	-	-
Total Receivables From Exchange Transactions	-	-

Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
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Notes to the Financial Statements Continued

Additional disclosure on interest receivable

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
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	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

14. Prepayments

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (Specify)	-	-
Total	-	-

Machakos County Executive and Chief Officers' Car Loan and Mortgage Scheme
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Notes to the Financial Statements Continued

15. Inventories

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)		-
Total Inventories At The Lower Of Cost And Net Realizable Value	-	-

- County - Fund/Board (Indicate actual name of the entity)

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

Notes To The Financial Statements (Continued)

16. investments in financial assets

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
a. Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b. Investment with Financial Institutions/ Banks		
Bank x	-	-
Bank y	-	-
Sub- total	-	-
c. Equity investments (specify)		
Equity/ shares in Entity -	-	-
Sub- total	-	-
Grand total	-	-

Movement of Equity Investments

Impairment allowance/ provision	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
At the beginning of the year	-	-
Purchase of investments in the year	-	-
Sale of investments during the year	(-)	(-)
Gain/(loss) in fair value of investments through surplus or deficit	-	-
At the end of the year	-	-

d) Shareholding in other entities

- County - Fund/Board (Indicate actual name of the entity)

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Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		FY 2024 - 2025	FY 2023 - 2024
	%	%	%	Kshs	Kshs	Kshs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

- County - Fund/Board (Indicate actual name of the entity)

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

Notes To The Financial Statements (Continued)

17. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2024	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June 2025	-	-	-	-	-
At 1st July 2024					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June 2025	-	-	-	-	-
Depreciation And Impairment					
At 1st July 2024	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2025	-	-	-	-	-
At 1st July 2024					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-

- County - Fund/Board (Indicate actual name of the entity)
Annual Report and Financial Statements for the year ended June 30, 2025

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
Transfer/Adjustment	-	-	-	-	-
At 30 th June 2025	-	-	-	-	-
Net Book Values					
At 30 th June 2024	-	-	-	-	-
At 30 th June 2025	-	-	-	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

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

Notes To The Financial Statements (Continued)

18. Intangible assets

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Cost	-	
At Beginning Of The Year	-	-
Additions	-	-
At End Of The Year		-
Amortization And Impairment	-	
At Beginning Of The Year	-	-
Amortization	-	-
At End Of The Year	-	-
Impairment Loss	-	-
At End Of The Year	-	-
NBV	-	-

19. Investment Property

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
At beginning of the year	-	-
Additions	-	-
Disposal during the year	(-)	(-)
Depreciation	(-)	(-)
Impairment	(-)	(-)
Gain/(loss) in fair value (if fair value is elected)	-	-
At end of the year	-	-

20. Trade and other payables from exchange transactions

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Trade Payables	-	-
Refundable Deposits	-	-
Accrued Expenses	-	-
Other Payables	-	-
Total Trade and Other Payables	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

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

Ageing analysis (Trade and other payables)	FY 2024 - 2025	% of the Total	FY 2024 - 2025	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	-		-	

21. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2023)	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
Balance At The End Of The Year (30.06.2025)	-	-	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

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

Notes To The Financial Statements (Continued)

22. Borrowings

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Balance At Beginning of The Period		
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
Balance At End of The Period	-	-

The table below shows the classification of borrowings into external and domestic borrowings:

	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organisation'	-	-
Sterling Pound Denominated Loan From 'Y Organisation'	-	-
Euro Denominated Loan from Z Organisation'	-	-
Domestic Borrowings		
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
Total Balance at End Of The Year	-	-

The table below shows the classification of borrowings long-term and current borrowings:

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Short Term Borrowings(Current Portion)	-	-
Long Term Borrowings	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

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

Total	-	-
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(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)

23. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

24. Social Benefit Liabilities

Description	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
Current social benefits	-	-
Non-current social benefits	-	-
Total (tie to totals above)	-	-

25. Cash generated from operations

	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	-	-
Adjusted For:		
Depreciation	-	-
Amortisation	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

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

Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
Net Cash Flow From Operating Activities	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
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Other Disclosures

26. 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 of Machakos;
- b) The Department of Public service;
- c) Key management;
- d) Board of Trustees;

b) Related party transactions

	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

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

e) Due to related parties

	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

27. Contingent assets and contingent liabilities

Contingent Liabilities	Total amount Kshs	Fully performing Kshs	Past due Kshs
Court Case - Against The Fund	-	-	-
Bank Guarantees	-	-	-
Total	-	-	-

(Give details)

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

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

Other Disclosures Continued

28. 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:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
30th June 2025				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non - Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
30th July 2024				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

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

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

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 no significant concentration of credit risk.

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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
30th June 2025				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
30th June 2024				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

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

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.

i. Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	First 12 Months 2023/2024	Other currencies	Total
	Kshs	Kshs	Kshs
At 30th June 2025			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

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The Fund has no foreign exchange risk.

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
2024			
Euro	10%	-	-
USD	10%	-	-
2023			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

The fund has no interest rate risk.

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.

The fund has no interest rate risk.

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d) Capital risk management

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

	FY 2024 - 2025	FY 2023 - 2024
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	96,000,000	96,000,000
Accumulated surplus	-	-
Total funds	96,000,000	96,000,000
Total borrowings	-	-
Less: cash and bank balances	(96,000,000)	(96,000,000)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	0%	0%

29. Events after the reporting period

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

30. Ultimate and Holding Entity

The entity is a County Public Fund established by - Act (*state the legislation establishing the Fund*) under the Ministry of -. Its ultimate parent is the County Government of -.

31. Currency

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

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19. Progress On Follow Up Of Prior Year Auditor's Recommendations

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
REPORT ON THE FINANCIAL STATEMENTS				
<u>Basis for qualified Opinion</u>				
1.	<p>Failure to Recognize Interest Income: The statement of financial performance reflects Nil amounts in respect to interest income. Review of documents revealed that during the year under review, Management issued a loan amounting to Kshs.40,000,000. However, the interest income on the loan was not disclosed in the statement of financial performance. Management did not give any explanation for failure to recognize the interest income.</p> <p>In the circumstances, the accuracy and completeness of the Nil interest income could not be confirmed.</p>	<p><i>The management acknowledged non-disclosure of the interest income in financial statements for Fy.2023/2024. However, a reconciliation was done and an adjustment will be made on annual comparative (Prior Year) figures for Fy.2024/2025. The management has initiated capacity building exercise on accrual mode of reporting in conjunction with National Treasury and Council of governors in order to</i></p>	Not Resolved	30 th June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		equip financial reporting officers with necessary skills required in reporting .		
2.	<p>Failure to Recognize Long Term Receivables: - The statement of financial position reflects Nil balances for current portion of long-term receivables from exchange transactions and long-term receivables from exchange transactions. However, report of the Fund administrator indicates that since inception, the Fund had loaned six members cumulative total loans of Kshs.55,285,000 out of which loans amounting to Kshs.15,285,000 had been cleared in the financial year 2022/2023 leaving an outstanding loan of Kshs.40,000,000 which had been issued during the year under review. Although Management indicated that it would not be prudent to recognize the loans issued as long-term receivables from exchange transaction since it would be treated as a direct charge from the deposit of 96 million which serves as a security, the explanation did not conform to any accounting</p>	<p>The Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme is a revolving fund, where by the SBM bank issues a facility to our members but security is the ksh.96,000,000. Therefore, the amount of Ksh.96,000,000 can only be attached by the bank if the officer defaulted and the personal security provided can't serve remaining loan balance.</p> <p>The management acknowledged non-disclosure of the loan in financial statements for Fy.2023/2024.However, a reconciliation was done and an</p>	Not Resolved	30 th June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	principle.	<i>adjustment will be made on annual comparative (Prior Year) figures for Fy.2024/2025 to recognize the loan as a long-term receivables from exchange transaction.</i>		
<p>B. REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES Basis for conclusion</p>				
3.	<p>Idle Funds:- The statement of financial position and as disclosed in Note 12 to the financial statements reflect cash and cash equivalents balance of Kshs.96,000,000 as at the close of the financial year. The amount was deposited with SBM Bank (k) limited since inception of the Scheme in 2019 and has remained intact over the years.</p> <p>Review of the report of the Fund Administrator indicates that the Fund processed one loan amounting to Kshs.40,000,000 during the year under review and had an accumulative loan disbursement to six (6) members</p>	<p><i>The management is in the process of amending the memorandum of understanding in order to ensure lower staff cadre access loan facilities. This will ensure no idle cash in bank account. Further, the cabinet will purposely review the memorandum of understanding in 1st quarter of fy.2025/2026 in order to include the issue of call deposits.</i></p>	<p>Not Resolved</p>	<p>30th June 2026</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>since inception of Kshs.55,285,000. Management has not demonstrated the rationale of holding excess underutilized funds in the bank account which does not attract any interest. This is contrary to Regulations 83(2) (c) of Public Finance Management (County Governments) Regulations, 2015 on sound cash management which requires avoiding accumulation of idle balances.</p> <p>Although Management explained that Kshs.96,000,000 acts as security on loans issued, and that they are in the process of reviewing the memorandum of understanding in order to put the amount of Kshs.96,000,000 under call deposits to enable the fund to generate interest income, no evidence was provided for audit review to confirm the measures to be put in place.</p>			

Fund Manager/Accounting Officer (Doctor)

Date 29/11/2025

Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme

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Annex II: Inter-Fund Confirmation Letter



REPUBLIC OF KENYA
COUNTY GOVERNMENT OF MACHAKOS



**DEPARTMENT OF FINANCE, ECONOMIC
PLANNING, REVENUE MANAGEMENT & ICT**

Telephone: +254-44-20576
Fax: +254-44-20655

Machakos Highway
Po Box 1996-90100
Machakos

Confirmation of amounts received by Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme as at 30th June 2025

Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30 th June 2025				Amount Received by [beneficiary Fund] (KShs) as at 30 th June 2025 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
	2019/2020	96,000,000	-	-	96,000,000	96,000,000	-
Total		96,000,000	-	-	96,000,000	96,000,000	-

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

Head of Accountants department of beneficiary Fund:

Name CPA JOHNSIONG NDOYI

Sign [Signature] Date 29/11/2025

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Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	FY 2023/2024				Source Of Funds	Implementing Partners
				Q 1	Q 2	Q 3	Q 4		

NB: The fund did not incur expenditure on climate relevant expenditure

Annex IV: Reporting on Disaster Management Expenditure

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

NB: The fund did not incur expenditure on Disaster Management Expenditure

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Annex V: Certified Copy of Loan Balance and Bank Balance



The Chief Officer-Finance and Revenue Collection,
Machakos County Government,
P.O. Box 1996-90100,
Machakos.

September 10, 2025

Dear Sir,

REF: UPDATE ON EXECUTIVE CAR AND MORTGAGE FACILITIES

The above Captioned matter refers,

Below please find an update on the current status of the facilities for the executive members:-

EXECUTIVE MEMBER	FACILITY	AMOUNT	OUTSTANDING BALANCE	CHECK OFF INSTALLMENT	REPAYMENT STATUS
H.E WAVINYA NDENDI	MORTGAGE	40,000,000.00	22,601,665.05	438,000	3 Months deductions owed.

Yours Faithfully,

Bernard Omondi
Branch Manager



Machakos County Executive Committee and Chief Officers' Car Loan and Mortgage Scheme
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Account Statement

Printing Date: 10-09-2025
 Statement Period: 01-JUN-24 to 10-SEP-25

Account Name:	MACHAKOS EXECUTIVE MORTGAGE AND CAR LOAN ACCOUNT	Opening Balance:	
Account Number:	0342375723001	Total Debits:	
Account Type:	BARAKA COLLECTION ACCOUNT	Total Credits:	
Currency:	KES	Uncleared Balance:	
Telephone Number:	2544420248	Available Balance:	0.00
Email Address:			
Address:	P.O Box 1996-90100 KENYA KENYA		

Transaction Date	Transaction Details	Ref Number	Instrument Code	Value Date	Debit	Credit	Balance
01-JUN-24	Opening Bal			01-JUN-24	0.00	0.00	96,000,000.00