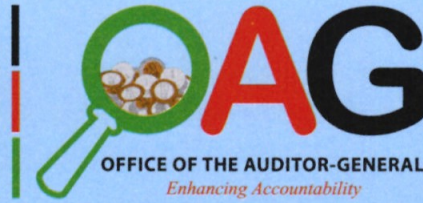


REPUBLIC OF KENYA



# REPORT

PARLIAMENT  
OF KENYA  
LIBRARY


OF

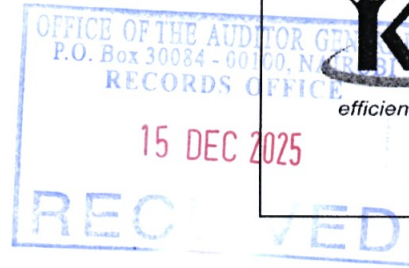
THE AUDITOR-GENERAL

ON

**KENYA CIVIL AVIATION AUTHORITY STAFF  
MORTGAGE SCHEME**

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

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
DATE: 12 MAR 2026	DAY: THUR
TABLED BY:	Deputy Leader of the Majority Party HON. OGIEN BAYAMP
CLERK-AT-THE-TABLE:	MERICI CHIMO



---

# KCAA STAFF MORTGAGE SCHEME

*KENYA CIVIL AVIATION AUTHORITY*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2025**

---

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

**Table of Contents**

**Page**

1. Acronyms and Definition of Key Terms.....	ii
2. Key Mortgage Scheme information and management .....	iii
3. Management Team.....	vi
4. Report Of the Mortgage Scheme Administrator.....	vii
5. Statement of Performance Against Predetermined Objectives.....	viii
6. Management Discussion and Analysis.....	xvi
7. Report of The Mortgage Scheme Administration Committee .....	xvii
8. Statement of Management’s Responsibilities .....	xviii
9. Report Of the Independent Auditor for the Financial Statements of KCAA Staff Mortgage Scheme for the year ended 30 June 2025. ....	xx
10. Statement of Financial Performance for the year ended 30th June 2025. ....	1
11. Statement of Financial Position as at 30th June 2025.....	2
12. Statement of Changes in Net Assets for the year ended 30th June 2025 .....	3
13. Statement of Cash Flows for the year ended 30th June 2025 .....	4
14. Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2025 .....	5
15. Notes to the Financial Statements .....	6
16. Annexes.....	18

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

### **A. Acronyms**

DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies

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

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

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

**2. Key Mortgage Scheme information and management**

**a) Background information**

KCAA Mortgage Scheme was established on 14<sup>th</sup> October 2014 and derives its authority and accountability from the Civil Aviation Act 2013. The Scheme is wholly managed by Kenya Civil Aviation Authority and is domiciled in Kenya.

**b) Principal Activities**

The principal mandate of the Scheme is to offer employees of KCAA an opportunity to access mortgage facility through the selected service provider, KCB Bank. The scheme is administered by the Authority’s Human Resources Department. There is a committee charged with the responsibility of processing loans from applicants in accordance with laid down procedures, setting up a revolving Mortgage Scheme for the disbursement of loans, and supervising the day-to-day operations of the Mortgage Scheme.

The Mortgage Scheme administrator is responsible for the day-to-day operations of the Scheme.

**c) Mortgage Scheme Administration Committee**

SN	Position	Name
1	Chairman	Mr. Emile N. Arao
2	Mortgage Scheme Administrator	CPA David I. Ndung’u
3	Committee Member	Mr. Martin Kivui
4	Committee Member	Mr. Stephen Rangar
5	Committee Member	Ms. Asenath Yagan

**d) Key Management**

SN	Position	Name
1	Mortgage Scheme Administrator	CPA David I. Ndung’u
2	Mortgage Scheme Accountant	CPA Joseph Cherop
3	Mortgage Scheme Manager	Mr. Martin Kivui

**KCAA Staff Mortgage Scheme**  
**Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025**

**e) Fiduciary Oversight Arrangements**

SN	Position	Name
1	Director General	Mr. Emile N. Arao
2	Director Corporate Services	CPA Joseph K. Chebungei
3	Corporation Secretary	Mr. George O. Mogaka
4	Director Air Navigation Services	Mrs. Anne N. Gitau
5	Director Aviation Safety and Security Regulation	Ms. Mary J. Keter
6	Director Strategy and Knowledge Management	Dr George K. M. M’Nchebere
7	Director East African School of Aviation	Dr Serah W. Waitiki
8	Manager Internal Audit & Review	Dr Gladys Byegon

**f) Registered Offices**

Aviation House  
Jomo Kenyatta International Airport  
P. O. Box 30163  
GPO 00100  
Nairobi, Kenya

**g) Mortgage Scheme Contacts**

Telephone: (254) 20 6827470-5  
Email: [info@kcaa.or.ke](mailto:info@kcaa.or.ke)

**h) Mortgage Scheme Bankers**

Kenya Commercial Bank  
Haile Selassie Avenue Branch  
P. O. Box 58992 – 00200  
Nairobi, Kenya

**i) Independent Auditor**

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

**j) Principal Legal Adviser**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
**Nairobi, Kenya**

**KCAA Staff Mortgage Scheme**  
**Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025**

---

**3. Management Team**

SN	Position	Name and Title
1.	Chairman	Mr. Emile N. Arao, Director General
2.	Mortgage Scheme Administrator	CPA David I. Ndung'u; Manager Finance
3.	Mortgage Scheme Accountant	CPA Joseph Cherop; Chief Accountant
4.	Member	Mr Martin M. Kivui; Manager Human Resources and Administration.
5.	Member	Ms Asenath J. Yagan; Chief Human Resources Officer in charge of Planning and Recruitment
6.	Member	Mr Stephen O. Rangar; Chief Human Resources officer in charge of Employee Welfare

#### **4. Report of the Mortgage Scheme Administrator**

The KCAA staff Mortgage Scheme was established to advance loans to staff for the purpose of purchasing or construction of residential properties aimed at creating a more competitive retention strategy, enhancing staff welfare and improving staff morale and motivation. The welfare of the staff has a direct impact on their productivity hence the decision of the Board to allow the scheme to be set up.

The scheme plays an important role in;

- (i) Alleviating national housing shortage as espoused in the Government Policy and the 'Big Four' agenda
- (ii) Assisting employees to own residential houses
- (iii) Enabling employees to access decent accommodation
- (iv) Facilitating employees to invest part of their income in housing as a way of promoting long term savings
- (v) Enhancing staff living standards.

The Mortgage Scheme is cash backed and has been in operation since 2014. The Authority through a competitive procurement process sourced and identified KCB Bank Kenya Ltd Mortgages division to administer the funds on behalf of the Authority.

Currently there are 126 members of staff who are servicing mortgage loans. This number is expected to rise given the affordable housing drive by the Kenya Government. Ksh 600 million has been set- up for the mortgage fund and the interest accruing thereon from these funds is capitalised. The fund currently stands at Ksh 704 million as at 30<sup>th</sup> June 2025. Similarly, the amount disbursed to date as loans to staff is Ksh 648.72 million. The pending disbursement (i.e at appraisal and pending security confirmation) is Ksh 55.62 million.

The scheme will seek for more funds to be placed by the Authority to support those who will apply for the mortgage in the coming financial year since the amount available has now been depleted.



**CPA David I. Ndung'u**  
**Mortgage Scheme Administrator**

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

The Authority developed her fourth Strategic Plan covering a six-year period from 2022/23 to 2027/28 which was approved by the Board of Directors in June 2022. In the FY 2024/25, the Plan was reviewed to align it to the Government priority of Bottom-up Economic Transformation Agenda (BETA) and the Medium-Term Plan (MTP) IV. The reviewed Strategic Plan was approved by the Board of Directors in December 2023.

The fourth Strategic plan is anchored on five (5) Key Result Areas (KRAs);

- 1) A Vibrant Policy, Legal and Regulatory Environment
- 2) Airspace, Equipment, and Infrastructure Development
- 3) Aviation Training
- 4) Corporate Image and Reputation.
- 5) Institutional Capacity Development

The Authority develops Annual Work Plans (AWPs) based on the above 5 KRAs. KCAA undertakes assessment of performance based on the AWP on a quarterly basis, and a summative assessment annually. Budget allocation is made on the targets in the AWP and form the basis upon which Performance Contracts are developed. KCAA performance against the set targets for FY 2024-25 is presented in Table 1:

**Table 1: Key Highlights in the Implementation of the Strategic Plan**

Strategic Pillar	Strategic Objective	Strategies	Achievement
A Vibrant Policy, Legal and Regulatory Environment	Establish mechanisms for an efficient, sustainable and competitive air transport industry	a) Support the development and implementation of air transport Policies and Plans. b) Develop and implement Air Operators surveillance programme/plan. c) Implement licensing and approval/authorization obligations. d) Monitor facilitation of air transport services at airports. e) Support the development of the Air Transport Market.	a) Undertook license and approval obligations and issued; <ol style="list-style-type: none"> <li>i) 190 Air Service Licenses;</li> <li>ii) 239 Aircraft Lease Approvals; and</li> <li>iii) 5,282 Ad hoc Permits.</li> </ol> b) Carried out surveillance and inspections of airports (20), local airlines (66), and foreign airlines (32). c) During the FY, <ol style="list-style-type: none"> <li>i) Passenger traffic increased by 2.05%;</li> <li>ii) Volume of cargo increased by 1.28%; and</li> <li>iii) Aircraft movements increased by 1.68%.</li> </ol>
	Develop, review and implement an effective legal	a) Review of the Civil Aviation Act. b) Develop and review civil aviation regulations.	a) Amalgamated the Civil Aviation Act 2013 and the Civil Aviation (Amendment) Act 2016.

Strategic Pillar	Strategic Objective	Strategies	Achievement
	and regulatory framework	c) Develop, review, and implement Technical Guidance Materials.	<p>b) Review and development of the Civil Aviation Bill which is awaiting forwarding to the Ministry for promulgation.</p> <p>c) In line with the Statutory Instruments Act requirement, the Authority undertook a regulatory impact assessment for the 39 regulations that were submitted to the Ministry.</p> <p>d) Developed and reviewed Technical Guidance Materials (TGMs) to support operations of the industry.</p>
	Establish and implement an effective aviation safety oversight system	<p>a) Implement and maintain the State Safety Programme and Plans.</p> <p>b) Enhance the level of compliance with ICAO and other international aviation safety requirements.</p> <p>c) Undertake initial and continuous licensing, certifications, authorizations, and approval obligations.</p> <p>d) Enhance implementation of surveillance and quality control obligations.</p> <p>e) Enhance the resolution of safety issues and concerns.</p>	<p>a) Completed 13 CAPs (Flight Ops (4), Airworthiness (2), AAMLE (4), and PEL (3)).</p> <p>b) Implemented 451 surveillance activities against a target of 593 (76%).</p> <p>c) Undertook oversight activities on KQ, JKIA and MIA for purposes of maintenance of FAA Category 1 status.</p> <p>d) Held sensitization workshops with the County Governments of Kilifi, Mombasa Kajiado, Samburu, Wajir and Narok on various aspects of aviation safety oversight.</p> <p>e) Undertook initial and continuous certifications; (AOC Issue – 6; AOC Renewals – 68; Aircraft additions – 7; AMO – 63; COA – 773; Aerodromes – 183; Personnel licenses – 7,899; and ATOs – 16).</p>
	Establish and implement an effective aviation security oversight system	<p>a) Implement and maintain the National Civil Aviation Security Programme (NCASP).</p> <p>b) Enhance the level of compliance with ICAO and other international aviation security requirements.</p> <p>c) Undertake initial and continuous licensing, certifications, authorizations, and approval obligations.</p> <p>d) Enhance implementation of surveillance and quality control obligations.</p> <p>e) Enhance the resolution of security issues and concerns.</p>	<p>a) Implemented one (1) ICAO USAP CAP out of seven (7) pending CAPs.</p> <p>b) Carried out 104 surveillance activities against a target of 76 (136%).</p> <p>c) Undertook oversight activities on KQ, JKIA and MIA &amp; upstream validation activities (5) at Foreign Airports Operated by KQ including JF Kenedy International Airport for the purpose of maintaining FAA Category I Status.</p> <p>d) Participated in the quarterly National Aviation Security Committee (NAVSEC) meetings.</p> <p>e) Undertook initial and continuous certifications (regulated agents – 20; ground handlers – 6; security inspections –</p>

**KCAA Staff Mortgage Scheme**  
**Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025**

Strategic Pillar	Strategic Objective	Strategies	Achievement
			126; security audits – 21; security service providers – 16; security training centres – 4; approved security programmes – 123; security personnel – 1,118; )
	Influence international decisions on aviation	<ul style="list-style-type: none"> <li>a) Increase the level of contribution by Kenya to global aviation development.</li> <li>b) Collaborate with other states to enhance aviation safety and Security.</li> <li>c) Collaborate with ICAO to develop Kenya's Aviation Industry.</li> <li>d) Strengthen and maintain Kenya's presence at ICAO HQs and other international bodies</li> </ul>	<ul style="list-style-type: none"> <li>a) Conducted OJT for seven (7) Inspector trainees from Kenya, Eswatini, Uganda and Tanzania.</li> <li>b) Submitted air transport data to ICAO.</li> <li>c) Participated in various ICAO and AFCAC experts WG meetings and presented Kenya's position.</li> <li>d) Made voluntary contributions through participation in developments of SARPS in Technical working groups of ICAO.</li> <li>e) Made payment of Kenya's yearly assessed contribution to ICAO.</li> <li>f) Collaborated with ICAO on various issues to develop Kenya's Aviation Industry including Environment, Safety, ICAO Public Key Directory (PKD), ANS and Cooperation programs.</li> </ul>
	Establish and implement mechanisms for environmental conservation and protection	<ul style="list-style-type: none"> <li>a) Enhance compliance with international obligations on environmental protection in the aviation sector.</li> <li>b) Implement the Kenya State Action Plan on environment protection in the Aviation sector.</li> <li>c) Develop and implement internal policies and action plans on Environment and Climate Change.</li> </ul>	<ul style="list-style-type: none"> <li>a) Developed a Draft Environment and climate change policy and CORSIA Manual of implementing standards.</li> <li>b) Hosted and participated in various international events aimed at promoting the acceleration of development &amp; deployment of Sustainable Aviation Fuel (SAF) including UNFCCC, CAEP, SAF NSC Working Group, ACT CORSIA, EU CORSIA, AFC-ENI SAF.</li> <li>c) Completed the ICAO Compliance Checklist and Electronic Filing of Differences (CC/EFOD) on all Annexes relating to environmental protection.</li> <li>d) Compiled Emissions data and uploaded into the ICAO CCR system.</li> </ul>
Airspace, Equipment, and Infrastructure Development	Modernize systems and equipment	<ul style="list-style-type: none"> <li>a) Review and implement a modernization plan for systems and equipment.</li> <li>b) Review and implement a maintenance plan for systems and equipment.</li> </ul>	<ul style="list-style-type: none"> <li>a) Achieved overall availability of ANS equipment and systems of 98.14%.</li> <li>b) Modernization and upgrade of equipment and systems are ongoing.</li> <li>c) Maintenance of equipment and systems is undertaken regularly to ensure functionality and improve performance.</li> </ul>

**KCAA Staff Mortgage Scheme**

**Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025**

Strategic Pillar	Strategic Objective	Strategies	Achievement
	Develop and maintain buildings, facilities, and Infrastructure	<ul style="list-style-type: none"> <li>a) Improve land management and utilization.</li> <li>b) Develop and implement a building and facilities policy.</li> <li>c) Develop and implement a master plan for buildings, facilities and infrastructure improvement including maintenance</li> </ul>	<ul style="list-style-type: none"> <li>a) Construction of Kisumu Airport Air Traffic Control Tower has progressed to 86%.</li> <li>b) Engaged a consultant to develop EASA land use Master Plan and final report prepared. Renovation and routine maintenance for other buildings, facilities and installations undertaken on a regular and need basis.</li> </ul>
	Maintain airspace safety	<ul style="list-style-type: none"> <li>a) Provide quality aeronautical information products.</li> <li>b) Implement standards and operating procedures (SOPs).</li> <li>c) Implement effective safety management systems.</li> <li>d) Manage Search and Rescue Operations efficiently.</li> <li>e) Implement ATM Security Programme.</li> </ul>	<ul style="list-style-type: none"> <li>a) Provided ATC services during the Safari World Rally Championships.</li> <li>b) Published AIP Amendment No. 2 of the 3rd Edition.</li> <li>c) Published 31 AIP Supplements and promulgated 446 NOTAMs.</li> <li>d) Registered four hundred and eight six (486) new Emergency Beacons and trained 10 staff to enhance SAR capacity.</li> <li>e) Undertook mapping of SAR assets in the following areas: Nyeri, Laikipia, Marsabit, Samburu, Narok, Kajiado, Mwingi, Kitui, Garissa, Kwale, Taveta and Lamu.</li> <li>f) Carried out internal ATS audits on eleven (11) ATS Units.</li> </ul>
	Optimize airspace operational capacity	<ul style="list-style-type: none"> <li>a) Implement Operational Performance Management System (OPMS)</li> <li>b) Undertake systematic and regular reviews of airspace and air route's structure.</li> <li>c) Improve coordination, planning and implementation of ANS strategies.</li> </ul>	<ul style="list-style-type: none"> <li>a) Reviewed KCAA Airspace Masterplan in line with ICAO Regional and Global Air Navigation Plan (GANP) for domestication (draft developed awaiting approval).</li> <li>b) Reviewed the Mombasa and Malindi instrument flight procedures.</li> <li>c) Participated in the ICAO ESAF ASBU Implementation Dashboard and updated the State ASBU Dashboard.</li> </ul>
Aviation Training	Enhance the quality of aviation training	<ul style="list-style-type: none"> <li>a) Enhance the existing mechanisms for course development and review.</li> <li>b) Ensure a robust quality management framework.</li> <li>c) Enhance capacity for training delivery.</li> <li>d) Enhance partnerships and collaborations for aviation training.</li> </ul>	<ul style="list-style-type: none"> <li>a) Developed the following courses; <ul style="list-style-type: none"> <li>i) Facilitation (airport Perspective);</li> <li>ii) AVEL General English; Fundamentals of CNS/ATM Systems; and</li> <li>iii) Air Navigation Concept.</li> </ul> </li> <li>b) Developing the following courses; <ul style="list-style-type: none"> <li>i) ANS Flight Procedure Design Inspector Course (60%);</li> <li>ii) Search and Rescue Administration Course (80%);</li> </ul> </li> </ul>

**KCAA Staff Mortgage Scheme**  
**Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025**

Strategic Pillar	Strategic Objective	Strategies	Achievement
			<p>iii) ANS Flight Procedure Design Inspector Course (stage 2).</p> <p>c) Active MOUs under implementation; Moi university; SAA; Incheon Airport Aviation Academy; EAMAC Niger; Botswana CAA; SATNAV JPO; USIU; and Kenya Defense Forces.</p> <p>d) EASA active Certifications and accreditations; ICAO Training Centre of Excellence (TCE); Approved Training Organization (ATO); ISO 9001:2015; TVETA; ICAO ASTC; NITA; and ATA.</p> <p>e) Student enrolment increased by 9.07% from 3,109 in 2023/24 to 3,391 in 2024/25.</p> <p>f) Held the 10th EASA Graduation ceremony where 423 Students graduated compared to 238 who graduated in 2023.</p>
	Improve Student Welfare	<p>a) Enhance and maintain co-curricular programs and activities.</p> <p>b) Develop a mechanism for psycho-social support.</p>	<p>a) Promoted student welfare at EASA through engaging coaches for various disciplines - basketball, football, handball.</p> <p>b) Students participated in various co-curricular activities including football and basketball tournaments, KETISA Games in Londiani, career talks, athletics, swimming and Music Festivals.</p> <p>c) Students facilitated to undertake the following activities: exchange programmes, Students Council Elections; and Students leaders training.</p>
Corporate Image and Reputation	Enhance brand resonance, visibility, and corporate image	<p>a) Enhance brand resonance and visibility.</p> <p>b) Institutionalize Corporate Social Responsibility.</p> <p>c) Nurture and enhance strategic partnerships and collaborations.</p> <p>d) Lobby for hosting international events.</p>	<p>a) Held digital Media campaigns involving Twitter, Facebook, Instagram, and YouTube.</p> <p>b) Hosted and participated in several national and international events aimed at improving KCAA visibility and aviation footprint.</p> <p>c) Participated in various ICAO high level meetings.</p> <p>d) Undertook several Corporate Social Responsibility projects aimed at improving the brand image and reputation.</p>
	Enhance Customer Experience and	a) Implement measures to improve customer satisfaction.	a) KCAA is continuously implementing QMS procedures to maintain ISO Compliance.

Strategic Pillar	Strategic Objective	Strategies	Achievement
	Quality Management	b) Develop and implement quality management systems (QMS)	b) Facilitated both the Internal Audit Department and the Office of Auditor General to undertake audit activities. c) Re-engineered the following management procedures; i) Licensing of AMEL approval; and ii) Continuous surveillance of AMOs.
	Protect Aviation consumers rights	a) Enhance the rights and interests of aviation consumers (air operators and consumers)	a) Developed draft Consumer Protection Strategy. b) All registered consumer complaints processed, resolved and reports submitted to CAJ every quarter.
Institutional Capacity Development	Attract and retain skilled, competent, and high performing workforce	a) Attract skilled, competent, and motivated workforce. b) Manage staff performance for improved productivity. c) Review, enhance and inculcate a positive work culture. d) Review and implement an effective staff capacity development programme. e) Enhance a conducive and enabling work environment	a) Prepared and implemented the Board Performance Contract for FY 2024/25. quarterly implementation progress reports were. The Board PC had 32 targets, and 27 targets were fully achieved. b) Undertook evaluation of FY 2023/24 Performance Contract and the Authority registered a good score. c) Granted approval, by the Public Service Commission for the following HR instruments: i) The Organization Structure. ii) The Career Guidelines. iii) The Human Resource Policies and Procedures Manual. iv) Establishment of Kenya's ICAO Mission Office d) Undertook various capacity-building programmes to address identified skill gaps and improve staff performance. Within the FY, 640 Staff, against a target of 687 staff in the annual training plan, were trained locally and abroad. e) Ongoing implementation of various Staff welfare programmes including provision of staff tea, clean drinking water, medical health insurance, housing mortgage facility, pension scheme, car loan scheme, group life insurance, group accident insurance, last expense policies, gym and creches for nursing mothers.

**KCAA Staff Mortgage Scheme**  
**Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025**

Strategic Pillar	Strategic Objective	Strategies	Achievement
	Digitalise systems and processes	<p>a) Review and implement ICT Policy and Strategy.</p> <p>b) Automate, integrate and upgrade key business processes</p> <p>c) Upgrade and modernize ICT equipment and infrastructure</p>	<p>a) Ensured all financial transactions are conducted through the e-Citizen platform as per Govt policy.</p> <p>b) There is ongoing installation of the Integrated Student Management System to automate and integrate the academic and administration processes at EASA. The project is 85% complete.</p> <p>c) Developed the Integrated Civil Aviation Authority System (ICAAS) which has automated performance of the following processes;</p> <ul style="list-style-type: none"> <li>i) Creation and approval of the Surveillance Programme</li> <li>ii) Creation and approval of Inspection Plans</li> <li>iii) Creation of Inspection Tasks.</li> <li>iv) Tracking and closure of inspection findings</li> </ul> <p>d) Initiated process for automation of Aviation Safety and Security regulatory processes.</p>
	Promote prudent financial management	<p>a) Enhance and harness revenue sources.</p> <p>b) Increase efficiency in expenditure management, budget utilization and finance operations.</p> <p>c) Optimize returns on assets.</p>	<p>a) Budget absorption rate was 87.6% (Recurrent 89.0%; Development 81.3%).</p> <p>b) The actual revenues collected were Ksh. 11,317,091,008 against a target of Ksh. 11,233,467,217 representing above target achievement of Ksh. 83.62 million (07.4%).</p>
	Strengthen the supply chain system	<p>a) Implement procurement processes in compliance with requirements.</p> <p>b) Enhance inventory/stores management and disposal of assets.</p> <p>c) Establish mechanisms to enhance contract management processes</p>	<p>a) Value of tenders awarded to Youth, Women and PWD was Ksh. 330,464,093.61 against a target of Ksh. 253,062,951.83 exceeding the AGPO target of 30%.</p> <p>b) Value of goods, works and services procured from the local market was Ksh. 504,490,517.91 against a target of Ksh. 363,654,110.27 exceeding the target of 40%.</p> <p>c) Reports on procurement activities submitted to Public Procurement Regulatory Authority (PPRA), the National Council for People with Disabilities (NCPWD) and Ministry of Industry, Trade, and Investments.</p>

Strategic Pillar	Strategic Objective	Strategies	Achievement
	Mainstream Research, Science, Technology, Innovation & Knowledge Management in service delivery	a) Develop and implement a framework to promote and support Research, Technology and Innovation, (RSTI). b) Harness organizational knowledge for business sustainability	a) Reviewed the KCAA Research, Science, Technology and Innovation (RSTI) Strategy. b) In collaboration with KAA and KNBS, undertaking a study that aims to measure the contribution of Civil Aviation on Kenya's economy and establish a Civil Aviation Satellite Account for Kenya. c) Implemented the KCAA STI Annual Work Plan and submitted quarterly reports to NACOSTI. d) Undertook benchmarking visits to KenGen and KRA on the implementation of Knowledge Management and Research activities.
	Strengthen the risk management framework	a) Review and implement an effective Risk Management Framework. b) Review and implement an Authority-wide Business Continuity and Disaster Preparedness (BC&DP) Plan	a) KCAA continuously implements an effective Institutional Risk Management Framework (IRMF) to transform the Authority into a Risk Intelligent entity. b) Strengthening the Authority Risk Management capacity through training of four (4) Risk Management Champions (RMCs).
	Enhance assurance and advisory services offered by internal audit function	a) Enhance governance of the internal audit function in line with legislative/ government requirements and best practices. b) Enhance IAD capacity to provide effective assurance and advisory services. c) Review and implement effective and efficient Internal Audit processes that incorporate emerging technologies.	a) Level of implementation of Annual Internal Audit Plan was 98% against a target of 90%. b) Utilizes Teammate+ auditing management system. As of 2 <sup>nd</sup> July 2025, the number of open CAPs was 178. c) Frequent Audits carried out on various functions and internal Audit Reports presented to the Board.
	Enhance good governance and compliance practices	a) Implement relevant governance laws, regulations, policies, and circulars. b) Enhance capacity building on corporate governance at Board and Management level. c) Ensure effective communication between Management and Board d) Review and implement Board and Board Committees Charters	a) Engaged the Institute of Certified Secretaries (ICS) to conduct the legal audit. b) Performance of the Board was evaluated by State Corporation Advisory Committee (SCAC) in 22 <sup>nd</sup> August 2024.

***KCAA Staff Mortgage Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025***

Strategic Pillar	Strategic Objective	Strategies	Achievement
	Improve efficiency and effectiveness in Project Management	a) Enhance project conception and planning. b) Ensure effective implementation, monitoring and evaluation of projects.	a) Progressed with implementation of projects planned for FY 2024/25. b) Prepared concepts notes for projects planned for implementation in FY 2025/26 and submitted to the Ministry for approval. c) Concepts notes with value of more than Ksh.500 million were forwarded to the National Treasury for approval.

**6. Management Discussion and Analysis**

- The KCAA Staff Mortgage scheme has been in operation since 2014 when the scheme was set up. Several staff member have benefited from the scheme in acquiring houses and plots as well as building their own homes. During the year 18 members of staff were advanced loans to purchase and/or construct own houses and Ksh 127.9 million were disbursed.
- As per the bankers, the amount outstanding as loans disbursed at end of the financial year was Ksh 648.7 million, with principal repayments during the year amounting to Ksh 92.18 million.
- As it is a check-off system, the repayments by staff have been remitted on time by the Authority to the bank.
- The scheme has been outsourced to KCB Bank Ltd mortgages division which is capable of assessing the inherent risk of default by a borrower since they have been in the industry for long.
- The Authority does not foresee any changes to the running of the scheme.

**7. Report of The Mortgage Scheme Administration Committee**

The Mortgage Scheme Administration Committee submit their report together with the Annual financial statements for the year ended June 30, 2025 which show the state of the Mortgage Scheme's affairs.

**Principal activities**

The principal activities of the scheme are to offer mortgage facility to the staff of the Authority.

**Performance**

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


**Administration Committee**

The members of the Administration Committee who served during the year are shown on page III.

**Auditors**

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

By Order of the Board



.....

**Emile N. Arao**  
**Chair of the Fund Administration Committee**

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

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Mortgage Scheme established by Civil Aviation Act 2013 shall prepare financial statements for the Mortgage Scheme in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Mortgage Scheme is responsible for the preparation and presentation of the Mortgage Scheme's financial statements, which give a true and fair view of the state of affairs of the Mortgage Scheme as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Mortgage Scheme, (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 Mortgage Scheme; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Mortgage Scheme accepts responsibility for the Mortgage Scheme'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 Civil Aviation Act 2013. The Administrator of the Mortgage Scheme is of the opinion that the Mortgage Scheme's financial statements give a true and fair view of the state of Mortgage Scheme's transactions during the financial year ended June 30, 2025, and of the Mortgage Scheme's financial position as at that date.

The Administrator further confirms the completeness of the accounting records maintained for the Mortgage Scheme, which have been relied upon in the preparation of the Mortgage Scheme's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Mortgage Scheme has assessed the Mortgage Scheme's ability to continue as a going concern. Nothing has come to the attention of the


***KCAA Staff Mortgage Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025***


---

Administrator to indicate that the Mortgage Scheme 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 Mortgage Scheme's financial statements were approved by the Board on 11/12/ 2025 and signed on its behalf by:

  
.....  
**Emile N. Arao**  
**Chairman of the Mortgage Scheme**

  
.....  
**CPA David I. Ndung'u**  
**ICPAK M/No. 7963**  
**Mortgage Scheme Administrator**

# REPUBLIC OF KENYA



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

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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA CIVIL AVIATION AUTHORITY STAFF 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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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

#### **Opinion**

I have audited the accompanying financial statements of KCAA Staff Mortgage Scheme set out on pages 1 to 18, which comprise of the statement of financial position as at 30 June, 2025 and the statement of 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, the financial statements present fairly, in all material respects of KCAA Staff 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 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the KCAA Staff 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 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. There were no key audit matters to report in the year under review.

### **Other Information**

The Management is responsible for the Other Information set out on page iii to xx which comprise of Key Mortgage Scheme Information and Management, Management Team, Report of the Mortgage Scheme Administrator, Statement of Performance Against Predetermined Objectives, Management Discussion and Analysis, Report of the Mortgage Scheme Administration Committee and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Scheme'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 thereon.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion

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

### **Basis for Conclusion**

#### **Non-Compliance with Public Sector Accounting Standards Board Reporting Template**

The non-financial information in page iii to page xx have not been prepared strictly in accordance with the Public Sector Accounting Standards Board (PSASB) prescribed reporting template. The sub headings on Management Discussion and Analysis to Report of the Independent Auditor were inconsistent with the corresponding page numbers. The details and passport photos of the, Mortgage Scheme Administration Committee, Management Team and chairman's Report were omitted in the financial statements.

In the circumstances, Management was in breach of the PSASB reporting guidelines.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of 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 Scheme'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.

The Board of Directors is responsible for overseeing the Scheme'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

18 December, 2025

*KCAA Staff Mortgage Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*

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

	Note	2025	2024
		Kshs.	Kshs.
Revenue from exchange transactions			
Interest income	15.6	2,573,699	4,968,248
<b>Total revenue</b>		<b>2,573,699</b>	<b>4,968,248</b>
Expenses			
Finance costs		-	1,065
<b>Total expenses</b>		<b>-</b>	<b>1,065</b>
<b>Surplus for the year</b>		<b>2,573,699</b>	<b>4,967,183</b>

The notes set out on pages 5 to 22 form an integral part of these Financial Statements.

The financial statements were approved on 11/12/2025 by:



**Emile N. Arao**  
Chairman of the Mortgage  
Scheme

Date 11/12/2025



**Martin Kivui**  
Mortgage Scheme Manager

Date 11/12/2025



**CPA David I. Ndung'u**  
ICPAK M/No. 7963  
Mortgage Scheme  
Administrator

Date 11/12/2025

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

	2024	2025	2025
	2024	KSh.	KSh.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	15.7	55,623,783	109,310,932
<b>Total Current Assets</b>		<b>55,623,783</b>	<b>109,310,932</b>
<b>Non-current assets</b>			
Receivables from exchange transactions	15.8	648,711,815	592,450,968
<b>Total Non-Current Assets</b>		<b>648,711,815</b>	<b>592,450,968</b>
<b>Total assets (A)</b>		<b>704,335,598</b>	<b>701,761,900</b>
<b>Represented By:</b>			
Mortgage revolving Mortgage Scheme		704,335,598	701,761,900
<b>Net Assets</b>		<b>704,335,598</b>	<b>701,761,900</b>

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

The Mortgage Scheme financial statements were approved on 11/12/2025 2025 and signed by:



**Emile N. Arao**  
Chairman of the Mortgage Scheme

Date 11/12/2025



**Martin Kivui**  
Mortgage Scheme Manager

Date 11/12/2025



**CPA David I. Ndung'u**  
ICPAK M/No. 7963  
Mortgage Scheme Administrator

Date 11/12/2025

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

	Mortgage Scheme	Total
	Kshs.	Kshs.
As at 1 July 2023	696,794,717	696,794,717
Interest capitalized*	4,967,183	4,967,183
As at 30 June 2024	701,761,900	701,761,900
As at 1 July 2024	701,761,900	701,761,900
Interest capitalized*	2,573,699	2,573,699
As at 30 June 2025	704,335,598	704,335,598

**13. Statement of Cash Flows for the year ended 30th June 2025**

	Note	2025	2024
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received	15.6	2,573,699	4,968,248
Other income			
<b>Total receipts</b>		<b>2,573,699</b>	<b>4,968,248</b>
<b>Payments</b>			
Finance cost		-	(1,065)
<b>Total payments</b>		<b>-</b>	<b>(1,065)</b>
<b>Net cash flow from operating activities</b>		<b>2,573,699</b>	<b>4,967,183</b>
<b>Cash flows from investing activities</b>			
Loan disbursements paid out		(71,977,604)	(81,879,254)
<b>Net cash flows used in investing activities</b>		<b>(71,977,604)</b>	<b>(81,879,254)</b>
<b>Cash flows from financing activities</b>			
Receipts into the mortgage revolving Mortgage Scheme		15,716,756	-
<b>Net cash flows used in financing activities</b>		<b>15,716,756</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(53,687,149)</b>	<b>(76,912,071)</b>
Cash and cash equivalents at 1 July 2024		109,310,932	186,223,003
<b>Cash and cash equivalents at 30 June 2025</b>		<b>55,623,783</b>	<b>109,310,932</b>

*KCAA Staff Mortgage Scheme fund  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
<b>Budget carryovers from the previous year*</b>	-	1,09,310,932	109,310,932	109,310,932	-	
<b>Receipts</b>						
Interest income	9,319,942	(6,800,000)	2,519,942	2,573,699	(53,757)	102%
Other income						
<b>Total Revenue</b>	<b>9,319,942</b>	<b>102,510,932</b>	<b>111,830,874</b>	<b>111,884,631</b>	<b>(53,757)</b>	<b>100%</b>
<b>Expenses</b>						
Finance cost						%
<b>Expenditure</b>						%
<b>Surplus for the period</b>				<b>111,884,631</b>		

<b>Budget Reconciliation</b>	<b>Kshs</b>
Actual as per statement of Budget	111,884,631
Less : Loan Disbursements – Paid Out	(71,977,604)
Add: Receipts into Mortgage Revolving Scheme	15,716,756
<b>Closing Cash and Cash Equivalent as per Statement of Cashflow.</b>	<b>55,623,783</b>

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

### **15.1 General Information**

The KCAA Staff Mortgage Scheme is established by and derives its authority and accountability from Civil Aviation Act 2013. The Mortgage Scheme is wholly owned by the Kenya Civil Aviation Authority and is domiciled in Kenya. The Mortgage Scheme's principal activity is offering loans to staff to acquire houses and plots.

### **15.2 Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Mortgage Scheme's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 15.5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Mortgage Scheme. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### **15.3 Adoption of New and Revised Standards**

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

There are no new standards effective in the FY.

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

**KCAA Staff Mortgage Scheme fund**  
**Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025**

Standard	Effective date and impact
<p>IPSAS 43: Leases</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></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>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></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 performance.</p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46: Measurement</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ol> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p><i>Applicable 1<sup>st</sup> 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>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p><i>Applicable 1<sup>st</sup> 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>

*iii. Early adoption of standards*

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

**15.4 Significant Accounting Policies**

**a. Revenue recognition**

**Revenue from exchange transactions**

**Interest income**

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

**b. 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 scheme does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the scheme’s financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial

asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## **I. Financial assets**

### **Classification of financial assets**

The entity classifies its financial assets as subsequently measured at 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.

### **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 15.4.

## **II. Financial liabilities**

### **Classification**

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

#### **d) Contingent liabilities**

The Mortgage Scheme 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.

#### **e) Contingent assets**

The Mortgage Scheme 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 Mortgage Scheme 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.

#### **f) Nature and purpose of reserves**

The Mortgage Scheme creates and maintains reserves in terms of specific requirements.

#### **g) Changes in accounting policies and estimates**

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

#### **h) Related parties**

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

**i) 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.

**j) Comparative figures**

The comparative figures are embedded in the main financial statements of the Kenya Civil Aviation Authority.

**15.5 Significant judgments and sources of estimation uncertainty**

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

**a) Estimates and assumptions.**

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

**b) Useful lives and residual values**

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

- i) The condition of the asset is based on the assessment of experts employed by the Mortgage Scheme

**KCAA Staff Mortgage Scheme fund**  
**Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025**

- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funds to replace the asset
- v) Changes in the market in relation to the asset

**15.6 Interest income**

Description	2025	2024
	Kshs.	Kshs.
Interest Income from Mortgage Loans	2,573,699	4,968,248
<b>Total Interest Income</b>	<b>2,573,699</b>	<b>4,968,248</b>

**15.7 Cash and cash equivalents**

Description	2025	2024
	Kshs.	Kshs.
KCAA Mortgage Account 1159226555	55,623,783	109,310,932
<b>Total Cash and Cash equivalents</b>	<b>55,623,783</b>	<b>109,310,932</b>

**15.8 Receivables from exchange transactions**

Description	2025		2024	
	Kshs.	% of Total	Kshs.	% of total
<b>Current Receivables</b>				
Interest Receivable				
Current Loan Repayments Due	69,830,873		58,977,176	
Other Exchange Debtors			-	
Less: Impairment Allowance			-	
<b>Total Current Receivables</b>	<b>69,830,873</b>		<b>58,977,176</b>	
<b>Non-Current Receivables</b>				
Long Term Loan Repayments Due	578,880,941		533,473,792	
<b>Total Non- Current Receivables</b>	<b>578,880,941</b>		<b>533,473,792</b>	
<b>Total Receivables</b>	<b>648,711,815</b>		<b>592,450,968</b>	
<b>Ageing analysis (receivable from exchange transactions)</b>				
	<b>2025</b>	<b>% of Total</b>	<b>2024</b>	<b>% of total</b>
Less than 1 year	69,830,873	11%	58,977,176	10%
Between 1-2 years	139,661,748	22%	117,954,352	20%
Between 2-3 years	209,492,621	32%	176,931,529	30%
Over 3 years	229,726,572	35%	238,587,911	40%
<b>Total (tie to totals above)</b>	<b>648,711,815</b>	<b>100%</b>	<b>592,450,968</b>	<b>100%</b>

### 15.9 Net cash flows from operating activities

	2025	2024
	Ksh	Ksh
<b>Surplus for the year before tax</b>	<b>2,573,699</b>	<b>4,967,183</b>
<b>Net cash flow from operating activities</b>	<b>2,573,699</b>	<b>4,967,183</b>

### 15.10 Financial risk management

The Mortgage Scheme's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Mortgage Scheme'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 Mortgage Scheme 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 Mortgage Scheme's financial risk management objectives and policies are detailed below:

#### a) Credit risk

The Mortgage Scheme 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 Mortgage Scheme'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 Mortgage Scheme's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

**KCAA Staff Mortgage Scheme fund**  
**Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025**

<b>Description</b>	<b>Total amount Kshs.</b>	<b>Fully performing Kshs.</b>	<b>Past due Kshs.</b>	<b>Impaired Kshs.</b>
<b>At 30 June 2025</b>				
Bank Balances	55,623,783	109,310,932	-	-

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 Mortgage Scheme has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Mortgage Scheme has significant concentration of credit risk on amounts due within five years

The board of trustees sets the Mortgage Scheme'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 Mortgage Scheme Administrator, who has built an appropriate liquidity risk management framework for the management of the Mortgage Scheme's short, medium, and long-term funding and liquidity management requirements. The Mortgage Scheme manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

**c) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Mortgage Scheme 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 Mortgage Scheme'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 Mortgage Scheme's Finance Department is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

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

**d) Interest rate risk**

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

**Management of interest rate risk**

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

**Sensitivity analysis**

The Mortgage Scheme 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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax.

**e) Capital risk management.**

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

Description	2025	2024
	Kshs	Kshs
Revolving Mortgage Scheme	704,335,598	701,761,899
Accumulated surplus ( <i>Reserves</i> )	-	-

**KCAA Staff Mortgage Scheme fund**  
**Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025**

<b>Total Mortgage Schemes</b>	<b>704,335,598</b>	<b>701,761,899</b>
Less: cash and bank balances	55,623,783	109,310,932
Net debt/(excess cash and cash equivalents)	648,711,815	592,450,967
<b>Gearing</b>	<b>92%</b>	<b>84%</b>

**15.11 Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the Mortgage Scheme 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 Mortgage Scheme is related to the following entities:

- a) National Government
- b) Key Management.
- c) Mortgage Scheme Committee.

**15.12 Events after the Reporting Period**

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

**15.13 Ultimate and Holding Entity**

The Scheme is a staff Mortgage Scheme under the sponsorship of Kenya Civil Aviation Authority which is a State Corporation within the ministry of Roads and Transport, Kenya.

**15.14 Currency**

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

**16 Annexes**

**Annex I: Progress on Follow-Up of Prior Year Auditor’s Recommendations**

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

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Status (Resolved/ No Resolved)	Time frame (If a date when you expect the issue to be resolved)
N/A	N/A	N/A	N/A	N/A

  
 .....  
**Emile N. Arao**  
**Chairman of the Mortgage Scheme**

Date... 11/12/2025 .....