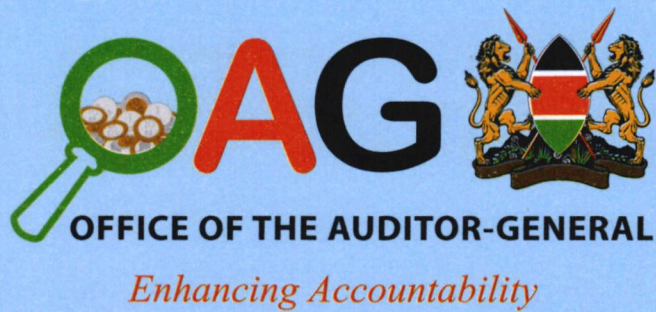


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**THARAKA NITHI COUNTY ASSEMBLY
MORTGAGE AND CAR LOAN FUND**

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

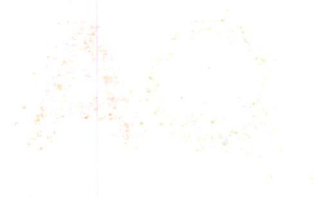
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**THARAKA NITHI COUNTY ASSEMBLY CAR LOAN AND MORTGAGE
FUND**

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

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

Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

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Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

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

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

Comparative Year- Means the prior period.

Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

2. Key Entity Information and Management

a) Background information

Tharaka Nithi County Assembly Car loan and Mortgage Fund is established by and derives its authority and accountability from Public Finance Management Act 2012 on January 2016. The Fund is wholly owned by the County Government of Tharaka Nithi and is domiciled in Kenya.

The fund's objective is to provide loans for the purchase, development, renovation or repair of residential houses to Members of County Assembly and Members of Staff.

b) Principal Activities

The principal activity for the County Assembly Car loan and Mortgage Fund is to disburse loans to the Members of the Tharaka Nithi County Assembly to facilitate them acquire residential property (Mortgage Loan) and motor vehicles (Car Loans).

Vision

To be a supreme, effective, efficient and self-sustaining County Assembly Fund Management Committee as a major participant in the process of good governance.

Mission

To facilitate Members of the Tharaka Nithi County Assembly Fund Management Committee to efficiently and effectively fulfil the Constitutional mandate in a representative system of Devolved Government.

Core Objectives

- (i) Professionalism and Team work
- (ii) Accountability
- (iii) Transparency and Integrity
- (iv) Courtesy
- (v) Efficiency and Responsiveness
- (vi) Prudent use of Resources

**Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Hon. John Mbabu	Chairperson
2	Hon. Marengo Luke Nyagah Njeru	Member
3	Hon. Kabii Jones Kinegeni	Member
4	Mr. Paul Thirika	Fund Administrator

d) Key Management team

Ref	Name	Position
1	Mr. Paul Thirika	Fund Administrator
2	Ms. Polly Kagendo Mbae	Fund Accountant

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

The fiduciary oversight arrangement was offered by;

- The County Assembly's Public Accounts Committee
- The National Audit Office

f) Registered Offices

Tharaka Nithi County Assembly
P.O Box 694-60400
Former Meru South County Council Offices,
Along Chuka-Meru Highway,
Chuka, Kenya.

g) Fund Contacts

Telephone: (254) 0202399828
E-mail: tharakanithicountyassembly@gmail.com
Website: www.tharakanithiassembly.go.ke

h) Fund Bankers

1. Kenya Commercial Bank
P.O Box 4- 60400,
Chuka, Kenya.

Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Key Entity and Management (Continued)

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




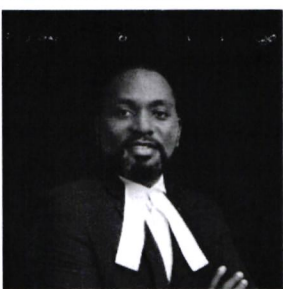
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

k) Principal Legal Adviser

County Assembly of Tharaka Nithi
P.O Box 694-60400
Chuka.



**Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

3. Fund Administration Committee

Name	Details of qualifications and experience
<p>1. Hon. John. Mbabu</p> 	<p>He is the Speaker of the County Assembly of Tharaka Nithi and the Chairperson to the County Assembly Service Board. He is also the Chairperson to the Car loan and Mortgage Committee.</p> <p>He holds a Bachelor's Degree in Business Administration with a working experience of over 20 years.</p>
<p>2. Hon. Marengo Luke Nyagah Njeru</p> 	<p>He is a Member of the County Assembly of Tharaka Nithi and the Leader of the Majority Party. He is also a Member to the Car Loans and Mortgage Committee.</p> <p>He holds a Diploma in Community Development and Social work. With a working experience of over 15 years.</p>
<p>3. Hon. Kabii Jones Kinegeni</p> 	<p>He is a Member of the County Assembly of Tharaka Nithi and the Majority Party Whip. He is also a Member to the Car Loans and Mortgage Committee.</p> <p>He holds O level and Computer proficiency certificates. With a working experience of over 15 years.</p>
<p>4. Mr. Paul Thirika</p> 	<p>He is the Clerk of the County Assembly of Tharaka Nithi and the Secretary to the County Assembly Service Board. He is also the Fund Administrator to the Car Loan and Mortgage Fund.</p> <p>He holds Master's degree in Business Administration with a working experience of more than 15 years and a continuing student of PHD.</p> <p>He has done management courses both at SMC and SLDP and he has previously served as Deputy Clerk.</p>

**Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

4. Management Team

Name	Details of qualifications and experience
<p>1. Mr. Paul Thirika</p> 	<p>He is the Clerk of the County Assembly of Tharaka Nithi and the Secretary to the County Assembly Service Board. He is also the Fund Administrator to the Car Loan and Mortgage Fund.</p> <p>He holds Master's degree in Business Administration with a working experience of more than 15 years and a continuing student of PHD.</p> <p>He has done management courses both at SMC and SLDP and he has previously served as Deputy Clerk.</p>
<p>2. Ms. Polly Kagendo Mbae</p> 	<p>She holds a Master Degree in Finance and is a CPK Finalist with over 15 years working experience.</p> <p>She is a Member of Staff in the County Assembly of Tharaka Nithi serving at the capacity of Director Finance and Accounting Services. She is also the Fund Accountant to the Car Loan and Mortgage Fund.</p> <p>She has done management courses both at SMC and SLDP.</p>

Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

5. Fund Chairperson's Report

It is my pleasure to present the Annual Report and Audited Financial Statements for the Tharaka Nithi County Assembly Car Loan and Mortgage Fund for the financial year ending 30th June 2025.


The Fund continues to be a cornerstone in supporting Members and staff of the County Assembly in accessing affordable financing for residential housing and vehicle acquisition. These facilities directly contribute to improving the welfare, dignity, and service delivery capacity of the Assembly.

During the year under review, the Fund experienced notable changes in its financial performance. While the revolving fund remained constant at Kshs. 86,974,460, a deficit of Kshs. 5,404,248 was recorded. This deficit arose from increased administrative expenses, which grew significantly to Kshs. 8,765,180 compared to Kshs. 3,020,309 in FY 2023/24, despite interest income remaining relatively strong at Kshs. 3,360,932.

Despite these challenges, the Fund continued to fulfill its mandate, disbursing loans worth Kshs. 23,041,386 while collecting repayments totaling Kshs. 31,094,295. This ensured a positive net cash flow from investing activities and demonstrated the ongoing sustainability of the Fund.

Looking forward, the Fund will prioritize cost containment, improved loan recovery mechanisms, and technology adoption to streamline operations. Strengthening oversight and aligning expenditures to revenue flows will be critical in restoring surplus and maintaining long-term sustainability.

We remain committed to transparency, accountability, and responsive service to our stakeholders. I thank all Members, staff, and stakeholders who contributed to the Fund's operations during this period.

Name John Mbabu Signature  Date 18/08/2025

Chairperson of the Fund

Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

6. Report of The Fund Administrator

As the Fund Administrator, I am pleased to present this report outlining the financial and operational performance of the Tharaka Nithi County Assembly Car Loan and Mortgage Fund for the financial year ended 30th June 2025. The Fund continued to deliver on its core mandate by offering affordable and accessible loan facilities to Members and staff of the County Assembly, contributing significantly to the realization of their housing and transportation goals.

The Fund recorded interest income of Kshs. 3,360,932 during the year, representing 97% of the budgeted amount. This performance demonstrates effective loan administration and high levels of borrower compliance. However, the Fund incurred administrative expenses amounting to Kshs. 8,765,180—more than double the previous year’s expenditure. This resulted in a net deficit of Kshs. 5,404,248 for the year.

Despite the deficit, the Fund remained financially viable and operationally active. Loan disbursements totaled Kshs. 23,041,386, while repayments amounted to Kshs. 31,844,085, ensuring a positive net cash inflow from investing activities. The loan book remains the Fund’s primary asset, with long-term receivables standing at Kshs. 84,371,539 and current receivables at Kshs. 10,942,221. The Fund’s cash and cash equivalents improved significantly to Kshs. 2,672,168 from Kshs. 129,893 in the previous year.

In response to challenges such as delayed repayments and rising operational costs, we are prioritizing the implementation of a digital loan management system. We also plan to enhance borrower sensitization programs to encourage timely repayments and reinforce the Fund’s revolving nature.

Looking ahead to FY 2025/26, the Fund’s strategic focus will include expanding access to mortgage loans, optimizing administrative costs, and investing in ICT infrastructure. We remain committed to ensuring the Fund operates within the framework of public financial management regulations and international accounting standards, while safeguarding its long-term sustainability.

**Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

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

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities 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 development objective of the Fund as per the regulation is to:

- a) Provide loans for the purchase, development, renovation or repair of residential

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of Mortgage facilities to Hon. Members and Staff	To provide loans for the purchase, development, renovation or repair of residential houses	Decent housing for Hon. Members and Staff	No of Hon. Members and Staff advanced loan facility to purchase residential houses	During FY,2023/24 Hon. Members accessed the facility and were able build their own houses

8. Corporate Governance Statement

During the review period, the Car Loans and Mortgage Management Committee held several meetings to evaluate loan applications and assess fund performance from the Speaker and Members of the County Assembly. The Committee's succession plan focuses on mobilizing adequate funds through budgetary allocations and partnerships with financial institutions, ensuring timely access to loans for Members and staff who meet the necessary requirements.

Although the Loan Management Committee currently lacks a formal charter, plans are underway to develop one. According to Section 6(1) of the Tharaka Nithi Car and Housing Fund Regulations, the Committee's membership is composed of the House Leadership. Consequently, if a member resigns or is removed from the House Leadership, their membership in the Loan Management Committee automatically ceases.

Section 6(5) of the Tharaka Nithi Car and Housing Fund Regulations outlines the roles and functions of the Loan Management Committee, which include processing loan applications according to existing borrowing terms and conditions, liaising with mortgage institutions to establish a revolving fund for loan disbursement, and supervising the day-to-day operations of the fund. Additionally, Sections 5(2) and 18(1) provide guidelines for utilizing the interest accrued from loan disbursements.

During the review period, the Committee approved loan disbursements to the Speaker and Members of the County Assembly who met the requirements. However, due to funding constraints, the disbursements were phased. The Committee did not conduct any induction or training sessions during this period but may do so in the future. All loans were disbursed in compliance with the Circular issued by the Salaries and Remuneration Commission, ensuring no conflicts of interest.

In conclusion, the Loan Management Committee operates according to the guidelines specified in the Regulations. Compliance is audited by the Office of the Auditor General, and a comprehensive report is submitted to the County Assembly Service Board.

9. Management Discussion and Analysis

During the financial year 2024/25, the Tharaka Nithi County Assembly Car Loan and Mortgage Fund continued to execute its primary mandate of providing affordable car loans and mortgage facilities to Members and staff of the Assembly. These loan products are instrumental in improving personal welfare, promoting homeownership, and supporting mobility, all of which contribute to enhanced productivity and service delivery.

The Fund recorded a relatively stable financial position, with a total revolving fund balance of Kshs. 86,974,460. However, the year ended with a financial deficit of Kshs. 5,404,248, driven mainly by a significant increase in administrative expenses to Kshs. 8,765,180. Interest income earned during the year was Kshs. 3,360,932, slightly lower than the previous year. Loan disbursements were valued at Kshs. 23,041,386, while repayments exceeded this at Kshs. 31,844,085, reflecting a healthy recovery rate and positive cash flow from investing activities.

The Fund's assets remained solid, with receivables from loan beneficiaries at Kshs. 95,313,760 and cash and cash equivalents increasing to Kshs. 2,672,168. These figures underscore the sustainability of the revolving fund model and affirm the Fund's capacity to meet future loan demands.

Operationally, the Fund faced challenges including delayed repayments and rising administrative costs. To address these, management has initiated the implementation of digital tools to improve efficiency and is reviewing administrative cost drivers. Loan processing and recovery frameworks are also being reviewed to improve turnaround times and reduce default risk.

The Fund operated in full compliance with the Public Finance Management Act, the Public Audit Act, and applicable accounting standards (IPSAS). Reports were submitted to relevant oversight bodies, including the Auditor General and County Treasury, in accordance with statutory timelines.

Moving forward, the Fund's strategic focus will be on enhancing operational efficiency, improving cost management, and leveraging technology for better loan administration. These measures are expected to reverse the current deficit trend and restore financial stability. The management remains committed to transparency, accountability, and responsible fund stewardship to ensure long-term success and continued support to the Assembly's Members and staff.

10. Environmental and Sustainability Reporting

1. Sustainability strategy and profile -

The County Assembly of Tharaka Nithi is dedicated to sustainable development, emphasizing economic growth, social equity, and environmental protection. Our strategy includes integrating environmental considerations into legislation, promoting community engagement, and optimizing resource efficiency. Key initiatives involve eco-friendly infrastructure, renewable energy support, and improved waste management. By prioritizing education and awareness, we aim to empower the community to adopt sustainable practices. Our goal is to ensure a resilient, thriving county that meets current needs while safeguarding the environment for future generations.

2. Environmental performance

The Fund Administration Committee recognizes that, due to the nature of the Fund's operations, its environmental impact is minimal. However, we are aware that our daily activities do have some environmental consequences. The Fund is committed to minimizing any negative effects and places great importance on developing and implementing environmental standards. Therefore, we strongly advocate for the internationally recognized 3Rs: Reduce, Reuse, and Recycle.

3. Employee welfare

The Fund's success hinges on our human capital, we prioritize recruiting, retaining, rewarding, and developing top talent. We emphasize creating a culture of safety, security, social responsibility, and environmental awareness, ensuring employees act with integrity and accountability in all their interactions. Comprehensive training helps employees value and support each other, fostering acceptance of cultural diversity. Robust support systems address diverse needs, reinforcing a sense of inclusion and respect within the organization.

Furthermore, we are dedicated to upholding gender parity, ensuring equal opportunities and representation for all genders. This commitment to diversity and inclusion not only enhances our work environment but also drives our overall success. By fostering a responsible and inclusive culture, we aim to maintain a cohesive, motivated workforce that contributes to our ongoing achievements.

4. Market place practices-

a) Responsible Competition Practices

The County Assembly of Tharaka Nithi is committed to maintaining responsible competition practices. This includes stringent anti-corruption measures to ensure transparency and accountability in all dealings. The Assembly actively avoids any form of corrupt practices and has established a zero-tolerance policy towards bribery and corruption. In terms of political involvement, the Assembly ensures that its engagements

are responsible and within the legal framework, avoiding any undue influence or bias. Fair competition is upheld by respecting all competitors, fostering an environment where ideas and policies can be freely shared and debated without fear of unfair practices.

b) Responsible Supply Chain and Supplier Relations

The County Assembly maintains high standards in its supply chain management, ensuring that all suppliers are treated fairly and with respect. The Assembly honors all contractual obligations and ensures timely payments to suppliers, promoting a healthy business relationship. This responsible approach not only builds trust but also encourages long-term partnerships. By adhering to fair payment practices and maintaining clear communication, the Assembly fosters a reliable and ethical supply chain.

c) Responsible Marketing and Advertisement

In all its communications and promotional activities, the County Assembly adheres to ethical marketing practices. This involves providing accurate and honest information about its initiatives and programs, avoiding any misleading or deceptive claims. The Assembly ensures that all marketing materials are respectful and uphold the dignity of all stakeholders involved. This commitment to ethical marketing helps build a trustworthy and credible reputation among the public and other stakeholders.

d) Product Stewardship

The County Assembly prioritizes safeguarding the rights and interests of its constituents. This includes ensuring that all services and products provided meet high standards of quality and safety. The Assembly actively engages with the community to understand their needs and feedback, continuously improving its offerings to better serve the public. Through these efforts, the Assembly demonstrates its commitment to product stewardship, ensuring that all constituents receive fair and beneficial services.

5. Corporate Social Responsibility / Community Engagements

During the fiscal year, the County Assembly of Tharaka Nithi did not conduct any formal Corporate Social Responsibility (CSR) activities. However, the Assembly remains committed to the principles of community engagement and social responsibility, recognizing the importance of these efforts in fostering positive relationships with the community and contributing to the overall well-being of society.

While there were no specific CSR initiatives undertaken, the Assembly engaged with the community through various channels, particularly in its core function of public participation. This engagement ensured that the voices of the citizens were heard and considered in the legislative process, promoting transparency and accountability in governance.

Although formal charitable giving and corporate social investment activities were not executed during the year, the Assembly continued to support the community indirectly through its public

Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

participation forums. These forums are designed to ensure that legislative decisions reflect the needs and priorities of the citizens, contributing to social equity and community development.

Looking forward, the Assembly aims to explore opportunities for more structured CSR activities in the coming years. These may include partnerships with local organizations, charitable giving, and direct community investments that align with the Assembly's commitment to enhancing the socio-economic well-being of the people of Tharaka Nithi.

Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

11. Report of the Fund Administrative Committee

The Fund Administration Committee submit the financial statements for the year ended 30th June 2025, which shows the state of the Fund affairs

Principal activities

The principal activities of the Fund are to administer a mortgage and car loan scheme for members of staff to access loan facilitates for purchase, development, renovation or repair of residential houses.

Performance

The performance of the Fund for the year ended June 30, 2025 are set out on page one (1).

Fund Administrative Committee

The Members of the Administrative Committee who served during the year are shown on page vi.

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.



.....
Chair of the Fund Administration Committee

Date: ...18/05/2025.....

12. Statement of Management’s Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Constitution, an Act of Parliament or county legislation shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Administrator of the County Public Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Tharaka Nithi County Assembly Housing Fund regulation 2018. The Administrator of the Fund is of the opinion that the Fund’s financial statements give a true and fair view of the state of Fund’s transactions during the financial year ended June 30, 2025, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation

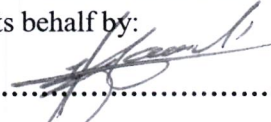
of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

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

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 16 August 2025 and signed on its behalf by:


.....
Administrator of the County Public Fund

REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON THARAKA NITHI COUNTY ASSEMBLY MORTGAGE AND CAR LOAN FUND FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the 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 the Lawfulness and Effectiveness in 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 the 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 of the Auditor-General on Tharaka Nithi County Assembly Mortgage and Car Loan Fund for the year ended 30 June, 2025

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tharaka Nithi County Assembly Mortgage and Car Loan Fund set out on pages 1 to 19, which comprise the statement of financial position as at 30 June, 2025 and the statement of performance, Statement of Changes in net assets, Statement of Cashflow 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Tharaka Nithi County Assembly Mortgage and Car Loan Fund as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Tharaka Nithi County Assembly Housing Fund Regulations, 2018 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Overdue Loans

As previously reported, the statement of financial position and as disclosed in Note 9 to the financial statements reflects long-term receivables from exchange transactions balance of Kshs.84,371,539. The balance includes prior year accrued principal loans totalling Kshs.6,090,980 in respect to car loan and mortgage for two (2) Members of staff who are no longer in employment. However, no provisions have been made for bad and doubtful debts and there was no evidence of follow-ups on outstanding loans through demand notes. Further, there were no documentary evidence to confirm the staff signed letters authorizing the Board to sell property in case of default.

In the circumstances, the accuracy and recoverability of the long-term receivables from exchange transactions balance of Kshs.6,090,980 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Tharaka Nithi County Assembly Mortgage and Car Loan Fund Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effects of the matter described in the Basis for Qualified Opinion section of my report, I have determined that there were no key audit matters to communicate in my report.

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not provided an explanation of how the issues were resolved. The issues have been reiterated as substantial paragraphs since they are recurring.

Other Information

The Management is responsible for the Other Information set out on page iii to xviii which comprise of Project Information and Overall Performance, Statement of Performance Against Fund's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project's Management 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 and I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Prepare Separate Financial Statements

As previously reported, the financial statement provided reports on both Tharaka-Nithi County Assembly Housing Loan and Car Loan (Members) Scheme Fund. However, audit review revealed that the Funds are established under separate Regulations and should be independently administered and reported on at the end of the financial year. Further, there was no policy on separation of loan disbursement between Members and Staff which has resulted to members of staff not obtaining loan from the Fund since 2016.

This is contrary to Regulation 18 (1) (a)(d) of the Tharaka Nithi County Assembly Housing Fund Regulations, 2018 which requires that the officer administering the Fund shall supervise and control the administration of the Fund; prepare, sign and transmit to the Auditor-General in respect of each financial year and within three (3) months after the end thereof, a statement of accounts relating to the Fund, specifying the income of the Fund and showing the expenditure incurred from the Fund, in such details as the Board may from time to time direct in accordance with the Public Finance Management Act;

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

2. Failure to Secure Mortgage Protection and Fire Policy on Loans

As previously reported, the statement of cash flows reflects loan disbursements amounting to Kshs.31,844,085. The amount represents total loans disbursed to the Members and staff of the County Assembly. However, the loan beneficiaries did not secure a mortgage protection insurance policy and fire insurance policy. This is contrary to Regulation 16(1) of the Tharaka Nithi County Assembly Housing Fund Regulations, 2018 which requires a borrower to take and maintain a mortgage protection policy and fire policy with an insurance firm approved by the Board, the cost of which shall be paid out of the Fund and debited in the borrower's account. Further, no documentary evidence exists in support of registered charges on properties acquired as required by Regulation 15 of the Public Finance Management (Tharaka Nithi County Assembly Housing Fund) Regulations, 2018.

In the circumstances, the Fund may be exposed in event of occurrence of the risk and Management is in breach of the law.

3. Failure to Register Charge on Properties

As previously reported, the statement of financial position reflects balance of outstanding loan disbursed to members and staff totaling to Kshs.95,313,760 as disclosed in Note 9 to the financial statements. However, review of loan records revealed that there was no documentary evidence in support of registered charges on properties acquired through the loan. This is contrary to Regulation 15(1) of the Tharaka Nithi County Assembly Housing Fund Regulations, 2018, which requires that Management of Fund shall register a charge on any property financed through a loan granted under these regulations and

such charge shall impose an obligation on the charge not mortgage, charge, surrender the lease or sell or agree to sell or part with possession of the charged property or any part thereof without the prior written consent of the Board.

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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Ineffective Internal Audit Function

As previously reported, although the Internal Audit Department was in existence at the County Assembly level, there were no approved internal audit charter, audit plan and audit reports on areas reviewed by the internal audit in respect to the Fund during the year.

In the circumstances, the assurance on effectiveness and efficiency of the internal controls in respect to the operations of the Fund is in doubt.

2. Use of Manual System in Loan Calculations

As reported in the previous years, Management still maintains manual accounts for each Member using Microsoft excel worksheet instead of a loan management software. The use of the manual system requires manual calculation of interest and loan balances by the human resource officers and constant monthly and/or annual updates of the data which could be prone to human error and manipulation contrary to Section 110(1)(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer for a county government entity shall institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity. Further, access controls to be instituted shall include (d)

use of multi-factor authentication including standardization of user primary identity linked to national identification numbers, payroll numbers and assigned responsibilities.

In the circumstances, the Individual Members accounts may easily be manipulated and therefore the accuracy of the account's balances could not be confirmed.

3. Irregular Interest on Car Loans and Mortgages of 3.5% Instead of 3%

Review of loan records revealed that management was charging an interest rate of 3.5% on loan repayments. However, this rate was higher than the maximum threshold of 3% as prescribed by Salaries and Remuneration Commission and the guiding regulations. This is contrary to Regulation 14.(1) of the Tharaka Nithi County Assembly Housing Fund Regulations, 2018 which require that the interest chargeable on a loan shall be three per centum per annum on a monthly reducing balance for the duration of the loan.

In the circumstances, effectiveness of internal controls could not be confirmed.

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

Responsibilities of the Management and the Fund Administration Committee

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.

Fund Administration Committee is 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

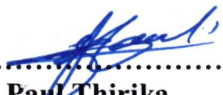
16 October, 2025

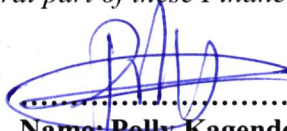
Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

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

Description	Note	FY 2024/25	FY 2023/24
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Revenue From Exchange Transactions			
Interest Income	6	3,360,932	3,829,473
Total Revenue		3,360,932	3,829,473
Expenses			
Use of goods and services	7	8,765,180	3,020,309
Total Expenses		8,765,180	3,020,309
Surplus/(Deficit) for the Period		(5,404,248)	809,164

(The notes set out on pages 1 to 5 form an integral part of these Financial Statements)


.....
Name: Paul Thirika
Administrator of the Fund

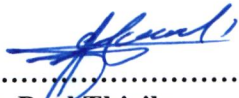

.....
Name: Polly Kagendo Mbae
Fund Accountant
ICPAK Member Number: 18586


**Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

15. Statement of Financial Position As at 30 June 2025

Description	Note	FY 2024/25	FY 2023/24
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	8	2,672,168	129,893
Current Portion of Long- Term Receivables from Exchange Transactions	9	10,942,221	5,906,985
Total current assets		13,614,389	6,036,878
Non-Current Assets			
Long Term Receivables from Exchange Transactions	9	84,371,539	97,353,298
Total non- current assets		84,371,539	97,353,298
Total Assets (A)		97,985,928	103,390,176
Represented By:			
Revolving Fund		86,974,460	86,974,460
Reserves			
Accumulated Surplus		11,011,468	16,415,716
Net Assets		97,985,928	103,390,176

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 18/08/2025 and signed by:


 Name: Paul Thirika
 Administrator of the Fund


 Name: Polly Kagendo Mbae
 Fund Accountant
 ICPAK Member Number: 18586

Tharaka Nithi County Assembly Car loan and Mortgage Fund
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16. Statement of Changes in Net Assets for the year ended 30th June 2025

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2023	86,974,460		15,606,552	102,581,012
Surplus/(Deficit) For the Period			809,164	809,164
Funds Received During the Year				-
Transfers				-
Revaluation Gain				-
Balance As At 30 June 2024	86,974,460	-	16,415,716	103,390,176
Balance As At 1 July 2024	86,974,460		16,415,716	103,390,176
Surplus/(Deficit) For the Period			(5,404,248)	(5,404,248)
Funds Received During the Year				-
Transfers				-
Revaluation Gain				-
Balance As At 30 June 2025	86,974,460	-	11,011,468	97,985,928

Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

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

Description	Note	FY 2024/25	FY 2023/24
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Interest received		2,504,756	3,389,310
Total receipts		2,504,756	3,389,310
Payments			
Fund administration expenses		(8,765,180)	(3,020,309)
Net cash flows from operating activities	10	(6,260,424)	369,001
Cash flows from investing activities			
Proceeds from loan principal repayments		31,844,085	35,489,571
Loan disbursements paid out		(23,041,386)	(35,820,359)
Net cash flows used in investing activities		8,802,699	(330,788)
Net increase/(decrease) in cash & cash Equivalents		2,542,275	38,213
Cash and cash equivalents at 1 July	8	129,893	91,680
Cash and cash equivalents at 30 June	8	2,672,168	129,893

Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

18. Statement Of Comparison Of Budget And Actual Amounts For The Period ended June 30, 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Budget carryovers from the previous year*			-			
Receipts			-			
Principal Repayments	35,174,020		35,174,020	31,094,295	4,079,725	88%
Interest Income	3,360,933		3,360,933	3,254,546	106,388	97%
Other Income			-			
Total Income	38,534,953	-	38,534,953	34,348,841	4,186,112	89%
Expenses						
Fund Administration Expenses	8,765,180		8,765,180	8,765,180	-	100%
Loan Disbursements	29,769,773		29,769,773	23,041,386	6,728,387	77%
Finance Cost	-		-	-	-	
Total Expenditure	38,534,953	-	38,534,953	31,806,566	6,728,387	83%
Capital expenditure	-		-	-	-	
Surplus For the Period				2,542,275		

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	2,542,275
1	Bank Opening Balance	129,893
	Closing Cash and Cash Equivalent as per the statement of Cash flows	2,672,168

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Tharaka Nithi County Assembly Carloan and Mortgage Fund is established by and derives its authority and accountability from Public Finance Management Act 2012. The fund is wholly owned by the Tharaka Nithi County Government and is domiciled in Kenya. The entity’s principal activity is to disburse loans to the members of Tharaka Nithi County Assembly to facilitate them acquire residential property (mortgage) and motor vehicles (carloan).

2. Statement of compliance and basis of preparation

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

3. Adoption of new and revised standards

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

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

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

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

**Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

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

**Tharaka Nithi County Assembly Car loan and Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

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

(i) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

4. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2024/25 was approved by the County Assembly on 25th June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

Summary of Significant Accounting Policies (Continued)

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

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

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.* 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*.

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 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.

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.

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.

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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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

o) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

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

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Notes To the Financial Statements Continued

6. Interest Income

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Interest Income from Mortgage Loans	3,360,932	3,389,310
Interest Income Accrued		440,163
Total Interest Income	3,360,932	3,829,473

The revenue for the reporting period ended 30th June 2025 represents interest income earned from loans issued to Members and staff under the Car Loan and Mortgage Fund.

7. Use of Goods and Services

Description	FY 2024/25	FY 2023/24
	Kshs.	Kshs.
Professional Services Costs	6,000,000	
Committee Allowances	2,741,532	2,987,878
Bank Charges	23,648	32,431
Provision For Doubtful Debts		
Total	8,765,180	3,020,309

8. Cash and cash equivalents

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Mortgage & Car Fund Account	2,461,455	129,892
Mortgage & Car Repayment Account	210,713	1
Total Cash and Cash Equivalents	2,672,168	129,893

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

Financial Institution	Account number	FY 2024/25	FY 2023/24
		Kshs	Kshs
a) Current Account			
Kenya Commercial bank(Fund)	1155825268	2,461,455	129,892
Kenya Commercial bank(Repayment)	1157609368	210,713	1
Grand Total		2,672,168	129,893

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9. Receivables from exchange transactions

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Current Receivables		
Interest Receivable	1,296,339	440,163
Current Loan Repayments Due	9,645,882	5,466,822
Total Current Receivables	10,942,221	5,906,985
Non-Current Receivables		
Long Term Loan Repayments Due	84,371,539	97,353,298
Total Non- Current Receivables	84,371,539	97,353,298
Total Receivables From Exchange Transactions	95,313,760	103,260,283

Additional disclosure on interest receivable

Description	FY 2024/25	FY 2023/24
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	616,085	461,800
Accrued interest receivable from of long-term loans of previous years	680,254	5,592
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	6,840,532	4,959,054
Accrued principal from long-terms loans from previous periods	2,805,351	40,376
Current portion of long-term loans issued in the current year		

10. Cash generated from operations

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	(5,404,248)	809,164
Adjusted For:		
Working Capital Adjustments		
Increase In Receivables	(856,176)	(440,163)
Net Cash Flow From Operating Activities	(6,260,424)	369,001

11. Revolving Fund

Description	FY2024-25	FY 2023/24
Bal B/F	86,974,460	86,974,460
Total	86,974,460	86,974,460

**Tharaka Nithi County Assembly Car loan and Mortgage Fund
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12. 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	Timeframe
1.	Long Overdue Loans	The management has begun recovery of overdue loans through follow-up and demand letters.	Ongoing	30th December 2025
2.	Unresolved Prior Year Matters	Management is progressively addressing the outstanding issues, with some already resolved.	Ongoing	30 th June 2026
3.	Failure to Separate Financial Statements	The Management is consolidating operations under a unified regulation for both funds.	Ongoing	30 th June 2026
4.	Failure to Register Charge on Properties	The matter has been regularized and properties registered; title deeds charged accordingly.	Resolved	N/A
5.	Failure to Take Mortgage Protection and Fire Policy on Loans	The Fund is currently engaging insurance providers to procure appropriate policies.	Not Resolved	30 th June 2026
6.	Ineffective internal Audit Function	The management is in the processing of establishing Internal audit committee	Ongoing	30 th June 2026
7.	Irregular Interest on Car loans and Mortgages of 3.5% instead of 3%	The additional 0.5% was applied to cover insurance costs on mortgage loans.	Ongoing	30 th June 2025
8.	Use of Manual System in Loan Calculations	Management is in the process of acquiring automated loan management software.	Ongoing	30 th June 2026

Fund Manager/Accounting Officer Tharaka Nithi County Assembly Car loan and Mortgage Fund

Date.....18/08/2025.....