

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

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REPORT

OF

THE AUDITOR-GENERAL

ON

**PUBLIC SERVICE COMMISSION
MORTGAGE SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2024**

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

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THE PUBLIC SERVICE COMMISSION

MORTGAGE SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2024

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

*The Public Service Commission Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2024*

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1 Acronyms and Definition of Key Terms

A. Acronyms

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
CBR	Central Bank Rate
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
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
PSC	Public Service Commission
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 Fund Information and Management

a) Background Information

The Public Service Commission Mortgage Scheme was established in 2016 with the objective of providing mortgage loans to the secretariat staff of the Commission. The Scheme derives its authority and accountability from the Public Finance Management Act, 2012 (No. 18 of 2012) and is regulated by the Public Service Commission Mortgage Scheme Regulations, 2018. The Scheme was operationalized on 16th March, 2016 as a revolving fund as advised by the Salaries and Remuneration Commission Circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) of 17th December, 2014. The Fund is wholly owned by the Public Service Commission and domiciled in Kenya.

The Fund was established with an initial seed capital of Kenya Shillings eighty-five million (Ksh85,000,000) from The National Treasury through Exchequers releases. The fund has steadily grown to the current accumulated fund of Kshs.310,500,000.

The Scheme is administered by The Public Service Commission Mortgage Scheme Committee chaired by the Officer responsible for Administration in the Commission Secretariat. The Committee is charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Fund. The responsibility for the day-to-day operations of the Fund lies with the Commission Secretary/Chief Executive Officer of the Public Service Commission who is the Officer Administering the Scheme.

b) Principal Activities

The principal mandate of the Scheme is to provide loans for members of the PSC Secretariat for:

- i).* Purchase of developed house(s);
- ii).* Purchase of vacant land,
- iii).* Purchase of land and construction of a house;
- iv).* Purchase of off-plan or ongoing development;
- v).* Construction;
- vi).* Renovation and improvement of an existing house;
- vii).* Takeover of loans on existing mortgages;

- viii). Mortgage plus loan;
- ix). Mortgage top-up;
- x). Tenant purchase schemes; and
- xi). Equity release.

Vision, Mission and Core Values of the Public Service Commission

Vision: A citizen centric public service.

Mission: To reform and transform the public service for efficient and effective service delivery.

Core Values: Citizen focus, Professionalism, Innovation and Teamwork

c) Scheme Management Committee

The day-to-day operations of the Fund fall under the purview of the Commission Secretary/Chief Executive Officer of the Public Service Commission who is the Officer Administering the Scheme. He appoints and designates a management committee that oversees the implementation and administration of the Scheme.

The Public Service Commission Mortgage Scheme's day-to-day management is undertaken by the following members of the Public Service Commission Mortgage Scheme Management Committee:

Ref	Position	Name
1.	Chairperson	Remmy N. Mulati, MBS Deputy Commission Secretary, Corporate Services
2.	Vice Chairperson	Simiyu Njalale Deputy Director, Finance
3.	Secretary	Caroline C. Kiget Deputy Director, Human Resource Management & Development (Administration)
4.	Committee Member	Musa Cherogony Deputy Director, Legal Services
5.	Committee Member	William Migwi Deputy Director, Planning
6.	Committee Member	Sally Tanui Director, Employee Resourcing

d) Key Management

S/No	Position	Name
1.	Officer Administering the Scheme	Paul Famba, MBS Commission Secretary/Chief Executive
2.	Chairperson	Remmy N. Mulati, MBS Deputy Commission Secretary, Corporate Services
3.	Fund Accountant	CPA Joseph M. Njoroge Deputy Director, Accounts
4.	Secretary	Caroline C. Kiget Deputy Director, Human Resource Management & Development (Administration)

e) Fiduciary Oversight Arrangements

PSC Secretariat staff who had a direct fiduciary responsibility during the financial year ended 30th June, 2024 were:

S/No	Position	Name
1.	Officer Administering the Scheme	Paul Famba, MBS Chief Executive/Commission Secretary
2.	Chairperson	Remmy N. Mulati, MBS Deputy Commission Secretary, Corporate Services
3.	Deputy Director, Internal Audit	Anne Titus Deputy Director, Internal Audit & Risk Assurance
4.	Fund Accountant	CPA Joseph M. Njoroge Deputy Director, Accounts
5.	Secretary	Caroline C. Kiget Deputy Director, Human Resource Management & Development (Administration)

f) Registered Offices

Public Service Commission Headquarters

Commission House
P.O. Box 30095-00100 Nairobi-Kenya
Commission House
Harambee Avenue
NAIROBI, KENYA

g) Fund Contacts

Telephone: (254) 020 2223901-5, 2227471-5

E-mail: [psck @ public service.go.ke](mailto:psck@publicservice.go.ke)

Website: <https://www.publicservice.go.ke>

h) Fund Bankers

KCB Bank Kenya Limited, KICC

P.O. Box 45129-00100

NAIROBI

i) Independent Auditor

The Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084-00100

GPO 00100

NAIROBI, KENYA

j) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice




Harambee Avenue




P.O. Box 40112

City Square 00200





Nairobi, Kenya

3 Fund Administration Committee


Name	Details of Qualifications and Experience
<p>1.</p>  <p><i>Remmy N. Mulati, MBS</i> Chairperson</p>	<p>Mr. Mulati is the Deputy Commission Secretary (Corporate Services) and is responsible for coordination of all Commission's corporate and support services. He was appointed to the position in March 2019. Previously, he served as Director, Board Management Services until his appointment as Ag. Deputy Commission Secretary. He holds a Master's degree in Public Administration, and a Bachelors' Degree in Arts and has attended numerous professional development training, workshops and seminars locally and internationally.</p> <p>Mr. Mulati is a career administrator with more than 30 years progressive experience, having worked in various capacities in the public service and has a deep understanding of Government administration. He is also an affiliate of the Africa Association of Public Administration and Management (AAPAM).</p> <p>In recognition of his contribution to public service, he was awarded the Order of the Moran of the Burning Spear (MBS) by His Excellency the President of the Republic of Kenya.</p>
<p>2.</p>  <p><i>Simiyu Njalale</i> Vice Chairperson</p>	<p>Mr. Simiyu is Deputy Director, Finance with more than 20 years' experience in the public sector.</p> <p>He holds a Bachelor of Business Administration (Accounting) and post-graduate Diploma in Financial Management. He is also in possession of the Strategic Leadership Development Programme and Senior Management Course certifications from the Kenya School of Government.</p>
<p>3.</p>  <p><i>Caroline C. Kiget</i> Fund Secretary</p>	<p>Ms. Kiget is the Head of Human Resource Management (Corporate Services) appointed to the position in 2019. She is a respected Human Resource practitioner with over fifteen years of HR management experience in the public sector.</p> <p>She holds a Master's degree in Human Resource Management, a Bachelor of Arts degree in Social Studies and a Higher National Diploma in Human Resource Management. She is in possession of the Strategic Leadership Development Programme and Senior</p>

Name	Details of Qualifications and Experience
<p>4.</p>  <p><i>William Migwi</i> Committee Member</p>	<p>Management Course certifications from the Kenya School of Government. Ms. Kiget is also a member of the Institute of Human Resource Management.</p> <p>Mr. Migwi is the Deputy Director Planning and has over 20 years' experience in Economics, Research and Policy in international organizations, civil society organisations and the public sector.</p> <p>He holds a Master of Philosophy in Economics, Bachelor Accountant (K). He is in possession of the Strategic Leadership Development Programme and Senior Management Course certifications from the Kenya School of Government.</p>
<p>5.</p>  <p><i>Musa Cherogony</i> Committee Member</p>	<p>Mr. Cherogony is the Deputy Director, Legal Services and is an advocate of the High Court of Kenya. He has more than 20 years' experience in the private and public sectors.</p> <p>He holds a Bachelor of Law (LLB), Diploma in Law from the Kenya School of Law and a Diploma in Legislative Drafting. He is in possession of the Strategic Leadership Development Programme and Senior Management Course certifications from the Kenya School of Government.</p>
<p>6.</p>  <p><i>Ms. Sally Tanui</i> Committee Member</p>	<p>Ms. Tanui is the Director, Employee Resourcing and is a respected Human Resource practitioner with over 15 years of HR experience in the public sector.</p> <p>She holds an Executive MBA, a Bachelor of Arts degree and a Higher National Diploma in Human Resource Management. She is in possession of the Strategic Leadership Development Programme and Senior Management Course certifications from the Kenya School of Government. Ms. Tanui is also a member of the Institute of Human Resource Management.</p>

4 Management Team

Name	Details of Qualifications and Experience
<p>1.</p>  <p><i>Mr. Paul Famba, MBS</i> Secretary/CEO Officer Administering the Scheme</p>	<p>Mr. Paul Famba is the Secretary/Chief Executive of the Public Service Commission. He is a career administrator with credentials and a record of accomplishments in public service, spanning 29 years. He has a deep understanding of government administration and has successfully implemented several government programmes.</p> <p>He holds a Master of Arts degree in Peace and Conflict Management from Kenyatta University and a Bachelor of Arts degree from the University of Nairobi. He has successfully served in various national assignments in different capacities and has been a member of several multi-Agency teams.</p> <p>He has been a member of the Kenya Association of Public Administration and Management (KAPAM) since 2015. In recognition of his contribution to public service, he was awarded the Order of the Grand Warrior of Kenya (OGW) and the Moran of the Order of the Burning Spear (MBS).</p>
<p>2.</p>  <p><i>Remmy N. Mulati, MBS</i> Chairperson</p>	<p>Mr. Mulati is the Deputy Commission Secretary (Corporate Services) and Chairs the Mortgage Scheme Fund.</p>
<p>3.</p>  <p><i>Simiyu Njalale</i> Vice Chairperson</p>	<p>Mr. Simiyu is a Deputy Director, Finance and Vice Chairperson to the committee.</p>
<p>4.</p>  <p><i>Caroline C. Kiget</i></p>	<p>Ms. Kiget is the Head of Human Resource Management (Admin) and in charge of the secretariat to the Fund.</p>

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Annual Report and Financial Statements for the year ended 30th June 2024*

Name	Details of Qualifications and Experience
Fund Secretary	
5.	CPA. Njoroge heads the Accounts Unit and has over 20 years' experience in the accounting and finance fields in the private and public sector.
	He holds a Bachelor of Commerce (Finance) degree and he is a Certified Public Accountant (K).
<i>CPA. Joseph Njoroge</i> Fund Accountant	

5 Chairperson's Report



On behalf of the Public Service Commission Mortgage Scheme Management Committee, I am pleased to present The Public Service Commission Mortgage Scheme Financial Statements for the year ended 30th June, 2024. The Public Service Commission Mortgage Scheme was established on 16th March 2016 as guided by relevant government regulatory framework in order to facilitate staff to acquire residential property.

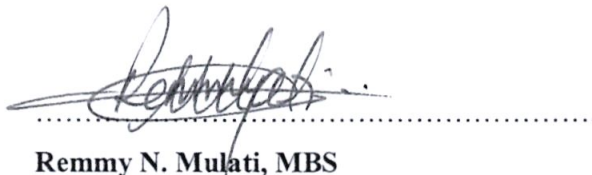
The purpose of the Scheme is to motivate staff and contribute towards the attraction and retention of requisite skills in the Commission in line with Article 230(5) of the Constitution by enabling staff to acquire property at favourable interest rates.

The year 2023/2024 marks the ninth (9th) year of implementation of the Mortgage Scheme. The Scheme is a collaborative effort between the National Treasury and the Public Service Commission; and is set up as a revolving fund. The Scheme fund was funded by an initial seed capital of Kshs.85,000,000 at inception which has grown to Kshs.310,500,000. The Commission wishes to appreciate the Government's support through the National Treasury.

The responsibility of day-to-day management of the scheme lies with the Public Service Commission whereas the Salaries and Remuneration Commission is responsible for setting the maximum loan thresholds for the staff. During the year under review, maximum loan entitlements remained at twenty million (Kshs.20,000,000).

The Scheme successfully admitted thirty-five (35) staff during the year under review. The most evident challenge has been the low uptake of the facility by staff. To address these challenges the Commission is currently in the process of reviewing their frameworks in order to provide more favourable terms to staff and ensure optimal uptake of the facility. Despite the above, challenges, PSC staff have immensely benefited from this facility.

Encouraged by the progress seen in the last nine years, the medium and long-term focus for the Scheme still remains to motivate Commission staff by facilitating their purchase of mortgage facilities. I am confident that our goal will guarantee that all staff have access to mortgages which will not only improve their well-being but also contribute to the Government's national agenda on affordable housing.



Remmy N. Mulati, MBS
Chairperson,
Public Service Commission Mortgage Scheme

6 Report Of the Fund Administrator



I am pleased to note that The Public Service Commission Mortgage Scheme has grown from an initial seed capital of Ksh.85M at inception to Ksh.310.5M. The Scheme continues to benefit the Commission staff by facilitating their access to affordable housing.

From inception in the 2017-18 financial year, the loan applicants tripled from 10 to 35 in the 2023-24 financial year.

The increase in loan applicants is attributable to the need by Commission staff to own homes in a conducive environment. This also goes hand-in-hand with motivating staff performance. The outstanding loans have also grown from Ksh.90 million in the 2018-19 financial year to Ksh 208 million in the 2023-24 financial year.

The government austerity measures continue to affect the scheme by reducing the funds the National Treasury invests in the Scheme.

However, the scheme remains strong and its strength will be enhanced by the review of the interest rates on mortgage loans which is at advanced stage. The review of interest rate will also reduce scheme administration cost guaranteeing more surplus fund to be capitalized to the revolving fund.

A large, stylized handwritten signature in black ink, written over a dotted line. The signature is cursive and appears to be 'Paul Famba'.

Paul Famba, MBS

Fund Administrator

7 Statement of Performance against Predetermined Objectives

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting Officer to include in the financial statement, a statement of the national government Fund’s performance against predetermined objectives.

The PSC Staff Mortgage Scheme falls under the strategic pillar of capacity building for the Commission and the core objective of improving terms and conditions of service within the current Strategic Plan for the FY 2019- FY 2024. To realize this objective, the PSC Staff Mortgage Scheme, relies on the strategic plan to guide the achievement of set targets during each financial year.

PSC Mortgage Scheme secretariat develops the committee’s annual work plans based on the above improvement of terms and conditions pillar. Assessment of the Committee’s performance against its annual work plan is done on a quarterly basis. The Scheme achieved its performance targets set for the FY 2023/2024 period for its strategic pillar, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Improved Terms & Conditions	Implement PSC Mortgage scheme to attract, retain and maintain a motivated work force	<ul style="list-style-type: none"> • PSC Mortgage scheme disbursement reports • Number of Staff who accessed mortgage s • Number of meetings held in a year 	<ul style="list-style-type: none"> • Compile staff requests and table before the PSC Mortgage Scheme Committee • Submit recommendations to Scheme Administrator • Periodic review of regulations and operational documents 	Processing of all applications for loans received by the Committee.

8 Corporate Governance Statement

Introduction

The PSC Mortgage Scheme is a revolving Fund established pursuant to the Public Finance Management (PFM) Act of 2012, the PFM (National Government) Regulations of 2015 and the SRC circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December 2014.

The object and purpose of the Scheme is provided for in Section 4 of the PSC Mortgage Scheme Regulations and shall be to provide a loan scheme for the purchase, development or renovation of residential property by members of the Scheme. The specific purpose of the Scheme is to motivate staff by providing mortgage facilities.

The Scheme is committed to complying with the set out corporate governance regulations. The Scheme has a formal corporate governance framework with the scheme management committee having overall oversight of all activities. In addition to the existing legal and regulatory framework referenced in this report, the committee also administers its own procedures by passing resolutions.

Appointment of Scheme Committee Members

The Scheme Management Committee is appointed by the Secretary/CEO on a personal basis. The committee is made up of six (6) members including the Chairperson and Secretary. The membership of the Scheme is integrative with representation from corporate services, legal services, finance & planning, and human resource management.

The day-to-day running of the scheme is delegated to the Secretary of the Scheme who is also the head of Human Resource Management (Corporate Services). The overarching strategic, compliance, financial, and administrative functions, however, rest with the Scheme Management Committee

Roles & Functions of the Scheme Committee

Section 7 of the PSC Staff Mortgage Regulations, 2018 states the roles and functions of the scheme management committee which include but are not limited to :-

- i).* Preparation of workplan and budget for the Committee;
- ii).* Procurement/identification of service providers;
- iii).* Sensitization of staff on the Mortgage scheme Fund;

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Annual Report and Financial Statements for the year ended 30th June 2024

- iv). Receiving and processing of applications for loans in accordance with the existing terms and conditions of borrowing;
- v). Oversight and supervision of the day-to-day running of the fund;
- vi). Maintenance of proper books and records of account of the income and expenditure, assets and liabilities of the funds;
- vii). Receive gifts and donations, grants, or endowments made to the funds;
- viii). Consider and recommend approval of financial statements to the Authorized officer; and
- ix). Quarterly reporting on the scheme.

Attendance and Scheme Committee meetings

The committee meets regularly as required to deliberate on staff requests and monitor performance of the scheme funds and achievement of workplan objectives. The committee plays an oversight role over the Scheme activities.

Conflict of interest

The Members of the Scheme Management Committee are required to declare any conflict of interest at the start of each meeting.

Audit

The fund is audited by the Internal Audit Unit within the Commission and the Office of the Auditor-General.

9 Management Discussion and Analysis

This section provides an overview of the Scheme’s financial position as of the close of FY 2023/24.

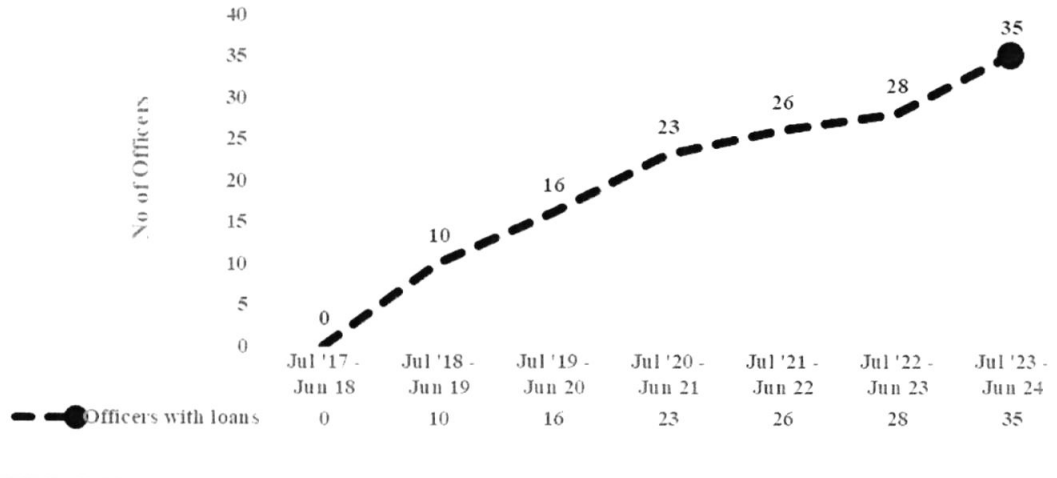


Figure 1: Analysis Officers with Loans

In financial year 2018-2019, the fund disbursed loans to ten (10) applicants. There has been a steady increase in the number of applications and loans disbursed since the scheme’s inception. Within the seven-year period, the financial year 2023-24 recorded the highest outstanding loans disbursed where 35 Officers benefited.

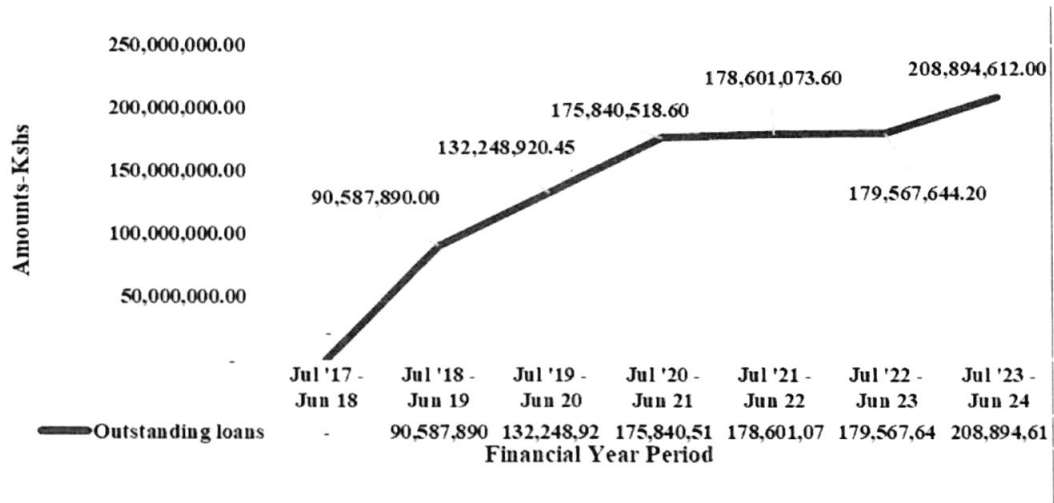


Figure 2: Outstanding Mortgage loans in Kshs

*The Public Service Commission Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2024*

As the number of loan applicants increased, the number of outstanding loans increased as shown in Figures 1 and 2. Financial year 2018-19 recorded the least amount of outstanding loans at Ksh. 90. 6Millions. However, the financial year 2023-24 had the highest outstanding loans at Ksh. 208.9 million.

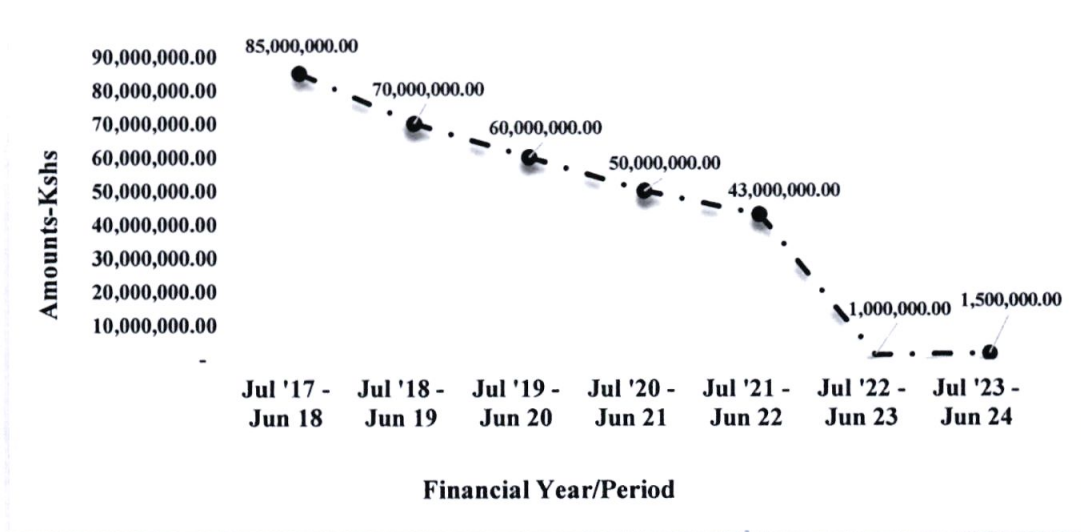


Figure 3: Deposits to Mortgage Revolving Scheme Fund

Deposits to mortgage scheme fund comprise the seed capital of Ksh.85,000,000 in financial year 2017-18. Additional funding to the revolving fund declined from financial year 2018-19 to the financial year 2021-2022. However, the huge decline to Ksh. 1,000,000 in financial year 2022-23 and to Ksh. 1,500,000 in year 2023-24 is attributable to government austerity measures.

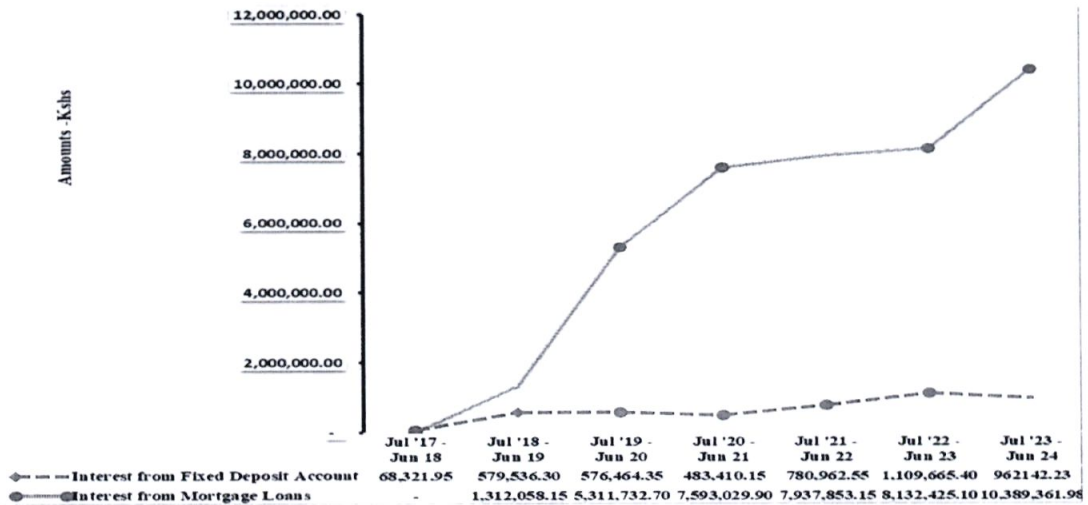


Figure 4: Analysis of Interest Earned

*The Public Service Commission Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2024*

Interest earned during the period was from scheme funds in fixed deposit account and Interest earned from mortgage loans disbursed. Mortgage loans earned interest at a rate of 5% per annum is calculated at reducing balance basis. Funds in the deposit account earn interest at a rate of 10% of the prevailing Central Bank Rate (CBR). During the current financial year, deposit funds earned an interest of 0.9% per annum.

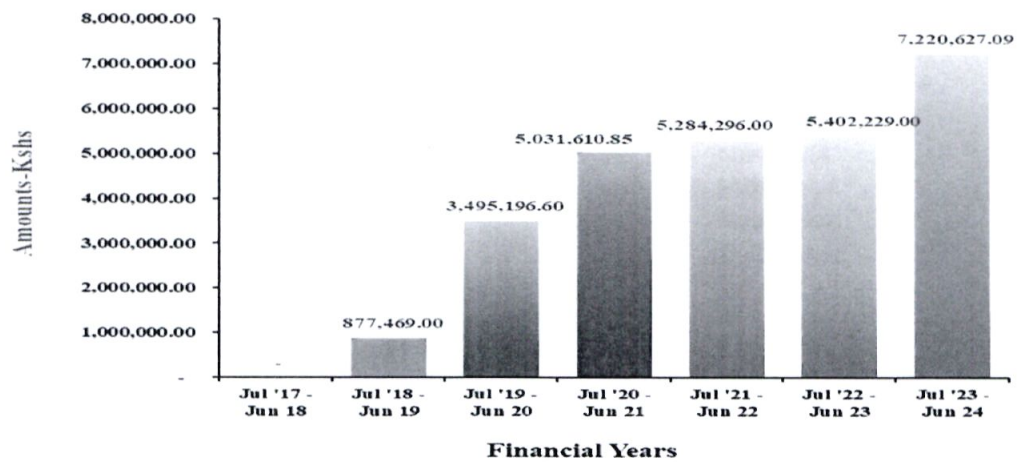


Figure 5: Analysis of Administrative Costs

Administration expenses are derived from successful mortgage loan applied for and disbursed. The administration cost is provided for in the Memorandum of understanding between Public Service Commission and the administrator of the fund at 3.5% per annum on reducing balance basis. It is recovered from the monthly mortgage repayments loan interest as part of the interest on mortgage loans. This expense is the major expense for the fund and it is directly proportional to amount of loan disbursed.

10 Environmental and Sustainability Reporting

a) Environmental Performance

The Scheme aims to minimize the environmental impact of its operations. However, the Scheme acknowledges that there may be an unavoidable impact resulting from its day-to-day operations. To mitigate the unavoidable environmental impact, the Scheme encourages its members to opt for green or environmentally sustainable architecture during construction. The Scheme encourages its members to reduce their direct energy consumption (through use of renewable energy sources), and water consumption (through the installation of low flow taps or the implementation of wastewater management systems)

Most staff who have benefited from the mortgage facility have installed solar panels for heating and lighting in their residences. This is not only a financial consideration of increasing the value of the home and improving efficiency, but contributes to energy conservation, reduction of greenhouse gas emission. These green homes cut costs associated with energy use, water use and maintenance. Furthermore, green initiatives like water harvesting, waste management, and energy-efficient systems improve sustainability, lower operational costs, and increase property value. The use of digital models and prefabricated materials could be enhanced to reduce cost, construction time and environmental impact.

b) Staff Welfare

One of the key determinants of the Scheme's success is its human capital. The Public Service Commission Mortgage Scheme is committed to facilitating the attraction and retention of its secretariat staff. The scheme recognizes that housing is the basis of security and stability for our staff. Every member of staff requires a place to live in peace, security and dignity. To be adequately housed means having secure tenure and minimizing stress and improving the well-being of staff.

The scheme has acknowledged that one of the key challenges in accessing affordable housing is the prohibitive interest rates charged on mortgage facilities and the high cost of property purchase. To address these challenges, the PSC mortgage guidelines/regulations are under review in order to facilitate more favourable terms to boost uptake.

Scheme Management Committee organizes sensitization sessions, in liaison with the fund bankers, for all new employees. In addition, the scheme has a dedicated mortgage desk officer who promptly addresses staff inquiries/concerns.

c) Sustainability Reporting

The Scheme Management Committee is accountable to its stakeholders by ensuring they have access to a sustainable mortgage facility. In addition, the Scheme encourages all stakeholders to recognize their responsibility to their environment and society. The Committee has in place a framework to ensure the fund remains a going concern and remains available for both current and future staff of the Commission. Further, it regularly sensitizes newly appointed staff to ensure the dissemination of information and attract new staff to take up the facility.

11 Report of Fund Administration Committee

The Officer Administering the Scheme submits this report together with the audited financial statements for the year ended June 30, 2024, which show the state of the Fund's affairs.

Principal Activities

The principal activity of the Fund is to provide mortgage loans for the purchase, development or renovation of residential property by members of the scheme.

Performance

The performance of the Fund for the year ended June 30, 2024, is set out on page 1-5.

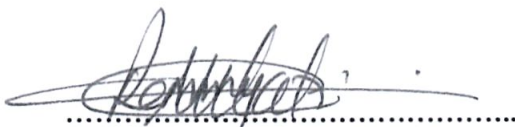
Administration Committee

The members of the Administration Committee who served during the year are shown on page vi - viii.

Auditors

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

By Order of the Board



Remy N. Mulati, MBS

Chair Of the Scheme Management Committee

12 Statement of Management’s Responsibilities

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

The Administrator of the Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2024. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the fund;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accepts responsibility for the Fund’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Salaries and Remuneration Commission circular SRC/ADM/CIR/1/13/VOL/111(128). 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, 2024, 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

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Annual Report and Financial Statements for the year ended 30th June 2024

well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern.

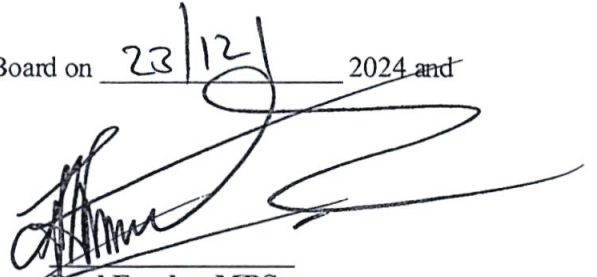
Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 23/12/ 2024 and signed on its behalf by:



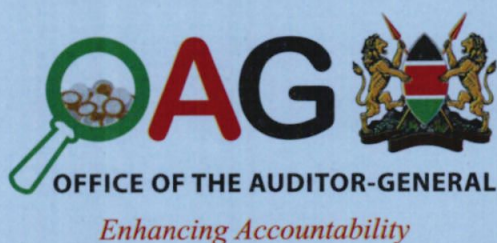
Remmy N. Mulati, MBS
Chairman of the Fund



Paul Famba, MBS
Fund Administrator

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PUBLIC SERVICE COMMISSION MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Public Service Commission Mortgage Scheme set out on pages 1 to 24, which comprise of the statement of financial

position as at 30 June, 2024, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual 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 the Public Service Commission Mortgage Scheme as at 30 June, 2024, 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 the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Accumulated Surplus

The statement of financial position reflects accumulated surplus of Kshs.15,372,416 while the statement of financial performance reflects surplus of Kshs.3,517,048 resulting to unreconciled variance of Kshs.11,855,368.

Further, the statement of changes in net assets reflects accumulated surplus of Kshs.5,017,048 resulting to a variance of Kshs.10,355.368 which was neither reconciled nor explained.

In the circumstances, the accuracy and completeness of the accumulated surplus of Kshs.15,372,416 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

Management is responsible for the other information set out on page i to xxiii which comprise of Key Fund Information and Management, Chairperson's Report, Report of the

fund Administrator, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Statement of Fund Administrator Committee and Statement of Management Responsibilities. The other information does not include the financial statements and my audit report thereon.

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

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. Unconfirmed Procurement of an Institution to Manage Mortgage Scheme

The Fund Management entered into an agreement on 27 February, 2018 with a financial institution to manage the mortgage scheme. However, procurement records indicating how the financial institution was identified and awarded the tender were not provided for audit review.

In the circumstances, it was not confirmed whether the procurement of the financial institution was competitive and transparent.

2. Unfavorable Clauses in Contract Agreement with the Financial Institution

The statement of financial position reflects mortgage revolving funds amounting to Kshs.310,500,000. Review of the agreement dated 27 February, 2018 between the Fund and the financial institution managing the mortgage scheme revealed that the agreement provides for an interest rate of five (5) percent on the loans. This is contrary to Part 6 of the Salaries and Remuneration Commission Circular No. SRC/AND/CIR/1/13/Vol.III (128) dated 17 December, 2014 which approved an interest rate of three (3) percent per annum for the duration of the loan.

Further, the agreement provides for charging of 3.5% administration fees on interest earned from mortgage loans and a negotiation fee of 1% on mortgage loans taken as well as a monthly ledger fee of Kshs.350, which has increased the cost of the loans.

In addition, the agreement requires the Fund to maintain a lien deposit account which should at all times have a balance equivalent to the total aggregate disbursed loan principal amount which earns interest of 1.5% per annum. As at 30 June, 2024, the lien account had a balance of Kshs.110,916,936. This has made it difficult for the beneficiaries to access the loans and has denied the Fund the opportunity to earn optimal revenue due to low interest rate on the lien amount.

In the circumstances, the effectiveness and achievement of value for money for the funds could not be confirmed.

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of 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 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 Commissioners are responsible for overseeing the Commission'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 for 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 Management 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

27 December, 2024

14 Statement of Financial Performance for the year Ended 30th June 2024.

Description	Note	2023-2024	2022-2023
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Revenue from exchange transactions			
Interest income	6	11,351,504	-
Other income	7	53,112	-
		11,404,616	-
Total revenue		11,404,616	-
Expenses			
Administration costs	8	7,220,627	-
Use of goods and services	9	5,325	-
Other Expenses	10	53,112	-
Total expenses		7,279,064	-
Surplus/(deficit) before tax		4,125,552	-
Taxation	11	608,505	-
Surplus/ (Deficit) after Tax		3,517,048	-

(The notes set out on pages 6 to 23 form an integral part of these Financial Statements).

The financial statements were approved onby:

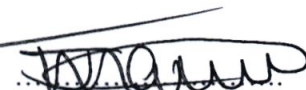

.....
Remy N. Mulati, MBS

Chairperson of the
Board/Fund

23/12/24

.....
Paul Eamba, MBS

Fund Administrator


.....
Joseph M. Njoroge

Fund Accountant

ICPAK M/No 6386

15 Statement of Financial Position as at 30th June 2024

	Note	2023-2024	2022-2023
		Kshs.	FY Kshs.
Assets			
Current assets			
Cash and cash equivalents	12	116,977,804	-
Receivables from non-exchange transactions			-
Total Current Assets		116,977,804	-
Non-current assets			
Receivables from exchange transactions	13	208,894,612	-
Total Non-Current Assets		208,894,612	-
Total assets (A)		325,872,416	-
Liabilities			
Total Current Liabilities			
Non- current liabilities			-
Total non- current liabilities			
Total liabilities (B)			-
Net Assets (A-B)		325,872,416	-
Represented By:			
Mortgage revolving fund		310,500,000	-
Accumulated surplus/Deficit		15,372,416	-
Net Assets		325,872,416	-

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

The Fund financial statements were approved on 23/July 2024 and signed by:



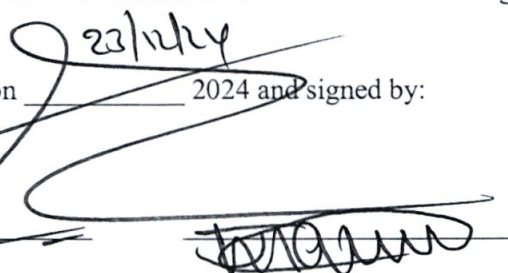
Remy N. Mulati, MBS

Chairperson of the
Board/Fund



Paul Famba, MBS

Fund Administrator



Joseph M Niaraga

Fund Accountant

ICPAK M/No 6386

The Public Service Commission Mortgage Scheme
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16 Statement of Changes in Net Assets for the year ended 30th June 2024

	Mortgage Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
As at 1 July 2022	-	-	-
Surplus/(deficit) for the period	-	-	-
Funds received during the year	-	-	-
Interest capitalized*	-	-	-
Transfers	-	-	-
As at 30 June 2023	-	-	-
Balance as at 1 July 2023	-	-	-
Surplus/(deficit) for the period	3,517,048	3,517,048	3,517,048
Funds received during the year	1,500,000	1,500,000	1,500,000
Interest capitalized*	-	-	-
Transfers	-	-	-
As at 30 June 2024	5,017,048	5,017,048	5,017,048

17 Statement of Cash Flows for the year ended 30th June 2024

	Note	2023-2024	2022-2023
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from Parent Ministry/ SC/SAGA			-
Interest received		11,404,616	-
Other income		-	-
Total receipts		11,404,616	-
Payments			
Administration costs		7,220,627	-
Taxation		608,505	-
Use of goods and services		5,325	-
Other Expenses		53,112	-
Total payments		7,887,569	-
Net cash flow from operating activities	14	3,517,047	-
Cash flows from investing activities			
Proceeds from loan principal repayments		15,518,859	-
Loan disbursements paid out		(44,845,827)	-
Net cash flows used in investing activities		(29,326,968)	-
Cash flows from financing activities			
Receipts into the mortgage revolving fund		1,500,000	-
Net cash flows used in financing activities		1,500,000	-
Net increase/(decrease) in cash and cash equivalents		(24,309,920)	-
Cash and cash equivalents at 1 July 23		141,287,724	-
Cash and cash equivalents at 30 June 24	12	116,977,804	-

*The Public Service Commission Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2024*

18 Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2024

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
Revenue						
Transfers from other Parent Ministry	-	-	-	-	-	
Interest income	-	-	-	11,404,616	11,404,616	0%
Other income	-	-	-	-	-	0%
Total Revenue	-	-	-	11,404,616	11,404,616	0%
Expenses						
Administration costs	-	-	-	7,220,627	7,220,627	0%
Use of goods and services				5,325	5,325	0%
Other Expenses	-	-	-	53,112	53,112	0%
Taxation				608,505	608,505	
Expenditure	-	-	-	7,887,569	7,887,569	0%
Surplus for the period	-	-	-	3,517,048	3,517,048	0%
Capital Expenditure	1,500,000	-	1,500,000	1,500,000	-	100%

Budget notes

The scheme is funded by The National Treasury. The capital expenditure Budget was Ksh.1,500,000.

19 Notes to the Financial Statements

1. General Information

Public Service Commission Mortgage Scheme was established on 16th March, 2016 in line with SRC's circular Ref No.SRC/ADM/CIR/1/13 Vol.111 (128) and derives its authority and accountability from The Public Finance Management Act, 2012 The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to provide mortgage loans for the purchase, development or renovation of residential property by members of the scheme.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Public Service Commission 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.

3. Adoption Of New and Revised Standards

There are no new standards effective in the FY.

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

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
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 Public Service Commission Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2024*

Standard	Effective date and impact:
	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> • Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. • Clarifying transaction costs guidance to enhance consistency across IPSAS. • 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.
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

• *Early adoption of standards*

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

4. Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

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

Dividends

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

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 2023/2024 was approved on 16th June, 2023. 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 Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations budget following the governing body's approval. The Fund's budget is prepared on a different basis from 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. 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 as per the statement of financial performance has been presented.

c. Property, Plant and Equipment (PPE)

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

d. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets,

excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

e. Investment property

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

f. Financial instruments

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

I. Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at 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 xx*.

II. Financial liabilities

Classification

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

g. Contingent liabilities

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

h. Contingent assets

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

i. Nature and purpose of reserves

The Fund surplus are ploughed back to the revolving fund and form part of the scheme fund for lending to members of Staff of Public Service commission.

j. Changes in accounting policies and estimates

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

k. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange

rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

l. Related parties

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

m. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call, and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Kenya Commercial Bank.

n. Comparative figures

There were no comparative figures from previous financial year because financial statements for 2022-2023 combined both The car loan scheme financial statements and The mortgage scheme financial statements.

o. Events after the reporting period

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

p. Ultimate and Holding Fund

The Fund is established under Section 24 (4) PFM Act under the Public Service Commission. Its ultimate parent is the Government of Kenya.

q. Currency

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

5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. (*see IPSAS 1.140.*)

b) Useful lives and residual values

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

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

Notes to the Financial Statements

6. Interest income

Description	2023-2024	2022-2023
	Kshs.	FY Kshs.
Interest Income from Mortgage Loans	10,389,362	-
Interest Income on Bank Deposits	962,142	-
Other (<i>Specify</i>)	-	-
Total Interest Income	11,351,504	-

7. Other Income

Description	2023-2024	2022-2023
	Kshs.	FY Kshs.
Account maintenance fee	53,112	-
Total Other income	53,112	-

8. Administration cost

Description	2023-2024	2022-2023
	Kshs.	FY Kshs.
Mortgage Loans	7,220,627	-
Mortgage Fixed Deposit account	-	-
Total Other income	7,220,627	-

9. Use of Goods and Services

Description	Insert Current FY	Insert comparative
	Kshs.	FY Kshs.
Bank charges	5,325	-
Total	5,325	-

10. Other expenses

Description	2023-2024	2022-2023
	Kshs.	FY Kshs.
Account maintenance fee	53,112	-

*The Public Service Commission Mortgage Scheme
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Total Other income	53,112	-
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Notes to the Financial Statements (Continued)

11. Taxation

Description	2023-2024	2022-2023
	Kshs.	FY Kshs.
Tax Charged on Interest Income	608,505	-
Income Tax expense	608,505	-

12. Cash and cash equivalents

Description	2023-2024	2022-2023
	Kshs.	FY Kshs.
Mortgage Account	1,257,394	-
Fixed Deposits Account	110,916,936	-
Return 30/6/2024 pending disbursement	4,803,474	-
Total Cash and Cash equivalents	116,977,804	-

12 a) Detailed analysis of the cash and cash equivalents

Financial Institution	Account number	2023-2024	2022-2023
		Kshs.	FY Kshs.
Mortgage Account			
KCB Bank-KICC Branch	1221809512	1,257,394	-
Fixed Deposit Accounts			
KCB Bank-KICC Branch	MM1814406361	110,916,936	-
Sub- Total		112,174,329	-
Return 30/6/2024 pending disbursement			-
KCB Bank-KICC Branch		4,803,474	-
Grand Total		116,977,804	-

Notes to the Financial Statements (Continued)

13. Receivables from Exchange transactions

Description	2023-2024		2022-2023	
	Kshs.		FY	
	Kshs.		Kshs.	
Current Receivables				
Current Loan Repayments Due	-		-	
Other Exchange Debtors	-			
Less: Impairment Allowance	-		-	
Total Current Receivables	-		-	
Non-Current Receivables				
Long Term Loan Repayments Due	208,894,612		-	
Total Non- Current Receivables	208,894,612		-	
Total Receivables	208,894,612		-	
Ageing analysis (receivable from exchange transactions)	2023-2024	%of total	Comparative	%of total
			FY	
Less than 1 year	-	0%	-	%
Between 1-2 years	4,122,525	2%	-	%
Between 2-3 years	-	0%	-	%
Over 3 years	204,772,087	98%	-	%
Total (tie to totals above)	208,894,612	100%	-	%

14 Net cash flows from operating activities

Description	2023-2024		2022-2023	
	Kshs.		FY	
	Kshs.		Kshs.	
Surplus/ (deficit) for the year before tax	4,125,552		-	
Adjusted for:				
Taxation	608,505		-	
	-		-	
Working capital adjustments	608,505		-	
Net cash flow from operating activities	3,517,047		-	

15. Financial risk management

The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its

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performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers through check-off system.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Fund's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due	Impaired
Description	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2023				
Receivables From Exchange Transactions- mortgages	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2024				
Receivables From Exchange Transactions- mortgages	208,894,612	208,894,612	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	116,977,804	116,977,804	-	-
Total	325,872,416	325,872,416	-	-

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

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

b) Liquidity risk management

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

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

c) Market risk

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

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

The Fund's Finance Department is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

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

d) Interest rate risk

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

Management of interest rate risk

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

e) Capital risk management.

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

Description	2023-2024	2022-2023
	Kshs.	FY Kshs.
Revolving fund	310,500,000.00	-
Accumulated surplus (<i>Reserves</i>)	15,372,416.30	-
Total funds	325,872,416.30	-
Less: cash and bank balances	116,977,803.86	-
Net debt/(excess cash and cash equivalents)	208,894,612.44	-
Gearing	64%	-

16. Related party balances

a) Nature of related party relationships

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

- a) National government
- b) Key management;
- c) Board of Trustees/Committee; etc.
- d) Staff of the Commission

17. Events after the Reporting Period

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

18. Ultimate And Holding Entity

The Entity is a Fund under the sponsorship of Public Service Commission which is a Constitutional Commission.

19. Currency

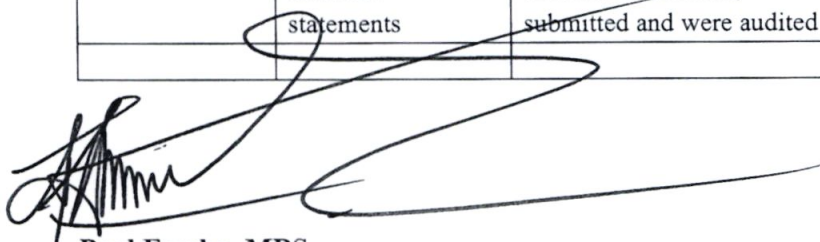
The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling.

20 Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unconfirmed Procurement of an Institution to Manage Car and Mortgage Schemes	The Commission consulted National Treasury during the procurement of fund administrator	In-progress	
2	Unfavourable Clauses in Contract Agreement with a Financial Institution	The Public service commission is in the process of reviewing mortgage scheme regulation and Memorandum of Understanding with the Administrator of the Fund	Resolved	
3	Irregular Consolidation of Two Separate Funds	The management noted the issue and committed to separate the two schemes in financial year 2023-24 financial statements	Resolved	
4	Late submission of financial statements	The management prepared the financial statements, submitted and were audited	Resolved	



Paul Famba, MBS

Fund Manager/Accounting Officer

Date... 23/12/24