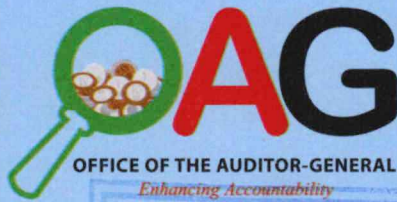


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY
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THE AUDITOR-GENERAL

ON

**STATE OFFICERS HOUSE MORTGAGE
SCHEME FUND**

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

**STATE DEPARTMENT FOR HOUSING AND
URBAN DEVELOPMENT**





MINISTRY OF LANDS, PUBLIC WORKS, HOUSING AND URBAN DEVELOPMENT

STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

STATE OFFICERS HOUSE MORTGAGE SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2025

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

State Officers Housing Mortgage Scheme
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1. KEY FUND INFORMATION AND MANAGEMENT

a) Background information

The State Officers House Mortgage Scheme Fund (SOHMSF) was established in 2015, through Legal Notice No. 23 of 6th March 2015 under the Public Finance Management Act. This was pursuant to guidelines provided by Salaries and Remuneration Commission on mortgage benefit for State Officers and other Public Servants in December, 2014. The establishment of the Fund is in line with the National Housing Policy for Kenya 2004 (Sessional Paper No. 3). The policy among other things called for employers to assist their employees to acquire housing. The Cabinet Secretary in charge of the National Treasury is responsible for the general policy and strategic direction of the SOHMSF whereas the Principal Secretary is the administrator of the Fund. The Cabinet Secretary to the National Treasury on July 2015 approved full delegation of the operations and management of the SOHMSF on to the Civil Servants Housing Scheme Fund (CSHSF).

The Constitution under Section 42 and 43 accords every person the right to a clean and healthy environment, and the right to accessible and adequate housing, and to reasonable standards of sanitation. The Salaries and Remuneration Commission on 17th December, 2014 set and advised on the car and mortgage benefits for all State Officers and other Public Officers in Kenya.

b) Principal Activities

The principal activities of the Fund are to provide a loan Scheme for the purchase or development of property by State Officers. The Fund is administered by the Principal Secretary, State Department for Housing and Urban Development who is the Fund Administrator. There is a Scheme Management Committee charged with the responsibility of management in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Fund. The Fund Manager is responsible for the day-to-day operations of the Fund.

c) Scheme Management Committee

- i. The Fund is administered through the State Officers House Mortgage Scheme Fund Committee. The Accounting Officer is the Principal Secretary of the Ministry for the time being, responsible for matters related to housing. Management of the Fund is overseen by the Scheme Management Committee for the reporting period comprising:
- ii. Officer administering the Fund,
- iii. Principal Secretary responsible for the National Treasury
- iv. Principal Secretary responsible for Labour, Social Security and Services
- v. Principal Secretary responsible for Public Service

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- vi. Principal Secretary responsible for Infrastructure
- vii. Principal Secretary responsible for Coordination of National Government, and
- viii. The Attorney General

Ref	Position	Name
1	Chairperson/Fund Administrator	Mr. Charles M. Hinga, CBS, CA (SA)
2	Representing the Principal Secretary, Interior	Ms. Beverly K. Opwora, EBS
3	Representing the Principal Secretary, National Treasury	Mr. Moses Gathui Njane
4	Representing the Principal Secretary, Labour	Dr. William K. Kiprono, EBS
5	Representing the Principal Secretary, Infrastructure	Mr. Mathew Y. Tarus
6	Representing the Principal Secretary, Public Service	Dr. Muriuki Mbijiwe
7	Representing the Attorney General	Biliah K. Mwinzi
8	Housing Secretary (Co-opted)	Said Athman, EBS

d) Key Management

During the financial period under focus the State Officers House and Mortgage Scheme Fund operations were undertaken by the State Officers House and Mortgage Scheme Fund Secretariat and administered by the Officer Administering the Fund – the Principal Secretary, State Department for Housing and Urban Development in the Ministry of Lands, Public Works, Housing and Urban Development.

The key management personnel who held office during the financial period ended 30th June, 2025 were;

Ref	Position	Name
1	Fund Administrator	Charles M. Hinga, CBS, CA (SA)
2	Director	Arch. Julius G. Wairagu
3	Estate Manager	Mr. Boniface M. Ngochi
4	Scheme Accountant	CPA. Lucy Njeri Mbira

e) Fiduciary Oversight Arrangements

The overall oversight role of the Fund lies with the Parliamentary Special Funds Accounts Committee, Pursuant to Section 18 of the Government Financial Management Act, 2004

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and Section 9 (e) of the Legal Notice No. 168 (Legislative Supplement No. 51) of 22nd December 2006.

The Fund External Auditors remain the Auditor General of the Government of Kenya. Internal audit for the Scheme is carried out by the audit section within the Ministry of Lands, Public Works, Housing and Urban development, State Department for Housing and Urban Development.

Ref	Position	Name
1	Overall Oversight	Parliamentary Special Funds Accounts Committee
2	Directorate Internal Audit	State Department for Housing and Urban Development
3	Ministerial Audit Committee	Ministry Of Lands, Public Works, Housing and Urban Development
4	External Audit	Office of the Auditor General

f) Registered Offices

ARDHI House, Ground Floor, Ngong Road
P.O. Box 30119-00100
NAIROBI

g) Fund Contacts

Telephone: (254) 2718050
E-mail: cshd@housingandurban.go.ke
Website: www.housingandurban.go.ke

h) Fund Bankers

KCB Bank (Kenya) Ltd,
Milimani Branch
A/C No.1170913962
P O Box 69695 - 00100
NAIROBI

i) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084- 00100 GPO

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

Office of the Attorney General and Department of Justice





Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya




2. FUND ADMINISTRATION/MANAGEMENT COMMITTEE

NAME	MEMBERSHIP DESCRIPTION.	KEY ACADEMIC AND PROFESSIONAL QUALIFICATION.
 Mr. Charles M. Hinga, CBS, CA (SA)	Principal Secretary for Housing and Urban Development and Officer administering the Fund	Mr. Hinga is a Chartered Accountant (CA) and holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and a Bachelor of Accounting Science (Honors) from University of South Africa. His core competencies include project and structured finance, deal structuring and business development. Until the time of his appointment as the Principal Secretary for Housing and Urban Development, he was the Group Chairman of an advisory boutique with presence in South Africa and Kenya.
 Mr. Moses Gathui Njane	Representing the Principal Secretary, National Treasury	Moses Gathui Njane is a Certified Public Accountant and Member of ICPAK. He Holds Masters of Science in Commerce (Finance and Investment) and Bachelor of Commerce (Finance option) both from KCA University. Currently he is an Assistant Director of Budget in the Budget Department, National Treasury With 15 years experience in Public financial management focusing on national government budget preparation and implementation
 Dr. William K. Kiprono, EBS	Representing the Principal Secretary, Labour	Dr. William K. Kiprono is the Secretary of Administration for the State Department for Labour. He holds a Doctorate Degree (PhD) in Educational Management. He has a wealth of experience in the civil service spanning over 33 years.
 Dr. Muriuki Mbiyiwe	Representing the Principal Secretary, Public Service	Dr. Mbiyiwe Director of Human Resource Management and Development with over 30 years experience in various sectors of Public Service. He is a holder of B.Ed (Moi University), MBA-HRM (Kenya Methodist University) and PhD- HR & Org. Behaviour (Osmania University, Hyderabad). He Served as Board/ Council member representing the Ministry of Public Service in IHRM and Salaries and Remuneration Commission.

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	<p>Representing the Principal Secretary, Interior</p>	<p>Ms. Opwora is a Principal Administrative Secretary National Administration in the State Department for Internal Security & National Administration. Ms. Opwora is an accomplished administrator who has had her career in the defunct provincial administration transitioning to the national government administration under the current constitution</p>
	<p>Representing the Principal Secretary, Roads</p>	<p>Mr. Tarus is a Senior Deputy Secretary. He is a graduate from Egerton University BED (Arts) with Over 30 year experience in the public service, with a wide range of experience in the field of Education and Administration. He attended various Courses /Trainings in both local and abroad institutions.</p>
<p>5</p> 	<p>Representing the Attorney General</p>	<p>Ms. Biliah is an advocate of the High Court of Kenya with over 15 years post admission experience. She holds a Bachelor of Laws (LLB, Hons) degree from Moi University and a Post Graduate Diploma in Legal Studies from the Kenya School of Law. She is a member of the Law Society of Kenya. Ms. Biliah is a Deputy Chief State Counsel at the Office of the Attorney General and Department of Justice, currently under the Public Trustee Division where she heads the Trust Section.</p>
	<p>Director, Civil Servants Housing Scheme Fund</p>	<p>Mr. Wairagu is the director in charge of Civil Servants Housing Scheme Fund with over 28 years of experience in public service. He has a Bachelor of Architecture degree from the University of Nairobi. He is a registered architect with the Architectural Association of Kenya (AAK)</p>

3. SECRETARIAT/KEY MANAGEMENT MEMBERS OF THE STATE OFFICERS HOUSE MORTGAGE SCHEME FUND (SOHMSF)

NAME	AREA OF RESPONSIBILITY	KEY ACADEMIC AND PROFESSIONAL QUALIFICATION.
 <p>Arch. Julius G. Wairagu</p>	<p>Director</p>	<p>Mr. Wairagu is the director in charge of Civil Servants Housing Scheme Fund with over 28 years of experience in public service. He has Bachelor of Architecture degree from the University of Nairobi he is a registered architect with Architectural Association of Kenya (AAK)</p>
 <p>Mr. Boniface M. Ngochi</p>	<p>Estate Manager</p>	<p>Mr Ngochi is a Deputy Director Estates with over 20years experience. He holds Master of Arts Planning (Urban & Regional Planning) and Bachelor of Arts (Hons)Land Economics. He is a Member of the Institution of Surveyors of Kenya (MISK) and a graduate member of the Kenya Institute of Planners</p>
 <p>CPA. Lucy Njeri Mbira</p>	<p>Scheme Accountant</p>	<p>Ms. Mbira is a Deputy accountant General with over 17 years of experience in Internal Audit and Accounting. She holds a Masters in Business Administration (Finance) and a Bachelor of Commerce (Accounting Option). She is a of Member Institute of Certified Public Accountants (ICPAK) and Institute of Internal Auditors (IIA)</p>

4. PRINCIPAL SECRETARY'S STATEMENT

The Constitution under Section 42 and 43 accords every person the right to a clean and healthy environment, and the right to accessible and adequate housing, and to reasonable standards of sanitation. The Salaries and Remuneration Commission on 17th December, 2014 set and advised on the car and mortgage benefits for all State Officers and other Public Officers in Kenya. The establishment of the fund is in line with the National Housing Policy for Kenya 2004 (Sessional Paper No. 3). The policy among other things called for employers to assist their employees to acquire housing.

The Public Finance Management (State Officers House Mortgage Scheme Fund) Regulations, 2015 provide regulations on the administration of the Fund. To ensure adequate and affordable access to housing to State Officers, the State Officers House Mortgage Scheme Fund regulations are in the process of being amended to incorporate the following;

To introduce equity release for development

Give administrative powers to the committee to facilitate the mortgage process

The Fund has continued to deliver the principal objective and the attached Financial Reports and Financial Statements present the accounting and financial operations of the Fund for the year ended 30th June, 2025. I accept responsibility for the maintenance of accounting records which may be relied upon in preparation of the financial statements, as well as adequate systems of internal control. I further accept responsibility for the attached annual accounts, which have been prepared in conformity with internationally accepted accounting standards and appropriate government financial regulations and procedures.

I am of the opinion that the attached appropriations, reports and other financial statements present fairly financial state of affairs of the State Officers House Mortgage Scheme Fund Vote as at 30th June, 2025.



.....
Charles M. Hinga, CBS, CA (SA)

The Principal Secretary,

State Department for Housing and Urban Development

5th September, 2025

5. REPORT OF THE FUND MANAGER

The Scheme Management Committee is charged with the responsibility of managing the Fund in accordance with The Public Finance Management (State Officers House Mortgage Scheme Fund) Regulations, 2015 which set up a revolving Fund for the disbursement of loans. The Fund Manager has the responsibility of supervising the day-to-day operations of the Fund. During the Financial year ended 30th June, 2025, the Scheme continued to provide house mortgage to State officers in line with the requirements of the objectives of the Fund. The Fund has accomplished the following by the end of the financial year: 241 applications were completed, returned with support documents and recommended to bank for processing of mortgage loans worth Kshs. 6.584 billion, 205 Loans fully disbursed to applicants worth Kshs. 5.30 billion, 26 applications worth Kshs. 619 million were approved pending disbursement and 11 applications pending approval worth about Kshs. 311 million:

The Fund has had its own fair share of challenges. The main challenge being that The Public Finance Management (State Officers House Mortgage Scheme Fund) Regulations 2015 which regulate on the management of the Fund do not cover the following main areas: Purchase & improvement of house, Purchase of plot for future development of a residential house and Lack of adequate funds with the inclusion of state officers such as officers serving as Brigadiers and above in line with the Kenya Defence Act and officers serving as Ambassadors, High Commissioners, Diplomat and /or Consular Rep.

During the year under review, the interest rate applicable under the Scheme was reviewed from five (5) per cent to four (4) per cent with effect from 23rd May, 2025.

I am, of the opinion, that the Regulations need to be amended to cover the above-mentioned areas so that the objectives of the Fund can be met with minimal challenges. Other areas of consideration include: Requirement for unexpired lease term of at least 45 years, termination of employment or expiry of term of a State Officer when the loan is being processed, applications which are for plot purchase, inadequacy of Funds, arrears by officers whose terms have expired and utilization of gratuity for loan repayment.

The Fund continues to meet its strategic objectives as outlined in the financial reports and Statements for the year ended 30th June, 2025.



Arch. Julius G. Wairagu

Fund Manager

State Officers House Mortgage Scheme Fund

5th September, 2025

6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Introduction

Section 81 Sub-section 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 establishment of the Fund is in line with the National Housing Policy for Kenya 2004 (Sessional Paper No. 3). The policy among other things called for employers to assist their employees to acquire housing. The government of Kenya under the Affordable Housing Programme is working with the Scheme Fund to meet its housing Agenda as one of the Strategic Objectives for the government.

Pre-determined Objectives

The State Officers House Mortgage Scheme Fund has the objective of providing a loan Scheme for purchase or development of property by the State Officers. The Fund develops its annual work plans based on the above Government agenda and objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. In the year under review the State Officers House Mortgage Scheme Fund budgeted to facilitate additional loans to a tune of Kshs. 507,750,000.00 which was fully disbursed to the bank, recording 100% performance under the development budget

The State Officers House Mortgage Scheme Fund achieved its performance targets set for the Financial Year 2024/2025 based on the applications received, applications processed and the applications which were under processing as at 30th June, 2025

7. CORPORATE GOVERNANCE STATEMENT

In accordance with the principles of good governance, each Scheme Management Committee/Secretariat member undertakes to always act in the best interest of the Fund and exercises his/her powers in the execution of duties in good faith and acts with care and prudence

Advisory Committee of the Fund

The Fund is managed and administered through an established advisory committee of the Fund within the National Treasury comprising of: The Director of Administration, Director of Budgetary Supply, Director of Human Resources and Director of Fiscal Decentralization

Responsibilities of the Advisory Committee

Ultimately, the advisory committee determines the Fund's housing development and financing proposals, approve criteria for beneficiaries of the Fund and such other duties as may be directed by the Cabinet Secretary for the proper management of the Fund

The Advisory committee has delegated the Authority for the day to day management of the scheme to the State Officer House Mortgage Scheme Management Committee appointed by the Cabinet Secretary. However, it retains the overall responsibility of the Fund's Financial Performance, Compliance with laws and Regulations and monitoring of the operations as well as ensuring competent management of the Fund's business.

Oversight Role

The Advisory Committee through the Scheme Management Committee provides Strategic direction with a focus on consistent business performance in an atmosphere of transparency and accountability whilst also reviewing and monitoring proper corporate governance

The advisory Committee retains full and Effective control over the Fund and Monitors the management's implementation of the objectives of the Fund. It ensures ethical behaviour and compliance with the relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the code of ethics

8. MANAGEMENT DISCUSSION ANALYSIS

Operations and Financial Performance

The State Officers House Mortgage Scheme Fund recorded good financial Performance results for the year ended 30th June, 2025.

The Loan performance in respect to loans disbursed and loan repayments for the year recorded an improvement and the Fund is looking forward to facilitating more State Officers to have house mortgage loans in the coming financial year.

The total revenue earned in the year under review is 98 million compared to Kshs. 94 million in the financial 2023/2024 marking an improvement of Kshs. 3 million, while the expenditure the year under review is Kshs. 4.6 million compared Kshs. 7.9 million in the financial 2023/2024 resulting in an increase in the surplus by over Kshs. 6 million.

The scheme disbursed Kshs. 507 million to the State officers House Mortgage Scheme for additional loans to state officer which is 100% of the budgeted amount.

Opportunities

1. Devolution: Devolution continued to be a great opportunity since more State Officers are qualifying for state officers house mortgage scheme loans
2. Affordable Housing Programme: The government provides the goodwill and the guiding principle towards achievement of affordable housing for all.
3. The Constitution of Kenya, 2010: The Constitution under Section 42 and 43 accords every person the right to a clean and healthy environment, and the right to accessible and adequate housing, and to reasonable standards of sanitation.

Challenges

The main challenge is that The Public Finance Management (State Officers House Mortgage Scheme Fund) Regulations 2015 which regulate on the management of the fund do not cover the following main areas;

- a) Purchase & improvement of house
- b) Purchase of plot for future development of a residential house

Compliance with Statutory Requirements

The State Officers House and Mortgage Scheme Fund adheres to the tenets of the Constitution of Kenya, 2010 and the relevant statutes, including but not limited to the Public Finance Management Act, 2012, The Public Finance Management (State Officers House Mortgage Scheme) Fund Regulations, 2015 and the Public Procurement and Asset Disposal Act, 2015

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Environmental, Social Responsibility Activities

During the financial year ended 30th June, 2025 the Scheme Management Committee did not carry out any environmental and sustainability projects. However, the Fund through facilitation of Loans to State officers ensures that conservation and sustainability of the environment is adhered to through monitoring the developments through the bank administering the Loan on behalf of the Scheme Fund.

10. REPORT OF THE SCHEME/FUND MANAGEMENT COMMITTEE

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

Principal activities

The principal activities of the Fund are to provide a loan Scheme for the purchase or development of property by State Officers. The Fund is administered by the Principal Secretary, State Department for Housing and Urban Development who is the Fund Administrator. There is a Scheme Management Committee charged with the responsibility of management of the fund in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Fund. The Fund Manager is responsible for the day-to-day operations of the Fund

Performance

The performance of the Fund for the year ended June 30, 2025, is set out on page 1 to 5

Fund Administration/Management Committee

The members of the Fund Administration/Management Committee who served during the year are shown on page vii to ix

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.

Going concern

Nothing has come to the attention of the management of the Fund to indicate that the Fund will not remain a going concern for at least the next twelve (12) months from the date of this statement.

By Order of the Committee,



.....
Chair of the Scheme/Fund Management Committee

11. STATEMENT OF MANAGEMENT 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 Public Finance Management (State Officers House Mortgage Scheme) Fund Regulations, 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the 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 30th June, 2025. This responsibility includes: Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund, 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, Safeguarding the assets of the Fund and Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Public Finance Management (State Officers House Mortgage Scheme) Fund Regulations, 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended 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 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.

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 Scheme Management Committee and signed on its behalf by:



.....
Charles M. Hinga, CBS, CA (SA)
Principal Secretary
Date: 5th September, 2025



.....
Julius G. Wairagu
Director, CSHSF
Date: 5th September, 2025



.....
CPA. Lucy Mbira
Scheme Accountant
ICPAK Member No. 15517
Date: 5th September, 2025

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON STATE OFFICERS HOUSE MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2025 – STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

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 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 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, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of state officers house mortgage scheme fund set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the state officers house mortgage scheme 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 the Public Finance Management (State Officers House Mortgage Scheme Fund) Regulations, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, 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 Matter

Unresolved Prior Year Issues

During the audit report of the previous year, a number of issues were raised under Emphasis of Matter and in the Report on Effectiveness of Internal Controls, Risk Management and Governance sections as listed in annex 1. The issues remained unresolved as at 30 June, 2025.

Other Information

The Oversight Committee is responsible for the Other Information set out on page iii to xviii which comprise of Key Entity Information and Management, Scheme Management Committee, Scheme Management Committee Members of the Civil Servants Housing Scheme Fund, Cabinet Secretary's statement, Report of the Principal Secretary, Management Discussion and Analysis, Corporate Governance Statement, Report of the Scheme Committee, Statement of Directors' Responsibilities and Statement of

Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 overall governance were not effective.

Basis for Conclusion

1. Lack of Back Up Mechanism

Review of the Fund's operations and management systems revealed that the Fund financial and accounting records are managed and maintained manually. Financial

reports, ledgers, trial balance, budgets and financial statements are prepared manually and there was no evidence of a backup. There is therefore an urgent need to explore the application of a Management Information System in order to safeguard the confidentiality, integrity and accessibility. Further, manual operations may lead to misreporting, misrepresentation and loss of data.

In the circumstances, the effectiveness of internal controls on management of operations and financial records could not be confirmed.

2. Lack of a Risk Management Policy

During the year under review, the Fund operated without a documented Risk Management Policy. The Fund did not have a mechanism to assess the risk and mitigating responses incase the risks crystallize.

In circumstances, existence of a mechanism for risk identifications, evaluation, monitoring and mitigating risk 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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

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

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

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

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


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

Auditor-General's Responsibilities for the Audit

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

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

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


FCPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

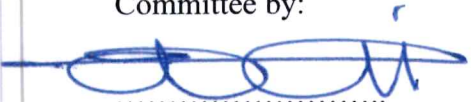
7 November, 2025


**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH
JUNE, 2025**


	Notes	2024-2025	2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from Other Government Entities	6	0	0
Revenue from exchange transactions			
Mortgage Interest	7	61,971,334	63,742,653
Rental revenue from facilities and equipment	8		
Finance Income –investment interest	9	34,612,593	27,572,635
Other Incomes	10	1,422,228	3,346,133
Total Revenue		98,006,156	94,661,421
Expenses			
Depreciation and amortization expense	11	0	0
Board/Council expenses	12	902,600	1,561,720
Use of goods and services	13	3,758,249	6,422,556
Repairs and maintenance	14		
Contracted services	15		
Grants and subsidies	16		
Total expenses		4,660,849	7,984,276
Other gains/(losses)			
Surplus before tax		93,345,307	86,677,145
Taxation			
Surplus/(deficit) for the period/year		93,345,307	86,677,145
Remission to National Treasury			
Net Surplus for the year		93,345,307	86,677,145

The notes set out on pages 6 to 20 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Scheme Management Committee by:


.....
Charles M. Hinga, CBS, CA (SA)
Principal Secretary
Date: 5th September, 2025


.....
Julius G. Wairagu
Director, CSHSF
Date: 5th September, 2025


.....
CPA. Lucy Mbira
Scheme Accountant
ICPAK Member No. 15517
Date: 5th September, 2025

14. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE, 2025

	Notes	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalents	17	311,486,801	327,574,562
Current portion of receivables from exchange transactions	18(a)	29,681,336	17,371,422
Total Current Assets		341,168,137	344,945,984
Non-Current Assets			
Long term receivables from exchange transactions	18(b)	2,920,872,128	2,832,831,312
Unutilized funds	18(c)	428,998,721	418,978,721
Total Non- Current Assets		3,349,870,849	3,251,810,033
Total Assets		3,691,038,986	3,596,756,017
Liabilities			
Current Liabilities			
Trade and other payables	19	937,663	0
Total Current Liabilities		937,663	0
Non-Current Liabilities			
Total Non- Current Liabilities			
Total Liabilities		937,663	0
Net assets			
Accumulated surplus		596,756,016	510,078,872
Surplus/(deficit) for the period		93,345,307	86,677,145
Capital Revolving Fund		3,000,000,000	3,000,000,000
Total Net Assets		3,690,101,323	3,596,756,017
Total Net Assets and Liabilities		3,691,038,986	3,596,756,017

The notes set out on pages 6 to 20 form an integral part of these Financial Statements.
The Financial Statements set out on pages 1 to 5 were signed on behalf of the Scheme Management Committee by



Charles M. Hinga, CBS, CA (SA)
Principal Secretary
Date: 5th September, 2025



Julius G. Wairagu
Director, CSHSF
Date: 5th September, 2025



CPA. Lucy Mbira
Scheme Accountant
ICPAK Member No. 15517
Date: 5th September, 2025

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30th JUNE, 2025

Description	Revolving Capital Reserve	Revenue Reserve	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
As at 1st July 2023	3,000,000,000	0	510,078,872	3,510,078,872
Surplus/(deficit) for the period	0	0	86,677,144	86,677,144
Funds received during the year	0	0	0	0
Restatements				
Transfers	0	0		
As at 30th June 2024	3,000,000,000	0	596,756,016	3, 596,756,016
Balance as at 1st July 2024	3,000,000,000	0	596,756,016	3, 596,756,016
Surplus/(deficit) for the period	0	0	93,345,307	93,345,307
Funds received during the year	0	0	0	0
Restatements				
Transfers	0	0		
As at 30th June 2025	3,000,000,000	0	690,101,323	3,690,101,323

The notes set out on pages 6 to 20 form an integral part of these Financial Statements.
The Financial Statements set out on pages 1 to 5 were signed on behalf of the Scheme Management Committee by:



.....
Charles M. Hinga, CBS, CA (SA)
Principal Secretary
Date: 5th September, 2025



.....
Julius G. Wairagu
Director, CSHSF
Date: 5th September, 2025



.....
CPA. Lucy Mbira
Scheme Accountant
ICPAK Member No. 15517
Date: 5th September, 2025

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2025

Description	Note	2024-2025	2023-2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Mortgage Interest	7(a)	49,661,420	57,548,388
Finance Income- Investment Interest	9	34,612,593	27,572,635
Other Incomes	10	1,422,228	3,346,133
Total Revenue		85,696,241	88,467,155
Payments			
Board/Council expenses	11	902,600	1,561,720
Use of goods and services	12	3,758,249	6,422,556
Repairs and maintenance	13		
Total expenses		4,660,849	7,984,276
Surplus/ (Deficit) for the period		81,035,393	80,482,880
Adjusted for			
Trade and other Payables	19	937,663	(306,000)
Net cash flow from operating activities		81,973,056	80,176,880
Cash flows from investing activities			
Proceeds from loan principal repayments	20	409,689,184	380,749,386
Loan disbursements		(497,730,000)	(607,639,736)
Transfer to unutilized funds	18(c)	(10,020,000)	157,639,736
Net cash flows used in investing activities		(98,060,816)	(69,250,614)
Cash flows from financing activities			
Civil Servants Housing scheme (KSB S&L)	18(a)	0	100,000,000
Net cash flows used in financing activities		0	100,000,000
Net increase/(decrease) in cash and cash equivalents		(16,087,760)	110,926,265
Cash and cash equivalents at 1 July, 2024	17	327,574,561	216,648,296
Cash and cash equivalents at 30th June, 2025		311,486,801	327,574,561

The statement of Cash flow is presented using the direct method

The notes set out on pages 6 to 20 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Scheme Management Committee by:



Charles M. Hinga, CBS, CA (SA)
Principal Secretary
Date: 5th September, 2025



Julius G. Wairagu
Director, CSHSF
Date: 5th September, 2025



CPA. Lucy Mbira
Scheme Accountant
ICPAK Member No. 15517
Date: 5th September, 2025

**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR
THE YEAR ENDED 30th JUNE, 2025**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	%of utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Expected collections from Mortgage (P)	400,000,000.00		400,000,000.00	409,689,184	(9,689,184)	102%
Mortgage Interest	80,000,000.00		80,000,000.00	61,971,334	18,028,666	77%
Interest on investment	32,600,000.00		32,600,000.00	34,612,593	(2,012,593)	106%
Other Incomes	3,300,000.00		3,300,000.00	1,422,228	1,877,772	43%
Total Revenue	515,900,000.00		515,900,000.00	507,695,339	8,204,660	98%
Recurrent Expenditure						
Use of goods and services	6,650,000.00		6,650,000.00	3,758,249	2,891,751	57%
Boards/Council	1,500,000.00		1,500,000.00	902,600	597,400	60%
Depreciation and amortization expense						
Repairs and maintenance	0		0	0		
Purchase of Equipment	0		0	0		
Grants and subsidies	0		0	0		
Total	8,150,000.00		8,150,000.00	4,660,849	3,489,151	57%
Surplus for the period				93,345,307		
Development Expenditure (Loans to State Officer)	507,750,000.00		507,750,000.00	507,750,000	0	100%
Grand Total Recurrent and Development Expenditure	515,900,000.00		515,900,000.00	512,410,849	3,489,151	99%

The notes set out on pages 6 to 20 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Scheme Management Committee by:

19. NOTES TO THE FINANCIAL STATEMENT

1. General Information

The State Officers House Mortgage Scheme Fund is established by and derives its authority and accountability from the Public Finance Management (State Officers House Mortgage Scheme Fund) Regulations, 2015. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activities are to provide a loan Scheme for the purchase or development of property by State Officers

2. Statement of compliance and basis of preparation – IPSAS 1

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 State Officers House Mortgage Scheme Fund

The financial statements have been prepared in accordance with the PFM Act, 2012, The Public Finance Management (State Officers House Mortgage Scheme Fund) Regulations, 2015 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

Notes to the Financial Statements (Continued)

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of a Fund's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between a Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Fund; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

State Officers Housing Mortgage Scheme
Annual Financial Report
For the period ended 30th June 2025

Standard	Effective date and impact:
	Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

ii. **Early adoption of standards**

The Fund did not early – adopt any new or amended standards in the year 2024/25.

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 Fund 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 for each period.

b. Budget information

The original budget for 2024/25 Financial Year was approved by the Scheme Management Committee. 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.

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 as part of the Financial Statements

c. Property, plant, and equipment (PPE)

All property, plant and equipment are stated at Net book value (cost less accumulated depreciation and impairment losses). Depreciation is charged on the straight-line basis using the following annual rates;

Land and buildings	2.5%
Computers and Accessories	25%
Motor Vehicles	25%
Office Equipment	25%
Furniture and Fittings	10%

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. Financial instruments

1) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments; Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Fund has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, with less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a Fund of financial assets is impaired. Management then follows the procedure required by Regulation 145 of the PFM Act. A financial asset of the Fund is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (*an incurred 'loss event'*) and that loss event has an impact on the estimated future cash flows of the Fund that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors of the Fund are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

2) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

f) 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.

g) 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.

h) Nature and purpose of reserves

The Fund creates and maintains reserves in terms of Revolving capital reserve and accumulated reserves

i) 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.

j) 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.

k) 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.

l) 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 various commercial banks at the end of the financial year.

m) Comparative figures

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

n) Events after the reporting period

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

o) Ultimate and Holding Fund

The Fund is established by the Public Finance Management (State Officers House Mortgage Scheme Fund) Regulations, 2015 under the State Department of Housing and Urban Development. Its ultimate parent is the Government of Kenya.

p) 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.

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 (Continued)

6) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total transfers 2020/22	Prior year 2020-2021
			KShs	KShs	KShs
State Department of Housing	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

7) Mortgage Interest

Mortgage Interest	2024-2025	2023-2024
	KShs	KShs
Mortgage interest KCBS & L Q1 (Jul-Sep)	12,368,508	17,245,174
Mortgage interest KCB S & L Q2 (Oct-Dec)	18,171,391	17,266,171
Mortgage interest KCB S & L Q3 (Jan-Mar)	12,476,613	11,859,887
Mortgage interest KCBS & L Q4 (Apr-Jun)	18,954,823	17,371,422
Total Mortgage Interest	61,971,334	63,742,653

Note: Mortgage interest is charged at 5% per annum

7) (a) Mortgage Interest for Statement of Cashflows

Mortgage Interest	2024-2025	2023-2024
	KShs	KShs
Mortgage interest for the year	61,971,334	63,742,653
Mortgage interest Q4 (2023-2024)	17,371,422	11,177,157
Mortgage interest Receivable Q3 (2024-2025)	(10,726,514)	(17,371,422)
Mortgage interest Receivable Q4 (2024-2025)	(18,954,823)	
Total Mortgage Interest	49,661,420	57,548,388

8) Rental Revenue from Facilities and Equipment

Description	2024-2025	2023-2024
	KShs	Kshs
Staff Rental houses	0	0
Total rentals	0	0

9) Finance Income –Investment Interest

Description	2024-2025	2023-2024
	KShs	KShs
Cash investments and fixed deposits Q1	9,827,254	4,662,192
Cash investments and fixed deposits Q2	13,674,317	5,784,658
Cash investments and fixed deposits Q3	6,961,159	6,679,378
Cash investments and fixed deposits Q4	4,149,863	10,446,407
Total finance income	34,612,593	27,572,635

Note: These are investment interest derived from deposits on call at prevailing market rates)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10) Other Incomes

10 (a) Bank Interest on Balances

Description	2024-2025	2023-2024
	KShs	KShs
Interest on Credit bank balances Q1	106,085	1,166,522
Interest on Credit bank balances Q2	277,727	1,466,743
Interest on Credit bank balances Q3	750,481	395,417
Interest on Credit bank balances Q4	215,935	286,451
Total other income	1,350,228	3,315,133

Note: These are Interests on credit bank balances paid quarterly by the bank

10 (b) Sale of form

Description	2024-2025	2023-2024
	KShs	KShs
Sale of form	72,000	31,000
Total other income	72,000	31,000

Note: These are incomes realized out of sale of application forms for Mortgages

10 (c) Other Receipts

Description	2024-2025	2023-2024
	KShs	KShs
Other Receipts	-	-
Total other income	-	-

11) Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant and equipment	0	0
Intangible assets	0	0
Investment property carried at cost	0	0
Total depreciation and amortization	0	0

12) Board /Council Expenses

Description	2024-2025	2023-2024
	KShs	KShs
Chairman/Director	80,000	
Sitting allowances	340,000	116,480
Telephone, Airtime and Internet		
Induction and Training		114,240
Travel and accommodation		1,331,000
Secretariat	482,600	
Total	902,600	1,561,720

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13) Use of Goods and Services

Description	2024-2025	2023-2024
	KShs	KShs
Conference/Seminars	703,300	1,211,400
Official Entertainment	120,000	
Transport Operating Expenses	491,400	2,933,410
Travelling and Accommodation	1,080,300	530,660
Advertisement, awareness	1,303,440	408,975
Publishing and printing services	52,200	
General office services		910,640
Telephone Expenses		
Courier and Postal Services		
Library expenses		
Training Expenses		420,120
Supplies & accessories for computers		
Bank Charges	7,609	7,351
Membership fee subscription		
Total	3,758,249	6,422,556

Note: All expenses were charged as per the approved budget in the chart of accounts)

14) Repairs and Maintenance

Description	2024-2025	2023-2024
	KShs	KShs
Property	0	0
Investment property – earning rentals	0	0
Equipment and machinery	0	0
Vehicles	0	0
Furniture and fittings	0	0
Supplies Computers & accessories	0	0
Maintenance of office	0	0
Total repairs and maintenance	0	0

15) Contracted Services

Description	2024-2025	2023-2024
	KShs	KShs
Actuarial valuations	0	0
Investment valuations	0	0
Property valuations	0	0
Total contracted services	0.00	0.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16) Grants and Subsidies

Description	2024-2025	2023-2024
	KShs	KShs
Community development	0	0
Education initiatives and programs	0	0
Social development	0	0
Community trust	0	0
Sporting bodies	0	0
Total grants and subsidies	0.00	0.00

17) Cash and Cash Equivalents

Description	2024-2025	2023-2024
	Kshs	Kshs
Cashbook balances - Deposit	91,225,721	22,654,479
Cash book balances- Operation	261,079	4,920,083
Cash-on-hand and in transit	-	0
Short-term deposits-KCB	220,000,000	300,000,000
Total cash and cash equivalents	311,486,801	327,574,562

Detailed Analysis of Cash and Cash Equivalents

Financial institution	Account number	2024-2025	2023-2024
		Kshs	Kshs
a) Current account			
KCB – Deposit Cashbook	1170913962	91,225,721	22,654,479
KCB-Operation Cashbook	1170914357	261,079	4,920,083
Sub- total		91,486,801	27,574,562
b) On - call deposits Account			
Kenya Commercial bank		220,000,000	300,000,000
Sub- total		220,000,000	300,000,000
Grand total		311,486,801	327,574,562

18) Receivables from Exchange Transactions

18 (a). Current Receivables from Exchange Transactions

	2024-2025	2023-2024
	Kshs	Kshs
Current receivables		
Mortgage Interest Q3	10,726,514	17,371,422
Mortgage Interest Q4	18,954,822	
Total current receivables	29,681,336	17,371,422

Notes: Current receivables consist of unpaid mortgage interest for Q3 and Q4 Kshs 29,681,336.15

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 (b). Long- term Receivables from Exchange Transactions

Description	2024-2025	2023-2024
	KShs	KShs
Mortgage Recoverable	2,920,872,128	2,832,831,312
Less: impairment allowance		
Current portion transferred to current receivables		
Total non-current receivables	2,920,872,128	2,832,831,312
Total receivables (a+b)	2,950,553,464	2,850,202,734

Note: Mortgage Recoverable of Kshs. 2,920,872,128.12 is the total loan book balance as at 30th June 2025

18 (c). Unutilized Funds

Unutilized Funds	2024-2025	2023-2024
	KShs	KShs
At the beginning of the year	418,978,721	576,618,457
Additions during the year	507,750,000	450,000,000
Loans disbursed during the year	(497,730,000)	(607,639,736)
Written off during the year		
At the end of the year	428,998,721	418,978,721

19) Trade and Other Payables

Description	2024-2025	2023-2024
	KShs	KShs
Payables	937,663	0
Total	937,663	0

20) Proceeds from loan repayments

Description	2024-2025	2023-2024
	KShs	KShs
Principal Recoveries for Q4 (2023-2024)	89,044,825	104,144,942
Principal Recoveries for Q1 (2024-2025)	86,038,068	125,059,051
Principal Recoveries for Q2 (2024-2025)	107,142,389	94,940,993
Principal Recoveries for Q3 (2024-2025)	127,463,903	56,604,399
Total	409,689,184	380,749,386

21) Disclosure of Restatements

Description	2024-2025	2023-2024
	KShs	KShs
Current portion of receivables from exchange transactions overstated	0	0
Long term receivables from exchange transactions understated	0	0
Unutilized funds understated	0	0
Total	0	0

Other Disclosures

1. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

a) Credit risk

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

Management assesses the credit quality of each customer, considering 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.

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.

c) Market risk

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

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

Other Disclosures (Continued)

d) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

2. Related party balances

a) Nature of related party relationships

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

- a) National Government Fund
- b) Key Management/Advisory Committee
- c) Scheme Management Committee

ANNEXES

18. (A) ANNEX 1: PROGRESS ON FOLLOW UP OF AUDITOR 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: (Put a date when you expect the issue to be resolved)
	Low uptake of Mortgage Funds	The low uptake of mortgage funds was occasioned by lack of disbursement of funds from the National Treasury	Not Resolved	30/06/2026

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Arch. Julius G. Wairagu

Director

Date: 5th September, 2025

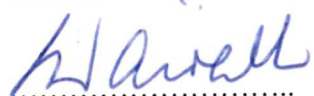
State Officers Housing Mortgage Scheme
Annual Financial Report
For the period ended 30th June 2025

ANNEX II: INTER-FUND TRANSFERS

FUND NAME:		STATE OFFICERS HOUSE MORTGAGE SCHEME FUND		
Break down of Transfers from the State Department of Housing and Urban Development				
FY 2024/2025				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Financial Year to which the amounts relate</u>
			0	
			0	
			0	
		Total	0	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	
			0	
			0	
			0	
		Total		
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	
			0	
			0	
			0	
		Total	0	
d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	
			0	
			0	
			0	
		Total	0.00	

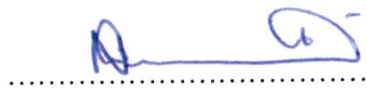
The above amounts have been communicated to and reconciled with the parent Ministry.

Arch. Julius G. Wairagu
Director



Date: 5th September, 2025

CPA. Nelson Osioru Mose
Head of Accounting Unit
State Department Housing and Urban Development



Date: 5th September, 2025

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