


REPUBLIC OF KENYA



Enhancing Accountability

 THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT	DATE: 28 MAY 2025
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TABLED BY:	Hon. Dwen Bawa, MP Deputy Leader of the Majority Party
CLERK-AT-THE-TABLE:	Esther Njirau

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**KENYA DAIRY BOARD STAFF MORTGAGE
SCHEME**

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



KENYA DAIRY BOARD STAFF MORTGAGE SCHEME

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

**KENYA DAIRY BOARD STAFF MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

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A. Acronyms and Abbreviations

AHP	Affordable Housing Program
BETA	Bottom-Up Economic Transformation Agenda
CARG	Compound Annual Rate of Growth
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CDF	Constituencies Development Fund
CEO	Chief Executive Officer
CPA	Certified Public Accountant
CSR	Corporate Social Responsibility
ECL	Expected Credit Loss
FY	Financial Year
GDP	Gross Domestic Product
HSC	Head of State Commendation
ICT	Information and Communications Technology
ICPAK	Institute of Certified Public Accountants of Kenya
IFAC	International Federation of Accountants
IPSAS	International Public Sector Accounting Standards
KAM	Kenya Association of Manufacturers
KCB	Kenya Commercial Bank
KDB	Kenya Dairy Board
KEPSA	Kenya Private Sector Alliance
KMRC	Kenya Mortgage Refinance Company
KRA	Key Result Area
KSHS	Kenya Shillings
MBA	Master of Business Administration
MD	Managing Director
OAG	Office of the Auditor General
OGW	Order of the Grand Warrior
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SCAC	State Corporation Advisory Committee
SMAC	Staff Mortgage Advisory Committee
SRC	Salaries & Remuneration Commission

B: Glossary of Terms

Board	Means the Kenya Dairy Board established under the Section 4 of the Dairy Industry Act Cap 336.
Comparative Year	Means the prior period.
Fiduciary Management	Members of Management directly entrusted with the responsibility of financial resources of the organisation
Scheme	Kenya Dairy Board Staff Mortgage Scheme established by Regulation 5 of Kenya Dairy Board Staff Mortgage Scheme Policy.

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Key Scheme's Information and Management

(a) Background information

The Scheme was established in the Financial Year 2017/2018 in line with Section 24 (5) of the Dairy Industry Act Cap 336, Public Finance Management Act, 2012 and Salaries & Remuneration Commission (SRC) Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17 December 2014. The Scheme is wholly owned by Kenya Dairy Board and is domiciled in Kenya.

(b) Principal Activities

The principal activity of the Scheme is to facilitate acquisition of residential property for members of staff of the Kenya Dairy Board by providing a mortgage loans for;

- i. Purchase and or development of residential property;
- ii. Purchase of land for future development.
- iii. Takeover of existing loan, and.
- iv. Renovation or repairs of residential property by a member of the scheme.

The Schemes overall administration is under the Board of Directors of Kenya Dairy Board. In addition, there is a committee charged with the responsibility of processing loans from applicants in accordance with laid down regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Scheme. The fund is administered by KCB Bank Kenya Limited who are responsible for the day-to-day operations.

(c) Scheme Administration

The Scheme overall administration is under the Board of Directors, Kenya Dairy Board. The Board members who served during the period were;

S No.	Position	Name
1	Chairman of the Board	Genesio Njagi Mugo
2	CEO/Board Secretary	Margaret Rugut Kibogy, OGW
3	Board Member	Brig. (Rtd) Joseph Kamau Mburu
4	Board Member	Dr. Joshua Chepchieng
5	Board Member	Bernard Kang'ethe Njorah *
6	Board Member	Kenneth Pkemoi Lomaibong
7	Board Member	Josephine Moraa Omanwa
8	Board Member	Fatuma Abdi Haji
9	Board Member	CPA. Jonah Wala **
10	Board Member	Mike Kipkirui Koros
11	Board Member	Gabriel Lerionka Pulei
12	Board Member	Beth Wangare Mbuthia
13	Board Member	Mercy Karimi Mbogo

* Appointed 28 March 2024

** Retired 28 March 2024

(d) Fiduciary Management

The Scheme Administrators, KCB Bank Kenya Limited and Staff Mortgage Advisory Committee (SMAC) members as listed below under Section (e) held office during the financial year ended 30 June 2024 and had direct fiduciary responsibility since they were mandated to carry out the implementation and administration of the Scheme.

(e) Fiduciary Oversight Arrangement

S No.	Position	Name
1.	Chairman	Dr. William K. Maritim
2.	Secretary	Beth Muthoka
3.	Committee Member	Peter Mutua
4.	Committee Member	Edward Nyoike
5.	Committee Member	Zablon Mwaura
6.	Committee Member	Mildred Kosgei

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Key Scheme's Information and Management (Continued)

(f) Scheme Administrators

KCB Bank Kenya Limited
P.O. Box 48400
GPO 00100
Nairobi, Kenya

(g) Registered Office

Kenya Dairy Board
New Loresho Estate, Off Waiyaki Way - Upper Kabete
P.O. Box 30406
GPO 00100
Nairobi, Kenya

(h) Scheme Contacts

Kenya Dairy Board
Telephone: (+254) 0733 521438, 0722 573432
E-mail: info@kdb.co.ke
Website: www.kdb.co.ke

(i) Scheme Bankers

KCB Bank Kenya Limited
Milimani Branch, NSSF Building
P.O. Box 69695
Tom Mboya 00400
Nairobi, Kenya.

(j) Independent Auditor

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

(k) Principal Legal Adviser

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

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THE BOARD OF DIRECTORS



Genesio Njagi Mugo
Chairman

Genesio Njagi Mugo was born in 1970 and joined the Board as an independent Director and Chairman to the Board on 10 February 2023. He brings on board over 26 years' experience in business and trading part which he worked with petroleum multinationals namely; Caltex Kenya Limited and Kenya Shell Limited, where he managed various portfolios including lead international petroleum trading and exports, stakeholders and government relations management as well as managing supply operations. He is a member of KEPSA Governing Board, KEPSA Vice Chair Energy, Extractives and Petroleum sector Board and KAM Chair of Energy and Petroleum Sector Board, Chairman emeritus of Shippers Council of East Africa as well as former Board member and Chair of Finance and Strategy Committee, Kenya Ferry Services. He is a holder of Bachelor of Science in Tourism, Moi University and currently pursuing Masters in Business Administration (MBA) at Kenyatta University.



Margaret Rugut Kibogy, OGW
CEO/Board Secretary

Margaret Rugut Kibogy was born in 1971 and appointed in May 2016 as the Managing Director, Kenya Dairy Board. Ms. Kibogy brings on board experience in Business Growth, Management and Marketing having served in the Banking Industry in various capacities. She is highly skilled in Negotiation, Business Planning, Analytical Skills, Risk Management, and Customer Service. She holds Master of Business Administration (MBA), Marketing from University of Nairobi.



Brig. (Rtd.) Joseph K.
Mburu, EBS

Brig. (Rtd.) Joseph Kamau Mburu was born in 1964 and joined the Board as an independent Director on 10 February 2023. He is a retired Senior Military Officer with vast experience in personnel matters, public finance management and public procurement as evidenced by various appointments in the Kenya Defence Forces and Ministry of Defence. He is the current chairman of Kenya Defence Forces Pay and Allowances Review Board as has previously served as the Managing Director, the Defence Forces Medical Insurance Scheme, Chief of Personnel, Kenya Airforce and Base Finance Officer, Laikipia Air Base. He has undergone extensive training both locally and internationally and he is a holder of Bachelor Degree in Business Management of East African University as well as Bachelor and Masters of Arts Degrees in International Studies and Diplomacy both from Washington International University.



Mercy Karimi Mbogo

Mercy Karimi Mbogo was born in 1989 and joined the Board as an independent Director on 10 February 2023. She brings over thirteen years of experience in animal husbandry, production, management, sales and marketing. She has previously worked with Farmers Choice Company Limited as a Pig Unit Manager, Kenbrid Farms Limited as Sales Representative and Field Officer and currently working with Bidco Africa Limited as a Sales and Technical Lead in Nairobi Region. She holds Diploma in Animal Production from Bukura Agricultural College.



Fatuma Abdi Sanweine

Fatuma Abdi Sanweine was born in 1976 and joined the Board as an independent Director on 10 February 2023. She brings in wealth of experience in business development, management, trade development, project management as well as human resource management. She is a holder of Bachelor's Degree in Business Administration (Human Resource Management option of East African University). She has previously served as a Loans Officer, Woman Concern - Garissa, Garissa Township constituency Roads Committee member, Committee member - Garissa Township CDF and a Nominated Member, County Assembly of Garissa.

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THE BOARD OF DIRECTORS



Mike Kipkirui Koros

Mike Kipkirui Koros was born in 1978 and joined the Board as an independent Director on 10 February 2023. He is a holder of Bachelor of Education (Arts) from Maseno University and currently pursuing a Master's Degree Course at Kabianga University. He is currently a Senior Administrative Officer at the University of Kabianga in charge of Senate Secretariat and a community leader who spearheaded the revival of Kabianga Co-operative Society leading to the revolution of Dairy farming in Kericho County. He is also serving as the Chairman, Kabianga Farmers Co-operative Society Limited, a Member of the Board of Management, Cheptuiyet Girls Secondary School and Chairman Kapsiya Catholic Church.



CPA. Jonah Wala

CPA Jonah Wala was born in 1969 and served in the Board as an Alternate Director to the Principal Secretary, National Treasury and Economic Planning till his retirement on 28 March 2024. He is an accomplished finance consulting leader with more than 18 years' experience leading cross-functional teams in delivering value for money in both private and public-sector enterprises. He is a member of ICPAK and IFAK. Jona is currently the Acting Director, Accounting Services at the National Treasury and Planning. Jona holds a Masters in Banking and Finance Development from Giordano Del Amore University in Italy, and a Bachelors of Arts degree in Mathematics and Economics from Egerton University.



Dr. J. Chepcheng, HSC

Dr. Joshua Chepcheng was born in 1964 and joined the Board as alternate Director to the Principal Secretary, State Department for Livestock Development - Ministry of Agriculture and Livestock Development in August 2021. He is an Administrator and a Leader with over 25 years of experience in public administration, where he has served as District Commissioner in numerous stations and served in various administration roles in a number of Ministries. Dr. Joshua is currently the Director in charge of Administration, State Department for Livestock under the Ministry of Agriculture, Livestock, Fisheries and Cooperatives. He is a holder of a Doctorate Degree in Project Planning and Management, Master of Arts in Project Planning and Management (MAPPM) and Bachelor of Arts (B.A. Hons) all from the University of Nairobi. He is a member of Kenya Association of Public Administration and Management (KAPAM).



Beth Wangare Mbuthia

Beth Wangare Mbuthia was born in 1990 and joined the Board as an independent Director on 10 February 2023. She is a professional with over 10 years of progressive experience in dairy farming, community development, project management and conflict resolution. She has held various positions in the Church and community where she is currently serving as a Board member, Mianzini Primary School and Secretary to Presbyterian Church of East Africa (PCEA), Rafiki Church in Turi Pariah, Elburgon Presbytery.



Dr. Abraham Kiplel Rugut

Dr. Abraham Kiplel Rugut was born in 1952 and joined the Board as an independent Director on 10 February 2023. He is a trained teacher by profession and a holder of an Honorary Doctorate Degree in Leadership (Honoris Causa) from University of America. He has served in various capacities in the education sector including Head Teacher to Kimogoch Primary School and Head Teacher Kamoiywo Preparatory and Boarding School. He is the founder and current Chairman to Nandi Dairy Co-operative Union and Kabiye Dairies Cooperative Society Limited.

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THE BOARD OF DIRECTORS



Kenneth P. Lomaibong

Mr. Kenneth P. Lomaibong was born in 1961 and joined the Board as an independent Director on 13 July 2022. He is currently serving as the chairman of Lelan Highland Dairy Limited. He is also a member of West Pokot county Budget and economy, Northern Corridor Peace and Conflict Resolution Forum and serves as Board member for a number of Schools.



Gabriel Lerionka Pulei

Gabriel Lerionka Pulei was born in 1977 and joined the Board as an independent Director on 10 February 2023. He is an expert in spiritual counselling, education, mentorship and is committed to shepherding individuals to Christ, engaging the community in missionary work and community outreach as well as formulating strategies for long-term operational goals. He has previously served as Chairman of the Board of Management, Olkejuado High School and member of the Committee, National Government Constituency Development Fund - Kajiado Central. He is a holder a Diploma in Christian Ministry from Thaaonet International School of Ministry and Bachelor of Arts in Bible and Theology of Pan African Christian University.



Josephine M. Omanwa

Josephine Moraa Omanwa was born in 1972 joined the Board as an independent Director on 10 February 2023. She is an accomplished professional with over 15 years of experience in administration and operations management. She is highly skilled in directing teams in delivering exceptional service and advancement of top-level objectives. She is the current National Chair, Kenya Booksellers and Stationers Association and an astute entrepreneur currently operating Jonzavike Printers Stationers and Bookshop. She is the founder Nyamira County Widows Association and also served in the Board of Management for Gesiaga Secondary School and Nyachururu Secondary School.



Bernard Kang'ethe Njorah

Bernard was born in 1991 and he is serving in the Board as an Alternate Director to the Principal Secretary, National Treasury and Economic Planning. He is a Senior Economist at the National Treasury, Directorate of Budget, Fiscal and Economic Affairs where he works mostly on formulation and analysis of policies, advisories, frameworks and legislations on Public Finance Management matters and Intergovernmental Fiscal Relations issues. Specifically, this relates to the specific contributions to the Budget Policy Statement and development of County Allocation of Revenue Bills (Division of Revenue Bill, County Allocation of Revenue Bill, and the County Governments Additional Allocations Bills), and cash Disbursement Schedules. He holds a Master's Degree in Economics from the University of Nairobi, a first-class honours Bachelor's Degree in Economics and Statistics from the same University, and a Project Development Certification from the International Sept Program at the Leipzig University, Germany. He is currently pursuing his Doctor of Philosophy (PhD) in Economics at the University of Nairobi.

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MANAGEMENT TEAM - STAFF MORTGAGE ADVISORY COMMITTEE



Dr. William K. Maritim
Director, Regulatory Services

Dr. Kimutai holds a Bachelor of Veterinary Medicine degree and Masters of Science degree in Veterinary Epidemiology and Economics both from University of Nairobi. Has attended Senior Management Course, Strategic Leadership Development Programme and Transformative Leadership course from Kenya School of Government. He is a member of Kenya Veterinary Association and registered with Kenya Veterinary Board. He has over 27 years' work experience in public service as Veterinary and Food Safety Officer. Former Chairperson, FAO/WHO Codex Committee for Africa (CCAFRICA) Region.



Beth Wanza Muthoka
Manager, Human Resource

Beth Wanza Muthoka has over 18 years' experience in human resource management. She holds Bachelor of Science in Human Resource Management (Moi University), Higher Diploma in Human Resource Management, (IHRM), Diploma in Personnel Management (RTI) and Certificate in Employee Counselling (IHRM). She is Certified Human Resource Professional-CHRP(K) and a Certified Mediator. Has attended Senior Management Course and Strategic Leadership Development Programme from Kenya School of Government. She is a member of the Institute of Human Resource Management. (IHRM)



Peter Mutua
Director, Corporate Services

Peter Mutua holds Bachelor of Arts graduate from the University of Nairobi, Mr. Mutua has undergone extensive professional training in the fields of human resource, administration, quality management systems and corporate governance. He has also attended Senior Management Course and Strategic Leadership Development Programme from Kenya School of Government. He has over 20 years' experience in the area of human resources and administration gained both in the public and private sectors.



CPA. Edward Nyoike
Finance Manager

CPA. Edward Nyoike holds Bachelor of Agribusiness Management (Egerton University), Master of Business Administration (MBA) - Operations Management from University of Nairobi, Certified Public Accountant, CPA (K) and Certified Internal Auditor (CIA). Has attended Senior Management Course and Strategic Leadership Development Programme from Kenya School of Government. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Institute of Internal Auditors, Kenya Chapter. He has over 15 years' experience in management, audit, finance, tax and accounting fields.



Mildred Jeptum Kosgei
Manager Research

Mildred Jeptum Kosgei has over 26 years' experience in dairy enterprise development, dairy trade promotion and negotiation. She holds a Diploma in Dairy Technology, Bachelors Degree in Food Science (Egerton University), Certificate in Food Safety from the National Food Institute, Technical University of Denmark and currently pursuing Master of Business Administration course (MBA) – Strategic Management at Kabarak University. She has attended both Senior Management Course and Strategic Leadership Development Programme at Kenya School of Government.



Zablon Mwaura
Manager, ICT

Zablon Mwaura, a seasoned ICT professional with over 20 years of experience. He holds a Bachelor of Science in Computer Science from the University of Nairobi and MBA in Strategic Management from Jomo Kenyatta University of Agriculture and Technology as well as certifications in Microsoft Professionalism, Quality Management Systems, and leadership development programs.

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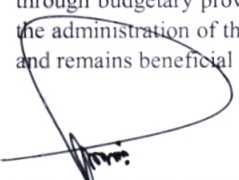
CHAIRMAN'S STATEMENT

Over the years, Kenya has witnessed rapid population growth and increased urbanization rates, resulting to the country's housing shortage. As of 2022, urbanization and population growth rates stood at 3.7% and 1.9% respectively, relatively higher than the global averages of 1.5% and 0.8% respectively. In response to this challenge, the government has implemented different measures including the Affordable Housing Program (AHP) under the Bottom-Up Economic Transformation Agenda (BETA) and the establishment of the Kenya Mortgage Refinance Company (KMRC).

The Kenyan mortgage market is the third most developed in Sub-Saharan Africa with mortgage assets equivalent to 2.5 percent the country's Gross Domestic Product (GDP), ranking behind Namibia and South Africa (World Bank). However, despite the high ranking, over the years, mortgage facilities that most Kenyans would deem affordable has been out of reach, with short repayment periods and double-digit interest rates locking out borrowers. Going by the Bank Supervision Annual Report 2022, the value of mortgage loans outstanding increased by Kshs. 16.7 billion, representing a 6.8% increase to Kshs. 261.8 billion in 2022 from Kshs. 245.1 billion in 2021. The upward trajectory of the loans which also represented a positive ten-year Compound Annual Rate of Growth (CARG) of 8.1% was as a result of the increasing number of mortgage accounts as more people try to access mortgages to finance their housing requirements.

In the year 2014, the Salaries and Remuneration Commission (SRC) issued detailed guidelines for the implementation of the Mortgage Scheme across among the public servants. The guidelines detailed the approval of benefits to the intended beneficiaries along with the scope and eligibility, commencement date, implementation and administration of benefits, financing, thresholds, interest rate to be charged, duration as well as termination of the schemes. In addition, individual state agencies were required to make budgetary provisions for approval through the National Treasury to operationalize the mortgage schemes for their staff. Kenya Dairy Board has not been left behind in attempt to providing housing for the Board employees, with the intention of motivating them as well as aiming towards attraction and retention of skilled manpower.

The Board has so far invested Kshs. 50 million into the Scheme which is anticipated to increase to Kshs. 100 million through budgetary provisions in coming years. The Board of Directors continues to play the vital role overseeing the administration of the Kenya Dairy Board Staff Mortgage Scheme to ensure that it operates as envisaged by SRC and remains beneficial to the staff.



Genesis Njagi Mugo
Chairman of the Board

Nairobi, Kenya

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REPORT OF THE MANAGING DIRECTOR

In accordance with the Salaries and Remuneration Commission (SRC) Circular No. SRC/ADM/CIR/1/13 Vol. III (1A 28) dated 17th December, 2014, Kenya Dairy Board established a Staff House Mortgage Scheme for the purpose of extending financial assistance to its employees, to enable them to acquire residential homes in Kenya. The objective of the Scheme is to provide a loan scheme for members of staff for the purchase of existing residential properties, purchase of land, development on the acquired land, takeover of loans on existing mortgages or equity release in order to attract, retain and motivate an efficient and effective workforce.

The Board of Directors, Kenya Dairy Board continues to play its oversight role in the administration of the Scheme with the assistance of the Staff Mortgage Advisory Committee who are responsible for the day-to-day operations. In addition, the Board continues to engage KCB Bank Kenya Limited for the purposes of administering the scheme. The administration of the Scheme is therefore subject to the SRC Circular, Staff House Mortgage Rules and Regulations and KCB's normal lending requirements.

During the reporting period, the Scheme maintained an interest rate of 3% as cost of borrowing. The cost of borrowing has continued to attract increasing numbers of loan applicants, and thus creating a need for the Board to provide additional funding to meet the growing demand for mortgage loans. This benefit has played a role in motivation and retention of staff at Kenya Dairy Board.

In the year under review, a total of Kshs. 7,371,905 was disbursed as loans to four staff members with total loans repayments of Kshs. 3,212,328 in the similar period. Total outstanding loans as at 30 June 2024 was Kshs. 46,833,721 held by nine (9) staff members who have so far benefited from the Scheme. The balance of the unutilized fund and which was available for lending as of the same date was Kshs. 5,416,041.

From the initial funding of Kshs. 50 million by Kenya Dairy Board, the fund value has grown to Kshs. 52.04 million through reinvestment of the interest from the unutilized funds. The scheme has so far managed to finance nine staff members from different cadres with a total disbursement of Kshs. 58.81 million.

We sincerely thank the Government for the support to the Board which enabled the operationalization of the Scheme, the Board of Directors and KCB Bank Kenya Limited for their continued support and goodwill. We look forward to fruitful days ahead as we continue to support the staff members of Kenya Dairy Board in meeting the key need of housing.



Margaret Rugut Kibogy, OGW
Managing Director

Nairobi, Kenya

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STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023 - 2024

Introduction

The Salaries and Remuneration Commission (SRC) in fulfilment of its constitutional mandate and in exercise of the powers conferred to it under Article 230 of the Constitution of Kenya and subsequently Section 13 of the Salaries and Remuneration Commission Act, 2011, reached and analysed Car Loans and Mortgage Schemes for the State Officers and other Public Officers in Government. SRC undertook a comparative approach between the public sector and private sector and compare it to that the market dictates.

On 17th December, 2014 SRC conveyed to all Government Institution and Agencies a guide and advise on the Car Loan and Mortgage Benefits for all State Officers and other Public Officers. It was expected that the implementation of these benefits will motivate employees and immensely contribute towards attraction and retention of skills in the Board. The SRC issued detailed guidelines for the approval benefits to the intended beneficiaries along with the Scope and Eligibility, Commencement Date, Implementation and Administration of Benefits, Financing, Thresholds, Interest Rate Charge, Duration and Termination of the Scheme.

Objective of the Kenya Dairy Board Staff Mortgage Scheme

The key objective of the Scheme is to facilitate acquisition of residential properties for members of staff of the Kenya Dairy Board by providing a mortgage loans for;

- i. Purchase and or development of residential property;
- ii. Purchase of land for future development;
- iii. Takeover of existing loan; and
- iv. Renovation or repairs of property by members of the scheme.

The Strategy of the Board in relation to the Scheme

The Board's Strategic Plan of 2023 to 2027 has five Strategic Key Result Areas (KRAs). These are;

- a) KRA 1: Dairy industry compliance
- b) KRA 2: Dairy production and value addition
- c) KRA 3: Market access
- d) KRA 4: Sustainability of the dairy industry
- d) KRA 5: Institutional Capacity

In KRA 5 on Institutional Capacity and Resource Mobilization, Kenya Dairy Board has set out to enhance two staff welfare schemes, namely; the Staff housing mortgage scheme and car loan scheme. Attendant indicators have been identified for reasons of tracking the progress and measuring the performance of the Mortgage Scheme. The table below provides the progress of attaining the objective of the scheme;

Strategy	Objective	Key Performance Indicators	Activities	Achievements
Improve human resource capacity for optimal performance	Enhance staff welfare schemes	Kshs. 100 million	Funding of the Staff Mortgage Scheme	Kshs. 50 million
		No. of Beneficiaries	Loan uptake by staff of Kenya Dairy Board	9
		Total value of loans issued	Issuance of loans to staff	Kshs. 58.81 million

From the initial funding of Kshs. 50 million by Kenya Dairy Board, the fund value has grown to Kshs. 52.04 million through reinvestment of the interest from the unutilised funds in the prior years. However, interest generated from unutilised fund during the year under review of Kshs. 215,000 has been recognised as income in the statement of financial performance. The scheme has so far managed to finance nine staff members with a total disbursement of Kshs. 58.81 million.

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CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS

The Board of Directors is the body of appointed by the Government to jointly oversee the activities of Kenya Dairy Board. The Board provides strategic direction, exercise control and remain accountable through effective leadership, enterprise, integrity and good judgment. It is diverse in its composition, independent but flexible, pragmatic, objective and focused on balanced and sustainable performance of the organization.

Roles of the Board in relation to Scheme Administration

- i. Supervise the administration of the Scheme
- ii. Cause to be kept books of account and other records in relation to the Scheme.
- iii. Furnish such information regarding the administration of the Scheme as may be required for examination and audit by the Auditor General or under any law;
- iv. Designate or appoint such staff as may be necessary to assist in the administration of the Scheme.

Board Composition

The appointing authority ensures that the Board composition complies with requirements in the Constitution of Kenya and any applicable legislation. Members act independently and each Board member understands the broad outline of the organization's policies. Each of the Board members is in good standing professionally and has sufficient expertise to perform his or her role as a Board member; and at least one member is a financial expert, meaning that he or she has expertise in financial management and accounting.

Term Limits and succession planning

Board members hold office for a period not exceeding three (3) years, and are eligible for reappointment for one more term not exceeding three (3) years. The renewal of a Board Member's tenure for a second is subject to an acceptable evaluation as determined during Board evaluations. The appointing authority ensures staggering of Board appointments so that the respective expiry dates of the members terms fall at different time to ensure proper succession planning and continuity of the Board affairs.

The Board Service Charter

The Board of Directors Charter (the "Charter") defines the Board's roles and responsibilities as well as functions and structures in a way that supports the members in carrying out their strategic oversight function. It provides the Board members with an opportunity to think creatively and critically about how their strategic and operational plans align with the organization's strategic direction and expectations, with respect to governance.

The Charter was adopted by the Board, acting in accordance with Mwongozo, Code of Governance for State Corporations ('the Code'), and is complementary to the requirements regarding the Board and Board members contained in applicable Kenyan laws and regulations. In particular, the principles and policies contained in the Charter are in addition to and are not intended to change or interpret any statute, law or regulation.

Risk Management

The Scheme has implemented risk management initiatives which are part of the wider Kenya Dairy Board Risk Management Framework, which identifies the risks that must be controlled and assigns duties within a systematic approach. The Staff Mortgage Advisory Committee is responsible for risk identification management activities. The final line of defence involves the External Auditor and the Internal Audit function. The Internal audit function of the Board independently evaluates the adequacy of overall risk management framework and reports the same to the Board Audit Committee.

Performance and remuneration of the Board members

Board members undertake an annual evaluation of performance which is conducted by the State Corporation Advisory Committee (SCAC). Board allowances are paid by the sponsor of the Scheme since the Board carries out its oversight role of the scheme along with Kenya Dairy Board.

Full Board meetings

Board meetings are held at least four (4) times a year. A schedule of dates of the meetings is agreed upon by the Board members and set out in the Board work plan. The Board held four full board meetings in the financial year.

**KENYA DAIRY BOARD STAFF MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

CORPORATE GOVERNANCE STATEMENT

Full Board meetings

The attendance of the Board members during the four full Board meetings held in the year was as follows;

Board Member	Designation	No. eligible of meetings	Meetings attended	Overall % attendance
Genesio N. Mugo	Chairman	4	4	100%
Margaret R. Kibogy	MD/CEO	4	4	100%
Kenneth Lomaibong	Director	4	4	100%
Dr. Joshua Chepchieng	Director	4	4	100%
Mike K. Koros	Director	4	4	100%
Brig.(Rtd.) Joseph K. Mburu	Director	4	4	100%
Dr. Abraham K. Rugut	Director	4	4	100%
Mercy K. Mbogo	Director	4	4	100%
Fatuma A. Haji	Director	4	4	100%
Bishop Gabriel Pulei	Director	4	4	100%
Josephine M. Omanwa	Director	4	4	100%
Beth W. Mbuthia	Director	4	4	100%
CPA. Jonah Wala *	Director	3	3	100%
Benard Kangethe **	Director	1	1	100%

* Retired 28 March 2024

** Appointed 28 March 2024

STAFF MORTGAGE ADVISORY COMMITTEE

The members of the Committee are appointed by the Managing Director, Kenya Dairy Board and their responsibility is to oversee the implementation and administration of the Scheme.

Composition of the Staff Mortgage Advisory Committee

The Committee comprise of the three (3) Heads of Department and three (3) other members of staff. Among the appointed members, the Managing Director is required to appoint a Chairperson, a Vice Chairperson while the staff responsible for Human Resource matters in the Board becomes the Secretary to the Committee.

Roles and functions of the Staff Mortgage Advisory Committee

The functions and duties for the staff Mortgage Advisory Committee are to;

- i) Supervise the day-to-day running of the Scheme.
- ii) Approve successful applications.
- iii) Forward the successful applications with recommendation to the Service Provider for approval.
- iv) Process applications for loans in accordance with the existing terms and conditions of borrowing.
- v) Communicate the decision of the application to the applicant through the secretary of the Scheme.

Staff Mortgage Advisory Committee Meetings

The attendance of the SMAC members in the three meetings held during the year was as follows;

Committee Member	Designation	No. eligible of meetings	Meetings attended	Overall % attendance
Dr. William K. Maritim	Chairman	3	3	100%
Beth Muthoka	Secretary	3	3	100%
Peter Mutua	Member	3	3	100%
Edward Nyoike	Member	3	3	100%
Zablon Mwaura	Member	3	2	67%
Mildred Kosgei	Member	3	3	100%

Succession plan of the Staff Mortgage Advisory Committee

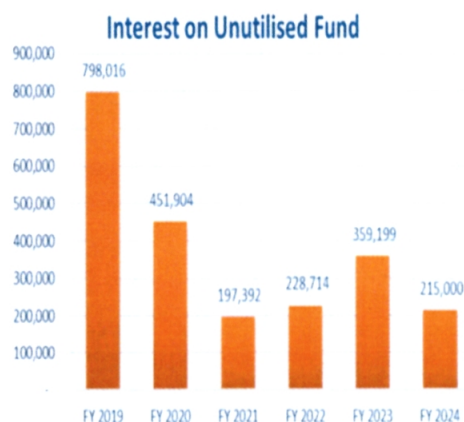
Members of the Staff Mortgage Advisory Committee holds office for a period not exceeding three (3) years, and are eligible for reappointment, save for the Secretary who is a permanent member of the Committee.

**KENYA DAIRY BOARD STAFF MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

MANAGEMENT DISCUSSION AND ANALYSIS

Operational and financial performance

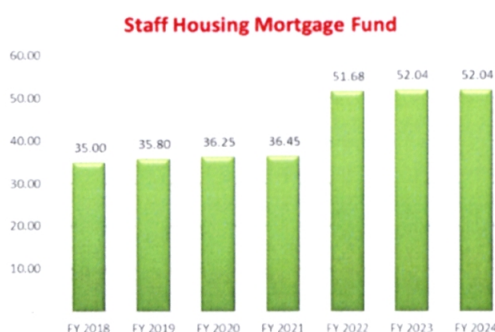
During the review period, the Central Bank Rate (CBR) was raised to 10.50 per cent as at June 2023, and 12.50 per cent as at December 2023 compared to 8.75 in December 2022. This was necessitated by the need to address inflationary pressures occasioned by depreciation of the Kenyan Shilling against major currencies and high global prices during the review period (Kenya Economic Survey, 2024).



The change in CBR has effect on the interest earned by the fund, especially on unutilised funds. Interest is charged on the Staff mortgage loans at a rate 3.0% p.a. The rate is calculated as the sum of the administration fee, while the un-utilized deposit earns interest at 20% of the Central Bank Rate (CBR). Interest credited on unutilised fund was revolved to the Scheme fund in prior years. However, the same was recognised as income with effected from the year ended 30 June 2024. The amount of interest realised from the unutilised fund during the year was Kshs. 215,000 (FY 2022-2023 - Kshs. 360,516). Notably, the interest on unutilised funds reduced from Kshs. 798,016 in June 2019 to Kshs. 197,392 in June 2021, increasing to Kshs. 359,199 as at June 2023 and reducing further to Kshs. 215,000 in the year under review.

The above trend is driven by the movement of the unutilised funds, with the initial funding from Kenya Dairy Board received in June 2018 and the first loan was advanced in March 2019.

The fund value



The Board invested the initial Kshs. 35 million in the year ended 30 June 2018. An additional funding of Kshs. 15 million was disbursed to the Scheme in the year ended June 2022.

However, with a total earning of interest of Kshs. 2.04 million on the unutilised funds over the last five years to 30 June 2023, the fund has grown from Kshs. 50 million to Kshs. 52.04 million as at 30 June 2023, which was the transfer value from Kenya Dairy Board upon commencement of separate annual financial reporting for the Scheme in the year ended 30 June 2024 .

Loans to Staff of Kenya Dairy Board

In the year under review, a total of Kshs. 7,371,905 was disbursed as loans to four staff members with total loans repayments of Kshs. 3,212,328. Total outstanding loans as at 30 June 2024 was Kshs. 46,833,721 held by nine (9) staff members who have so far benefited from the Scheme. The balance of the unutilised fund as of the same date was Kshs. 5,416,041.

Material arrears in Statutory and other financial obligations.

The Scheme does not have any arrears in statutory or financial obligations. The Scheme's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its obligations as and when they fall due.

Major risks facing the Scheme

- i) Liquidity risks** which may result to the Scheme's inability to meet the financial obligation. This is managed by processing of loans on first come first served basis subject to availability of funds.
- ii) Credit risks** which is the possibility of default by the beneficiaries. This managed by registration a first legal charge over the property to KCB Bank as primary security for the Mortgage Loan.
- iii) Scheme's financial probity and governance issues.** The Board plays the oversight role over the administration of the Scheme. There is a clear separation of roles between the Staff Mortgage Advisory Committee and the Administrator, who is KCB Bank Kenya Limited.

**KENYA DAIRY BOARD STAFF MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

1.0 Introduction

The dairy industry in Kenya is one of the fastest growing agricultural activities, growing at an estimated rate of 5% per annum. It contributes an estimated 4%, 12 % and 44 % to the national, agricultural and livestock GDPs respectively. According to the Dairy Industry Sustainability Road Map - 2023-2033, over 900,000 households keep exotic dairy cattle, which is a clear indication that dairy farming is a formal business venture for many families providing them with a source of employment, income and livelihoods. However, dairy continues to be a major contributor to green gas house emissions mainly attributed to poor dairy practices. Dairy cattle is responsible for about 12.3 million tonnes of CO₂ equivalent, dominated by methane at 95.6 %, nitrous oxide at 3.4 % and carbon dioxide at 1%. On average the green gas house emission intensity per kg of milk produced is 3.8 Kgs CO₂ equivalent. This calls for prudent stewardship of environmental resources for a sustainable dairy industry.

2.0 Sustainability Profile and Reporting

Kenya Dairy Board and all its affiliates, including the Scheme takes cognizance of the impact of climate change on the planet, agriculture and dairy in particular. The Board of Directors and the Staff Mortgage Advisory Committee acknowledge the responsibility to the environment and local communities in which we operate in co-exist. This is by embracing a sense of responsibility for corporate actions and encouraging all partners and stakeholders for coexistence in our communities and the society they operate in.

3.0 Environment Performance

The World is facing the triple planetary crisis on climate change, biodiversity loss and land degradation. Forests and rangelands are important for climate and environmental stability; economic development; and social and livelihood support systems. There is a global call for action to halt and reverse deforestation and land degradation with consensus to restore at least 30% of the degraded terrestrial and marine ecosystems by 2030. Kenya has more than 90% of landscapes facing degradation (61% high and 27% severe). The Scheme aims to minimize any harmful effects and consider the development and implementation of environmental standards to be of great importance.

4.0 Employee Welfare

The success of the Scheme is largely dependent on the human capital. The Board recognize the need to inculcate among the employees the culture of being sensitive to matters of safety, security, society and the environment. The Board facilitates training for its employees to improve on their competence, provide necessary support systems for people with different needs and have a system in place that encourages acceptance of cultural diversity. This ensures that employees act with integrity and responsibility with the people they deal with the environment they interact with. Further, the Board is an equal opportunity employer.

5.0 Market Place Practices

The Board committed to a fair and equitable market practices and has deliberately made it easier for all to access information on the website with the cognizance that it is a right for all citizens to be able to receive any information. In addition, the Board operates a robust complaints information management system where all complainants are received and timely processed. Similarly, in line with the mandate of the institution the Scheme aims to support the KDB workforce for the improvement and control of the dairy industry and its products.

6.0 Responsible Supply Chain and Supplier Relations

The Scheme takes responsibility of maintaining a sound and responsible supply chain and strong relationship with the vendors and service providers. Similarly, the Scheme through the Board adheres to good business practices, including ensuring suppliers know and meet expectation of responsible behaviour regarding issues such as quality in products and services delivery as well as fair pricing.

7.0 Responsibility Marketing and advertisement

The Board as a moral corporate citizen respects the rights of its stakeholders in all its marketing and advertising activities. It respects the social, ethical, and environmental rights as set out by marketing and advertising professional bodies while complying with legal and statutory requirements such as the Constitution of Kenya, Data Protection Act and other existing laws, rules and regulations.

**KENYA DAIRY BOARD STAFF MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

REPORT OF THE DIRECTORS

The Directors submit their report together with Audited Financial Statements for the year ended 30 June 2024 which show the state of the Scheme's affairs.

Principal activities

The principal activity of the Scheme is to provide housing loans to the staff members of the Kenya Dairy Board.

Results

The results of the Kenya Dairy Board Staff Mortgage Scheme for the year ended 30 June 2024 are set out on Page 1.

Directors

The members of the Board of Directors who served during the year are shown on Pages v to vii. During the year, one Board member retired and in replacement one Director was appointed with effect from 28 March 2024.

Auditors

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

By Order of the Board



Margaret Rugut Kibogy, OGW
Secretary to the Board
Nairobi, Kenya

Date:.....9/12/2024.....

**KENYA DAIRY BOARD STAFF MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024**

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Scheme established in line with Section 24 (5) of the Dairy Industry Act Cap 336, Public Finance Management Act, 2012 and Salaries & Remuneration Commission (SRC) Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17 December 2014, shall prepare financial statements for the Scheme in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Directors are responsible for the preparation and presentation of the Scheme'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.

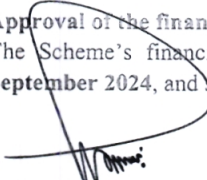
The Directors accepts responsibility for the Scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Dairy Industry Act Cap 336. The Directors are of the opinion that the Scheme's financial statements give a true and fair view of the state of Scheme's transactions during the financial year ended June 30, 2024, and of the Scheme's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Directors have assessed the Scheme's ability to continue as a going concern.

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

Approval of the financial statements

The Scheme's financial statements were approved by Board of Directors, Kenya Dairy Board on ^{27th}.....
September 2024, and signed on it behalf by:



Genesisio Njagi Mugo
Chairman of the Board
Nairobi, Kenya

Date:

9/12/2024



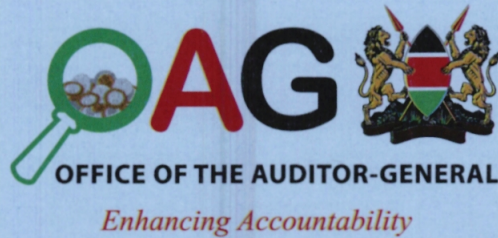
Margaret Rugut Kibogy, OGW
Managing Director
Nairobi, Kenya

Date:

9/12/2024

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 KENYA DAIRY BOARD STAFF MORTGAGE SCHEME 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.

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

Qualified Opinion

I have audited the accompanying financial statements of the Kenya Dairy Board Staff Mortgage Scheme set out on pages 1 to 18, 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 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Dairy Board Staff 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 comply with the Kenya Dairy Board Staff Mortgage Scheme Section 24(5) of Dairy Industry Act Cap 336, Salaries and Remuneration Commission circular ref: SRC/ADM/CIR/1/13Vol.III (128) dated 17th December, 2014 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unconfirmed Opening Balances and Comparatives Amounts

The 2023-2024 financial statements for Kenya Dairy Board Staff Mortgage Scheme reflect comparative amounts and balances. However, Management did not submit for audit the financial statements for 2022/2023.

In the circumstances, the completeness and accuracy of the opening balances for year under review could not be confirmed

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

Key Audit Matters

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

Other Information

The Management is responsible for the other information set out on page ii to xxx which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting of the Directors, Statement of Directors Responsibilities, 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 Board's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

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

Responsibilities of the Management and The Committee

The 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 the 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, the 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 the Management is aware of the intention to terminate the fund or cease operations.

The 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, the 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 the 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 the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

**KENYA DAIRY BOARD STAFF MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2024**

	Notes	2023-2024 Kshs	2022-2023 Kshs
Revenue from exchange transactions			
Interest income	6	1,554,474	1,184,634
Total revenue		<u>1,554,474</u>	<u>1,184,634</u>
Expenses			
Use of goods and services	7	1,339,847	1,185,951
Total expenses		<u>1,339,847</u>	<u>1,185,951</u>
Other gains / (losses)			
Gain/loss on disposal of assets		-	-
Gain / loss on fair value of investments		-	-
Surplus for the year		<u>214,627</u>	<u>(1,317)</u>
Taxation		-	-
Net surplus for the year		<u>214,627</u>	<u>(1,317)</u>

The notes set out on pages 6 to 17 form an integral part of these Financial Statements. The Financial Statements set out on Pages 1 to 17 were signed on behalf of the Board of Directors by:



Margaret Rugut Kibogy, OGW
Managing Director

Date: 9/12/2024



CPA. Edward W. Nyoike
Scheme Accountant
ICPAK Member No. 5668

Date: 9/12/2024



Genesio Njagi Mugo
Chairman of the Board

Date: 9/12/2024


**KENYA DAIRY BOARD STAFF MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024**

Assets	Notes	2023-2024 Kshs	2022-2023 Kshs
Current assets			
Cash and cash equivalents	8	5,416,041	9,360,991
Current receivables from exchange transactions	9(b)	<u>4,052,142</u>	<u>3,300,795</u>
		<u>9,468,183</u>	<u>12,661,786</u>
Non current assets			
Long term receivables from exchange transactions	9(b)	<u>42,781,579</u>	<u>39,373,349</u>
		<u>42,781,579</u>	<u>39,373,349</u>
Total assets		<u><u>52,249,762</u></u>	<u><u>52,035,135</u></u>
Liabilities			
Net assets			
Accumulated surplus	10	214,627	-
Capital fund	11	<u>52,035,135</u>	<u>52,035,135</u>
		<u>52,249,762</u>	<u>52,035,135</u>
Total net assets		<u><u>52,249,762</u></u>	<u><u>52,035,135</u></u>

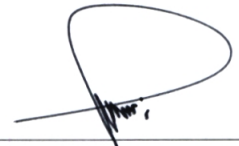
The notes set out on pages 6 to 17 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 17 were signed on behalf of the Board of Directors by:


Margaret Rugut Kibogy, OGW
 Managing Director

Date: 9/12/2024


CPA Edward W. Nyoike
 Scheme Accountant
 ICPAK Member No. 5668

Date: 9/12/2024


Genesio Njagi Mugo
 Chairman of the Board

Date: 9/12/2024

**KENYA DAIRY BOARD STAFF MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2024**

Year ended 30 June 2024	Accumulated surplus Kshs	Capital Funds Kshs	Total Kshs
Balance as at 1 July 2023	-	52,035,135	52,035,135
Surplus for the year	214,627	-	214,627
As at 30 June 2024	214,627	52,035,135	52,249,762

Year ended 30 June 2023	Accumulated surplus Kshs	Capital Funds Kshs	Total Kshs
Balance as at 1 July 2022	-	51,675,936	51,675,936
Deficit for the year	(1,317)	-	(1,317)
Interest on unutilised deposit	-	360,516	360,516
Deficit from accumulated surplus to capital fund account	1,317	(1,317)	-
As at 30 June 2023	-	52,035,135	52,035,135

The notes set out on pages 6 to 17 form an integral part of these Financial Statements.

**KENYA DAIRY BOARD STAFF MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024**

Cash flows from operating activities	Notes	2023-2024	2022-2023
Receipts		Kshs	Kshs
Interest income	6	1,554,474	1,184,634
Total receipts		<u>1,554,474</u>	<u>1,184,634</u>
Payments			
Use of goods and services	7	1,339,847	1,185,951
Total payments		<u>1,339,847</u>	<u>1,185,951</u>
Net cash flows from operating activities	12	<u>214,627</u>	<u>(1,317)</u>
Cash flow from investing activities			
Proceeds from Loan principal repayments	9	3,212,328	2,799,541
Loan disbursements paid out	9	(7,371,905)	(7,174,435)
Net cash flow used in investing activities		<u>(4,159,577)</u>	<u>(4,374,894)</u>
Cash flow from financing activities			
Receipts into the Mortgage revolving fund		-	-
Interest credited to Staff Housing Mortgage Scheme Fund	11	-	360,516
Net cash flows from financing activities		<u>-</u>	<u>360,516</u>
Net decrease in cash and cash equivalents		<u>(3,944,950)</u>	<u>(4,015,695)</u>
Cash and cash equivalents at 1 July	8	9,360,991	13,376,686
Cash and cash equivalents at 30 June	8	<u>5,416,041</u>	<u>9,360,991</u>

The notes set out on pages 6 to 17 form an integral part of these Financial Statements.

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
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	Original Budget	Adjustment	Final Budget	Actual Performance	Performance difference
	2023-2024	2023-2024	2023-2024	2023-2024	2023-2024
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Interest income	1,554,474	-	1,554,474	1,554,474	-
Total revenue	1,554,474	-	1,554,474	1,554,474	-
Expenses					
Use of goods and services	1,339,847	-	1,339,847	1,339,847	-
Total expenditure	1,339,847	-	1,339,847	1,339,847	-
Surplus for the year	214,627	-	214,627	214,627	-
Loans advanced during the year	7,371,905	-	7,371,905	7,371,905	-

The Scheme was not allocated to receive additional funding from Kenya Dairy Board, hence the expenditure as well as the loans advanced to staff during the year were made from the Scheme's available funds in line with existing policy guidelines and legal contract. The intended objectives and service delivery to the stakeholders were therefore achieved.

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1. General information

Kenya Dairy Board Staff Mortgage Scheme is established by and derives its authority and accountability from Section 24 (5) of the Dairy Industry Act Cap 336 and Salaries & Remuneration Commission (SRC) Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17 December 2014. The Scheme is wholly owned by the Government of Kenya and is domiciled in Kenya. The Scheme's principal activity is to provide housing loans to the staff members of the Kenya Dairy Board.

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 Scheme's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Scheme. The financial statements have been prepared in accordance with the PFM Act, the Dairy Industry Act Cap 336, 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

(i) New and amended standards and interpretations in issue effective in the year ended 30 June 2024.

There are no new standards effective in the Financial Year.

(ii) 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	<p>Applicable 1 January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The impacts of the change has been assessed and at the moment the same has no effect on the operations of the Scheme.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1 January 2025</p> <p>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;</p>

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Standard	Effective date and impact
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations... (Continued)</p>	<p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>The Scheme has neither assets held for sale nor discontinued operations hence the standard has no effect on its operations.</p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p>Applicable 1 January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard.</p> <p>IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles, for example; valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>The impacts change has been assessed and at the moment the same has no effect on the operations of the Scheme, since the Fund has no assets under the category of Property, Plant and Equipment.</p>
<p>IPSAS 46: Measurement</p>	<p>Applicable 1 January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> (i) Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii) Clarifying transaction costs guidance to enhance consistency across IPSAS. iii) Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>The impacts of the change has been assessed and at the moment the same has no effect on the operations of the Scheme.</p>
<p>IPSAS 47: Revenue</p>	<p>Applicable 1 January 2026</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>

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Standard	Effective date and impact
IPSAS 47: Revenue... (continued)	The impacts of the change has been assessed in regard to reporting of useful information on revenue and related cash flows. At the moment, the same has no effect on the operations of the Scheme.
IPSAS 48: Transfer Expenses	Applicable 1 January 2026 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. The impacts of the change has been assessed and at the moment the same has no effect on the operations of the Scheme.
IPSAS 49: Retirement Benefit Plans	Applicable 1 January 2026 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. The impacts of the change has been assessed and at the moment the same has no effect on the operations since the Scheme does not operate a retirement benefit plan.

(iii) Early adoption of Standards

The Scheme did not early - adopt any new or amended Standards in the financial year ended 30 June 2024.

4. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from Government and other 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 or 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 Scheme 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 earned for each period. In the prior years, interest generated from unutilised funds was revolved into the fund. However, with effect from the year ended 30 June 2024, interest earned from both unutilised funds and loan advanced to staff is recognised as revenue in the Statement of Financial Performance.

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b) Budget information

The original budget for FY 2023-2024 was approved by The National Treasury and Economic Planning in June 2023 together with that of Kenya Dairy Board. The fund of the Scheme is enhanced gradually through budgetary appropriations from the Board's budget. No additional funding to the scheme was proposed during the year and neither subsequent revisions nor additional appropriations were made during the year.

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

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. Where applicable, a statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals expenditure for the year.

In the year ended 30 June 2024, the Board had not made any provision to transfer funds to the Scheme and hence the income, expenditure and the loans advanced were based on available fund held by the Scheme.

c) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Board does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the 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 Scheme 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.

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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.

Loans and receivables

Loans and 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 Scheme 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 Scheme recognizes a loss allowance for such losses at each reporting date. Based on the critical estimates and significant judgments made by management in determining the expected credit loss (ECL), there is impairment on loans since all loans are fully performing and KCB Bank Kenya Limited has registered a first charge against the properties acquired on each loan.

ii) Financial liabilities

Classification

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

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d) Contingent liabilities

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

e) Contingent assets

The Scheme does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the 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.

f) Nature and purpose of reserves

The Scheme creates and maintains reserves in terms of accumulated surplus and capital funds.

g) Changes in accounting policies and estimates

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

h) Related parties

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

i) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank. Bank account balances include amounts held at the KCB Bank Kenya Limited and relate to the funds available for lending as at the end of the financial year.

j) Comparative figures

The Scheme started its operations in June 2018 and it is presenting its first segregated annual reports and financial statements in the year ended 30 June 2024. Previously, the operations of the Scheme have been reported under Annual Reports and Financial Statements for Kenya Dairy Board. The comparative figures for the previous financial year have been restated or reconfigured to conform to the required changes in presentation and to present the state of affairs of the Scheme as at 30 June 2023.

k) Events after the reporting period

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

l) Ultimate and Holding Fund

The Scheme is established under Section 24 (4) PFM Act under Kenya Dairy Board. Its ultimate parent is the Government of Kenya.

m) Currency

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

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5. Significant judgments and sources of estimation uncertainty

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

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 Scheme. Such changes are reflected in the assumptions when they occur.

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 Scheme.
- 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

6. Interest income

	2023-2024	2022-2023
	Kshs	Kshs
Interest income from Mortgage Loans (Utilised funds)	1,339,474	1,184,634
Interest earner on Bank Deposits (Unutilised fund)	215,000	-
	<u>1,554,474</u>	<u>1,184,634</u>

Interest is charged on the Staff mortgage loans at a rate 3.0% p.a. The rate is calculated as the sum of the administration fee as described in Note 7 below, while the un-utilized deposit earns interest at 20% of the Central Bank Rate (CBR). Interest credited on unutilised fund is recognised as revenue to the Scheme with effect from the financial year ended 30 June 2024. However, in the previous years, the interest generated on unutilised fund was not recognised as revenue but credited to the fund. The amount of interest realised from the unutilised fund during the year was Kshs. 215,000 (FY 2022-2023 - Kshs. 360,516)

7. Use of Goods and Services

	2023-2024	2022-2023
	Kshs	Kshs
Administration fees	1,339,474	1,184,634
Bank service charges	373	1,317
	<u>1,339,847</u>	<u>1,185,951</u>

KCB administers the Scheme at an administrative fee of 3.0% per annum on reducing balance basis. The administration fee is normally recovered from the monthly mortgage repayments as part of the interest on mortgage loans, hence interest income from utilised funds is equal to the administration fees for the year.

8. Cash and cash equivalents

	2023-2024	2022-2023
	Kshs	Kshs
Staff Housing Mortgage account	5,416,041	9,360,991
	<u>5,416,041</u>	<u>9,360,991</u>

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Detailed analysis of the cash and cash equivalents

Financial Institution	Account Number	2023-2024 Kshs	2022-2023 Kshs
(a) Staff Housing Mortgage Scheme			
KCB Bank Kenya Limited	1233692348	5,416,041	9,360,991
Total cash and cash equivalents		5,416,041	9,360,991

9. Receivables from exchange transactions	2023-2024 Kshs	2022-2023 Kshs
Balance brought forward	42,674,144	38,299,250
Loans advanced during the year	7,371,905	7,174,435
Loans repaid during the year	(3,212,328)	(2,799,541)
Balance carried forward	46,833,721	42,674,144

(a) Ageing Analysis (Receivables from exchange transactions)	2023-2024 Kshs	% of the Total	2022-2023 Kshs	% of the Total
Loans recoverable in 1 year	4,052,142	8.7%	3,300,795	7.7%
Loans recoverable between 1-2 years	4,173,325	8.9%	4,052,142	9.5%
Loans recoverable between 2-3 years	4,299,450	9.2%	4,173,325	9.8%
Loans recoverable in over 3 years	34,308,804	73.3%	31,147,882	73.0%
Total	46,833,721	100.0%	42,674,144	100.0%

(b) Current and Long term loans receivables from exchange transactions	2023-2024 Kshs	% of the Total	2022-2023 Kshs	% of the Total
Recoverable in 1 year (Current receivables)	4,052,142	8.7%	3,300,795	7.7%
Recoverable in more than 1 year (Long term receivables)	42,781,579	91.3%	39,373,349	92.3%
Total	46,833,721	100.0%	42,674,144	100.0%

10. Accumulated surplus	2023-2024 Kshs	2022-2023 Kshs
This comprises of accumulated surplus over the years.		
At start of the year	-	-
Surplus for the year	214,627	(1,317)
Transfer of deficit from accumulated surplus to capital fund account	-	1,317
	214,627	-

11. Capital Fund	2023-2024 Kshs	2022-2023 Kshs
Staff Housing Mortgage Scheme	52,035,135	52,035,135
	52,035,135	52,035,135

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11. Capital Funds ... Continued

The Capital Funds movement during the year was as follows;	2023-2024	2022-2023
	Kshs	Kshs
Balance brought forward	52,035,135	51,675,936
Additional funds received during the year	-	-
Interest earned from unutilised fund during the year	-	360,516
Transfer from accumulated surplus	-	(1,317)
Balance carried forward	52,035,135	52,035,135

12. Net cash flows from operating activities

Description	2023-2024	2022-2023
	Kshs	Kshs
Surplus/deficit for the year before tax	214,627	(1,317)
Adjusted for:		
Interest income	-	-
Working capital adjustments		
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	214,627	(1,317)

13. Financial risk management

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks. The Scheme's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Scheme hedge the financial risks by KCB registering first legal charge over the properties as primary security for the Mortgage Loan. Similarly, prior to the disbursement of Mortgage Loan funds KCB Bank is required to arrange at the expense of the Borrower, a mortgage protection insurance cover for each Borrower for the full amount advanced and a comprehensive house owners cover for the full market value of the property for which the Mortgage Loan is advanced.

The Scheme's financial risk management objectives and policies are detailed below;

(a) Credit risk

The Scheme has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents as well as mortgage loans advanced to KDB Staff.

KCB Bank 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 KCB Bank who are the administrators of the fund. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Scheme's management based on prior experience and their assessment of the current economic environment.

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13. (a) Credit risk ... Continued

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

Financial assets	Total amount	Fully Performing	Past due	Impaired
At 30 June 2024	Kshs	Kshs	Kshs	Kshs
Receivables from exchange transactions	46,833,721	46,833,721	-	-
Cash and cash equivalents	5,416,041	5,416,041	-	-
	52,249,762	52,249,762	-	-

Financial assets	Total amount	Fully Performing	Past due	Impaired
At 30 June 2023	Kshs	Kshs	Kshs	Kshs
Receivables from exchange transactions	42,674,144	42,674,144	-	-
Cash and cash equivalents	9,360,991	9,360,991	-	-
	52,035,135	52,035,135	-	-

All the beneficiary staff are under the fully performing category and are paying their loans as they continue working for the Board. The credit risk associated with these receivables is minimal and no allowance for uncollectible amounts has been recognised by the Scheme in the financial statements since there no potential irrecoverable amounts. The Scheme has significant no concentration of credit risk on amounts due from either of the loan beneficiaries.

The Staff Mortgage Advisory Committee sets the Scheme's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(b) Liquidity risk management

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

The Scheme did not have cash flows payable under non-derivative financial liabilities by their remaining contractual maturities at the reporting date.

(c) Market risk

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

Kenya Dairy Board (KDB) has put in place an internal audit function to assist it in assessing the risk faced by the Scheme on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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13. (c) Market risk... Continued

Market risk is the risk arising from changes in market prices, such as interest rate, which will affect the Scheme's income. 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 SMAC. The Fund's SMAC is also responsible for the development of detailed risk management policies (subject to review and approval by the Board members of Kenya Dairy Board) and for the day-to-day implementation of those policies.

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

(d) Interest rate risk

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

Management of interest rate risk

To manage the interest rate risk, Board has endeavoured to bank the funds for the Scheme with institutions that offer favourable interest rates.

Sensitivity analysis

The Scheme analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on surplus or deficit 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 years.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if there is a change in current floating interest would cause no change in surplus since the interest is calculated as the sum of the administration fee. However, should the Central Bank Rate decrease by one percentage point would cause a decrease on interest income from Kshs. 215,000 to Kshs. 197,202. A rate decrease of 5% would result in a decrease in the interest income from Kshs. 215,000 to Kshs. 125,921.

Capital risk management

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

	2023-2024	2022-2023
	Kshs	Kshs
Revolving fund	52,035,135	52,035,135
Accumulated surplus	214,627	-
Total funds	52,249,762	52,035,135
Less: Cash and bank balances	(5,416,041)	(9,360,991)
Net Shareholder equity	46,833,721	42,674,144
Gearing	89.6%	82.0%

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14. Related Party Balances

(a) Nature of related party relationship

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

- i) Kenya Dairy Board
- ii) Key Management to Kenya Dairy Board
- iii) Staff Mortgage Advisory Committee (SMAC)

(b) Related party transactions

(i) Transfers to and from related parties

	2023-2024	2022-2023
	Kshs	Kshs
Transfer from Kenya Dairy Board during the year	-	-
Cumulative transfers from Kenya Dairy Board	<u>50,000,000</u>	<u>50,000,000</u>

(ii) Key management transactions

Loans advanced to Key Management and SMAC	-	-
Loans recovered from Key Management and SMAC	<u>1,960,968</u>	<u>1,943,427</u>

(iii) Due from related parties

	2023-2024	2022-2023
	Kshs	Kshs
Staff Housing Mortgage Loans due from Key management and SMAC	<u>17,954,163</u>	<u>19,915,131</u>

15. Events after the reporting period

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

16. Ultimate Holding Entity

The Scheme is a Fund under the sponsorship of Kenya Dairy Board which is a Semi Autonomous Government Agency (SAGA) under the Ministry of Agriculture and Livestock Development.

17. Currency

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

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Annexes

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

There were no audit recommendations for implementation since the Scheme is presenting the First Annual Report and Financial statements in the year ended 30 June 2024. In the previous years, the financial performance and operations of the Scheme were reported and audited under the Kenya Dairy Board Annual Report and Financial Statements.

Annex II: Inter-Fund Confirmation Letter

The Scheme did not have any inter-entity amounts disbursed to or received from any other entity as at 30 June 2024.

Annex III: Reporting of Climate Relevant Expenditures

The Scheme did not incur any expenditures on any climate relevant activities for period ended 30 June 2024.

Annex IV: Reporting on Disaster Management Expenditure

The Scheme did not incur any expenditures relating to any disasters within the period ended 30 June 2024.