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OFFICE OF THE AUDITOR-GENERAL
STAFF MORTGAGE SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30 JUNE, 2025

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

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPUBLIC OF KENYA | OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 19 FEB 2026 DAY: Thurs
TABLED BY: Hon. Gitonga Mugera, MP
CLERK-AT-THE-TABLE: Modo

Table of Contents

1. Abbreviations, Acronyms and Glossary of Terms ii
2. Key Scheme Information and Management iii
3. The Scheme Management Committee vi
4. Chairman's Report viii
5. Report of the Scheme Administrator x
6. Statement of Performance Against Predetermined Objectives xii
7. Corporate Governance Statement xiii
8. Management Discussions and Analysis xvi
9. Environmental and Sustainability Reporting xxi
10. Report of The Scheme Committee xxiii
11. Statement of Management's Responsibilities xxiv
12. Report of the Independent Auditor to The National Assembly xxvi
13. Statement of Financial Performance for the year ended 30 June, 2025 1
14. Statement of Financial Position as at 30 June, 2025 2
15. Statement of Changes in Net Assets for the year ended 30 June, 2025 3
16. Statement of Cash Flows for the year ended 30 June, 2025 4
17. Statement of Comparison of Budget and Actual Amounts for year ended 30 June, 2025 5
18. Notes to the Financial Statements 6
19. Annexes 26

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1. Abbreviations, Acronyms and Glossary of Terms

A. Abbreviations and Acronyms

AWAK	Association of Women Accountants of Kenya
CBS	Chief of the Order of the Burning Spear
CHRP	Certified Human Resource Professional
HFC	Housing Finance Company
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
ISACA	Information Systems Audit and Control Association
KSHS	Kenya Shillings
OAG	Office of the Auditor-General
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SRC	Salaries and Remuneration Commission
TNT	The National Treasury

B. Glossary of Terms

Fiduciary Management- Members of management entrusted directly with the responsibility and trust for the Scheme's financial resources.

Accrual Basis- a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue and expenses.

Assets- are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Expenses- are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners.

Revenue- is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.

2. Key Scheme Information and Management

a) Background Information

The Office of the Auditor-General Staff Mortgage Scheme is a Revolving Fund established and administered as provided for under Section 24 (4) (5) (6) and (7) of the Public Finance Management Act, 2012 and Regulation 127 (1) (2) of the Public Finance Management (National Government) Regulations, 2015. Further, the Scheme was established pursuant to the Salaries and Remuneration Commission Circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17 December, 2014 which provided the Guidelines for access of Mortgage and Car Loan benefits by state and public officers. The objective of the Scheme is to provide low interest mortgage loans to the Office of the Auditor-General employees to enable them to acquire or build decent residential houses.

For proper management of the Scheme as provided for in the SRC Circular under reference, the Office of the Auditor-General developed Staff Car loan and Mortgage Scheme Guidelines and adopted the PFM Act, 2012 and PFM Regulations, 2015 to guide in the operationalization of the Scheme.

The Auditor-General appointed an eight-member Management Committee to undertake the day to day running of the Scheme on her behalf. The main role of the Committee is to evaluate and approve applications and submit the same for processing by the appointed Service Providers (Housing Finance Company Limited and Co-operative Bank of Kenya) in line with the Guidelines.

The Scheme is wholly owned by the Office of the Auditor-General.

b) Principal Activities

The principal activity of the Scheme is to provide low interest mortgage loans to the Office of the Auditor-General employees to enable them to acquire or build decent residential houses either for their current or ultimate occupation upon retirement.

c) Scheme Management Committee

S/No.	Name	Position
1.	FCPA Nancy Gathungu, CBS	Scheme Administrator
2.	CPA Isaac Ng'ang'a	Scheme Accountant
3.	CPA Dr. Leonard Lari	Chairman
4.	CPA Mercy Mukiri	Vice Chairman
5.	CISA Nicholas Mbithi	Member
6.	CPA Christopher Mwinamo	Member
7.	CPA Deborah Omoke	Member
8.	CS Milcah Ondiek	Member
9.	CHRP Collins Kiptoo	Secretary

d) Fiduciary Oversight Arrangements

No.	Name	Position
1.	CPA Emily Nabucha	Director, Internal Audit
2.	CPA Dr. Leonard Lari	Scheme Committee Chairman
3.	CHRP Collins Kiptoo	Scheme Committee Secretary

e) Registered Offices

Scheme Headquarters

Office of the Auditor-General
Anniversary Towers 3rd Floor
University Way
P.O. Box 30084-00100, Nairobi, Kenya
Telephone: (254) 020-3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

f) Scheme Contacts

OAG Headquarters, Nairobi

Anniversary Towers 3rd Floor

University Way

P.O. Box 30084-00100

Telephone: (254) 020-3214000

E-mail: info@oagkenya.go.ke

Website: www.oagkenya.go.ke

g) Scheme Bankers

Housing Finance Company Limited, Mortgage Division

Head Office: Rehani House, Kenyatta Avenue / Koinange Street

P.O. Box 30088-00100

Mobile number: 0709 438 000 & 0709 438 888

Email: customer.service@hfgroup.co.ke or mybank@hfgroup.co.ke

Co-operative Bank of Kenya Limited,

Co-operative Bank House, Haile Selassie Avenue

P.O. Box 48231-00100

Tel number: (020) 3276100

Website: www.co-opbank.co.ke

h) Independent Auditors

PKF Kenya LLP

Certified Public Accountants

P.O. Box 14077, 00800

Nairobi, Kenya

i) Principal Legal Adviser

The Attorney General,

State Law Office and Department of Justice, Harambee Avenue

P.O. Box 40112-00200 City Square

Nairobi, Kenya

3. The Scheme Management Committee

CPA Dr. Leonard Lari
Dr. Lari is the Chairman of the Management Committee. He holds a PhD (Finance), Master's Degree in Commerce (Forensic Accounting), Bachelor Degree (Economics and Business Studies) and is a Certified Public Accountant (K). He is a member of the Institute of Certified Public Accountants (ICPAK) and has over 30 years' experience in Financial audit in the public sector. Dr. Lari is a Deputy Auditor General - Financial Audit Services in the Office of the Auditor-General.

CPA Mercy Mukiri
CPA Mukiri is the Vice Chairman of the Management Committee. She holds a Master's in Business Administration (Finance), Bachelor of Commerce (Business Management) Degree and is a Certified Public Accountant (K). She has 30 years' experience in financial auditing in the Public Sector. She is a member of the Institute of Certified Public Accountants (ICPAK). CPA Mukiri is a Director of Audit in the Office of the Auditor-General.

CHRP Collins Kiptoo
CHRP Kiptoo is the Secretary of the Management Committee. He holds Master of Business Administration in Human Resource Management, Bachelor of Arts Degree in Government and Public Administration, Higher Diploma in Human Resource Management and is a Certified Human Resource Professional (CHRP). He has 19 years' experience in the Public Sector and he is a practicing member of the Institute of Human Resource Management. CHRP Kiptoo is a Manager, Human Resources in the Office of the Auditor-General.

CS Milkah Ondiek
CS Ondiek is a member of the Management Committee. She holds a Bachelor's Degree in Law (LLB) and a Post Graduate Diploma from Kenya School of Law. CS Ondiek is a Manager Legal services in the Office of the Auditor-General and is the Legal Advisor to the Committee. She is also an Advocate of the High Court of Kenya.

The Scheme Management Committee (Continued)

CPA Deborah Omoke
CPA Omoke is a member of the Management Committee. She holds a Master of Business Administration (Finance and Accounting), Bachelor's Degree in Business Management (Finance and Banking) and is a Certified Public Accountant (K). She has over 15 years' experience in private and public sector majoring in Finance and Accounting. She is a member of the Association of Women Accountants of Kenya (AWAK) and the Institute of Certified Public Accountants (ICPAK). CPA Omoke is a Finance Officer in the Office of the Auditor-General.

CPA Christopher Mwinamo
CPA Mwinamo is a member of the Management Committee. He holds a Bachelor of Commerce Double Major and Masters of Arts in Project Planning and Management. He has over 23 years of experience in Finance, Consultancy and Audit in private and public sectors. He is a member of Institute of Certified Public Accountants (ICPAK) and is an ICPAK Certified Audit Practitioner. CPA Mwinamo is a Principal Auditor in the Office of the Auditor-General.

CISA Nicholas Mbithi
CISA Mbithi is a member of the Management Committee. He holds a Master of Science (Information Systems), Bachelor of Commerce (Accounting) and is a CISA (Certified Information Systems Auditor). He has over 20 years' experience in private and public sector, majoring in Accounting and Information Systems and is a member of ISACA. CISA Mbithi is a Deputy Director - ICT in the Office of the Auditor-General.

4. Chairman's Report

The Staff Mortgage Scheme is a Revolving Fund for OAG staff established and administered as provided under Section 24 (6) (7) of the PFM Act, 2012 and Regulation 127 (1) (2) of the PFM (National Government) Regulations, 2015. Further the Fund was established pursuant to SRC Circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17 December, 2014.

The Scheme is administered by the Auditor-General through a Management Committee whose role is to evaluate and recommend applications for processing in line with the Guidelines. The Auditor-General has enlisted the services of Housing Finance Company Limited and the Co-operative Bank of Kenya to provide Scheme management services to the Management Committee which includes but not limited to financial, legal and valuation services.

The Scheme was established and operationalized with effect from 13 June, 2016 to enable employees acquire decent residential houses either for their current or ultimate occupation upon retirement as a way of motivation and retention of staff at OAG. The initial seed capital of Kshs.70 million was transferred to the Scheme account at Housing Finance Company Limited on 25 July, 2016.

By the end of the financial year 2024/25, a total sum of Kshs.1,139,215,000 had been transferred to the Scheme made up of an amount of Kshs.1,009,215,000 from The National Treasury through the Office of the Auditor-General and Kshs.130,000,000 received from the Staff Car Loan Scheme.

Over the years, the Scheme has earned an amount of Kshs.49,664,676 as interest on deposits net of withholding tax while an amount of Kshs.468,136,350 has been repaid by the beneficiaries. The Scheme has since supported one hundred and ninety two (192) members of staff and loans totalling Kshs.1,386,507,485 disbursed.

The main challenges witnessed during the year under review included the following:

- Limited budgetary allocations and over-reliance on initial seed capital without adequate mechanisms to replenish the funds.
- Loan demand often exceeds available resources, leading to delays or partial financing.
- Low interest earned on free funds often between 2% to 4% per annum hence generating insufficient income to grow the Scheme.
- Rising property prices, making allocated loan limits insufficient to meet the housing needs and policy shifts e.g. changes in housing levy affect repayment affordability.
- Non-compliance with the requirements by some applicants leading to failure to secure mortgage funding.
- Lengthy turnaround/processing time for mortgage applications.

Way forward

The Scheme will continue to lobby The National Treasury and the National Assembly for additional funding and do more sensitization to the staff on the Scheme to improve on the facility uptake.

I look forward to seeing the Scheme facilitate more OAG staff to realize their dreams of owning residential houses through the continuous engagement with Scheme Bankers in the coming years.

Signed: _____

CPA Dr. Leonard Lari
Management Committee Chairman
ICPAK Member: 2981

Date: 4 December, 2025

5. Report of the Scheme Administrator

It is with great pleasure that I present to you the OAG Staff Mortgage Scheme financial statements for year ending 30 June, 2025 which show the state of the Scheme's affairs.

The Scheme ensures prudent financial management and reporting in line with Public Financial Management Act, 2012, Public Financial Management Regulations, 2015 and International Public Sector Accounting Standards (IPSAS). As a result, the Scheme has been efficient and effective in meeting its mandate.

The implementation and administration of the Scheme is overseen by the Staff Mortgage and Car Loan Committee in liaison with the appointed Service Providers. The Committee meets regularly to consider loan applications and make recommendations to the service providers.

I wish to report that during the year under review, the Scheme continued to undertake its mandate of providing mortgage loans to the successful applicants for acquisition of decent residential houses. A total of Kshs.1,386,507,485 has been disbursed to one hundred and ninety-two (192) staff members which has enhanced the realization of a highly motivated and committed staff. In the last quarter of FY2024/2025, twelve (12) mortgage applications amounting to Kshs.87,587,600 were approved by the Committee and submitted to Co-operative Bank for processing.

Since inception, the Scheme has received funding amounting to Kshs.1,139,215,000 from the Exchequer through OAG and also received an amount of Kshs.130,000,000 from the Staff Car Loan Scheme. In the same period, the Scheme earned an amount of Kshs.49,664,676 as interest on deposits net of withholding tax while Kshs.468,136,350 had been repaid by the beneficiaries.

During the year under review, the interest earned amounted to Kshs.3,957,918 from bank deposits and an amount of Kshs.28,793,675 from Mortgage loans advanced and incurred expenses of Kshs.29,387,363 consisting of management costs of Kshs.28,793,675 and withholding tax of Kshs.593,688 charged on bank interest earned.

Future Outlook of the Scheme

The future of the Scheme looks bright as the Office continues to lobby for more funds from the Exchequer to enable more employees benefit from the Scheme. In the long run, the Scheme is expected to be self-sustaining whereby, funds received from mortgage repayments will be adequate to cater for future funding demands.

Appreciation

I take this opportunity to express my appreciation to the Management Committee for steering the Scheme. I also appreciate the Staff members and all other stakeholders for their support without which the Scheme's objectives would not have been realized.

I look forward to seeing the Scheme facilitate more OAG staff to realize their goals of owning residential houses in the coming years which will go a long way in attracting and retaining staff in addition to boosting morale and job performance.

Signed: _____

FCPA Nancy Gathungu, CBS
Auditor-General/Scheme Administrator
ICPAK Member No: 4893

Date: ..04/12/2025.....

6. Statement of Performance Against Predetermined Objectives

Section 81 (2)(f) of the Public Financial Management Act, 2012 requires that at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government Entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board include a statement of the national entity's performance against predetermined objectives.

To achieve the objective of the SRC Circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17 December, 2014 that initialized the establishment of the Scheme, the Office set the key strategic objective of the Scheme as being to attract, retain and motivate a competent, effective and efficient workforce.

The Scheme's performance against predetermined objectives is as outlined below:

Objective	Outcome	Indicator	Performance
To retain and motivate a competent, effective and efficient workforce.	Increased number of Staff accessing the mortgage loans.	Number of staff and the percentage of staff applicants who accessed mortgage Loans	Three (3) staff accessed mortgage loans in FY2024/25 bringing the total beneficiaries to **192**. This represents 70% of the **275** applications received. This has led to a motivated workforce and retention of staff. Twelve (12) mortgage applications are currently being processed by Co-operative Bank.

7. Corporate Governance Statement

(i) The Mortgage Scheme

The Mortgage Scheme is a Revolving Fund established pursuant to the SRC Circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17 December, 2014 and in accordance with Section 24(4)(5)(6) and (7) of the Public Finance Management (PFM) Act, 2012 and Regulation 127 (1) (2) of the PFM (National Government) Regulations, 2015. Its mandate is to provide mortgage funding to OAG staff members for the acquisition of residential houses.

The Scheme is committed to ensuring compliance with regulatory and corporate governance requirements. A formal governance structure with a committee at the apex is essential in the establishment of a corporate governance framework in the Scheme. The operation of the Scheme is governed by PFM Act, 2012, PFM Regulations, OAG Staff Car Loan and Mortgage Scheme Guidelines, SRC Circulars, The National Treasury Circulars and other relevant legislations.

(ii) The Scheme Management Committee

The Guidelines for the Staff Car Loan and Housing Mortgage Scheme, 2016 (revised 2019) provide for the appointment of a Committee and service providers of the Scheme. The Committee consists of eight members including the Chairman and a Secretary, appointed by the Auditor-General to oversee the running of the Scheme on her behalf. One member, CPA Hannah Mwaura, exited in April, 2024 and has not been replaced. The Committee is responsible for the long-term strategic direction of the Scheme and it exercises leadership, integrity and judgement in the direction of the Scheme.

The functions and duties of the Management Committee are as follows:

a) Liaise with the service providers to set up a revolving fund for the disbursement of the loans.
b) Supervise the administration of the scheme.
c) Process applications for loans in accordance with the existing terms and conditions of borrowing.
d) Forward successful applications with recommendations to the service providers for approvals.
e) Any other scheme related administration activities.

The Committee is provided with timely information by the service providers that enables it to maintain full and effective control over strategic, financial, operational and compliance issues. The day to day running of the Scheme is delegated to the appointed Service Provider but the Committee is responsible for establishing and maintaining the Scheme's system of internal controls for the realisation of its mandate.

(iii) Committee Meetings

The Committee meets quarterly or as required to monitor and review the Scheme's operations. The Committee also plays an oversight role over financial and operational issues of the Scheme.

Name	Position	10-Sep-24	20-Sep-24	02-Oct-24	19-Dec-24	21-Jan-25	14-Feb-25	28-Apr-25	12-Jun-25
CPA Dr. Leonard Lari	Chairman	✓	✓	✓	x	✓	✓	✓	✓
CPA Mercy Mukiri	Vice Chairman	✓	✓	x	✓	x	x	✓	x
CISA Nicholas Mbithi	Member	✓	✓	✓	✓	x	✓	✓	✓
CPA Christopher Mwinamo	Member	✓	✓	x	x	✓	x	✓	✓
CPA Deborah Omoke	Member	✓	x	x	✓	✓	✓	✓	✓
CS Milcah Ondiek	Member	✓	✓	✓	✓	✓	✓	x	✓
CHRP Collins Kiptoo	Secretary	✓	✓	✓	✓	✓	✓	✓	✓

(iv) Committee Remuneration

The Committee Members have not earned any remuneration since the inception of the Scheme. However, the members continue to discharge their duties diligently on *pro bono* basis.

(v) Statement of Compliance

The Committee confirms that the Scheme has throughout the financial year, complied with all statutory and regulatory requirements and that the Scheme has been managed in accordance with the principles of good corporate governance. Further, the Scheme complied with the values and principles of public service.

(vi) Internal Control and Risk Management

The Committee is responsible for reviewing the effectiveness of the Scheme's system of internal control which is designed to provide reasonable assurance regarding the safeguarding of assets against unauthorized use or disposal and for the maintenance of proper accounting records and reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

(vii) Audit

The Scheme is audited and reported on by a professionally qualified accountant appointed by the National Assembly in accordance with Article 226(4) of the Constitution of Kenya, 2010.

The audit issues raised in the previous financial years 2022/2023 and 2023/2024 were resolved and the Scheme Financial Statements were reported to present in all material respects the true financial position of the Scheme. The auditors of the Scheme issued an **Unmodified Audit Opinion**.

8. Management Discussions and Analysis

(i) The Scheme's Operational and Financial Performance

The Scheme was established in 2016 with the objective of providing Mortgage financing to the OAG staff to purchase or construct decent houses for their current or ultimate occupation upon retirement. The Auditor-General has the overall responsibility for the Scheme and has appointed a Management Committee to oversee the implementation and administration of the Scheme in liaison with a contracted service provider.

Performance for the Last Five (5) Years

Description	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	Kshs	Kshs	Kshs	Kshs	Kshs
Interest on Deposits at a rate of 2.5%	7,422,357	1,089,187	954,802	1,772,323	3,574,253
Interest on Deposits at a rate of 4%	-	-	-	-	383,665
Interest from Loanees at a rate of 3%	17,787,484	22,118,507	23,234,176	27,511,522	28,793,675
Total	**24,886,389**	**23,207,694**	**24,188,978**	**29,283,845**	**32,751,593**
Management costs at a rate of 3%	17,787,484	22,118,507	23,234,176	27,511,522	28,793,675
Total Expenses	**17,787,484**	**22,118,507**	**23,234,176**	**27,511,522**	**28,793,675**
Withholding Taxes at a rate of 15%	1,113,353	163,178	143,220	265,848	593,688
Surplus for the year	**6,309,003**	**925,809**	**811,582**	**1,506,475**	**3,364,230**

It is expected that the Scheme will be self-sustaining in future as more and more loan repayments get ploughed back to the Revolving Fund.

Interest Income

During the FY 2024/2025, there was an increase of 12% in interest income earned. The Scheme earned a total interest income of Kshs.32,751,593 compared to an amount of Kshs.29,283,845 earned in FY 2023/2024. The interest income from the deposit account earned increased to an amount of Kshs.3,957,918 from an amount of Kshs.1,772,323 in FY 2023/2024. This interest from deposits was earned at a rate of 2.5% and 4% from HFC Ltd and Co-operative Bank respectively. The interest income from Loanees increased from an

amount of Kshs.27,511,522 to an amount of Kshs.28,793,675 at an interest rate of 3% as stipulated in the SRC Circular.

The interest performance during the periods is as shown below;

Description	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	Kshs	Kshs	Kshs	Kshs	Kshs
Interest Income from Deposits	7,422,357	1,089,187	954,802	1,772,323	3,957,918
Interest Income from Loanees	17,464,032	22,118,507	23,234,176	27,511,522	28,793,675
Total	**24,886,389**	**23,207,694**	**24,188,978**	**29,283,845**	**32,751,593**

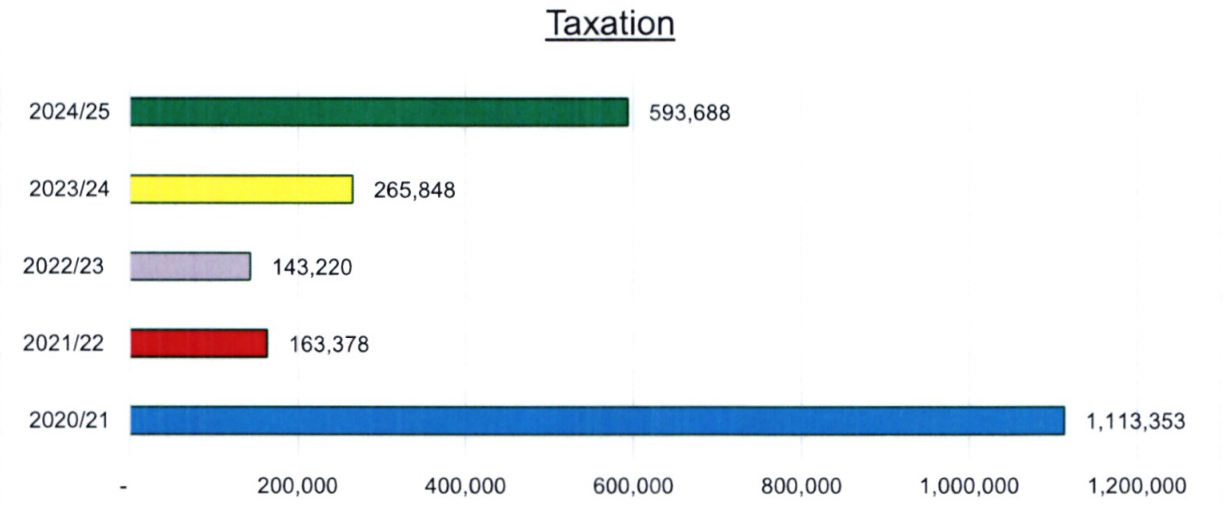
Management Expenses

Management expenses relate to interest on mortgage that is charged at 3% per annum on a reducing balance basis as provided for in the contract agreement and is paid to the service providers; HFC Ltd and Co-operative Bank of Kenya. During the year, an amount of Kshs.28,793,675 was earned as interest from Loanees as compared to an amount of Kshs.27,511,522 in FY 2023/2024 translating to a 5% increase. This increment is attributed to the increase in the number of staff who accessed the mortgages.

Withholding Taxes

HFC Ltd and Co-operative Bank withheld and paid tax on the interest amount of Kshs.593,688 charged at a rate of 15% on the interest earned of Kshs.3,957,918 during the

year compared to an amount of Kshs.265,848 withheld and paid on interest income of Kshs.1,772,323 during FY 2023/2024.



Revolving Funds

Since its inception, the Scheme has received funding from the Exchequer amounting to Kshs.1,009,215,000 and in FY2023/2024, an amount of Kshs.130,000,000 was transferred from the Car Loan Scheme to the Mortgage Scheme to be issued to successful applicants of mortgage loans since the car loan uptake was low as compared to mortgage uptake.

Description	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
	Kshs	Kshs	Kshs	Kshs	Kshs
Opening Balance	755,395,200	755,395,200	799,501,600	865,608,200	1,139,215,000
Additional during the year	-	44,106,400	66,106,600	143,606,800	-
Transfers from Car Scheme	-	-	-	130,000,000	-
Closing Balance	**755,395,200**	**799,501,600**	**865,608,200**	**1,139,215,000**	**1,139,215,000**

(ii) Scheme's Key Projects or Investment decisions Implemented

The Office has continued to support the Staff Mortgage Scheme with the intention of providing low-interest loans to staff to acquire or build decent residential houses either for their current or ultimate occupation upon retirement. The Scheme's unspent funds held by the Scheme Bankers were invested in an on-call deposit account. Interest amounting to Kshs.3,574,253 was earned at the rate of 2.5% on funds held at HFC Ltd and an amount of

Kshs.383,665 was earned at the rate of 4% on funds held at the Co-operative Bank of Kenya.

(iii) Loans Status

Since inception, an amount of Kshs.1,386,507,485 has been disbursed as loans to one hundred and ninety-two (192) staff. This has enabled the beneficiaries to acquire decent residential houses either for current or ultimate occupation upon retirement. During the year, an amount of Kshs.49,985,623 was disbursed as loans for construction.

Description	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Applications	35	24	17	29	3
Loans Issued	213,587,293	191,224,906	139,841,543	224,573,403	49,985,623
Loans Repaid	48,647,037	72,702,381	76,678,242	88,341,244	107,001,315
Loans Outstanding	657,468,842	775,991,367	839,154,669	975,386,827	918,371,135

(iv) Scheme's Compliance with Statutory Requirements

The Scheme is required to comply with various laws and constitutional provisions, which include the PFM Act,2012 and PFM Regulations, 2015. The Scheme has, throughout the financial year complied with all statutory and regulatory requirements and the Scheme has been managed in accordance with the principles of good corporate governance.

(v) Major Risks Facing the Scheme, Material Arrears in Statutory/Financial Obligations

a) The Liquidity risk: this is the risk that the Scheme will not be able to meet the financial obligations when they fall due. This risk has been managed over the years by ensuring that budget funds were allocated to the Scheme and the capital repayments plus interest earned on deposits are ploughed back to the Scheme on a monthly basis.

b) Compliance and regulatory risks: these are risks associated with non-compliance with the applicable laws and regulations which could result in litigation and conflict of interest. Changes in regulations or laws governing the Schemes can impact their implementation and sustainability.

c) Market risks: this includes interest rate risk where changes in market interest rates can affect the sustainability of the Scheme; funding risk since the Government directed that there will be no more funding of the Schemes from the Exchequer hence not sufficient to meet demand; and demand and supply risk since the Scheme's success depends on the demand from staff and availability of suitable properties.

d) Inflationary risks: rising property prices due to inflation can reduce the purchasing power of the loan amounts, depending on the cadre of the staff. Inflation can also impact the beneficiary's ability to repay loans particularly if their salaries do not keep pace with inflation.

e) Credit risk: The Scheme may face credit risk if the beneficiaries default on loan repayments, which can impact the financial sustainability of the Scheme.

The Scheme does not have any known material arrears in statutory/financial obligations as at the reporting date.

(vi) The Scheme's Financial Probity and Serious Governance Issues

To obtain assurance on compliance and prudence in the management of the Scheme's finances, the Scheme prepares the financial statements, which are subjected to both internal and external audits. The audit findings and recommendations enable the Office to strengthen the Scheme's operational and financial systems. There is no case of financial impropriety or governance issues reported to any government agency during the year.

(vii) Other Relevant Information to the Users of the Financial Statements

Changes in Government policies may lead to changes in car loan and mortgage guidelines, which may affect the Scheme operations, e.g. extended repayment periods.

9. Environmental and Sustainability Reporting

Environmental and Sustainability Responsibility is an integral part of our culture. As a responsible organisation, we respect the interests of our stakeholders, including the OAG employees and the wider community, and we actively seek opportunities to improve the environment and contribute to the well-being of the communities around us.

(i) Financial Sustainability

The Scheme's funds are utilised in accordance with the provisions of PFM Act, 2012, PFM Regulations, 2015 and all other applicable legislation, and for the sole purpose for which they were intended.

Since its inception in 2016, the Scheme has received Kshs.1,009,215,000 from The National Treasury through the Office of Auditor-General and Kshs.49,664,676 from interest earned on bank deposits. In FY2023/2024, the Scheme received Kshs.130 million that was transferred from car loan scheme. The loan recoveries from beneficiaries amount to Kshs.468,136,350 which have also been credited back to the Scheme since it's a Revolving Fund for onward lending to more applicants.

There are currently no loan repayment defaults, and stringent measures are in place to ensure staff repay their loans as per the signed loan agreements. These measures include using a check-off system to effect transactions and have the properties charged to HFC Ltd and the Co-operative Bank of Kenya. Eventually, the Scheme should be self-sustaining and not rely on Exchequer funding.

(i) Environmental Performance

The Scheme operates within OAG's environment. Care for the environment is one of the key responsibilities and an important part of the way in which the Scheme operates. Efforts have been put in place to reduce the environmental impact of the items used and activities of the Scheme, hence remaining sustainable in the long run. This is demonstrated by ensuring minimal usage of printing papers by sharing and circulating soft copies of documents as opposed to hard copies, and printing on both sides of paper documents and pooling of water dispenser units has been put in place to reduce the use of plastic bottles.

(ii) Employee Welfare

The Office puts employee welfare at the core of its decisions hence setting up the Scheme with a lower interest rate of three (3) per cent. The Scheme has enabled employees to own decent residential houses, either for their current occupation or ultimate occupation upon retirement, at affordable interest rates. This has ensured that the Office retains and attracts requisite skills in line with the constitutional principles under Article 230(5) of the Constitution of Kenya, 2010.

(iii) Market Place Practices

The Office has made efforts to ensure the following:

a) Responsible Competition Practice

The Scheme offers its services to all employees and does not discriminate based on gender, age, persons living with disability, race or religion.

b) Responsible Supply Chain and Supplier Relations

The Scheme ensures that all the mortgage appraisals and award processes are done in a transparent and accountable manner with full adherence to the provisions of the law and regulations in place.

c) Responsible Marketing and Advertisement

The Scheme, in conjunction with the Public Relations and Communication and Information Communication Technology Directorates, provides regular information to OAG staff regarding the Scheme's products, services and milestones through emails and newsletters. The feedback obtained from staff helps in improving the services offered by the Scheme.

d) Product Stewardship

The Scheme upholds the rights and fundamental freedoms as outlined in the Bill of Rights contained in Chapter 4 of the Constitution of Kenya, 2010.

(iv) Community Engagements

During the financial year under review, the Scheme did not participate in community engagements and other Corporate Social Responsibility (CSR) activities.

10. Report of The Scheme Committee

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

(i) Principal Activities

The principal activity of the Scheme is to provide Mortgage financing to the OAG members of staff to purchase or construct decent houses for their current or ultimate occupation upon retirement.

(ii) Performance

The performance of the Scheme for the year ended 30 June, 2025 is set out on pages 1 to 5.

(iii) Committee

The members of the Committee are as shown on page v.

(iv) Auditors

PKF Kenya LLP were appointed by the National Assembly to audit the financial statements for the 2024/25 financial year.

By Order of the Committee

.....

CPA Dr. Leonard Lari
Committee Chairman
ICPAK Member: 2981

Date: 4 December, 2025

11. Statement of Management's Responsibilities

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

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

The Auditor-General 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 SRC circular SRC/ADM/CIR/1/13 Vol.III (128) of 17 December, 2014 on Car Loan and Mortgage Scheme for State officers and other public officers of the Government of Kenya.

The Auditor-General is of the opinion that the financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended 30 June, 2025 and of its financial position as at that date.

The Auditor-General further confirms the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Auditor-General has assessed the Scheme's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of the going concern basis of preparation of the financial statements. Nothing has come to the attention of the Auditor-General 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 the Committee on ..04/12/2025..... and signed on its behalf by:

.....	.....
FCPA Nancy Gathungu, CBS	**CPA Dr. Leonard Lari**
Auditor-General/Scheme Administrator	**Committee Chairman**
ICPAK Member No: 4893	**ICPAK Member No: 2981**

PKF

10. Report of the Independent Auditor to The National Assembly

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the Office of the Auditor-General (OAG) Staff Mortgage Scheme, set out on pages 1 to 25, which comprise the statement of financial position as at 30 June 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flow, and statement of comparison budget and actual amounts and notes to the financial statements including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects the Scheme's financial position as at 30 June 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS) and the requirements of the Public Finance Management Act, 2012.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme and Office of the Auditor-General in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have not determined any matter to be a key audit matter to be communicated in our report.

Other information

The Auditor-General is responsible for the other information. The other information comprises key scheme information and management, the scheme management committee, chairman's report, report of the scheme administrator, statement of performance against predetermined objectives, corporate governance statement, management discussion and analysis, environmental and sustainability reporting, report of the scheme committee, statement of management's responsibilities and Annex I, Annex II, Annex III and Annex IV that comprise the annual report but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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Report of the Independent Auditor to The National Assembly (Continued)

Other information (continued)

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

Responsibilities of the Auditor-General and those charged with governance of the Office of the Auditor-General

Auditor-General and those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Standards Board (accrual basis), and the requirements of the Public Finance Management Act, 2012.and for such 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.

In preparing the financial statements, the Auditor-General and those charged with governance are responsible for assessing the Scheme's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Auditor-General either intend to liquidate the scheme or to cease operations, or have no realistic alternatives but to do so.

Those charged with governance are responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Staff Mortgage Scheme of the Office of the Auditor-General Financial Statements

Our objectives are to obtain reasonable assurance about whether the scheme financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 the Schemes financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Report of the Independent Auditor to The National Assembly (Continued)

Auditor's Responsibilities for the Audit of the Staff Mortgage Scheme of the Office of the Auditor-General Financial Statements (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme.
- Conclude on the appropriateness of the Scheme's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report of the Independent Auditor to The National Assembly (Continued)

Report on other legal requirements

As required by the Public Audit Act, 2015 we report to you that:

a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

b. In our opinion proper books have been kept by the Scheme, so far as it appears from our examination of those books; and

c. The Scheme's financial statements are in agreement with the accounting records.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Mohamed Asif Chaudhry, Practising Certificate No. 2059.

Chaudhry
.....

For and on behalf of PKF Kenya LLP
Certified Public Accountants
Nairobi, Kenya

04-December.....**2025**

UNIQUE CODE: 31460251203

1363/25

Partners: A. Vadher, P. Shah, R. Mirchandani, C. Oguttu**, A. Chaudhry, K. Shah, M. Mburugu, G. Santokh, D. Shah, S. Alibhai, L. Abreu, P. Kuria, N. Shah, J. Shah, E. Njuguna, P. Kahi, A. Chandria, M. Kimundu, S. Chheda*, M. Bhavsar, C. Mukunu, K. Bharadva, S. D'Cruz
(*British, **Ugandan)

PKF Kenya LLP is registered in Kenya as a limited liability partnership, Registration number LLP-8519PL, under the Limited Liability Partnership Act, 2011.

PKF Kenya LLP is a member of PKF Global, the network of member firms of PKF International Limited, each of which is a separate and independent legal entity and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s).

13. Statement of Financial Performance for the year ended 30 June, 2025

		2024/2025	2023/2024
	Note	Kshs	Kshs
Revenue from Exchange Transactions			
Interest Income from Deposits	6 (a)	3,957,918	1,772,323
Interest income from Loanees	6 (b)	28,793,675	27,511,522
Total Revenue		**32,751,593**	**29,283,845**
Expenditure			
Management Costs	7	28,793,675	27,511,522
Expected Credit Loss	8	4,249,800	-
Total Expenditure		**33,043,475**	**27,511,522**
Surplus/Deficit before Tax		**(291,882)**	**1,772,323**
Less Withholding Tax	9	593,688	265,848
Surplus/Deficit for the year		**(885,570)**	**1,506,475**

The accounting policies and explanatory notes to these financial statements form an integral part of these financial statements. The financial statements were approved on ...04/12/2025.....and signed by:

FCPA Nancy Gathungu, CBS
Auditor-General/Scheme Administrator

ICPAK No: 4893

CPA Dr. Leonard Lari
Committee Chairman

ICPAK No: 2981

CPA Isaac Ng'ang'a
Deputy Auditor General - Corporate Services/Scheme Accountant
ICPAK No: 8292

14. Statement of Financial Position as at 30 June, 2025

		2024/2025	2023/2024
	Note	Kshs	Kshs
Assets			
Non-current Assets			
Loans Receivable	11(a)	827,506,153	758,360,492
Total Non-current Assets		**827,506,153**	**758,360,492**
Current Assets			
Cash and Cash Equivalents	10	211,929,253	88,765,728
Loans Receivable	11(b)	90,864,982	217,026,335
Receivable from OAG	12	-	39,500,000
Due from Scheme Banker	13	54,329,488	81,862,891
Total Current Assets		**357,123,723**	**427,154,954**
Total Assets		**1,184,629,876**	**1,185,515,446**
Liabilities			
Non-current Liabilities		-	-
Current Liabilities		-	-
Total Liabilities		**-**	**-**
Net Assets		**1,184,629,876**	**1,185,515,446**
Revolving Fund	14	1,139,215,000	1,139,215,000
Accumulated Surplus	15	45,414,876	46,300,446
Total Equity		**1,184,629,876**	**1,185,515,446**

The accounting policies and explanatory notes to these financial statements form an integral part of these financial statements. The financial statements were approved on ...04\12\2025..... and signed by:

FCPA Nancy Gathungu, CBS **Auditor-General/Scheme Administrator** **ICPAK No: 4893**	**CPA Dr. Leonard Lari** **Committee Chairman** **ICPAK No: 2981**	**CPA Isaac Ng'ang'a** **Deputy Auditor General - Corporate Services/Scheme Accountant** **ICPAK No: 8292**

15. Statement of Changes in Net Assets for the year ended 30 June, 2025

	Revolving Fund	Accumulated Surplus	Total
	Kshs	Kshs	Kshs
Balance as at 1 July 2023	865,608,200	44,793,971	910,402,171
Surplus for the year	-	1,506,475	1,506,475
Funds received during the year	143,606,400	-	143,606,400
Funds received from Car Scheme	130,000,000	-	130,000,000
Balance as at 30 June 2024	**1,139,215,000**	**46,300,446**	**1,185,515,446**
Balance as at 1 July 2024	1,139,215,000	46,300,446	1,185,515,446
Surplus/deficit for the year	-	(885,570)	(885,570)
Funds received during the year	-	-	-
Funds received from Car Scheme	-	-	-
Balance as at 30 June 2025	**1,139,215,000**	**45,414,876**	**1,184,629,876**

The accounting policies and explanatory notes to these financial statements form an integral part of these financial statements. The financial statements were approved on 04/12/2025 and signed by:

FCPA Nancy Gathungu, CBS **Auditor-General/Scheme Administrator** **ICPAK No: 4893**	**CPA Dr. Leonard Lari** **Committee Chairman** **ICPAK No: 2981**	**CPA Isaac Ng'ang'a** **Deputy Auditor General - Corporate Services/Scheme Accountant** **ICPAK No: 8292**

16. Statement of Cash Flows for the year ended 30 June, 2025

		2024/2025	2023/2024
	Note	Kshs	Kshs
Cash flows from Operating Activities			
Receipts			
Interest received from deposits	6	3,957,918	1,772,323
Total receipts		**3,957,918**	**1,772,323**
Payments			
Tax paid	9	(593,688)	(265,848)
Total payments		**(593,688)**	**(265,848)**
Net cash flows from operating activities		**3,364,230**	**1,506,475**
Cash flows from investing activities			
Proceeds from loan principal repayments	10	110,006,989	78,502,022
Loan disbursements paid out	10	(25,457,894)	(260,230,957)
Net cash flows generated from investing activities		**84,549,095**	**(181,728,935)**
Cash flows from Financing Activities			
Receipts into the Mortgage Scheme		39,500,000	104,106,800
Receipts into mortgage Scheme from car Scheme		-	130,000,000
Repayment of borrowings		-	-
Net cash flows generated from financing activities		**39,500,000**	**234,106,800**
Net increase in cash and cash equivalents		**127,413,325**	**53,884,340**
Cash and cash equivalents at 1st July	10	88,765,728	34,881,388
Cash and cash equivalents at 30 June	**10**	**216,179,053**	**88,765,728**

The accounting policies and explanatory notes to these financial statements form an integral part of these financial statements. The financial statements were approved on ..04/12/2025..... and signed by:

FCPA Nancy Gathungu, CBS **Auditor-General/Scheme Administrator** **ICPAK No: 4893**	**CPA Dr. Leonard Lari** **Committee Chairman** **ICPAK No: 2981**	**CPA Isaac Ng'ang'a** **Deputy Auditor General - Corporate Services/Scheme Accountant** **ICPAK No: 8292**

17. Statement of Comparison of Budget and Actual Amounts for year ended 30 June, 2025

	Original budget	Adjustment	Final budget	Actual on comparable basis	Performance difference	% Utilization	Budget Note
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**%**	
Interest income from Deposits	-	-	-	3,957,918	3,957,918	100	a)
Interest income from Loanees	-	-	-	28,793,675	28,793,675	100	a)
Total Revenue	**-**	**-**	**-**	**32,753,593**	**32,753,593**		
Expenditure							
Management cost	-	-	-	28,793,675	28,793,675	100	b)
Total expenditure	**-**	**-**	**-**	**28,793,675**	**28,793,675**		
Withholding Tax paid	-	-	-	593,688	593,688	100	c)
Surplus for the year	**-**	**-**	**-**	**3,364,230**	**3,364,230**		

There was no budget allocation for the year.

Budget Notes:

a) Interest income from deposits was earned during the year on the available funds in the fixed deposit account held at the HFC Ltd at 2.5% per annum and the Co-operative Bank of Kenya at 4% per annum while Interest from Loanees was earned from the monthly payroll deductions for both HFC Ltd and the Co-operative Bank of Kenya at 3% per annum.

b) Management cost is the interest recovered from Loanees at 3% and paid to HFC Ltd and the Co-operative Bank of Kenya as administration fees. This is done as per the contract agreement.

Tax paid expenses relate to the 15% withholding taxes being the final tax that was charged on the interest earned from the fixed deposit account.

FCPA Nancy Gathungu, CBS
Auditor-General/Scheme Administrator
ICPAK No: 4893

CPA Dr. Leonard Lari
Committee Chairman
ICPAK No: 2981

CPA Isaac Ng'ang'a
Deputy Auditor General -Corporate Services/Scheme Accountant
ICPAK No: 8292

18. Notes to the Financial Statements

1. General Information

The Staff Mortgage Scheme is established and administered as provided under Section 24 (4)(5)(6)(7) of the PFM Act, 2012 and Regulation 127 (1) (2) of the PFM (National Government) Regulations, 2015. Further, the Scheme was established pursuant to SRC Circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17 December, 2014. The Scheme is wholly owned by the Office of the Auditor-General and is domiciled in Kenya. The principal activity of the Scheme is to provide mortgage loans to the staff of the Office of the Auditor-General to enable them to acquire or build decent residential homes either for their current or ultimate occupation upon retirement.

2. Statement of Compliance and Basis of Preparation

The Scheme's financial statements have been prepared in accordance with and comply with the PFM Act, 2012 and International Public Sector Accounting Standards (IPSAS) Accrual Basis. The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Scheme. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The statement of cash flows is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of New and Revised Standards

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

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

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

Standard	Effective date and impact:
IPSAS 43: Leases	***Applicable 1 January, 2025*** The standard sets out the principles for recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Scheme. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. The standard is not expected to have an impact on the Scheme's financial statements.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	***Applicable 1 January, 2025*** 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 on such assets to cease and assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. The standard is not expected to have an impact on the Scheme's financial statements.
IPSAS 45: Property Plant and Equipment	***Applicable 1 January, 2025*** The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under-maintenance of assets and distinguishing significant parts of infrastructure assets. The standard is not expected to have an impact on the Scheme's financial statements.
IPSAS 46: Measurement	***Applicable 1 January, 2025*** The objective of this standard was to improve measurement guidance across IPSAS by:

Standard	Effective date and impact:
	i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement basis called the current operational value. The standard is not expected to have an impact on the Scheme's financial statements.
IPSAS 47: Revenue	***Applicable 1 January, 2026*** 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. The standard is expected to have an impact on the Scheme's financial statements since the Scheme generates interest income.
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 standard is not expected to have an impact on the Scheme's financial statements.
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 standard is not expected to have an impact on the Scheme's financial statements.

Standard	Effective date and impact:
IPSAS 50: Exploration For & Evaluation of Mineral Resources	***Applicable 1 January, 2027*** The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. The standard is not expected to have an impact on the Scheme's financial statements.

iii. **Early Adoption of Standards**

The Scheme did not early-adopt any new or amended standards in the year 2024/2025.

4. 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. Management has not made any significant judgements or estimates.

5. Significant Accounting Policies

i. Revenue Recognition

a) Revenue from Non-exchange Transactions

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods,

services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. 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 have been acquired using such funds.

b) Revenue from Exchange Transactions

Interest Income

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

ii. Budget Information

The original budget for the Office, for the financial year 2024/2025 was approved. Subsequent revisions or appropriations may be made to the approved budget in accordance with specific approvals from the appropriate authorities. The Scheme's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an 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. A comparison of budget and actual amounts, is then presented in the statement of comparison of budget and actual amounts.

The Scheme did not have any additional budgetary allocation on the appropriations for the financial year 2024/2025 budget.

iii. Financial Instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Scheme does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Scheme's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another

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

Financial assets

Classification of Financial Assets

The 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 Scheme's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless the Scheme has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent Measurement

Based on the business model and the cash flow characteristics, the Scheme 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 Scheme 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 Receivables

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

Impairment

The Scheme management performs credit risk assessments of all financial assets at each reporting date to determine whether there has been a significant increase in credit risk requiring lifetime ECL measurement. Forward-looking information, including

economic outlook, sectoral developments, and regulatory actions, is incorporated in the evaluation of probability of default and loss-given default.

The Scheme management applies the expected credit loss (ECL) model in accordance with IPSAS 41 *Financial Instruments* to all financial assets measured at amortised cost, including bank balances and loans receivable. Expected credit losses represent the present value of cash shortfalls over the life of financial assets and incorporate reasonable and supportable information about past events, current conditions, and forward-looking estimates. The ECL model distinguishes between 12-month ECL and lifetime ECL based on whether credit risk has increased significantly since initial recognition, with assessments performed at each reporting date.

For bank balances, the Scheme management measures impairment using the 12-month ECL approach, as permitted by IPSAS 41 for financial assets whose credit risk has not increased significantly. The Scheme bank balances are held with regulated financial institutions licensed by the Central Bank of Kenya and are considered to have low credit risk. Although the Scheme's deposits are held with financially sound banking institutions, the standard requires recognition of a 12-month Expected Credit Loss (ECL) for financial assets measured at amortized cost, including cash and bank balances.

Based on the S&P Global Transition Matrix and forward-looking macroeconomic considerations, the Scheme management computed ECL on bank balances held with the respective institutions. This charge represents a non-cash adjustment reflecting the Scheme's conservative and forward-looking credit risk assessment on its cash deposits. Management continues to monitor the credit standing of its banking partners to ensure ongoing compliance with IPSAS 41.

Loans receivable are classified within Stage 1 of the ECL model, as there has been no significant increase in credit risk since initial recognition. Accordingly, the Scheme management applies the 12-month expected credit loss measurement approach.

The loans receivable portfolio has a strong credit risk profile. Since inception, the Scheme has not experienced any instances of default. All loans are fully secured through adequate collateral arrangements and are further covered by comprehensive

credit insurance policies. These credit enhancements significantly reduce the Scheme's exposure to credit losses in the event of borrower default.

In assessing expected credit losses, the Scheme management incorporated forward-looking information and considered the probability of default, loss given default, and exposure at default in line with IPSAS 41 requirements. Given the absence of historical defaults, the high credit quality of the loan beneficiaries, and the existence of effective security and insurance coverage, the probability-weighted estimate of expected credit losses was determined to be negligible.

Based on this analysis, management concluded that the expected credit losses on the loans receivable portfolio are immaterial. Accordingly, no ECL allowance has been recognised in the financial statements for the year ended 30 June, 2025. The Scheme management continues to monitor credit risk on an ongoing basis and will revise its estimates should relevant risk indicators change in future reporting periods.

The Scheme management reviews all assumptions periodically to ensure they remain appropriate, consistent with IPSAS 41 requirements. Any changes in credit risk assessment or underlying parameters are recognised prospectively and disclosed in accordance with IPSAS 30 *Financial Instruments: Disclosures*.

iv. Nature and Purpose of Reserves

The Scheme creates and maintains the following reserves:

- **Accumulated Surplus or Deficit:** This reserve captures the cumulative results of operations over time, representing the net position of the Scheme. It is adjusted annually based on the surplus or deficit reported in the financial statements.
- **Revolving Fund:** A revolving fund is a reserve maintained to finance loan issuance within the Scheme. Unlike general funds, a revolving fund is replenished through transfers from OAG and capital repayments allowing it to maintain a sustainable funding cycle.

v. 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.

vi. Related Parties

The Scheme regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Scheme, or vice-versa. Key management members are regarded as related parties and comprise of the Scheme Committee.

vii. Cash and Cash Equivalents

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

viii. Comparative Figures

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

Notes to the Financial Statements (Continued)

6. (a) Interest Income on Deposits

Description	2024/2025	2023/2024
	Kshs	Kshs
Interest on Deposits- HFC @2.5%	3,574,253	1,772,323
Interest on Deposits- Co-op Bank @ 4%	383,665	-
Total interest income	**3,957,918**	**1,772,323**

The Interest Income of Kshs.3,574,253 was earned from HFC Ltd and Kshs.383,665 from the Co-operative Bank of Kenya totalling to Kshs.3,957,918.

Analysis of Interest Income earned from Bank Deposits		
	2024/2025	2023/2024
Quarters	**Kshs**	**Kshs**
Quarter 1	794,945	191,561
Quarter 2	874,588	488,516
Quarter 3	908,378	535,285
Quarter 4	1,380,026	556,961
Total	**3,957,918**	**1,772,323**

6. (b) Interest Income from Loanees

Description	2024/2025	2023/2024
	Kshs	Kshs
Interest from Loanees- HFC @3%	20,057,467	21,778,875
Interest from Loanees- Co-op Bank @3%	8,736,208	5,732,647
Total interest income	**28,793,675**	**27,511,522**

The interest of Kshs.20,057,467 and Kshs.8,736,208 was earned from Loanees through payroll recoveries at an interest rate of 3% per annum on a reducing balance basis for HFC Ltd and the Co-operative Bank of Kenya respectively.

7. Management Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Management cost- HFC Ltd @ 3%	20,057,467	21,778,875
Management cost- Co-op Bank @ 3%	8,736,208	5,732,647
Total	**28,793,675**	**27,511,522**

Management costs relate to Scheme administration expenses paid to Scheme Bankers as per the contract agreement terms.

Notes to the Financial Statements (Continued)

8. Expected Credit Loss on Bank Balances

Description	2024/2025	2023/2024
	Kshs	Kshs
HFC Ltd	3,907,781	-
Co-operative Bank of Kenya	342,019	-
Total	**4,249,800**	**-**

During the year, the Scheme assessed the credit risk associated with bank balances in accordance with IPSAS 41 – Financial Instruments. Although the Scheme's deposits are held with financially sound banking institutions, the standard requires recognition of a 12-month Expected Credit Loss (ECL) for financial assets measured at amortised cost, including cash and bank balances.

Based on the S&P Global Transition Matrix and forward-looking macroeconomic considerations, the Scheme computed ECL on bank balances held with the respective institutions.

This charge represents a non-cash adjustment reflecting the Scheme's conservative and forward-looking credit risk assessment on its cash deposits. Management continues to monitor the credit standing of its banking partners to ensure ongoing compliance with IPSAS 41.

9. Tax Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Withholding Tax on interest income -HFC Ltd@15%	536,138	265,848
Withholding Tax on interest income -Co-op Bank @15%	57,550	-
Total	**593,688**	**265,848**

Tax expense of Kshs.593,688 relates to the withholding tax on interest income charged at 15% of the gross interest earned from the funds deposited at Housing Finance Company Limited and Co-operative Bank of Kenya.

Analysis of withholding tax credits		
	2024/2025	2023/2024
Quarters	**Kshs**	**Kshs**
Quarter 1	119,239	28,734
Quarter 2	131,188	73,277
Quarter 3	136,257	80,293
Quarter 4	207,004	83,544
Total	**593,688**	**265,848**

Notes to the Financial Statements (Continued)

10. Cash and Cash Equivalents

Description		2024/2025	2023/2024
Financial institution	**Account number**	**Kshs**	**Kshs**
HFC Ltd	2054703401	158,209,772	84,686,982
Co-operative Bank of Kenya	01141174395000	57,969,281	4,078,746
Gross Balances		**216,179,053**	**88,765,728**
Expected Credit Losses- charge for the year		(4,249,800)	-
Net Balances		**211,929,253**	**88,765,728**

The Gross Bank Balances of Kshs.216,179,053 reported as of 30 June, 2025 is the total bank balance in the fixed deposit accounts. The balances are supported by bank balance certificates as at 30 June, 2025.

Movement in expected credit losses:

Description	2024/2025	2023/2024
	Kshs	**Kshs**
At the start of the year	-	-
Expected Credit Losses- charge for the year	4,249,800	-
At the end of the year	**4,249,800**	**-**

The Scheme recognised Expected Credit Losses on bank balances based on the 12-month ECL model as required under IPSAS 41.

Detailed Analysis of the Cash and Cash Equivalents are as follows:

Description	2024/2025	2023/2024
	Kshs	**Kshs**
Opening Cash and Cash Equivalent	88,765,728	34,881,388
Cash transferred from OAG	39,500,000	110,606,400
Cash received from Car Loan Scheme	-	130,000,000
Loans Issued	(25,457,894)	(260,230,957)
Principal Loan Repaid	110,006,989	78,502,022
Surplus ploughed back	3,364,230	1,506,475
Expected Credit Losses	(4,249,800)	-
Total Cash and Cash Equivalents	**211,929,253**	**88,765,728**

Notes to the Financial Statements (Continued)

11. Loan Receivables

Description	2024/2025	2023/2024
	Kshs	Kshs
Opening balance	975,386,827	839,154,669
Loans Issued	49,985,623	224,573,403
Less Capital Loans Repaid	(107,001,315)	(88,341,245)
Closing balance	**918,371,135**	**975,386,827**
a) Non-current Loan Receivables	827,506,153	758,360,492
b) Current Loan Receivables	90,864,982	217,026,335
Total	**918,371,135**	**975,386,827**

Ageing Analysis (Loan Receivables)	2024/2025	% of Total	2023/2024	% of Total
Less than 1 year	24,593,187	3%	217,026,335	22%
Between 1-2 years	218,741,761	24%	126,978,583	13%
Between 2-3 years	120,805,333	13%	159,092,607	16%
Over 3 years	554,230,854	60%	472,289,302	49%
Total	**918,371,135**	**100%**	**975,386,827**	**100%**

The loan receivables represent the mortgage capital balances for all the Loans as at the end of the year.

Summary of Loans by Staff

Description	2024/2025	2023/2024
	Kshs	Kshs
Loans Receivable from Current Staff	912,579,519	975,386,827
Loans Receivable from Former Staff	5,791,616	-
Total	**918,371,135**	**975,386,827**

Based on this analysis, there is minimal credit risk associated with the loans receivable as 99% of these balances are held by the current staff members and the loan repayment deductions are done through check-off on the payroll.

Movement in the Loans Issued

Description	2024/2025	2023/2024
	Number	Number
At start of year	179	150
Loans issued	-	29
Less loans repaid	(11)	-
At end of year	**168**	**179**

Notes to the Financial Statements (Continued)

12. Receivable from OAG

Description	2024/2025	2023/2024
	Kshs	Kshs
Opening Balance	39,500,000	-
Increase/decrease for the year	(39,500,000)	39,500,000
Closing Balance	**-**	**39,500,000**

These amounts represent the funds transferred to the Scheme in FY 2023/2024 but reflected in the Scheme Bank in FY 2024/2025.

13. Due from Scheme Banker

Scheme Banker	2024/2025	2023/2024
	Kshs	Kshs
Housing Finance Company Ltd	17,240,923	14,869,010
Co-operative Bank of Kenya	37,088,565	66,993,881
Total	**54,329,488**	**81,862,891**

The above amounts represent the capital repayments that had not been ploughed back to the Scheme at the end of the year.

Description	2024/2025	2023/2024
	Kshs	Kshs
Opening Balance	81,862,891	36,366,114
Increase/decrease for the year	(27,533,403)	45,496,777
Closing Balance	**54,329,488**	**81,862,891**

14. Revolving Fund

Description	2024/2025	2023/2024
	Kshs	Kshs
Housing Finance Company Ltd	755,395,200	755,395,200
Co-operative Bank of Kenya	383,819,800	383,819,800
At end of year	**1,139,215,000**	**1,139,215,000**

Revolving Funds relate to the total amounts received from the Exchequer into the Mortgage Scheme as of 30 June, 2025.

Notes to the Financial Statements (Continued)

Description	2024/2025	2023/2024
	Kshs	Kshs
Opening balance	1,139,215,000	865,608,200
Transfers from OAG	-	143,606,800
Transfers from Car Loan Scheme	-	130,000,000
Closing balance	**1,139,215,000**	**1,139,215,000**

During the year, there were no transfers to the Scheme as compared to the previous FY 2023/2024 where Kshs.143,606,800 was transferred from the OAG and Kshs.130,000,000 transferred from the Car Loan Scheme to the Mortgage Scheme.

15. Accumulated Surplus

Description	2024/2025	2023/2024
	Kshs	Kshs
Opening balance	46,300,446	44,793,971
Surplus/deficit for the year	(885,570)	1,506,475
Closing balance	**45,414,876**	**46,300,446**

This relates to the surplus/deficit amounts realized for the years since the Scheme's inception in 2016. The surplus is ploughed back into the Scheme since the it's a Revolving Fund.

Other Disclosures

16. Related Party Balances

a) Nature of Related Party Relationships

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:

- Office of the Auditor-General
- Mortgage Scheme Committee.

Other Disclosures (continued)

b) Related Party Transactions

Description	2024/2025	2023/2024
Transactions during the Year	**Kshs**	**Kshs**
Transfers from OAG	39,500,000	104,106,800
Loans issued to Scheme Committee members- Co-operative Bank of Kenya	-	2,190,000
Interest from Scheme Committee members- Housing Finance Company	149,617	221,996
Interest from Scheme Committee members- Co-operative Bank of Kenya	377,836	404,636
Total	**40,027,453**	**106,923,432**

The Committee members who had benefitted from the Mortgage facility owed the Scheme a total of Kshs.15,422,054 as at the end of the financial year compared to Kshs. 19,371,111 in the previous financial year as shown below:

Description	2024/2025	2023/2024
Related Party Balances	**Kshs**	**Kshs**
Due from Scheme Committee members- Housing Finance Company	3,720,614	6.032,525
Due from Scheme Committee members – Co-operative Bank of Kenya	11,701,440	13,338,586
Total	**15,422,054**	**19,371,111**

17. Financial Risk Management

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency.

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 does not hedge any risks and has in place policies to ensure that credit is only extended to OAG staff as per the established Scheme's guidelines.

Other Disclosures (continued)

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, and deposits with banks, loans receivable as well as other receivables.

The Management Committee assesses the credit quality of each staff, taking into account its financial position, past experience and other factors. Individual risk limits are based on internal and external assessment in accordance with the limits set by the Salaries and Remuneration Commission.

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

Description	Total Amount (Kshs)	Fully Performing (Kshs)	Past Due (Kshs)	Impaired (Kshs)
At 30 June 2025				
Loan Receivables	918,371,135	918,371,135	-	-
Due from Scheme Banker	54,329,488	54,329,488	-	-
Due from OAG	-	-	-	-
Bank Balances	216,179,053	216,179,053	-	-
Expected Credit Loss	(4,249,800)	(4,249,800)	-	-
Total	**1,184,629,876**	**1,184,629,876**	**-**	**-**
At 30 June 2024				
Loan Receivables	975,386,827	975,386,827	-	-
Due from Scheme Banker	81,862,891	81,862,891	-	-
Due from OAG	39,500,000	39,500,000		
Bank Balances	88,765,728	88,765,728	-	-
Total	**1,185,515,446**	**1,185,515,446**	**-**	**-**

The Loanees under fully performing category are paying their debts. The credit risk associated with these receivables is minimal and the risk has been transferred to Housing Finance Company and Co-operative Bank of Kenya hence no impairment done.

Other Disclosures (continued)

The Scheme's exposure to credit risk relating to bank balances is minimal, as deposits are held with CBK-regulated commercial banks with strong capital adequacy and liquidity ratios. The recognised ECL reflects a conservative regulatory-aligned estimate rather than evidence of deterioration in credit quality.

b) Market Risk

The Office 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. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Scheme's income or the value of its holding of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee which reviews and approves the detailed risk management 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. Aside from interest rate covered below, the Scheme does not have material exposures to other market risks.

c) 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. Currently, the Scheme has no borrowings.
The Scheme capital structure comprises of the following:

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Revolving Fund	1,139,215,000	1,139,215,000
Accumulated Surplus	45,414,876	46,300,446
Total funds	**1,184,629,876**	**1,185,515,446**

Other Disclosures (continued)

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 at Housing Finance Company Ltd and Co-operative Bank of Kenya. 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.

Sensitivity Analysis

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

Using the end of the year figures of interest from deposits of Kshs.3,574,253 one percentage point increase/decrease from the floating interest rates used would result to a Kshs.1,525,617 (2024: Kshs.885,783) decrease/increase in interest income and profit before tax. A 5% increase/decrease in the rate would result into a Kshs.7,628,087 (2024: Kshs.4,428,915) increase/decrease.

18. Events after the Reporting Period

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

19. Ultimate and Holding Entity

The Scheme is established under Section 24 (4) of the Public Finance Management (PFM) Act 2012, and it's under the sponsorship of the Office of the Auditor-General, which is an independent office.

20. Currency

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

19. Annexes

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

Reference No. on the External Audit Report	Issue / Observations from Auditor	Management Comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*

The audit issues raised in FY 2023/2024 were all resolved and the scheme's financial statements were reported to present fairly in all material aspects the true financial position of the Scheme. The Scheme received an Unmodified Audit Opinion.

FCPA Nancy Gathungu, CBS
Auditor-General/Scheme Administrator

ICPAK No: 4893

CPA Dr. Leonard Lari
Committee Chairman

ICPAK No: 2981

CPA Isaac Ng'ang'a
Deputy Auditor General - Corporate Services/Scheme Accountant
ICPAK No: 8292

Annex II: Inter-Fund Confirmation Letter

Name of transferring entity.....

Name of beneficiary entity.....

Confirmation of amounts received by OAG Mortgage Scheme as at 30 June, 2025					
Reference Number	**Date Disbursed**	**Recurrent (A)**	**Development (B)**	**Total (C)=(A+B)**	**Remarks**
N/A					
Total					

Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source of Funds	Implementing Partners
				Q 1	Q 2	Q 3	Q 4		
N/A									

The Scheme did not incur any climate related expenditure during the year under review.

Annex IV: Disaster Expenditure Reporting Template

Programme	Sub-programme	Disaster Type	Category	Expenditure item	Amount (Kshs.)	Comments
N/A						

The Scheme did not incur any disaster related expenditure during the year under review.

CONTACTS

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