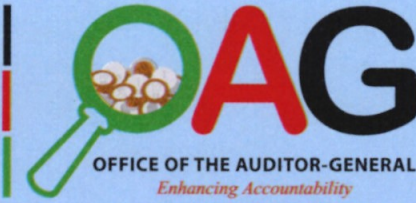


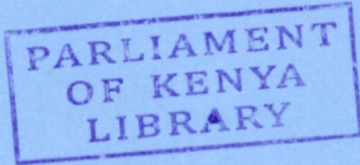
REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL



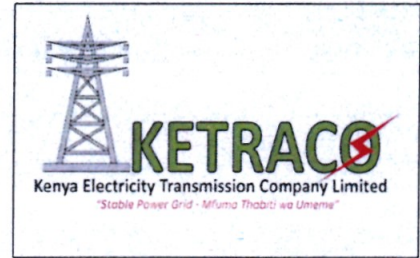
ON

KENYA ELECTRICITY TRANSMISSION COMPANY (KETRACO) LIMITED STAFF CAR LOAN AND MORTGAGE SCHEME FUND

FOR THE YEAR ENDED
30 JUNE, 2023

| | |
|--------------------------------------|---|
| THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: | 07 APR 2026 DAY. |
| TABLED BY: | Hon. Samuel Chepkongor <i>Tuesday</i> |
| CLERK-AT THE-TABLE: | A. Shabaka |

OFFICE OF THE AUDITOR GENERAL
P.O. Box 30084 - 00100, NAIROBI
RECORDS OFFICE
16 DEC 2025
RECEIVED



**KENYA ELECTRICITY TRANSMISSION COMPANY (KETRACO) LIMITED STAFF CAR
LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE 2023**

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

KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2025

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KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023

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KETRACO Mortgage fund
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1. Acronyms and Definition of Key Terms

A. Acronyms

| | |
|---------|--|
| CEO | Chief Executive Officer |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards |
| MD | Managing Director |
| NT | National Treasury |
| OCOB | Office of the Controller of Budget |
| OAG | Office of the Auditor General |
| OSHA | Occupational Safety and Health Act of 2007 |
| PFM | Public Finance Management |
| KETRACO | Kenya Electricity Transmission Company Limited |
| PSASB | Public Sector Accounting Standards Board |
| SAGAs | Semi-Autonomous Government Agencies |

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023

2. Key Fund information and management

a) Background information

KETRACO staff mortgage fund is established by and derives its authority and accountability Pursuant to Salaries & Remuneration Commission vide its circular Ref: No.SRC/ADM/CIR/1/13vol.111 (128) dated 17th December 2014. The Fund is wholly owned by KETRACO and is domiciled in Kenya. The Fund's principal activity is to provide mortgage loans to KETRACO staff.

b) Principal Activities

The principal activity of the fund is to provide Mortgage loans to KETRACO staff for the purpose of: Purchase of ready houses including off plan purchases, House Construction, Purchase of Land Takeover of existing mortgage loans, Equity release and Renovation/improvement of residential property.

c) Fund Administration Committee

The Scheme Fund is administered by Stima Sacco.

d) Key Management

| SN | Position | Name |
|----|-----------------------------|----------------------|
| 1 | Fund Manager/ Administrator | Eng. Kipkemoi Kibias |
| 2 | Fund Accountant | CPA Tom Imbo |
| 3 | Fund Secretary | CHRP Linda Korir |

e) Fiduciary Oversight Arrangements

| No. | Designation | Name |
|-----|-------------|---------------------------|
| 1. | Chairperson | Hon Kirwa S Bitok |
| 2. | Member | Ms. Mercylynate Chepkirui |
| 3. | Member | Mr Duncan Gathege |
| 4. | Secretary | CPA Moses Mulonzia |

f) Registered Offices

P.O. Box 34942-00100

Kawi Complex

South C Bellevue, Off Mombasa Road, Off Red Cross Road

Key Fund and Information Management (Continued)

g) Fund Contacts

Telephone: 0719 018 000

E-mail: info@ketraco.co.ke

Nairobi, KENYA.

h) Fund Bankers

Stima Sacco

P.O. Box 75629-00200

Nairobi, Kenya

i) Independent Auditor

Auditor-General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

**KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023**

3. Fund Administration Committee /Management Team


| SN | Position | Name |
|----|-------------------------|---------------------|
| 1. | Chairperson of the fund | Kipkemoi Kibias |
| 2. | Fund Accountant | Tom Imbo |
| 3. | Fund Administrator | Linda Korir |
| 4. | Member | Anthony Musyoka |
| 5. | Member | Moses Mulonzia |
| 6. | Member | Antony Wamukota |
| 7. | Member | Dr Lawrence Kimando |
| 8. | Member | Hesbon Kisero |
| 9. | Member | Florence Mitey |


| SN | Management | Details |
|----|---|---|
| 1. |  | <p>Eng. Kipkemoi Kibias – Ag. Managing Director/ Chairperson of the Fund</p> <p>Eng. Kipkemoi Kibias is a seasoned Engineer with over 17 years in the Power Sector. His expertise includes design and construction, power system planning, operation and maintenance. He is passionate about Power Systems & Renewable energy.</p> <p>He holds a Bachelor of Science in Electrical & Electronics Engineering from Jomo Kenyatta University of Agriculture, Master in Business Administration (Strategic Mgt.) from Catholic University of Eastern Africa, Masters in Nuclear Power Plant Engineering from KEPCO International Nuclear Graduate School – KINGS, Ulsan, South Korea, and currently pursuing Doctor of Philosophy in Energy Studies at Moi University. He is registered with the Engineers Board of Kenya as a professional engineer, a member of the</p> |

**KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023**

| | | |
|----|---|---|
| | | <p>Institution of Engineers of Kenya (IEK), and an alternate member of the inspection and acceptance committee.</p> <p>Prior to joining Kenya Electricity Transmission Company Limited, (KETRACO) as General Manager, System Operation & Power Management, he worked in various capacities including Design & Construction, Power System Planning, Operation and Maintenance, Regional</p> |
| 2. |  | <p>CHRP(K) Linda Korir- General Manager, Human Resource and Administration/ Fund Administrator</p> <p>Linda Korir is an accomplished Human Resources professional with extensive expertise in strategic management, HR, talent acquisition, and employee relations. She holds an MBA in Strategic Management and Human Resources from Daystar University and a Bachelor's degree in Business Management and IT from Kabarak University. Linda has served as a Human Resource and Administration Manager in both public and private sectors, where she honed her skills in managing diverse teams and implementing impactful HR strategies. She has also collaborated with international development agencies on community development projects, further enriching her experience in driving organizational and societal growth.</p> <p>Linda is an active member of the Institute of Human Resource Management (IHRM), holding a practicing certificate, and the Kenya Institute of Management. She is a Certified</p> |


**KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023**

| | | |
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| | | <p>Human Resource Practitioner (CHRP-K) and holds an International Diploma in Human Resource Management from Cambridge International College. Additionally, she has earned a Certificate in Leadership and Management, further showcasing her commitment to professional excellence and leadership in the HR field.</p> |
| 3. |  | <p>CS. Florence Mitey Company- Secretary & General Manager Legal Services</p> <p>Ms. Florence Mitey is an Advocate of the High Court of Kenya, a holder of a Master of Business Administration Degree from Strathmore University, a Bachelor of Laws degree (LLB) from the University of Nairobi and a Diploma in Law from the Kenya School of Law.</p> <p>Ms. Mitey has a strong Legal and Corporate Governance background with rich experience in Corporate Law and Company Secretarial practice having served at the helm of legal services divisions in various organizations.</p> <p>She has previously served as Company Secretary & Legal Services Manager at East African Portland Cement PLC, Manager-Legal & Litigation at the National Police Service Commission, Head of Legal and Regulatory Affairs at KTDA Management Services Limited and a Legal Officer at Telkom Kenya Limited.</p> |

| | | |
|----|--|---|
| | | <p>Ms. Mitey is a member of the Law Society of Kenya (LSK), the Chartered Institute of Arbitrators and the Institute of Certified Secretaries (ICS).</p> |
| 4. |  | <p>Eng. (CPA) Antony Wamukota, OGW- General Manager, Design & Construction</p> <p>Eng. Wamukota holds a Bachelor’s degree in Civil Engineering from Jomo Kenyatta University of Agriculture & Technology (JKUAT) and is knowledgeable in accounting matters, having attained the CPA (Final) certificate.</p> <p>He has twenty (20) years cumulative working experience in the public sector where he has gained extensive experience in management of projects mainly funded by foreign development partners in the electricity subsector. He has previously worked with the Ministry of Roads and Public Works from 1998 to 2009 before joining KETRACO in 2010. He is registered by the Engineers Board of Kenya, (EBK) as a Professional Engineer and is a Corporate Member of the Institution of Engineers of Kenya, (IEK).</p> |

| | | |
|----|--|---|
| 5. |  | <p>Eng Anthony Musyoka, General Manager, Project Development Services</p> <p>Eng. Anthony Musyoka is the General Manager, Project Development Service at Kenya Electricity Transmission Company (KETRACO). Anthony is a Professional Engineer and Consulting Engineer with the Engineers Board of Kenya, and a member of the Institution of Engineers of Kenya (IEK). He has over thirty (30) years’ working experience in the public sector gaining wealth of experience in planning, project preparation, system studies, design, construction supervision and contract management, commissioning and operation & maintenance in generation, transmission, and distribution infrastructure</p> <p>He holds a bachelor’s degree in electrical and Electronic Engineering from University of Nairobi (1989), a master’s in business administration (MBA) from University of Nairobi (2010) and a Master’s degree in Electrical Power Systems from University of Bath (UK) (2016).</p> <p>Eng. Anthony Musyoka has been involved in various capacities in the planning, design and construction of 6,000km of high voltage transmission lines, 48 new substations and extension of 28 existing substations. The projects include the transmission interconnectors to Ethiopia, Tanzania and Uganda.</p> <p>Eng. Musyoka has undertaken a large number of transmission infrastructure projects</p> |
|----|--|---|

**KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023**

| | | |
|----|--|--|
| | | <p>financed by World Bank, African Development Bank, JICA, French Development Agencies, KfW among others. Anthony is a Certified Public Private Partnership Professional (CP3P) and is currently involved in two transmission infrastructure PPP transactions for six (6) projects.</p> |
| 6. |  | <p>CPA Tom Imbo- General Manager, Finance/ Fund Accountant</p> <p>CPA Tom Odhiambo Imbo is a Finance Management professional with over 19 years' experience in both private and public sectors. He has diligently served the Company in various capacities for the last 10 years within the Finance & Strategy functions and as the Ag. General Manager Finance.</p> <p>Prior to joining KETRACO, he was the Head of Management Accounts at United States International University (USIU). He holds a Masters in Business Administration (MBA-Finance) and BED (Economics) both from Kenyatta University. CPA Imbo is a Certified Public Accountant (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p> |

| | | |
|----|--|--|
| 7. |  A professional headshot of Dr. Njogu Kimando. He is a middle-aged man with a shaved head, wearing glasses, a dark grey suit jacket, a white shirt, and a red tie with a small white pattern. He is looking directly at the camera with a slight smile. The background is a soft, out-of-focus blue and white. | <p>Dr. Njogu Kimando, Ph.D- General Manager, Strategy Research and Compliance</p> <p>Dr. Njogu Kimando Ph.D is a highly experienced Strategic Management professional with more than twenty years of hands-on experience in strategic analysis, research, entrepreneurship, monitoring & evaluation, among others.</p> <p>He has previously worked in ICT Authority as the Head of Corporate Planning, Research & Innovation as well as the National Sports fund and Goodit International Limited. He has published several academic journals and is a holder of Doctorate of Philosophy (Ph.D) in Entrepreneurship, Master of Science (Msc) in Entrepreneurship and Master of Business Administration (MBA - Strategic Management) from JKUAT. He is also a holder of Bachelor of Education (B.Ed) in Business Studies and Mathematics from the University of Nairobi.</p> <p>Dr. Kimando is also a full member of Kenya Institute of Management (KIM) and Society of Educational Research and Evaluation in Kenya (SEREK)</p> |
|----|--|--|

| | | |
|----|---|---|
| 8. |  A professional headshot of a man with a shaved head, wearing a dark suit jacket, a white shirt, and a red tie. He is looking slightly to the left of the camera with a neutral expression. | <p>CPA, Moses M. Mulonzia- General Manager, Internal Audit</p> <p>CPA Mulonzia holds a Master of Business Administration (MBA) Strategic Management degree from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Commerce in Finance from the Catholic University of Eastern Africa. He also holds an Advance Management Program (AMP) certification from Strathmore University among other Leadership certificates.</p> <p>Before joining KETRACO, he served as the Head of Internal Audit at Kenya Wildlife Service, an Internal Auditor at Jubilee Insurance Company (K) Limited and worked at United Insurance Ltd where he served in Finance and Internal Audit Departments.</p> <p>He is a member of the Institute of Certified Public Accountant Kenya (ICPAK), Institute of Internal Auditors (IIA-K) and Information Systems Audit and Control Association (ISACA).</p> |
|----|---|---|

9.



Mr. Hesbon Kiseri M. MCIPS, MKISM
Hesbon M. Kiseri, HSC, MCIPS, MKISM, currently serves as the Acting Senior Manager of the Supply Chain Department. In this role, he is responsible for overseeing and managing all aspects of the company’s supply chain operations to ensure the efficient and cost-effective sourcing of contractors, suppliers, and consultants in alignment with the organization’s goals and demands.

With a strong focus on strategic planning, procurement and sourcing, inventory and warehouse management, logistics and distribution, team leadership, risk management, and sustainability and compliance, Hesbon also serves as a key advisor to the accounting officer on all matters related to supply chain management.

He brings over two decades of professional experience in the supply chain field, having progressively risen through the ranks from Supply Chain Officer to his current senior leadership position. Over the years, he has served in 13 different organizations, gaining a broad and deep understanding of diverse supply chain environments.

Hesbon holds a Bachelor of Arts degree in Economics from the University of Nairobi and a Master of Business Administration (MBA) in Strategic Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He also holds a Postgraduate Diploma in Supplies and Purchasing from the

KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023

| | | |
|--|--|---|
| | | Chartered Institute of Purchasing and Supplies (CIPS UK). He is a full member of both the Chartered Institute of Purchasing and Supplies (CIPS UK) and the Kenya Institute of Supplies Management (KISM). |
|--|--|---|

4. Chairman's Report

I am pleased to present the HRAC report for the year ended 30th June 2023, outlining the Committee's oversight of the staff mortgage facility administered in accordance with SRC Circular Ref: No. SRC/ADM/CIR/1/13vol.III (128).

Performance Review For the year ended 30th June 2023

Strategic Initiatives and Future Plans

The administrator recommends for additional mortgage funding to enable more staff to benefit from the mortgage facility.

Medium-term objectives include diversification of funding sources through alternative mortgage providers and financial institution partnerships.

Governance and Compliance

The Mortgage scheme facility operated in full compliance with applicable regulations throughout the financial year, maintaining robust governance frameworks and ensuring transparent decision-making, equitable access, and sound financial management. Gender balance and inclusivity remained priorities, with facility access reflecting organizational diversity across job grades and demographic categories.

For car loans, KETRACO staff are able to access financing from Kenya Commercial Bank at a interest rate of 3%. To support this arrangement, the Company has placed a deposit of Kshs. 60,000,000 with the Bank as security.

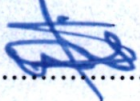
Conclusion

The year ended 30th June 2023 represents exceptional achievement in employee welfare benefits while maintaining exemplary portfolio health with zero defaults. There was no remittance nor disbursements during the year ended 30th June 2023.

The Committee's strategic recommendations, particularly additional mortgage funding, represent essential human capital investments that will sustain KETRACO's competitive advantage and support organizational excellence. With continued Board support, these programs will continue serving as cornerstone benefits attracting, retaining, and motivating our workforce while contributing to strategic organizational objectives.

KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023

The Committee acknowledges the Management continued support, management dedication, and staff repayment discipline contributing to these outstanding performance standards, with special appreciation to Stima Sacco portfolio administration.



.....
Eng Kipkemoi Kibias

Chair Fund Administration Committee

KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023

5. Report Of the Fund Administrator

Executive Summary

This executive report presents the fund administrator's assessment of KETRACO's staff mortgage and car loan facilities for the year ended 30th June 2023. The assessment confirms exceptional portfolio performance with zero defaults across both facilities, strong operational efficiency, and growing employee demand requiring strategic resource planning. There was remittance to Stima Sacco to operationalize the staff mortgage scheme.

Recommendation

The administrator recommends for additional mortgage funding to enable more staff to benefit from the mortgage facility.

Additionally, exploration of strategic partnerships with financial institutions could provide alternative funding sources and enhanced service capabilities while maintaining competitive terms for staff beneficiaries.

Conclusion

The fund administrator's assessment confirms exceptional performance on mortgage scheme facility during the year ended 30th June 2023. Portfolio indicators demonstrate zero defaults, strong repayment discipline, and operational efficiency.

Strategic funding requirements represent essential investments in human capital that will sustain KETRACO's competitive advantage while supporting continued organizational excellence. Implementation of recommended initiatives, particularly additional mortgage facility funding, will ensure continued effectiveness and employee satisfaction while maintaining exemplary financial stewardship standards.



.....
Name: CHRP-K Linda C. Korir

Fund Administrator

6. Corporate Governance Statement

Ethics and conduct

The Company understands the importance of conducting its business in compliance with relevant legal and regulatory principles in order to imbed high ethical standards of business practice. At KETRACO, observation of the code and high standards of integrity is a mandatory requirement and employees are expected to observe the highest standards of professionalism. Each employee understands the need to embrace and practice good governance of the Company and to maintain its standing for integrity both within and outside the workplace.

The Company's Code of Conduct underscores the essential values and strategies that govern the ethical and legal obligations of all employees and the Board of KETRACO. The Code of Conduct is premised on the Constitutional Provisions of Chapter Six (Leadership and Integrity), National Values, Public Officers Ethics Act and other relevant legislation governing the conduct of Public Officers.

Corporate Governance, Legal and Compliance Audit

Corporate Governance Audit generally entails a review of the following elements of corporate governance: -

- a. Ethical leadership and strategic management
- b. Transparency and disclosure
- c. Compliance with laws and regulations
- d. Financial reporting
- e. Board independence and governance
- f. Board policies, systems, practices, and procedures
- g. Consistent shareholder and stakeholder value enhancement
- h. Corporate social responsibility and investment
- i. Sustainability

The Company carries out a Legal & Compliance Audit every two years to establish compliance with statutory, regulatory and policy requirements as well as providing updates on how the Company and the Board observe and uphold Good Corporate Governance practices in all its activities.

7. Environmental And Sustainability Reporting

Kenya Electricity Transmission Company Limited (KETRACO) is mandated to plan, design, construct, own, operate and maintain the country's high voltage electricity grid and regional power interconnectors. This primary objective must, however, be twinned with positive impacts to societies that such businesses operate in. These positive impacts include creation of employment opportunities, provision of goods and services, contribution to the economy by paying taxes, contributing towards development of infrastructure and improvement of quality of life for the people.

KETRACO, being an obliging and proactive Company, has mainstreamed corporate social responsibility (CSR) in its operations. Beyond grid matters, the Company has expanded its jurisdiction to improve the well-being of humanity and impact society to be better.

This deliberate move is necessary because it is the society that gives us a "license to operate" and their goodwill is necessary for continued security and room to operate long after our transmission projects construction is over.

8. Report of Fund Administration Committee

The Trustees/Fund Administration Committee submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Fund's affairs

Principal activities

The principal activity of the fund is to provide Mortgage loans to KETRACO staff for the purpose of: Purchase of ready houses including off plan purchases, House Construction, Purchase of Land Takeover of existing mortgage loans, Equity release and Renovation/improvement of residential property.

Performance

The performance of the Fund for the year ended June 30, 2023 is set out on page 1


Trustees/ Administration committee

The members of the *Administration Committee* who served during the year are shown on page vi

Auditors

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

By Order of the fund management



.....
Eng Kipkemoi Kibias

Chair Fund Administration Committee

9. Statement of Management's Responsibilities

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

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the year ended on June 30, 2023. This responsibility includes: maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund, Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, Safeguarding the assets of the fund; Selecting and applying appropriate accounting policies, and Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and SRC/ADM/CIR/1/13 VOL.3 (128) of 17th December 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

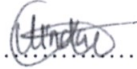
**KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023**

Approval of the financial statements

The Fund's financial statements were approved on 27/08/2025 and signed on its behalf by:



.....
Name: Eng. Kipkemoi Kibias
Chairman of the Fund



.....
Name: CHRP-K Linda C. Korir
Fund Administrator

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA ELECTRICITY TRANSMISSION COMPANY (KETRACO) LIMITED STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Electricity Transmission Company (KETRACO) Limited Staff Car and Mortgage Scheme Fund set out on pages 1

to 21, which comprise of the statement of financial position as at 30 June, 2023, and the statement of statement of financial performance, statement of changes net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Electricity Transmission Company (KETRACO) Limited Staff Car Loan and Mortgage Scheme Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Interest Income

The statement of financial performance reflects interest income of Kshs.739,434, earned from the Fund administrator. Review of documents provided for audit revealed that the Fund Management entered into a Memorandum of Understanding with a Sacco Society on 7 August, 2013 to operate its Car and Mortgage Scheme at an interest rate of 3.5%. However, procurement records detailing how the Sacco was identified and awarded the service were not provided for audit.

Fund Management did not provide reasons for the selection of the Sacco. This was contrary to Section 91(1) and (2) of the Public Procurement and Asset Disposal Act, 2015, which stipulates that open tendering is the preferred procurement method for goods, works, and services. An alternative procurement procedure may only be used if it is permitted under the Act and the relevant conditions are satisfied.

In the circumstances, the accuracy and completeness of the interest income of Kshs.739,434 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effects of the matter

described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

Management is responsible for the Other Information set out on pages iv to xxiii, which comprise of Key Fund Information and Management, Fund Administration Committee/Management Team, Chairman's Report, Report of the Fund Administrator, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Administration Committee and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information. I am required to report that fact. Based on the audit procedures performed and the matter described in my Basis for Qualified Opinion, I confirm that Other Information is not materially inconsistent with the financial statements.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Delay in Submission of Financial Statements

The Kenya Electricity Transmission Company (KETRACO) Limited established the Mortgage Fund in 2013 through a Memorandum of Understanding dated 1 August, 2013, between the company and a Cooperative Society and a Commercial Bank. However, the financial statements for the year ended 30 June, 2023 were not submitted for audit until 29 August, 2025, three (3) years after the statutory deadline of 30 September, 2023. This was contrary to Section 68(2)(k) of the Public Finance Management Act, 2012, which

requires an Accounting Officer to prepare annual financial statements within three months after the end of the financial year, and submit them to the Auditor-General for audit.

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

2. Lack of Enabling Legislation for the Fund

Review of information and records provided for audit revealed that the Kenya Electricity Transmission Company (KETRACO) Limited Staff Car Loan and Mortgage Scheme Fund did not have an enabling legislation establishing the Fund. Management did not provide a satisfactory explanation for the continued operation of the Fund without the enabling legislation. This was contrary to the Salaries and Remuneration Commission Circular Ref No. SRC/ADM/CIR/1/13 VOL.III (128) dated 17 December, 2014, which requires entities to develop appropriate regulations for the implementation of car and mortgage schemes.

In the circumstances, Management was in breach of the Salaries and Remuneration Commission's Circular.

3. Lack of a Legally Binding Contract with the Scheme Administrator

Review of documents provided for audit revealed that the Company signed a second MoU with the Scheme Administrator on 10 August, 2016 to administer its mortgage services at an interest rate of 3%. However, no enforceable contract has ever been executed between the parties. The MoU is not legally binding or enforceable, as its primary purpose was to outline a framework for collaboration. An MoU cannot substitute or be construed as a formally binding contract as required under Section 135(1) and (2) of the Public Procurement and Asset Disposal Act, 2015. While an MoU indicates that parties agree in principle and are aligned, it does not create a legal obligation or commitment enforceable by law.

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

4. Irregular Mortgage Disbursement

Review of mortgage disbursement documents revealed that a staff member applied for a mortgage facility of Kshs.14,137,937 on 4 September 2020 through the Sacco Society Limited and KETRACO Mortgage Application Form. The application sought to consolidate two existing mortgage loans with a proposed repayment period of 240 months. The first loan of Kshs.12,000,000 was disbursed on 25 July, 2016, and the second loan of Kshs.8,000,000 was disbursed on 29 June, 2018.

Following the consolidation, the officer's first repayment on the consolidated facility of Kshs.14,137,937 was made in August, 2021, and the outstanding balance as at October, 2025 stood at Kshs.11,744,856. It was further noted that the officer retired from service on 23 December, 2020.

Management did not provide explanation for approving long-term mortgage facilities totalling Kshs.20,000,000 between 2016 and 2018, with a repayment period of 20 years

(240 months), for an officer who had only four (4) years (48 months) remaining before retirement. This contravenes the provisions of the Salaries and Remuneration Commission Circular Ref. No. SRC/ADMIN/CIR/1/13 Vol III (128) dated 17 December, 2014 and the KETRACO Mortgage Scheme Guidelines.

In the circumstances, Management was in breach of the Salaries and Remuneration Commission Circular.

5. Lack of a Legally Binding Contract with the Scheme Administrator

Review of documents provided for audit revealed that the Company signed a second MoU with the Scheme Administrator on 10 August, 2016 to administer its mortgage services at an interest rate of 3%. However, no enforceable contract has ever been executed between the parties. The MoU is not legally binding or enforceable, as its primary purpose was to outline a framework for collaboration. An MoU cannot substitute or be construed as a formally binding contract as required under Section 135(1) and (2) of the Public Procurement and Asset Disposal Act, 2015. While an MoU indicates that parties agree in principle and are aligned, it does not create a legal obligation or commitment enforceable by law.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Carry Out Internal Audits

Although the Fund Administration Committee had established an Internal Audit Unit, Management did not cause the carrying out of internal audit reviews. This was contrary to Section 73(3)(b) of the Public Finance Management Act, 2012, which requires a

National Government entity to ensure that appropriate arrangements for conducting an internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the effectiveness of the Fund's internal controls and risk management could not be confirmed.

2. Lack of a Risk Management Policy

Review of risk management processes revealed that the Fund did not have an approved Risk Management Policy to guide the risk management processes. This was contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015, which requires the Accounting Officer to ensure that the Fund develops risk management strategies, which include fraud prevention mechanisms and a system of risk management and internal control that builds robust business operations.

In the circumstances, the adequacy of the policies, strategies and procedures implemented by the Fund Management to assess, identify, prioritize and mitigate risk could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 December, 2025


KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023

11. Statement of Financial Performance for the year ended 30th June 2023


| | Note | FY 2022/2023 Kshs | FY 2021/2022 Kshs |
|---|------|----------------------|----------------------|
| Revenue from non-exchange transactions | | | |
| Transfers from Parent Ministry/ SC/SAGA | 6 | 9,958,360 | - |
| Revenue from exchange transactions | | 9,958,360 | - |
| Interest income | 7 | 739,434 | 10,160,706 |
| Total revenue | | 10,697,794 | 10,160,706 |
| Expenses | | | |
| Use of goods and services | | - | - |
| Total expenses | | | |
| Surplus/(deficit) | | 10,697,794 | 10,160,706 |
| Taxation | | | |
| Surplus/(deficit) after tax | | 10,697,794 | 10,160,706 |

(The notes set out on pages 6 to 21 form an integral part of these Financial Statements).

The financial statements were approved on 27/08/2023 by:


 Name: Eng. Kipkemoi Kibias
 Chairperson of the Fund


 Name: CHRP-K Linda C. Korir
 Fund Administrator


 Name: CPA Tom Imbo
 Fund Accountant
 ICPAK M/No...7031


KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023


12. Statement of Financial Position as at 30th June 2023


| | Note | FY 2022/2023 | FY 2021/2022 |
|--|------|--------------------|--------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 92,069,791 | 48,093,110 |
| Receivables from exchange transactions | 9 | 39,728,415 | - |
| Total Current Assets | | 131,798,206 | 48,093,110 |
| Non-current assets | | | |
| Receivables from exchange transactions | 9 | 469,641,044 | 542,648,346 |
| Total Non-Current Assets | | 469,641,044 | 542,648,346 |
| Total assets (A) | | 601,439,250 | 590,741,456 |
| Total liabilities (B) | | - | - |
| Net Assets (A-B) | | 601,439,250 | 590,741,456 |
| Represented By: | | | |
| Mortgage revolving fund | | 601,439,250 | 590,741,456 |
| Net Assets | | 601,439,250 | 590,741,456 |

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

The Fund financial statements were approved on 27/08/2025 and signed by:


 Name: Eng. Kipkemoi Kibias
 Chairperson of the Fund


 Name: CHRP-K Linda C. Korir
 Fund Administrator


 Name: CPA Tom Imbo
 Fund Accountant
 ICPAK M/No... 7039

KETRACO Mortgage fund
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13. Statement of Changes in Net Assets for the year ended 30th June 2023

| | Mortgage Fund | Total |
|----------------------------------|----------------------|----------------------|
| | Amount (Kshs) | Amount (Kshs) |
| Balance as at 1st July 2021 | 580,580,750 | 580,580,750 |
| Surplus/(deficit) for the period | 10,160,706 | 10,160,706 |
| As at 30th June 2022 | 590,741,456 | 590,741,456 |
| Balance as at 1st July 2021 | 590,741,456 | 590,741,456 |
| Surplus/(deficit) for the period | 10,697,794 | 10,697,794 |
| As at 30th June 2023 | 601,439,250 | 601,439,250 |

KETRACO Mortgage fund
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14. Statement of Cash Flows for the year ended 30th June 2023

| | Note | FY 2022/2023 | FY 2021/2022 |
|---|----------|-------------------|----------------------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Interest received | 7 | 739,434 | 10,160,706 |
| Total receipts | | 739,434 | 10,160,706 |
| Payments | | | |
| Use of goods and services | | - | - |
| Total payments | | - | - |
| Net cash flow from operating activities | | 739,434 | 10,160,706 |
| Cash flows from investing activities | | | |
| Proceeds from loan principal repayments | | 69,278,887 | 188,250,134 |
| Loan disbursements paid out | | (36,000,000) | (730,898,480) |
| Net cash flows used in investing activities | | 33,278,887 | (542,648,346) |
| Cash flows from financing activities | | | |
| Transfers from KETRACO | | 9,958,360 | - |
| Receipts into the mortgage revolving fund | | | |
| Net cash flows used in financing activities | | 9,958,360 | - |
| Net increase/(decrease) in cash and cash equivalents | | 43,976,681 | (532,487,639) |
| Cash and cash equivalents at 1 July 2022 | 8 | 48,093,110 | 580,580,750 |
| Cash and cash equivalents at 30 June 2023 | 8 | 92,069,791 | 48,093,110 |

KETRACO Mortgage fund
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15. Statement of Comparison of Budget and Actual Amounts for the year ended 30th June 2023

| Description | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilization |
|---|------------------------|--------------------|---------------------|-----------------------------------|-------------------------------|-------------------------|
| | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | |
| | A | b | C=(a+b) | d | e=(c-d) | F=d/c |
| Budget carryovers from the previous year* | - | - | - | - | - | - |
| Receipts | | | | | | |
| Transfers from other Parent Ministry/ SC/SAGA | 9,958,360 | - | 9,958,360 | 9,958,360 | - | |
| Interest income | - | - | - | 739,433 | (739,433) | |
| Total Revenue | 9,958,360 | - | 9,958,360 | 10,697,793 | (739,433) | |
| Expenses | | | | | | |
| Use of goods and services | - | - | - | - | - | |
| Expenditure | | | | | | |
| Surplus for the period | - | - | - | 10,697,793.5 | (739,433) | 0% |
| Capital Expenditure | | | | | | |

Interest income arises from monies held in Stima Sacco prime account which had not been budgeted for.

16. Notes to the Financial Statements

1. General Information

KETRACO staff mortgage fund is established by and derives its authority and accountability Pursuant to Salaries & Remuneration Commission vide its circular Ref: No.SRC/ADM/CIR/1/13vol.111 (128) dated 17th December 2014. The Fund is wholly owned by KETRACO and is domiciled in Kenya. The Fund's principal activity is to provide mortgage loans to KETRACO staff.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Fund. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023

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 | <i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. Not applicable |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations | <i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. Not applicable |
| IPSAS 45: Property Plant and Equipment | <i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing |

KETRACO Mortgage fund
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| | |
|--|--|
| | <p>principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>Not applicable</p> |
| IPSAS 46: Measurement | <p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>Not applicable</p> |
| IPSAS 47: Revenue | <p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>Applicable in accounting for revenue</p> |
| IPSAS 48: Transfer Expenses | <p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>No impact</p> |
| IPSAS 49: Retirement Benefit Plans | <p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>No impact</p> |
| IPSAS 50: | <p><i>Applicable 1st January 2027</i></p> |

KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023

| | |
|--|--|
| <p>Exploration For & Evaluation of Mineral Resources</p> | <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p>No impact</p> |
|--|--|

iii. Early adoption of standards

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

KETRACO Mortgage fund
Annual Report and Financial Statements For the year ended 30th June 2023

4. Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

KETRACO Mortgage fund
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b. Budget information

The original budget for FY 2022/2023 was approved. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. The Fund's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of cash flows has been presented.

c. Financial instruments

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

I. Financial liabilities

Classification

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

d. Contingent liabilities

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

e. Contingent assets

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

f. Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements.

g. Changes in accounting policies and estimates

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

h. Related parties

The Fund regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key

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management are regarded as related parties and comprise the Directors/ Trustee, the Fund Managers, and Fund Accountant.

i. Cash and cash equivalents

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

j. Comparative figures

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

k. Events after the reporting period

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

l. Ultimate and Holding Fund

The Fund is established under Section 24 (4) PFM Act under the Department of Energy/KETRACO. Its ultimate parent is the Government of Kenya.

m. Currency

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

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5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions.

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

b) Useful lives and residual values

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

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

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Notes to the Financial Statements

6. Transfers from the Parent Ministry/SC/SAGA

| Description | FY 2022/2023 | FY 2021/2022 |
|------------------------|------------------|--------------|
| Transfers from KETRACO | 9,958,360 | - |
| Total | 9,958,360 | - |

6 (b) Transfers from the Parent Ministry/SC/SAGA

| KETRACO | Amount recognised to the statement of Financial Performance | Total |
|------------------------|---|------------------|
| | Kshs | Kshs |
| Transfers from Ketraco | 9,958,360 | 9,958,360 |
| Total | 9,958,360 | 9,958,360 |

7. Interest income

| Description | FY 2022/2023 | FY 2021/2022 |
|---|----------------|-------------------|
| Interest Income Stima Sacco Account Balance | 778,351 | 10,160,706 |
| Withholding Tax | (38,917) | - |
| Total Interest Income | 739,434 | 10,160,706 |

8. Cash and cash equivalents

| Description | FY 2022/2023 | FY 2021/2022 |
|--|-------------------|-------------------|
| Mortgage Account | 92,069,791 | 48,093,110 |
| Total Cash and Cash equivalents | 92,069,791 | 48,093,110 |

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8.b) Detailed analysis of the cash and cash equivalents

| Financial Institution | FY 2022/2023 | FY 2021/2022 |
|-----------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Mortgage Fund | | |
| Stima Sacco [80100927604-0] | 92,069,791 | 48,093,110 |
| Grand Total | 92,069,791 | 48,093,110 |

9. Receivables from exchange transactions

| Description | FY 2022/2023 | FY 2021/2022 | | |
|--|---------------------|------------------|---------------------|--------------------|
| | Kshs. | Kshs. | | |
| Current Receivables | | | | |
| Current Loan Repayments Due | 39,728,415 | | | 39,511,040 |
| Total Current Receivables | 39,728,415 | | | 39,511,040 |
| Non-Current Receivables | | | | |
| Long Term Loan Repayments Due | 469,641,044 | | | 503,137,306 |
| Total Non- Current Receivables | 469,641,044 | | | 503,137,306 |
| Total Receivables | 509,369,459 | | | 542,648,346 |
| | | | | |
| Ageing analysis (receivable from exchange transactions) | FY 2022/2023 | %of total | FY 2021/2022 | %of total |
| Less than 1 year | 39,728,415 | 8% | 39,511,040 | 7% |
| Between 1-2 years | 40,389,304 | 8% | 39,728,415 | 7% |
| Between 2-3 years | 40,389,304 | 8% | 40,389,304 | 7% |
| Over 3 years | 388,862,436 | 76% | 423,019,587 | 78% |
| Total (tie to totals above) | 509,369,459 | 100% | 542,648,346 | 100% |

10. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge

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any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

a) Credit risk

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

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

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

| | Total amount | Fully performing | Past due | Impaired |
|--|---------------------|-------------------------|-----------------|-----------------|
| Description | Kshs. | Kshs. | Kshs. | Kshs. |
| At 30 June 2022 | | | | |
| Receivables From Exchange Transactions mortgages | 542,648,346 | 542,648,346 | - | - |
| Bank Balances | 48,093,111 | 48,093,111 | - | - |
| Total | 590,741,457 | 590,741,457 | - | - |
| At 30 June 2023 | | | | |
| Receivables From Exchange Transactions mortgages | 509,369,458 | 509,369,458 | - | - |
| Bank Balances | 92,069,791 | 92,069,791 | - | - |
| Total | 601,439,250 | 601,439,250 | - | - |

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Fund has recognised in the financial statements is considered adequate to cover any

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potentially irrecoverable amounts. The Fund has significant concentration of credit risk on amounts due from Stima Sacco.

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

b) Liquidity risk management

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

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

| Description | Less than 1 | Between 1-3 | Over 5 | Total |
|------------------------|-------------|-------------|--------|-------|
| | month | months | months | |
| | Kshs. | Kshs. | Kshs. | Kshs. |
| At 30 June 2023 | | | | |
| Trade Payables | - | - | - | - |
| Total | - | - | - | - |

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c) Market risk

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

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

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

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

d) Interest rate risk

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

Management of interest rate risk

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

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Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs. 845,067 (2022: Kshs. 11,612,235). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs. 1,267,601 (2022— Kshs. 17,418,353)

e) Capital risk management.

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

| Description | FY 2022/2023 | FY 2021/2022 |
|--------------------------------|--------------------|--------------------|
| | Kshs. | Kshs. |
| Revolving fund | 17,508 | 17,508 |
| Accumulated surplus (Reserves) | 601,421,742 | 590,723,948 |
| Total funds | 601,439,250 | 590,741,456 |
| Cash and bank balances | 92,069,791 | 48,093,110 |
| | | |

11. Related party balances

a) Nature of related party relationships

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

- a) National government Fund
- b) Key management;
- c) Committee; etc.

12. Events after the Reporting Period

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

13. Ultimate And Holding Entity

The Entity is a Fund under the sponsorship of KETRACO which is a State Corporation.

14. Currency

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

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