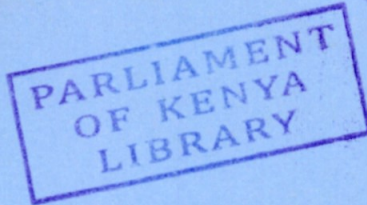


REPUBLIC OF KENYA




OFFICE OF THE AUDITOR-GENERAL  
*Enhancing Accountability*

## REPORT



OF

## THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 04 MAR 2025	DAY: WED
TABLED BY:	DEPUTY LEADER OF THE MAJORITY PARTY
CLERK-AT-THE-TABLE:	V. WAMBUI

ON

## THE JUDICIARY MORTGAGE AND CAR LOAN SCHEME

FOR THE YEAR ENDED  
30 JUNE, 2025



# THE JUDICIARY



## **MORTGAGE AND CAR LOAN SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2025**

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

# TABLE OF CONTENTS

1. Acronyms and Definition of Key Terms .....	iv
2. Key Scheme Information and Management .....	v
3. Scheme Administration Committee .....	v
4. Management Team .....	ix
5. Chairman's Statement.....	xi
6. Report Of the Fund Manager/ Administrator .....	xii
7. Statement of Performance Against Predetermined Objectives.....	xiii
8. Corporate Governance Statement.....	xiv
9. Management Discussion and Analysis .....	xv
10. Environmental and Sustainability.....	xvi
11. Report of Fund Administrative Committees .....	xvii
12. Statement of Management's Responsibilities.....	xviii
13. Report of the Auditor General for the Financial Statements of The Judiciary Mortgage and Car Loan Scheme .....	xix
14. Statement of Financial Performance For The Year Ended 30th June 2025.....	1
15. Statement Of Financial Position As At 30th June 2025.....	2
16. Statement of Changes in Net Assets for The Year Ended 30 <sup>th</sup> June 2025.....	3
17. Statement of Cash Flows for the Year Ended 30th June 2025.....	4
18. Statement of Comparison of Budget and Actual Amounts for The Year Ended 30th June 2025.....	5
19. Notes to The Financial Statements .....	6

## 1. Acronyms and Definition of Key Terms

### A. Acronyms

IPSAS	International Public Sector Accounting Standards
PPE	Property Plant and Equipment
NT	National Treasury
ECL	Expected Credit Loss
OAG	Office of the Auditor General
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
NEMA	National Environment Management Authority
STAJ	Social Transformation through Access to Justice
PPR	Program Performance Review
JSC	Judicial Service Commission
KRA	Key Result Areas
PAC	Public Accounts Committee

### B. Definition of Key Terms

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

**Comparative Year**- Means the prior period.

## 2. Key Scheme Information and Management

### a) Background information

The mandate of the Judicial Service Commission is stated in the Constitution Article 172 (1)(b) and Judicial Service Act No. 1 of 2011, the same also derives its authority from the PFM Act Section 24. The Scheme is wholly owned by The Judiciary and is domiciled in Kenya.

### b) Principal Activities

The principal activity/mission/ mandate of the Scheme is;

- To provide loan facilities at negotiated interest rates to purchase or build their own houses
- To provide decent living conditions for the Judiciary staff
- To provide incentive to staff as a means of attracting and retaining high calibre staff.

### c) Scheme Administrator

The Scheme is managed by the Kenya Commercial Bank Limited and National Bank of Kenya and this is done based on the Banking loan management policies. The Scheme Administrator is the Chief Registrar of the Judiciary. There is a committee charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Scheme for the disbursement of loans, and supervising the day-to-day operations of the Scheme.

The Committee is responsible for the day-to-day operations which include;

- Processing applications for loans in accordance with the existing terms and conditions of borrowing
- Liaise with the Financial Institutions managing the funds in disbursing the funds
- Supervise the day-to-day running of the Scheme

## 3. Scheme Administration Committee

The Loans committee that served during the period under review were:

Ref	Position	Name
1.	Chairperson	Hon. Moses Serem
2.	Committee Members	Hon. Justice Benard Eboso Henry Muciimi Mbaka Dr. Elizabeth Kalei Jeremiah Nthusi Beatrice Kamau Hon. Caroline Kabucho Hon. Fredrick Momanyi Hon. Sharon Mwayuli George Balozi Catherine Wambui CPA Domsiana Onyango CPA Dominic Ogeto James Nyagah Kero Tadiko Martin Mutua
3.	Scheme Administrator	Chief Registrar of the Judiciary.

Ref	Position	Name
-----	----------	------



**Hon. Winfridah Mokaya, CBS**  
Chief Registrar of the Judiciary,  
Scheme Administrator



Hon. Moses Serem  
Chairperson,  
Loans management Committee

## 2. Committee Members



Hon. Justice Benard Eboso, Member



Hon. Caroline Kabucho, Member



Hon. Fredrick Momanyi, Member



Hon. Sharon Mwayuli, Member



Dr. Elizabeth Kalei, Member



Jeremiah Nthusi, Member



Mucimi Mbaka, Member



George Balozi, HSC, Member



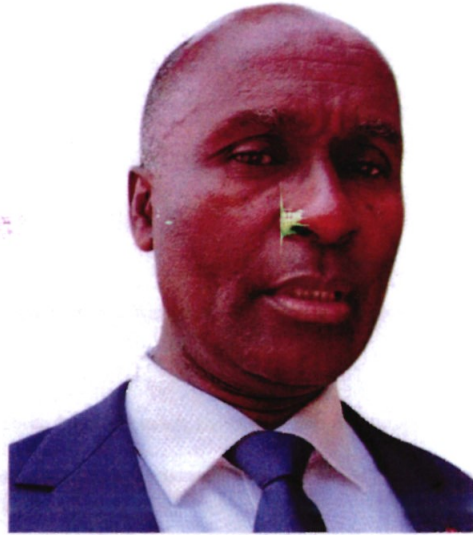
Beatrice Kamau, Member



CPA Domsiana Onyango, Member



Catherine Wambui, Member



Dominic Ogeto, Member



James Nyagah, Member



Mark Mutua, Member



Kero Tadiko, Member

**d) Key Management**

Ref	Position	Name
	Secretary	Dr. Elizabeth Kalei
	Committee Members	Scheme Accountant – CPA Domsiana Onyango Hon. Caroline Kabucho Hon. Fredrick Momanyi Hon. Sharon Mwayuli

**e) Fiduciary Oversight Arrangements**

Ref	Position	Name
1.	Chairperson	Hon. Moses Serem
2.	Secretary	Dr. Elizabeth Kalei

*Amey*

.....  
**Hon. Moses Serem**

**Chairperson Loans Management Committee**

- f) **Registered Offices**  
Supreme Court Building,  
P.O. Box 30041-00100,  
City Hall Way,  
**Nairobi, Kenya**
- g) **Scheme Contacts**  
Telephone: (254) 0202221221  
E-mail: info@judiciary.com  
Website: www.judiciary.go.ke
- h) **Scheme Bankers**  
Kenya Commercial Bank Limited,  
Kencom House,  
Moi Avenue,  
P.O Box 48400-00100  
**Nairobi, Kenya**  
  
National Bank of Kenya Limited,  
National Bank Building, Harambee  
Avenue,  
P.O. Box 72866-00200  
**Nairobi, Kenya**
- i) **Independent Auditors**  
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- 00200  
**Nairobi, Kenya**

#### 4. Management Team

<b>Ref</b>	<b>Position</b>	<b>Name</b>
1.	Fund administrator	Hon. Winfridah Mokaya, CBS
2.	Fund Accountant	CPA Domsiana Anyango Onyango
3.	Committee Members	Scheme Accountant – CPA Domsiana Onyango Hon. Caroline Kabucho Hon. Fredrick Momanyi Hon. Sharon Mwayuli

## 5. Chairman's Statement

The Judiciary established the Judiciary Mortgage Scheme at the beginning of the 2011/2012 financial year with an aim of providing the Judges, Judicial Officers and Staff with mortgage loan to purchase or build their own homes. Since that time, approximately KShs. 8.8 Billion worth of loans have been disbursed. In the Financial Year under review total number of 109 Judicial Staff, Judicial Officers and Judges benefitted from the facility with mortgages amounting to KShs. 1,309,394,888. A total of 18 Judicial Officers and Judicial Staff benefitted from Car Loan totalling Kshs 40,942,000.

### Objectives of the Schemes

The main objective of the schemes is to enable the Judiciary mitigate high staff turnover thus retaining staff and also ensure the judiciary is an attractive employer. The specific objectives are:

- To provide loan facilities at negotiated interest rates to purchase or build houses.
- To provide decent living conditions for employees of the judiciary
- To provide personal vehicles to staff to ease transportation to staff
- To provide incentive to staff as a means of attracting and retaining a high calibre

*Am*

.....  
**Hon. Moses Serem**

**Chairperson Loans Management Committee**

## 6. Report of the Fund Manager/ Administrator

The Judiciary established the Judiciary Mortgage Scheme at the beginning of the 2011/2012 financial year with an aim of providing the Judges, Judicial Officers and Staff with mortgage loan to purchase or build their own homes. Since that time, approximately KShs. 8.8 Billion worth of loans have been disbursed. In the Financial Year under review total number of 109 Judicial Staff, Judicial Officers and Judges benefitted from the facility with mortgages amounting to KShs. 1,309,394,888. A total of 18 Judicial Officers and Judicial Staff benefitted from Car Loan totalling Kshs 40,942,000.

The main objective of the schemes is to enable the Judiciary mitigate high staff turnover thus retaining staff and also ensure the judiciary is an attractive employer. The specific objectives are:

- To provide loan facilities at negotiated interest rates to purchase or build houses.
- To provide decent living conditions for employees of the judiciary
- To provide personal vehicles to staff to ease transportation to staff
- *To provide incentive to staff as a means of attracting and retaining a high calibre*

The Scheme is managed by the Kenya Commercial Bank Limited and National Bank of Kenya and this is done based on the Banking loan management policies. The management of the Scheme is done by the Loans Management Committee that is charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Scheme for the disbursement of loans, and supervising the day-to-day operations of the Scheme.



.....  
**Hon. Winfridah Mokaya, CBS**  
**Chief Registrar of the Judiciary**

## 7. Statement of Performance Against Predetermined Objectives

The predetermined objectives are costed before implementation through a participatory process as stipulated in Article 201 of the Constitution and Section 37 (5) (a) of the PFM Act and anchored on the institution priorities spelt out in the Judiciary's Vision on Social Transformation through Access to Justice (STAJ). The budget making process begins with Program Performance Review (PPR) and preparation of draft work plans indicating resource requirements for the next FY. The planned outputs, targets and activities are then identified and costed to arrive at the budget proposal for Judiciary. Before finalization of the Expenditure Estimates, the Judiciary holds budget public hearings to obtain feedback from the public and stakeholders. The recommendations obtained therefrom are incorporated where applicable and applied to inform future plans. The budget proposal was presented to JSC for considerations and thereafter to the National Assembly for appropriation.

Periodic review of the implementation of judicial policies and programs is an integral part of the monitoring, feedback, and accountability that is embedded in the Judiciary blueprints. This is to ensure that the implementation of policies and programs is undertaken according to schedule and take any corrective actions or interventions in the event of any deviation.

The financial year 2024/25 annual Report, covering the period from July 1, 2024, to June 30, 2025, documents progress made by the Judiciary administrative units including the Office of the Chief Justice, the Office of the Chief Registrar, Registrars, Directorates, and units, in implementing various activities during the reporting period.

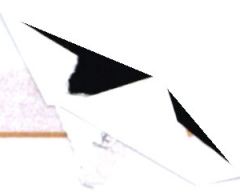
### Judiciary Strategic Focus

The Social Transformation through Access to Justice (STAJ) and Strategic Plan enumerate eight Key Result Areas, namely: enhanced access to justice; expeditious delivery of justice; growth of jurisprudence and knowledge management; improved governance and transformational leadership; improved human capital management and organisational development; modernised registry operations for operational efficiency; enhanced public confidence, awareness and image of the Judiciary; and, resource mobilization, utilization and stakeholder engagement. The report presents achievements as per each KRA and concludes by presenting emerging issues and challenges faced in the period under review.

Under the STAJ and to buttress the outcomes anticipated under the Strategic Plan, focus has been on the following areas:

- a) Accessibility and Efficiency
- b) Transparency and Accountability
- c) Inclusiveness and Shared Leadership
- d) Cooperative Dialogue
- e) Social Justice

S/N	KRA	Outcome	Achievement/Output
1.	<b>Resource Mobilisation and Utilisation</b>	Resource mobilization strategy	All spending units participated in the Budgeting and Work plan development workshops from January 13th, 2025, to January 17th, 2025. The courts and spending units presented their resource requirements for consideration at the workshop.



## 8. Corporate Governance Statement.

The Judiciary Mortgage Scheme operations and financial responsibilities are overseen by the Chief Registrar of the Judiciary who is the Accounting Officer. The operations are guided by the approved annual budget based on programs whose performance is monitored through outcomes and outputs. The budget is informed by detailed work plans that translate into annual procurement plans.

The Judiciary has put in place the following standing committees for oversight purposes; Risk and Audit, Budget Management and Implementation Committee. These committees are comprised of Directors and officers co-opted from various directorates. In addition, an internal audit department charged with continuous review of systems of internal control and overall risk management is in place.

Programmes are monitored against set targets and appropriate feedback provided. Operational performance is monitored on a monthly basis through periodic financial reporting of actual expenditure versus budget performance which provides feedback to user's departments on appropriate action plans. The Judiciary prepares annual statutory financial statements which are audited by the Office of Auditor General (OAG).

## 9. Management Discussion and Analysis

The Judiciary Mortgage Scheme was introduced in the financial year 2011/2012 with initial funds at Kshs.430 Million. The facility is an exciting benefit to the Judiciary staff and Judges. In this financial year, a total number of 109 Judicial Staff, Judicial Officers and Judges benefitted from the facility with mortgages amounting to KShs. 1,309,394,888. A total of 18 Judicial Officers and Judicial Staff benefitted from Car Loan totalling Kshs 40,942,000.

The Management is hopeful that in the future the scheme will be a revolving that is self –sustaining. To effectively manage the risk, the management took a decision to engage an independent service provider in order to tap their expertise in credit management.

The challenges facing the Scheme Include;

- The turnaround of the loans is low as there is so much delays in the securitization of the properties.
- The funding level from is low and not sufficient to cater for all the loan applicants at any given time the Loan management Committee hold a meeting.
- There is a long queue of unapproved loans due to lack of funding and this causes loss of identified properties.

## 10. Environmental and Sustainability

The Judiciary's environmental sustainability dictates that all the structural buildings being put up adhere to National Environment Management Authority (NEMA) requirements and that all the relevant approvals either from City Council or County government offices are granted. All mortgage beneficiaries are sensitized on low cost building projects offered by the government and that the funds are not used up to put up commercial buildings.

# 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 THE JUDICIARY MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2025

---

### PREAMBLE

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

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

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

The three parts of the report 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

#### Opinion

I have audited the accompanying financial statements of the Judiciary Mortgage and Car Loan Scheme set out on pages 1 to 19, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229

of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Judiciary Mortgage and Car Loan Scheme as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Judicial Service Act, 2011 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

### **Other Matter**

### **Unresolved Prior Year Matters**

In the previous years' audit reports, several issues were raised under the Report on Financial Statements, the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance. Review of the status during the audit of the Scheme in the 2024/2025 financial year revealed that the following seven (7) issues remained unresolved:

<b>No.</b>	<b>Financial Year</b>	<b>Audit Issue</b>
1	2023/2024	Unsupported Revenue from Exchange Transactions-Other Income
2	2023/2024	Inaccuracies in the Financial Statements
3	2023/2024	Unsupported Outstanding Loan Advances
4	2023/2024	Failure to Prepare and Submit Bank Reconciliation Statements and Quarterly Reports
5	2022/2023 and 2023/2024	Lack of an Approved Scheme Budget
6	2022/2023 and 2023/2024	Lack of Internal Audit Reports
7	2022/2023 and 2023/2024	Lack of Enabling Legislation

## **Other Information**

Management is responsible for the Other Information set out on pages v to xviii, which comprise of Key Scheme Information and Management, Chairman's Statement of Performance Against Predetermined Objectives, Corporate Governance, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of Fund Administrative Committee and the 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 Scheme's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

As previously reported, review of information and records provided for audit revealed that the Scheme operates without an enabling legislation formally establishing the Scheme. Although Management indicated that the draft regulations for the Scheme had been submitted to The National Treasury for approval, the process had not been completed as at the time of the audit in October, 2025.

In the circumstances, the legality of the fund could not be confirmed.

#### **2. Lack of an Approved Scheme Budget**

The statement of financial performance reflects revenue of Kshs.148,541,506 and expenses of Kshs.140,413,490. However, during the year, Management did not prepare an annual budget as part of the annual budget preparation process. This was contrary to Section 68(2) of the Public Finance Management Act, 2012, which states that an Accounting Officer shall prepare estimates of expenditure and revenues of the entity in conformity with the strategic plan.

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

### **3. Failure to Prepare and Submit Quarterly Reports and Bank Reconciliation Statements**

During the year under review, the Scheme Management did not prepare monthly bank reconciliation statements and quarterly reports as required by Regulations 90(1) and 65 of the Public Finance Management (National Government) Regulations, 2015. The regulations require Accounting Officers to prepare monthly bank reconciliation statements by the 10th of the subsequent month and submit a copy to The National Treasury, with a copy to the Auditor-General.

Further, Management did not prepare and submit copies of the quarterly Scheme's reports to the Auditor-General as required by Regulation 65 of the Public Finance Management (National Government) Regulations, 2015.

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

##### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on the 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**

##### **Failure to Carry Out Internal Audit**

During the year under review, Management did not cause the carrying out of internal audits for the Scheme during the financial year under review. This was contrary to Section 73(3)(b) of the Public Finance Management Act, 2012, which requires a National Government entity to ensure appropriate arrangements for conducting an internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the effectiveness of the Scheme's internal controls 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 the Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Scheme'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 Scheme'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


15 December, 2025

**14. Statement Of Financial Performance For The Year Ended 30th June 2025.**

Description	Note	FY2024 - 2025	FY2023 - 2024
		KShs.	KShs.
<b>Revenue from non-exchange transactions</b>			
Transfers from Judiciary Fund	6	-	100,000,000
<b>Revenue from exchange transactions</b>			
Interest income – Interest on bank balances for Mortgage Accounts	7	7,892,510	18,577,954
Interest income – Interest on bank balances for Car Loan Accounts	7	235,506	232,558
Other Income – 3% income on disbursed loans from Mortgage Account with KCB	11(a)	130,621,616	121,868,772
Other Income – 3% income on disbursed loans from Mortgage Account with NBK	11(a)	6,079,533	
Other Income – 3% income on disbursed loans from KCB Car Loan Account	11(a)	3,712,341	
<b>Total revenue</b>		<b>148,541,506</b>	<b>240,679,284</b>
Total Expenses-3% Commission to service providers	11(b)	(140,413,490)	(121,868,772)
Transfer to the Scheme		-	-
<b>Surplus/Deficit after Tax</b>		<b><u>8,128,016</u></b>	<b><u>118,810,512</u></b>

The financial statements were approved on 7<sup>th</sup> October 2025 by

  
.....  
**Hon. Winfridah B. Mokaya, CBS**  
Chief Registrar of the Judiciary


  
.....  
**Hon. Moses Serem**  
Scheme Chairperson


  
.....  
**CPA Domsiana Onyango**  
Scheme Accountant


## 15. Statement Of Financial Position As At 30th June 2025

Description	Note	FY2024 - 2025	FY2023 - 2024
		KShs.	KShs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	<u>372,769,861</u>	<u>860,701,860</u>
<b>Non-current assets</b>			
Receivables from exchange transactions	9	<u>5,019,701,876</u>	<u>4,505,361,656</u>
<b>Total assets</b>		<b><u>5,392,471,737</u></b>	<b><u>5,366,063,516</u></b>
<b>Scheme Balance</b>			
Mortgage revolving Scheme		<b>5,110,705,818</b>	<b>5,340,548,588</b>
Car Loan Revolving Fund		6,704,416	6,704,416
Prior year adjustment		-	(100,000,000)
Accumulated Surplus (Reserves)		275,061,503	118,810,512
<b>Total net asset and liabilities</b>		<b><u>5,392,471,737</u></b>	<b><u>5,366,063,516</u></b>

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

  
.....  
Hon. Winfridah Mokaya, CBS  
Chief Registrar of the Judiciary

  
.....  
Hon. Moses Serem  
Scheme Chairperson

*7th October*  
  
.....  
CPA Domsiana Onyango  
Scheme Accountant

16. Statement of Changes in Net Assets for The Year Ended 30<sup>th</sup> June 2025.

Description	Mortgage Scheme	Car Loan Scheme	Accumulated surplus	Total
	KShs.	KShs.	KShs.	KShs.
<b>FY 2023-2024</b>				
As at 1 July 2023	5,110,705,818		229,842,770	5,340,548,588
Exchequer Transfer	-		-	-
Car Loan Fund	-	6,704,416		6,704,416
Prior Year Adjustment			(100,000,000)	
Reserve			118,810,512	118,810,512
<b>As at 30 June 2024</b>	<b><u>5,110,705,818</u></b>	<b><u>6,704,416</u></b>	<b><u>248,653,282</u></b>	<b><u>5,366,063,516</u></b>
<b>FY 2024-2025</b>				
As at 1 July 2024	5,110,705,818	6,704,416	248,653,282	5,366,063,516
Exchequer Transfer	-	-	-	-
Car Loan surplus	-	-	18,280,205	18,280,205
Mortgage Surplus	-	-	8,128,016	8,128,016
<b>As at 30 June 2025</b>	<b>5,110,705,818</b>	<b>6,704,416</b>	<b>275,061,503</b>	<b>5,392,471,737</b>



.....  
Hon. Winfridah Mokaya, CBS  
Chief Registrar of the Judiciary




.....  
Hon. Moses Serem  
Scheme Chairperson




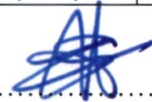
.....  
CPA Domsiana Onyango  
Scheme Accountant

## 17. Statement of Cash Flows for the Year Ended 30th June 2025

Description	Note	FY2024 - 2025	FY2023 - 2024
		KShs.	KShs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received	7	8,128,016	118,810,512
Prior year adjustment		-	(100,000,000)
<b>Total receipts</b>		<b>8,128,016</b>	<b>18,810,512</b>
<b>Net cash flow from operating activities</b>		<b>8,128,016</b>	<b>18,810,512</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments		854,276,873	508,593,906
Loan disbursements paid out		1,350,336,888	838,427,080
<b>Net cash flows used in investing activities</b>		<b>(496,060,015)</b>	<b>(329,833,175)</b>
<b>Cash flows from financing activities</b>			
Receipts into the mortgage revolving Scheme		-	100,000,000
Prior year adjustment		-	(100,000,000)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(487,931,999)</b>	<b>(311,022,662)</b>
Cash and cash equivalents at 1 July		860,701,860	1,171,724,523
<b>Cash and cash equivalents at 30 June 2025</b>		<b>372,769,861</b>	<b>860,701,860</b>


  
.....  
Hon. Winfridah Mokaya, CBS  
Chief Registrar of the Judiciary

  
.....  
Hon. Moses Serem  
Scheme Chairperson

  
.....  
CPA Domsiana Onyango  
Scheme Accountant

18. Statement of Comparison of Budget and Actual Amounts for The Year Ended 30th June 2025

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
<b>Revenue</b>						
Transfers from other Parent Ministry/ SC/SAGA	-	-	-	-	-	-
Interest income	-	-	-	8,128,016	(8,128,016)	0
Other Income				140,413,490	140,413,490	
<b>Total Revenue</b>	-	-	-	<b>148,541,506</b>	<b>(148,541,506)</b>	<b>0</b>
<b>Expenses</b>						
Transfers to Scheme Manager	-	-	-	-	-	
Commission to Service Provider				<b>(140,413,490)</b>	<b>(140,413,490)</b>	
<b>Surplus for the period</b>	-	-	-	<b>8,128,016</b>	<b>(8,128,016)</b>	<b>100%</b>

  
.....  
Hon. Winfridah Mokaya, CBS  
Chief Registrar of the Judiciary

  
.....  
Hon. Moses Serem  
Scheme Chairperson

  
.....  
CPA Domsiana Onyango  
Scheme Accountant

## **19. Notes to The Financial Statements**

### **1. General Information**

The Judiciary Mortgage and Car Loan Scheme is established by and derives its authority and accountability from The Judicial Service Act. The Scheme is wholly owned by the Government of Kenya and is domiciled in Kenya. The Scheme's principal activity is giving loans to staff to help secure Mortgages.

### **2. Statement of Compliance and Basis of Preparation**

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Judiciary Mortgage Scheme. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### 3. Adoption of New and Revised Standards

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

Standard	Effective date and impact:
IPSAS 43: Leases	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45: Property Plant and Equipment	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. 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.</p>
IPSAS 46: Measurement	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ol> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

Standard	Effective date and impact:
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p><i>Applicable 1<sup>st</sup> 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>IPSAS 50: Exploration For &amp; Evaluation of Mineral Resources</p>	<p><i>Applicable 1<sup>st</sup> January 2027</i></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"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>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.</li> <li>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.</li> </ul>

ii. **Early adoption of standards**

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

#### 4. Significant Accounting Policies

##### a. Revenue recognition

##### i) Revenue from non-exchange transactions

###### Transfers from other government entities

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

##### ii) Revenue from exchange transactions

###### Interest income

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

###### Dividends

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

###### Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

##### b. Budget information

The original budget for FY 2024/25 was approved on 1<sup>st</sup> July 2024. 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 Scheme upon receiving the respective approvals in order to conclude the final budget.

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 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. Property, plant, and equipment (PPE)**

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

### **d. Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

### **e. Investment property**

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

### **f. Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## **I. Financial assets**

### **Classification of financial assets**

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

### **Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

### **Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

### **Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

### **Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

### **Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

### **Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 14*.

## II. Financial liabilities

### Classification

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

#### g. Contingent liabilities

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

#### h. Contingent assets

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

#### i. Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements

#### j. Changes in accounting policies and estimates

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

#### k. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

#### l. Related parties

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

#### m. Cash and cash equivalents

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

#### n. Comparative figures

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

**o. Events after the reporting period**

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

**p. Ultimate and Holding Fund**

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

**q. Currency**

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

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the 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.

**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 Scheme. 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:

The condition of the asset is based on the assessment of experts employed by the Scheme

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

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Transfers from the Parent Ministry/SC/SAGA

Description	FY2024-2025	FY2023-2024
	KShs.	KShs.
Transfers from Judiciary Fund	=	100,000,000

The scheme is owned by the Judiciary and has separate bank account run by the Scheme managers hence there were no transfer of funds from the Judiciary to the Scheme.

### 7. Interest income

Description	FY2024-2025	FY2023-2024
	KShs.	KShs.
Total Interest Income from Mortgage Loans	<u>7,892,510</u>	<u>18,577,954</u>
Total Interest Income from Car Loans	<u>235,506</u>	<u>232,558</u>
Total	<u>8,128,016</u>	<u>18,810,512</u>

### 8. Cash and cash equivalents

KCB Moi Avenue Account No: 1131704169  
NBK Harambee Avenue Account No. 01400033132700  
KCB – Car Loan Account No. MM1729410078

	FY2024-2025	FY2023-2024
	KShs.	KShs.
NBK – Current Account	25,748,367	26,165,025
KCB - Fixed deposit account	328,741,289	827,599,861
KCB – Car Loan	18,280,205	6,936,974
<b>Total Cash and Cash equivalents</b>	<b><u>372,769,861</u></b>	<b><u>860,701,860</u></b>

### 9. Receivables from Exchange Transactions

	FY2024-2025	FY2023-2024
	KShs.	KShs.
KCB - Outstanding Loan Advances (Long Term)	4,805,828,684	4,288,515,468
NBK-Outstanding Loan Advances (Long Term)	212,368,466	211,797,370
<b>Total Long-Term Outstanding Loan Advances</b>	<b>5,018,197,150</b>	<b>4,500,312,838</b>
KCB-Outstanding Loan Advances (Short Term)	1,504,726	5,048,818
NBK-Outstanding Loan Advances (Short Term)	-	-
<b>Total Short-Term Outstanding Loan Advances</b>	<b>1,504,726</b>	<b>5,048,818</b>
<b>Grand Total</b>	<b>5,019,701,876</b>	<b>4,505,361,656</b>
Description		
Aging Analysis (Receivable from non-exchange transactions)	Amount	% of Total
Less than 1 year	1,504,726	0.03%
Between 1-2 years	41,473,974	0.8%
Between 2- 3 years	69,181,465	1.37%
Over 3 years	4,907,541,711	97.8%
Total	<b>5,019,701,876</b>	<b>100%</b>

10. Net cash flows from operating activities

	FY2024-2025	FY2023-2024
	KShs.	KShs.
<b>Surplus/ (deficit) for the year before tax</b>	<b>8,128,016</b>	<b>18,810,512</b>
<b>Adjusted for:</b>		
Disbursements	-	-
Recoveries	-	-
<b>Net cash flow from operating activities</b>	<b>8,128,016</b>	<b>18,810,512</b>

11(a) Other Income – 3% Income on Disbursed Loans

Description	FY2024-2025	FY2023-2025
	KShs.	KShs.
Total expenses – 3% Commission charged by KCB Mortgage Account	<b>130,621,616</b>	<b>121,868,772</b>
Total expenses – 3% Commission charged by NBK Mortgage Account	<b>6,079,533</b>	-
Total expenses – 3% Commission charged by KCB Car Loan Account	<b>3,712,341</b>	-
	<b>140,413,490</b>	<b>121,868,772</b>

This is 3% income paid by the service provider as interest paid on loans.

11(b) Total Expenses – 3% Commission to Service Provider

Description	FY2024-2025	FY2023-2025
	KShs.	KShs.
Total expenses – 3% Commission charged by KCB Mortgage Account	<b>130,621,616</b>	<b>121,868,772</b>
Total expenses – 3% Commission charged by NBK Mortgage Account	<b>6,079,533</b>	-
Total expenses – 3% Commission charged by KCB Car Loan Account	<b>3,712,341</b>	-
	<b>140,413,490</b>	<b>121,868,772</b>

This is 3% income earned by the service provider as interest paid on loans.

12. Use of Goods and Services

Description	FY2024-2025	FY2023-2024
	KShs.	KShs.
Committee Allowance	668,500	406,500
<b>Total</b>	<b>668,500</b>	<b>406,500</b>

The Committee spent a total of Kshs. 668,500 in the Financial Year under review on Sitting Allowance. The amount was paid from the main Judiciary Account. The same will be budgeted for after the Judiciary Mortgage and Car Loans Regulations are approved.

### 13. Taxation

Description	FY2024-2025	FY2023-2024
Income Tax Charge	0	0
Tax Charged on Interest Income	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

The Banks do not charge Tax on the interest paid on the unutilized funds.

### 14. Car Loan Revolving Fund

Description	Amount
Opening Balance	6,936,974
Repayments	52,051,724
Interest	235,506
Disbursements	-40,942,000
Net Change	11,345,230
Account Balance	-2,000
<b>Fund Balance</b>	<b>18,280,205</b>

### 15. 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 minimize 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 customers with an established credit history.

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, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, considering its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Scheme'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 Scheme's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	KShs.	KShs.	KShs.	KShs.
<b>30 June 2025</b>				
Receivables from Exchange Transactions- mortgages	5,019,701,876	5,019,701,876	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	372,769,861	372,769,861		
<b>Total as at 30 June 2025</b>	<b>5,392,471,737</b>	<b>5,392,471,737</b>		
<b>30 June 2024</b>				
Receivables from Exchange Transactions- mortgages	4,505,361,656	4,505,361,656	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	860,701,860	860,701,860		
<b>Total as at 30 June 2024</b>	<b>5,366,063,516</b>	<b>5,366,063,516</b>		

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 Scheme has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Scheme has no significant concentration of credit risk.

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

## b. Liquidity risk management

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

The table below represents cash flows payable by the Scheme under non-derivative financial liabilities by their remaining contractual maturities at the reporting date.

## c. Market risk

The board 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.

The Scheme's Committee 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 Scheme's exposure to market risks or the manner in which it manages and measures the risk.

#### d. Interest rate risk

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

##### *Management of interest rate risk*

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

#### e. Capital risk management

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

Description	FY2024-2025	FY2023-2024
	KShs.	KShs.
Revolving Scheme	5,366,063,516	5,340,548,588
Accumulated surplus ( <i>Reserves</i> )	8,128,016	18,810,512
Car Loan	18,280,205	6,704,416
Transfers in	-	-
<b>Total Schemes</b>	<b><u>5,392,471,737</u></b>	<b><u>5,366,063,516</u></b>
Less: cash and bank balances	372,769,861	860,701,860
Net debt/(excess cash and cash equivalents)	<b><u>5,019,701,876</u></b>	<b><u>4,505,361,656</u></b>
<b>Gearing</b>	<b>93.0%</b>	<b>84.0%</b>

**Appendix 1.**

Prior Year Audit Recommendations On Judiciary Mortgage Scheme.							
REF:	YEAR	Issue	Recommendations By Pac	Management Comment	Focal Person To Resolve	Status	Timeframe
1.	FY 2011/2012,2012/2013,2013/2014,2014/2015,2015/2016,2016/2017, 2017/2018,2018/2019,2019/2020,2020/2021, 2021/2022.	Inaccuracies in the Financial Statements	Awaiting PAC Recommendations	The current Financial Statements for FY 2022/2023 has had the operating expenses figure included	Scheme Accountant	Resolved	-
2.	FY 2011/2012, 2012/2013, ,2013/2014, 2014/2015,2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021, 2021/2022.	Undisclosed Interest on Mortgage Loans Disbursed	Awaiting PAC Recommendations	Interest income is derived from the bank statement on unutilized funds in the account. The same was disclosed in the financial statements and samples of amortization schedules provided.	Scheme Accountant	Unresolved	-
3.	FY 2011/2012, 2012/2013, ,2013/2014, 2014/2015,2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021, 2021/2022.	Unsupported Cash and Cash Equivalent	Awaiting PAC Recommendations	Bank reconciliations, certificate of fixed deposit account and cashbooks could not be extracted from the bank system that is in place.	Scheme Accountant	Unresolved	-
4.	FY 2011/2012, 2012/2013, 2013/2014, 2014/2015,2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, 2020/2021.	Late Submission of Financial Statements	Awaiting PAC Recommendations	Financial Statements are currently being submitted on the due dates.	Scheme Accountant	Resolved	-
5.	FY 2011/2012, 2012/2013, 2013/2014, 2014/2015,2015/2016, 2016/2017,2017/2018, 2018/2019, 2019/2020, 2020/2021, 2021/2022, 2022/2023, 2023/2024	Lack of enabling Legislation Establishing the Mortgage Scheme.	Awaiting PAC Recommendations	The Document for Gazetting the Judiciary Mortgage Scheme is currently being worked on.	Scheme Accountant	Unresolved	-



Hon. Winfridah Mokaya, CBS  
Chief Registrar of the Judiciary



Hon. Moses Serem  
Scheme Chairperson



CPA Domsiana Onyango  
Scheme Accountant



REPUBLIC OF KENYA

# THE JUDICIARY



2014