

REPUBLIC OF KENYA



REPUBLIC OF KENYA



PARLIAMENT  
OF KENYA  
LIBRARY

**REPORT**  
THE NATIONAL ASSEMBLY  
PAPERS LAID  
DATE: 25 FEB 2026 DAY: Wednesday  
OF Tabled BY: Majority Party Whip  
CLERK-AT-TABLE: Irene Ndiku

**THE AUDITOR-GENERAL**

**ON**

**PUBLIC SERVICE COMMISSION  
MORTGAGE SCHEME**

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



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



REPUBLIC OF KENYA



## **PUBLIC SERVICE COMMISSION**

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

### **THE PUBLIC SERVICE COMMISSION MORTGAGE SCHEME**

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

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

(Leave the page blank)

*The Public Service Commission Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025*

---

<b>Table of Contents</b>	<b>Page</b>
1. Acronyms and Definition of Key Terms .....	ii
2. Key Fund information and management .....	iv
3. The Fund Management Committee .....	ix
4. Management Team. ....	xii
5. Committee Chairperson’s Report .....	xiv
6. Report of the Fund Administrator.....	xv
7. Statement of Performance Against Predetermined Objectives.....	xvi
8. Corporate Governance Statement .....	xvii
9. Management Discussion and Analysis .....	xx
10. Environmental And Sustainability Reporting.....	xxiv
11 Report on Administration of the Scheme Fund .....	xxvi
12.Statement of Management’s Responsibilities .....	xxvii
13.Report of the Independent Auditor for the Financial Statements of Mortgage Fund. ....	xxix
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 30th 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.....	7
11. Annexes .....	28

## **1. Acronyms and Definition of Key Terms**

### **A. Acronyms**

<b>CEO</b>	Chief Executive Officer
<b>CBK</b>	Central Bank of Kenya
<b>CPA</b>	Certified Public Accountant,
<b>DG</b>	Director General
<b>FY</b>	Financial Year
<b>HRMI</b>	Human Resource Management (Internal)
<b>ICPAK</b>	Institute of Certified Public Accountants of Kenya
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>KNEC</b>	Kenya National Examinations Council
<b>KSH</b>	Kenyan Shilling
<b>MD</b>	Managing Director
<b>NT</b>	National Treasury
<b>OCOB</b>	Office of the Controller of Budget
<b>OAG</b>	Office of the Auditor General
<b>OSHA</b>	Occupational Safety and Health Act of 2007
<b>PFM</b>	Public Finance Management
<b>PPE</b>	Property Plant & Equipment
<b>PSASB</b>	Public Sector Accounting Standards Board
<b>PSC</b>	Public Service Commission
<b>SAGAs</b>	Semi-Autonomous Government Agencies

**B. Definition of Key Terms**

<b>Accrual Accounting</b>	An accounting method that recognizes revenue in the period in which it's earned and realizable, but not necessarily when the cash is actually received.
<b>Comparative Year</b>	The prior year's financial data that is presented alongside the current year's data in financial statements for the purpose of comparison and analysis.
<b>Fiduciary Management</b>	Members of Management who are directly entrusted with the entity's financial resources.
<b>Financial Year</b>	Refers to the Government budgeting and planning period running from 1 <sup>st</sup> July to 30 <sup>th</sup> June
<b>Fund Administrator</b>	The office given powers to manage and account for the funds used for staff Mortgage
<b>Management Committee</b>	A Committee appointed by Fund Administrator to oversee operational issues of the fund
<b>Service Provider</b>	An institution procured by the fund administrator to assist in the management of the mortgage scheme

## **2. Key Fund information and management**

### **a) Background information**

The Public Service Commission Mortgage Scheme Fund is established by and derives its authority and accountability from the Public Finance Management Act, 2012 (No. 18 of 2012) and is regulated by the Public Service Commission Mortgage Scheme Guidelines, 2018 which were revised in 2024. The Fund is wholly owned by the Public Service Commission and is domiciled in Kenya. The Fund began its operations on 16<sup>th</sup> March, 2016 following a resolution to support staff welfare through access to affordable mortgage financing as advised by Salaries and Remuneration Commission Circular Ref. No. SRC/ADM/CIR/1/13 VOL. III (128) of 17<sup>th</sup> December, 2014 in accordance with the Legal Notice No. 195/2015.

The Scheme was initially capitalized with Ksh. 85,000,000 from the National Treasury and has grown steadily to a total of Ksh. 310,500,000 as of 30<sup>th</sup> June 2025. The growth is attributed to addition capititation. The Fund currently serves 37 active members, with an outstanding loan balance of Ksh. 211,477,339.85. Three members have fully settled their mortgage loans. The Fund has also accumulated Ksh. 51,179,865.48 in interest on disbursed loans and Ksh. 6,252,430.93 from deposits.

### **b) Principal Activities**

The mandate of the Fund is to provide affordable mortgage loans to eligible members of the Public Service Commission Secretariat for:

- i. Purchase of developed house(s);
- ii. Purchase of land;
- iii. Construction of a house;
- iv. Purchase of off-plan or on-going development;
- v. Renovation and improvement of an existing house;
- vi. Takeover of mortgage;
- vii. Mortgage plus loan;
- viii. Tenant Purchase Scheme;
- ix. Mortgage top-up; and
- x. Equity Release.

The Fund is administered by the Fund Administrator who is the Commission Secretary/Chief Executive Officer. The Administrator ensures the smooth execution of daily operations and compliance with financial procedures and reporting standards.

The Scheme has a committee which is charged with the responsibility of processing mortgage applications in accordance with approved regulations. The committee also oversees the day-to-day operations of the fund to ensure sustainability.

**The Mortgage Scheme has been using the Public Service Commission identity so far as the Vision, Mission and Core Values**

**Vision:** A citizen centric public service.

**Mission:** To reform and transform the public service for efficient and effective service delivery.

**Core Values:** Citizen Focus, Professionalism, Teamwork, Innovation,

**c) Board of Trustees/Fund Administration Committee**

S/No	Position	Name
1.	Chairperson (up to January 2025)	Remmy N. Mulati, MBS-Deputy Commission Secretary, Corporate Services
	Chairperson (March 2025)	Gerald G. Kuhaka, OGW - Director, Administration
2.	Vice Chairperson	Simiyu Njalale - Deputy Director, Finance
3.	Secretary (up to August 2024)	Caroline Kiget - Director, HRM(Internal)
	Secretary (September 2024-Feb 2025)	Naomi Sidi- Assistant Director, Human Resource Management & Development (Administration)
	Secretary (March 2025)	Emily Njue - Director, HRM(Internal)
4.	Fund Accountant (Up to August 2024)	CPA Joseph M. Njoroge - Deputy Director, Accounts
	Fund Accountant (September 2024)	CPA Daniel Karanja - Assistant Director, Accounts
5.	Committee Member	William Migwi - Director, Planning
6.	Committee Member (September 2024)	Wangeci Gichangi-Assistant Director, Legal
7.	Committee Member (September 2024)	Stephanie Ndiku-Principal Research Officer
8.	Committee Member (up to September 2024)	Musa Cherogony Director, Legal Services- Appeals
9.	Committee Member (up to September 2024)	Sally Tanui Deputy Commission Secretary, Recruitment & Selection

*The Public Service Commission Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025*

**Key Fund and Information Management (Continued)**

<b>SN</b>	<b>Position</b>	<b>Name</b>
1.	Fund Manager/ Administrator	Paul Famba, MBS Commission Secretary/Chief Executive Officer
2.	Chairperson	Gerald G. Kuhaka, OGW Director, Administration
3.	Vice-Chairperson	Simiyu Njalale Deputy Director, Finance
4.	Fund Accountant	CPA Daniel Karanja Assistant Director, Accounts
5.	Secretary	Emily Njue Director, HRM(Internal)

**d) Key Management**

**e) Fiduciary Oversight Arrangements**

PSC Secretariat staff who had a direct fiduciary responsibility during the financial year ended 30<sup>th</sup> June, 2025 were:

<b>S/No</b>	<b>Position</b>	<b>Name</b>
1.	Officer Administering the Scheme	Paul Famba, MBS Commission Secretary/Chief Executive Officer
2.	Chairperson	Gerald G. Kuhaka, OGW Director, Administration
3.	Vice-Chairperson	Simiyu Njalale Deputy Director, Finance
4.	Fund Accountant	Daniel Karanja Assistant Director, Accounts
5.	Secretary	Emily Njue Director, HRM(Internal)

**f) Registered Offices**

**Public Service Commission**

Commission House  
P.O. Box 30095-00100 Nairobi-Kenya  
Harambee Avenue  
NAIROBI, KENYA

**g) Fund Contacts**

Telephone: (254) 020 4865000, 020 2223901, 2227471  
E-mail: [pscmortgage@publicservice.go.ke](mailto:pscmortgage@publicservice.go.ke)  
Website: <https://www.publicservice.go.ke>

**h) Fund Bankers**

KCB Bank Kenya Limited, KICC  
P.O. Box 45129-00100  
NAIROBI

**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**

Deputy Commission Secretary  
Legal Services Directorate  
Public Service Commission  
Commission House, Harambee Avenue  
P.O. Box 30095- GPO 00100  
Nairobi, Kenya







**3. The Fund Management Committee**

Name	Details of qualifications and experience
 <p><i>Mr. Paul Famba, MBS Secretary/CEO Officer Administering the Scheme</i></p>	<p><b>Mr. Paul Famba</b> was appointed Secretary/Chief Executive of the Public Service Commission with effect from 1<sup>st</sup> August 2024. Before his appointment, he was the Secretary of Administration at the Ministry of Interior and National Administration since January 2023. Mr. Famba is a career administrator with credentials and a record of accomplishments in public service, spanning 29 years. He started his career in public service in 1995 as a Research Assistant at the University of Nairobi, before joining the civil service in 1997 as a District Officer. He rose steadily through the administrative ranks to the position of Secretary of Administration. His deep understanding of government administration saw him successfully implement various government programmes.</p> <p>Mr. Famba holds a Master of Arts degree in Peace and Conflict Management from Kenyatta University and a Bachelor of Arts degree from the University of Nairobi. He has successfully served in various national assignments in different capacities. He was a member of the Multi-Agency Team for Mapping, Verification and Valuation of Mature/Over-Mature Forest Plantations from April 2020 to January 2021, and the Joint Secretary of the Inter-Faith Council on National Response to Corona Virus Pandemic from June 2020 to October 2022.</p> <p>He served as the Alternate Director for Principal Secretary of the State Department for Internal Security and National Administration at the Tourism Promotion Fund Oversight Board and a member of the Presidential Task Force on the Development of Kenya Home of Human Origins Museum and Science Park since January 2024. He is a member of the Kenya Association of Public Administration and Management (KAPAM)</p> <p>Mr. Famba is a recipient of the Order of the Grand Warrior of Kenya (OGW) and Moran of the Order of the Burning Spear (MBS) in recognition of his distinguished service to the nation.</p>
 <p><i>Gerald G. Kuhaka, OGW Committee Chairperson</i></p>	<p><b>Mr. Gerald Kuhaka</b> is the Director Administration, responsible for coordination of administrative and support services in the Commission. He was appointed to this position on 17<sup>th</sup> October 2018. He is a career administrator with a distinguished record of public service spanning over thirty-four years in various Ministries; rising through the ranks from the level of Assistant Secretary/District Officer Cadet. He was appointed as the committee Chair in February 2025</p> <p>Mr. Kuhaka holds a Master’s Degree in Public Sector Management (Africa University, Zimbabwe, 2007) and a Bachelor of Arts degree in Economics and Government (University of Nairobi – 1990). He has also attended numerous professional development courses, workshops and seminars locally and internationally.</p> <p>In recognition of his distinguished public service, Mr. Kuhaka received two state honors from His Excellency the President:</p>

Name	Details of qualifications and experience
	Distinguished Service Medal (DSM) and Order of the Grand Warrior (OGW). In addition, he was awarded certificates of merit for distinguished services in various ministries where he served.
 <p><i>Simiyu Njalale</i> <b>Committee Vice Chairperson</b></p>	<p><b>Mr. Simiyu Njalale</b> holds the position of Deputy Director, Finance with over 20 years of experience in the public sector, demonstrating a strong track record in financial management and leadership. He started his career as a Sales Executive at Nation Media Group. He was appointed as the committee Vice Chairperson in 2019 and holds a Bachelor's degree in Business Administration (Accounting) from the University of Eastern Africa, Baraton and a postgraduate diploma in Financial Management from KCA University. In addition, he has undertaken Financial Management Course from the Malawi Institute of Management and the Strategic Leadership Development Programme and the Senior Management Course at the Kenya School of Government. Further, Mr. Simiyu has served as Head of Finance of the inaugural Commission on Revenue Allocation and Director of Finance to the County Government of Trans Nzoia.</p>
 <p><i>Emily Njue</i> <b>Committee Secretary</b></p>	<p><b>Ms. Emily Njue</b> is the Director, Human Resource Management and Development (Internal) since January 2025. She was deployed to coordinate the human resource and welfare matters for the Commission and the Secretariat in March 2025.</p> <p>Ms Njue holds a Master's degree in Human Resource Management from Methodist University, a Bachelor of Arts in Sociology and Economics from the University of Nairobi, and a Higher Diploma in Human Resource Management from Kenya National Examinations Council. She is a Member of the Institute of Human Resource Management (IHRM). She has served across various departments in the Commission for over 15 years, contributing significantly to organizational development, staff welfare, and policy implementation.</p>
 <p><i>CPA Daniel Karanja</i> <b>Fund Accountant</b></p>	<p><b>CPA Daniel Karanja</b> is an Assistant Director (Accounts) in the Finance and Resource Mobilization Department since April 2024. He was appointed as Fund Accountant in September 2024. He has over 20 years' experience in accounting and finance in the public sector. He was appointed as the Committee Fund Accountant in September 2024.</p> <p>He holds a Bachelor of Commerce (Finance) degree from KCA University and is a Certified Public Accountant (Kenya). He attended the Strategic Leadership Development Programme and the Senior Management Course at the Kenya School of Government, equipping him with advanced leadership and management skills. CPA Karanja has consistently demonstrated expertise in financial management, compliance, and strategic financial planning, contributing to the effective stewardship of public resources.</p>

Name	Details of qualifications and experience
 <p><i>CPA William Migwi</i> <b>Committee Member</b></p>	<p><b>CPA William Migwi</b> is the Director Planning in the Commission since January 2025. He has over 20 years' experience in Economics, Research and Policy in international and civil society organizations and the public sector. He was appointed as a committee member in 2017.</p> <p>He holds a Master of Philosophy in Economics, from University of Ghana, Legon and a Bachelor of Arts degree from Kenyatta University with a major in Economics. He is a professional member of ICPAK by virtue of being a Certified Public Accountant (K). This certification was earned at Strathmore University. He has attended the Strategic Leadership Development Programme and Senior Management Course at the Kenya School of Government among many other local and international leadership courses.</p>
 <p><i>Wangeci Gichangi</i> <b>Committee Member</b></p>	<p><b>Ms. Wangeci Gichangi</b> is an Assistant Director Legal Services since April 2024. She was appointed as a committee member in September 2024. She is also a certified Legal Auditor and an Advocate of the High Court of Kenya with over 11 years' experience.</p> <p>She served in the Transition Committee for Handover of functions from the Nairobi Metropolitan Service to the Nairobi City County Public Service Board. She is a member of the Multi-Agency Committee that developed the Integrated Defence Civilian Staff Management Policy. Prior to joining the Commission, she was a Senior State Counsel in the Office of the Attorney General and Department of Justice. She is highly skilled in alternative dispute resolution, oral arguments, drafting and legal research.</p>
 <p><i>Stephanie Ndiku</i> <b>Committee Member</b></p>	<p><b>Ms. Stephanie Ndiku</b> is a Principal Research Officer since April 2024. She has over 11 years of experience in the private and public sectors. She was appointed as a committee member in September 2024.</p> <p>She serves in the Integrity Assurance Officers Committee and has participated in several task teams within the Commission, including the team responsible for preparing the report on the Public Service's compliance with the Values and Principles outlined in Articles 10 and 232 of the Constitution.</p> <p>She holds a Bachelor's degree in Communication and Public Relations from Moi University, a Diploma in Social Work and Community Development from the Kenya National Examinations Council.</p> <p>Her professional skill set includes project management, report writing, events coordination, public information management, media relations, and crisis communication.</p>

**4. Management Team.**

Name	Details of Qualifications and Experience
 <p><i>Mr. Paul Famba, MBS</i> <b>Fund Administrator</b></p>	<p>Mr. Paul Famba is the Secretary/Chief Executive Officer and the Fund Administrator</p>
 <p><i>Gerald G. Kuhaka</i> <b>Committee Chairperson</b></p>	<p>Mr. Gerald G. Kuhaka, OGW is the Director, Admin and Chairs the Mortgage Scheme Fund.</p>
 <p><i>Simiyu Njalale</i> <b>Committee Vice Chairperson</b></p>	<p>Mr. Simiyu Njalale is a Deputy Director, Finance and Vice Chairperson to the committee.</p>
 <p><i>Emily Njue</i> <b>Committee Secretary</b></p>	<p>Ms. Emily Njue is the Head of Human Resource Management (Admin) and in charge of the secretariat to the Fund.</p>



*CPA Daniel Karanja*  
**Fund Accountant**

CPA Daniel Karanja is Assistant Director, Accounts and Fund Accountant

## 5. Committee Chairperson's Report



The Public Service Commission Mortgage Scheme was established on 16<sup>th</sup> March 2016 as guided by relevant Public Finance Management framework in order to facilitate staff to access mortgage facilities. Through implementation of the scheme, the Commission expects to attract, motivate and retain staff and enhance performance.

The year under review marks the tenth year in the implementation of the Scheme. The Scheme is a collaborative effort between the National Treasury and the Public Service Commission. It was established as a revolving fund with an initial seed capital of Kshs. 85,000,000 which has grown to Kshs. 310,500,000 as at 30<sup>th</sup> June, 2025. On behalf of the Scheme Management Committee, I wish to appreciate the Government for the budgetary support through the National Treasury.

The responsibility of the day-to-day management of the Scheme rests with the Public Service Commission whereas the Salaries and Remuneration Commission is responsible for setting the maximum loan thresholds and interest rates for the Scheme. During the year under review, maximum loan entitlements remained at Kshs. 20,000,000. The Scheme has so far processed a total of 40 applications. During the year under review, three officers fully serviced their loans while 37 remained active. Another ten applications were received but not processed due to transition to another service provider.

Key challenge was the low uptake of the facility by staff largely attributed to the high interest rate of 5% under the KCB contract. To address this challenge and enhance the uptake of the facility, the Commission reviewed the interest rate to 3% to align with the SRC guidelines. With this intervention, the uptake is envisaged to improve with the on-boarding of a new service provider with effect from 1<sup>st</sup> July, 2025.

Going forward, the Scheme remains committed to ensuring that all staff have access to affordable mortgage facilities.

.....  
**Gerald G. Kuhaka, OGW**  
**Chairperson:**  
**Scheme Management Committee**

## **6. Report of the Fund Administrator**



On behalf of the Public Service Commission, I am pleased to present The Public Service Commission Mortgage Scheme Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2025. The Scheme remains a key element in the non – remunerative benefits for secretariat staff of the Commission through provision of affordable mortgage facilities. It is noteworthy that the trend of loan applicants has continued on a positive trajectory from ten applicants during inception in financial year 2018/19 to 40 beneficiaries by the financial year 2024/25. The amount borrowed has increased from Ksh.90 million in financial year 2018/19 to Ksh 211 million in year 2024/25.

The mortgage facility is strategic to the Commission as it accords the secretariat staff access to affordable mortgage facilities to own homes in an environment that is not only conducive but also within localities of their own choice. In the long term, the facility remains a key driver for motivating individual performance and improvement of overall institutional performance.

The Commission has engaged Family Bank Limited to administer the Scheme effective 1<sup>st</sup> July, 2025. This will give Commission staff an opportunity to enjoy lower interest rates under the new service provider. The Commission appreciates budgetary support by the National Treasury over the years and will ensure that the Scheme is managed professionally in line with relevant laws, regulations and guidelines. Our ultimate goal is to transition the scheme to a self – sustaining revolving fund.

A large, stylized handwritten signature in blue ink, written over a dotted line.

**Paul Famba, MBS  
Fund Administrator**

**7. Statement of Performance Against Predetermined Objectives**

The scheme had not developed a strategic plan and work plan to guide its operations and activities. Going forward the committee commits to develop these instruments to make it more transparent and accountable in its operations.

The key objective of the scheme is to approve all the loan applications subject to availability of funds and provided the applications meets the set criteria.

## **8. Corporate Governance Statement**

### **8.0 Introduction**

The PSC Mortgage Scheme is a revolving Fund established pursuant to the Public Finance Management (PFM) Act of 2012, the PFM (National Government) Regulations of 2015 and the SRC circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17<sup>th</sup> December 2014.

The object and purpose of the Scheme as set out in Part II paragraph 5 of the PSC Mortgage Scheme Guidelines is to provide loans for the purchase, development or renovation of residential property by members of the Scheme.

The Scheme has a formally constituted corporate governance structure; with the scheme management committee having overall oversight of all operations. In addition to the existing legal and regulatory framework referenced in this report, the Scheme Management Committee also administers its own procedures by passing resolutions in meetings.

### **8.1 Appointment of Scheme Committee Members**

Members of the Scheme Management Committee are appointed by the Secretary/CEO, PSC on a personal basis. The committee membership comprises of seven (7) members, inclusive of the Chairperson and Secretary. The Scheme Committee draws membership from the relevant departments as spelt out in Part III paragraph seven of the guidelines.

### **8.2 Roles & Functions of the Scheme Committee**

The day-to-day running of the scheme is delegated to the Committee by the Fund Administrator. The overarching strategic, compliance, financial including fiduciary responsibility and administrative functions rests with the Scheme Management Committee.

The roles and functions of the scheme management committee is provided for under paragraph eight of the guidelines and include:

- a) Preparation of work plan and budget for the Committee;
- b) Procurement/identification of service providers;
- c) Sensitization of staff on the Mortgage Scheme Fund;
- d) Receiving and processing of applications for loans in accordance with the existing terms and conditions of borrowing;
- e) Oversight and supervision of the day to day running of the fund;
- f) Maintenance of proper books and records of accounts of the income and expenditure, assets and liabilities of the funds;
- g) Receive gifts and donations, grants or endowments made to the fund;

- h) Consider and recommend approval of annual report and financial statements to the Authorized officer; and
- i) Quarterly reporting on the operations of the scheme.

### ***8.3 Induction, training, and development***

Due to budgetary constraints and transition, the induction and training of scheme management committee members was postponed to the financial year 2025/26.

### ***8.4 Board and members performance***

#### ***8.5 Number of Board meetings held and the attendance to those meetings by members***

The committee meets regularly to deliberate on staff requests and to monitor performance of the scheme funds and achievement of work plan objectives. Ad-hoc meetings are also convened on need basis. During the year under review, the committee held twelve meetings.

#### ***8.6 Succession plan***

The scheme management committee comprises a diverse age set of members to ensure institutional memory during staff attrition.

#### ***8.7 Policy to manage Conflict of interest***

The mortgage scheme guidelines (Third Schedule, Sections 4 and 5) provide for handling of conflict of interest.

The Members of the Scheme Management Committee are required to declare any conflict of interest at the start of each meeting on any matter/s subject of the deliberations of specific meeting and to record such declaration in a register designed for this purpose.

#### ***8.8 Board remuneration***

The mortgage scheme guidelines (Third Schedule, Section 7) provide for remuneration of committee members upon approval of the Officer Administering the Scheme. However, during the review period, the scheme management committee was not remunerated.

#### ***8.9 Ethics and Conduct***

The Third Schedule of the scheme guidelines provide for the conduct of business and affairs of the scheme committee.

#### ***8.10 Governance audit***

The operation of the scheme committee is audited by the Commission's Internal audit unit and the Office of the Auditor General. The Commission, at its 2821st meeting held on 11th September 2024, approved the Mortgage Scheme Guidelines. The reviewed guidelines incorporated the views of PSC staff.

***8.11 Communication policy***

The Commission's Communication Strategy has lapsed and the process is underway to formulate a new one which will be adopted by the scheme committee to come up with its communication policy.

***8.12 Terms of Reference of Committees***

Part III of the scheme guidelines spells out the functions of the scheme management committee.

***8.13 Policy on related party transactions***

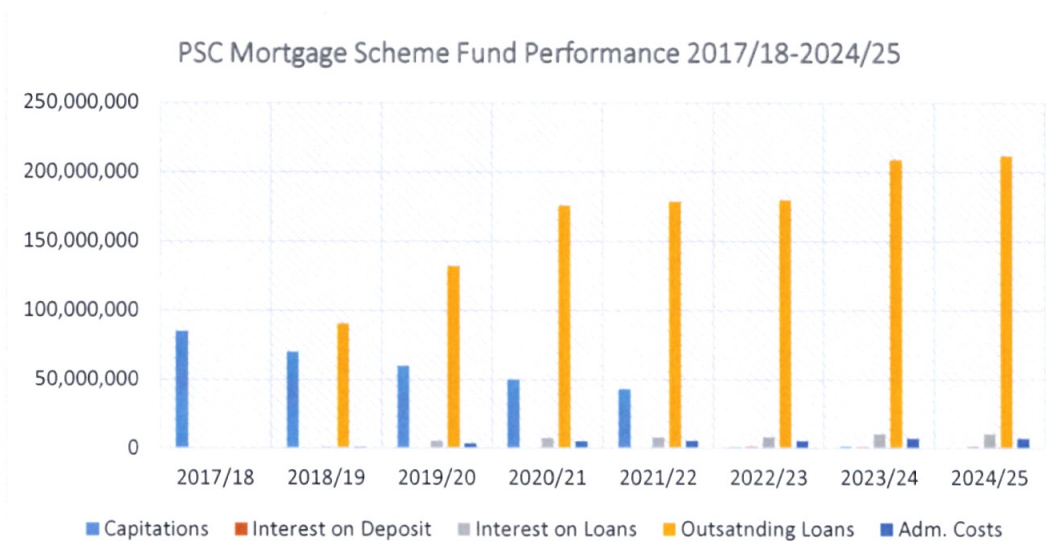
The Scheme management committee has prioritized the development of a policy to manage related party transactions and conflicts of interest.

**9. Management Discussion and Analysis**

The Public Service Commission Mortgage Scheme has a management committee appointed by the fund administrator. The Committee has a Chairperson, Secretary and five other members drawn from different departments of the Commission. They maintain and coordinate all issues relating to the fund and report to the fund administrator on periodic basis. The Committee oversees preparation of the financial statements at the end of each financial year. The management report for the year under review 2024/25 is as discussed below.

***a. The operational and financial performance of the Fund during the period, as compared to the industry.***

The Mortgage Scheme was established in the financial year 2016/17 as part of staff motivation programme by the Commission and is fully funded through the voted budget. The first seed capital was transferred to the fund from the Commission budget during the financial year 2017/18. It is managed as a separate fund from the main Commission work-plan and is oversights by the Special Funds Committee of the National Assembly unlike the main operations which fall under Public Accounts Committee. The scheme is established to operate as a revolving fund where loans extended to staff plus accruing interest therein are recovered through the payroll and re-invested back into the fund for further lending. It operates under the broad guidelines approved by the Commission and which are revised from time to time. The comparable funds in the industry are those managed by other public bodies and the state officers fund managed by the National Treasury.



***The Public Service Commission Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025***

The Scheme has gradually grown since 2017/18 when seed capital of Ksh 85,000,000 was received from the National Treasury. Additional funds amounting to Ksh. 225,500,000 was received between 2018/19 and 2024/25 financial years. Therefore, as at the end of the financial year 2024/25, the fund had received disbursements from the Commission totaling Ksh 310,500,000.00, as reflected in the graph above. It had earned Ksh 6,252,430.93 from fixed deposits and a further Ksh 51,179,865.48 from interest charged on loans disbursed to staff over time. The outstanding loans by staff totaled Ksh 211,477,339.85 as at 30<sup>th</sup> June 2025.

***b. Fund's key projects or investments decision implemented or ongoing,***

As at 30<sup>th</sup> June 2024, the fund had a total of 37 staff servicing active loans totaling Ksh. 211,500,000 million. All the loans were being serviced through a check-off system through the Commission payroll.

During the year under review, the Fund Administrator appointed new staff to the management committee as presented in Table 1.

**Table 1: Membership of the Mortgage Fund Committee**

<b>Membership</b>	<b>Date of first appointment</b>	<b>Date of exit</b>	<b>Remarks</b>
Remmy Mulati	March 2019	January 2025	On retirement
Sally Tonui	October 2017	September 2024	On replacement
Carol Kiget	October 2017	September 2024	On replacement
Musa Cherogony	October 2017	September 2024	On replacement
William Migwi	October 2017	-	Continuation
Caroli Simiyu	September 2019	-	Continuation
Gerald Kuhaka	March 2025	-	Replacement for exiting member
Emily Njue	March 2025	-	Replacement for exiting member
Daniel Karanja	September 2024	-	Replacement for exiting member
Stephanie Ndiku	September 2024	-	Replacement for exiting member
Wangechi Gichangi	September 2024	-	Replacement for exiting member

A notice of termination of contract to the service provider was issued during the second half of the financial year. A new service provider was procured competitively in accordance with the procurement regulations during the second half of the financial year in line with the audit recommendation of FY 2023/24. In addition, the Public Service Commission Mortgage

*The Public Service Commission Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025*

Guidelines of 2016 were reviewed and approved by the Commission on 11th September 2024.

**c. Number and amount of Loans issued during the period, loans outstanding at end of the period and loans repaid during the period.**

During the year under review, the Fund issued Ksh. 17,000,000 to 2 applicants. Since its inception, the fund has processed 40 applications with 3 having completed repaying their facility. The Funds capitations have increased from seed capital of Ksh 85 million to Ksh. 310,500,000 as at the end of June 2025. The total loan book of the Fund as at the end of the financial year 2024/25 was Ksh. 211,477,339.85 while accumulated loan interest earned from deposits and staff loans was Ksh 57,432,296.4 as shown in Table 2.

**Table 2:PSC Mortgage Fund Capitation Interest Earned and Loans Outstanding 2017/18-2024/25**

Year	Cum. Beneficiaries	Capitations	Interest on Deposit	Interest on Loans	Outstanding Loans	Adm. Costs
2017/18	0	85,000,000	618,321.25	0.00	0.00	0.00
2018/19	10	70,000,000	579,536.30	1,312,058.15	90,587,890.00	879,469.00
2019/20	16	60,000,000	576,464.35	5,311,732.70	132,248,920.45	3,495,196.00
2020/21	23	50,000,000	483,410.15	7,593,029.90	175,840,518.60	5,031,610.85
2021/22	26	43,000,000	780,962.55	7,937,853.15	178,601,073.60	5,284,296.00
2022/23	28	1,000,000	1,109,665.40	8,132,425.10	179,564,644.20	5,402,299.00
2023/24	35	1,500,000	962,142.23	10,389,361.98	208,894,612.00	7,220,627.09
2024/25	37	0	1,141,928.70	10,503,404.50	211,477,339.85	7,352,383.15
		<b>310,500,000</b>	<b>6,252,430.93</b>	<b>51,179,865.48</b>		

**d. Fund's compliance with statutory requirements,**

The fund continued to apply the 5% interest on loans as per the contract which was in place awaiting termination and a competitively sourced service provider. The fund paid withholding tax on interest earned on every loan and this was paid by the service provider. The loans were also approved based on the SRC benefits schedule and the revised guidelines. The fund issues loans recoverable by the date of retirement of each officer to avoid officers exiting with active loans.

**e. Major risks facing the Fund, material arrears in statutory and other financial obligations**

The main risks are financial and legal in nature. They include credit, market volatility, changing legislations and possible legal disputes. The fund loans face credit risk since officers have other tax and debt obligations with banks, SACCOs and KRA. The market risk

arises where properties identified by staff for funding are also being competed for by other individuals thus delays in execution forces officers to lose the properties and therefore have to search for other properties in the market. The legal risks are occasioned by individual failure to honour loan contract or the properties falling into legal disputes. However, the disbursement criteria consider due diligence before loans are approved and the loanee is required to take life and fire insurance. Due to low uptake of loans, the fund remained liquid during the period under review.

*f. Any other information considered relevant to the users of the financial statements.*

No other material information was deemed necessary for disclosure under this section.

## **10. Environmental And Sustainability Reporting**

This section covers disclosures on environmental and sustainability reporting of the fund.

### **i) *Sustainability strategy and profile***

The Public Service Commission Mortgage Scheme aligns itself with national and global sustainability priorities, recognizing the vital role of sustainable development in public sector service delivery. The Scheme acknowledges the implications of global macroeconomic and political dynamics, such as climate change and environmental degradation, and commits to supporting Kenya's Vision 2030 and the United Nations Sustainable Development Goals (SDGs), particularly those related to sustainable cities and communities (SDG 11), affordable and clean energy (SDG 7), and climate action (SDG 13).

The Mortgage Scheme is in the process of developing a governance manual that guide the operations of the Scheme. The management scheme committee has adequate representation from youth, women, Persons with Disabilities (PWDs), ensuring that diverse perspectives inform the Scheme's strategic decisions. The Scheme advocates for responsible engagement with stakeholders, including its members by encouraging ethical practices that contribute positively to the scheme's well-being. Its contractual procedures are aligned with government procurement guidelines that favour local suppliers and vulnerable groups, including youth, women, and PWDs.

The Public Service Commission Mortgage and Car Loan Scheme Guidelines, 2024 makes provisions that ensures a sustainable mortgage scheme which aligns strategies that safeguards the fund and enabling growth by ploughing back resources from loan repayments by beneficiaries. The scheme loans disbursed to beneficiaries are insured by the bank and recoveries are effected through payroll checkoff hence minimizing risks associated with defaulting in repayment. Access to legal documents for the property acquired through the scheme can only be released to the beneficiary upon full recovery of the loan thereby enhancing sustainability by minimizing loses associated with non-compliance by the beneficiary.

### **ii) *Environmental performance***

The Scheme is managed with a sustainability-focused approach that emphasizes responsible financing and infrastructure development. The PSC scheme encourages its members to acquire and design properties that are environmentally sustainable to support energy efficiency and climate resilience. It encourages the use of green architecture in housing developments financed by the Scheme, including solar energy systems for heating and lighting.

Additionally, the Scheme encourages practices such as sorting waste using designated bins and reducing single-use plastics within the premises and its supported developments.

**iii) Employee welfare**

The Public Service Commission Mortgage Scheme does not engage its own staff but draws its officials from the secretariat staff. The Scheme therefore benefits from the Commission's human resource policies which advocates inclusivity through representation of youth, women and persons with disabilities in appointments, training and promotions. The Commission is also compliant with the Occupational Safety and Health Act of 2007.

**iv) Market place practices-**

*The organisation should outline its efforts to:*

**a) Responsible competition practice.**

The Commission competitively procured the new service provider, and the lowest bidder (Family Bank Ltd) was awarded the contract with effect from 1<sup>st</sup> July 2025. Mortgages are approved and disbursed directly into the individuals bank account to prevent corruption. Processing of mortgage applications is done within 30 days upon receipt of application forms as stipulated in the approved service charter (internal). New Commission staff were sensitized on the mortgage scheme during the induction program in May 2025.

**b) Responsible Supply chain and supplier relations**

The timely loan recoveries were effected in the payroll and subsequently remitted to the service provider as per contract terms.

**c) Responsible marketing and advertisement or Responsible engagement with the citizens.**

The Scheme sensitized staff on the various products through staff meetings, holding consultative forums, induction workshops and email correspondence. The service provider also organized site tours for members.

**d) Product stewardship or Awareness creation**

The Service provider currently offers custodial services for mortgage collaterals ensuring data privacy and security. Application documents are stored in fireproof lockable cabinets. Complaints are addressed directly to the fund administrator or through the committee for deliberation and resolution.

**e) Corporate Social Responsibility / Community Engagements**

The Scheme undertakes its CSR role under the umbrella of the Commission. The Commission engaged in tree planting and donated trophies during the national drama festivals.

## **11 Report on Administration of the Scheme Fund**

The Officer Administering the Scheme submits this report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Fund's affairs.

### **11.1 Principal Activities**

The principal activity of the Fund is to provide a mortgage facility for the purchase, development or renovation of residential property by members of the scheme.

### **11.2 Performance**

The performance of the Fund for the year ended June 30, 2025, is set out in Section 14.

### **11.3 Management Committee**

The members of the Management Committee who served during the year are shown in Section 3.

### **11.4 Auditors**

The Office of 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 Committee

.....

**Gerald G. Kuhaka,OGW**

**Chair of the Fund Management Committee**

## **12. Statement of Management's Responsibilities**

In accordance with Section 84 (1) of the Public Finance Management Act, 2012, the Administrator of a fund established by the Constitution or an Act of Parliament is required to prepare financial statements for the Scheme at the end of each financial year, using the standards and formats prescribed by the Public Sector Accounting Standards Board (PSASB). The Administrator is responsible for the preparation and fair presentation of the Scheme's financial statements, which reflect a true and fair view of the financial position of the Scheme as at June 30, 2025, and its performance during the financial year. This responsibility includes:

- i). Maintaining adequate financial management arrangements throughout the reporting period.
- ii). Ensuring proper accounting records are kept that disclose the financial position of the Scheme with reasonable accuracy.
- iii). Designing, implementing and maintaining internal controls to ensure the financial statements are free from material misstatements, whether due to fraud or error,
- iv). Safeguarding the Scheme's assets.
- v). Selecting and applying appropriate accounting policies.
- vi). Making reasonable and prudent accounting estimates.

The financial statements have been prepared using suitable accounting policies in accordance with International Public Sector Accounting Standards (IPSAS), supported by estimates that are reasonable and prudent and presented in the manner required by the Public Finance Management Act, 2012 and the regulations establishing the Mortgage Scheme in accordance with the Salaries and Remuneration Commission circular SRC/ADM/CIR/1/13 Vol. III (128) dated 17<sup>th</sup> December 2014. The Administrator affirms that the financial statements give a true and fair view of the transactions of the Mortgage Scheme during the financial year ended 30<sup>th</sup> June 2025 and its financial position as at that date.

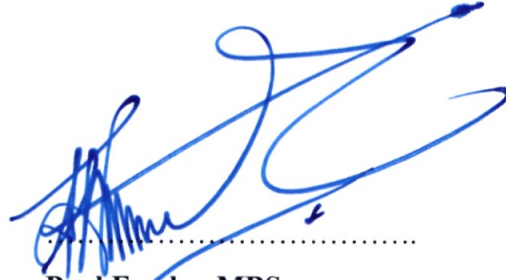
The Administrator is also responsible for confirming the completeness of the accounting records relied upon in the preparation of the financial statements, as well as the adequacy of the internal financial control systems in place. In preparing these financial statements, the Administrator has assessed the Scheme's ability to remain a going concern and confirms that there is no indication that the Scheme will not remain operational for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund's financial statements were approved by the Management Committee on 28-11-2025 2025 and signed on its behalf by:



.....  
**Gerald G.Kuhaka,OGW**  
**Chairperson of the Fund**



.....  
**Paul Famba, MBS**  
**Fund Administrator**

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON PUBLIC SERVICE COMMISSION MORTGAGE 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 the 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 Public Service Commission Mortgage Scheme set out on pages 1 to 28, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of

net assets, statement of cash flows and 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 Public Service Commission Mortgage 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 Public Finance Management Act, 2012 and the Public Service Commission Mortgage Scheme Guidelines, 2024.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Public Service Commission Mortgage Scheme 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 prior year audit report, three (3) issues were raised under Report on Financial statement and Report on Lawfulness and Effectiveness in Use of Public Resources. These include unsupported accumulated surplus, unconfirmed procurement of an institution to manage mortgage Scheme and unfavorable clauses in contract agreement with the financial institution. Review of the status during audit in financial year 2024/2025 revealed that the matters remained unresolved.

### **Other Information**

The Management is responsible for the Other Information set out on page iii to xxviii which comprise of Key Entity Information and Management, Scheme Advisory Committee, Chairperson's Report, Report of the Officer Administering the Scheme, Statement of Performance against predetermined objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Scheme 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 Public Service Commission Mortgage Scheme financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### **Conclusion**

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

### **Basis for Conclusion**

#### **Un Competitive Investment of Surplus Funds**

The statement of financial Position reflects cash and cash equivalents balance of Kshs.118,042,231 and as disclosed in Note 12 to the financial statements. Included is an amount of Kshs.112,061,953 as fixed deposit with the commercial bank of Kenya. This investment option is contrary to the provisions of the National Treasury and Ministry of Planning circular no. 3/2018 dated 26 March, 2018 which requires State Corporations to invest the surplus funds in Treasury bills and Treasury bonds directly to the Central Bank of Kenya through the non-competitive bidding and not under competitive bidding within the commercial banks.

In the circumstances, Management was in breach of the law by investing outside the guidelines of the circular.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

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

## **Responsibilities of the Management and Scheme Administration Committee**

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 Mortgage 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.

The Scheme Administration Committee is responsible for overseeing the Public Service Commission Mortgage Scheme 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**

**02 December, 2025**


*The Public Service Commission Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025*

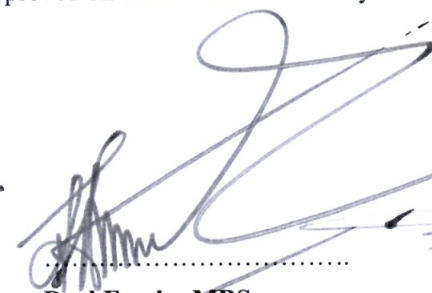
**14. Statement of Financial Performance for the year ended 30th June 2025.**

Item Description	Note	FY2024-2025	FY2023-2024
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from Parent Ministry/ SC/SAGA		-	-
		-	-
<b>Revenue from exchange transactions</b>			
Interest income	6	11,645,333	11,351,504
Other income	7		53,112
<b>Total revenue</b>		<b>11,645,333</b>	<b>11,404,616</b>
<b>Expenses</b>			
Admin costs	8	7,352,383	7,220,627
Bank Charges	9	1,853	5,325
<b>Other charges</b>	10		53,112
<b>Total expenses</b>		<b>7,354,236</b>	<b>7,279,064</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets		0	0
Gain /Loss on fair value of investments		0	0
<b>Surplus/(deficit) before tax</b>		<b>4,291,097</b>	<b>4,125,552</b>
Taxation	11	643,943	608,505
<b>Surplus/ (Deficit) after Tax</b>		<b>3,647,155</b>	<b>3,517,048</b>

( The notes set out on pages 19 to 28 form an integral part of these Financial Statements).

The financial statements were approved on <sup>28/11-2025</sup>.....by:

  
.....  
**Gerald G. Kuhaka, OGW**  
Chairperson of the  
Board/Fund

  
.....  
**Paul Famba, MBS**  
Fund Administrator

  
.....  
**Daniel M. Karanja**  
Fund Accountant

ICPAK M/No12107

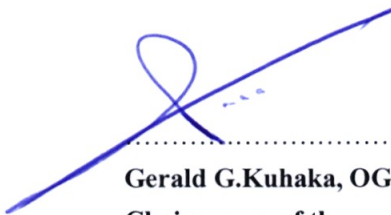
*The Public Service Commission Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025*

**15. Statement of Financial Position as at 30th June 2025**

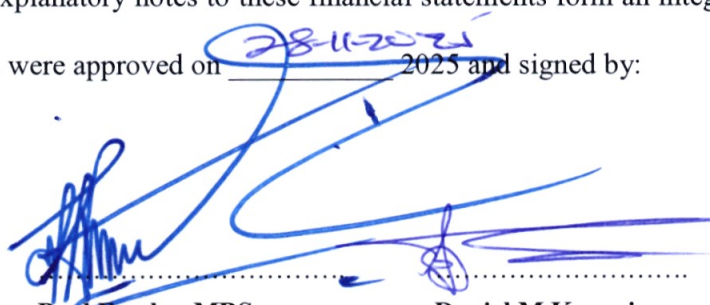
Item Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	118,042,231	116,977,804
Receivables from exchange transactions		-	-
<b>Total Current Assets</b>		<b>118,042,231</b>	<b>116,977,804</b>
<b>Non-current assets</b>			
Receivables from exchange transactions	13	211,477,340	208,894,612
<b>Total Non-Current Assets</b>		<b>211,477,340</b>	<b>208,894,612</b>
<b>Total assets (A)</b>		<b>329,519,571</b>	<b>325,872,416</b>
<b>Liabilities</b>			
Trade and other payables		-	-
<b>Total Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Non- current liabilities</b>			
<b>Total non- current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities (B)</b>		<b>-</b>	<b>-</b>
<b>Net Assets (A-B)</b>		<b>329,519,571</b>	<b>325,872,416</b>
<b>Represented By:</b>			
Mortgage revolving fund		310,500,000	310,500,000
Accumulated surplus/Deficit		19,019,571	15,372,416
<b>Net Assets</b>		<b>329,519,571</b>	<b>325,872,416</b>

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

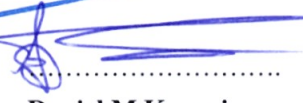
The Fund financial statements were approved on 28/11/2025 2025 and signed by:



Gerald G. Kuhaka, OGW  
Chairperson of the  
Board/Fund



Paul Famba, MBS  
Fund Administrator



Daniel M. Karanja  
Fund Accountant

ICPAK M/No 12107

*The Public Service Commission Mortgage Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*

**16. Statement of Changes in Net Assets for the year ended 30th June 2025**

Item Description	Mortgage Fund	Car Loan Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>As at 1 July 2023</b>	<b>320,855,368</b>	-	<b>320,855,368</b>	<b>320,855,368</b>
Surplus/(deficit) for the period	3,517,048	-	3,517,048	3,517,048
Funds received during the year	1,500,000	-	1,500,000	1,500,000
Interest capitalized*	-	-	-	-
Transfers	-	-	-	-
<b>As at 30 June 2024</b>	<b>325,872,416</b>	-	<b>325,872,416</b>	<b>325,872,416</b>
<b>Balance as at 1 July 2024</b>	<b>325,872,416</b>	-	<b>325,872,416</b>	<b>325,872,416</b>
Surplus/(deficit) for the period	3,647,155	-	3,647,155	3,647,155
Funds received during the year	-	-	-	-
Interest capitalized*	-	-	-	-
Transfers	-	-	-	-
<b>As at 30 June 2025</b>	<b>329,519,571</b>	-	<b>329,519,571</b>	<b>329,519,571</b>

*The Public Service Commission Mortgage Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*

**17. Statement of Cash Flows for the year ended 30th June 2025**

Item Description	Note	FY2024-2025	FY 2023-2024
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from Parent Ministry/ SC/SAGA		-	-
Interest received		11,645,333	11,404,616
Other income		-	-
<b>Total receipts</b>		<b>11,645,333</b>	<b>11,404,616</b>
<b>Payments</b>			
Employee costs		7,352,383	7,220,627
Taxation		643,943	608,505
Bank charges		1,853	5,325
Other Expenses			53,112
<b>Total payments</b>		<b>7,998,179</b>	<b>7,887,569</b>
<b>Net cash flow from operating activities</b>	14	<b>3,647,155</b>	<b>3,517,047</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE and intangible assets		-	-
Proceeds from loan principal repayments		18,221,284	15,518,859
Loan disbursements paid out		(21,000,000)	(44,845,827)
<b>Net cash flows used in investing activities</b>		<b>(2,778,716)</b>	<b>(29,326,968)</b>
<b>Cash flows from financing activities</b>			
Receipts into the mortgage revolving fund		-	1,500,000
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>1,500,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,064,428</b>	<b>( 24,309,921)</b>
Cash and cash equivalents at 1 July	12	116,977,803	141,287,724
<b>Cash and cash equivalents at 30 June</b>	12	<b>118,042,231</b>	<b>116,977,803</b>

*The Public Service Commission Mortgage Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*

**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>Budget carryovers from the previous year*</b>	-	-	-	-	-	0
<b>Receipts</b>						
Transfers from other Parent Ministry/ SC/SAGA	-	-	-	-	-	0%
Interest income	-	-	-	11,645,333	11,645,333	0%
Other income	-	-	-	-	-	0%
<b>Total Revenue</b>	-	-	-	<b>11,645,333</b>	<b>11,645,333</b>	<b>0%</b>
<b>Expenses</b>						
Admin cost	-	-	-	7,352,383	7,352,383	0%
Use of goods and services	-	-	-	1,853	1,853	0%
Taxation	-	-	-	643,943	643,943	
<b>Expenditure</b>	-	-	-	<b>7,998,179</b>	<b>7,998,179</b>	<b>0%</b>
<b>Surplus for the period</b>	-	-	-	<b>3,647,155</b>	<b>3,647,155</b>	<b>0%</b>
<b>Capital Expenditure</b>	-	-	-	-	-	<b>0%</b>

**Budget Reconciliation**

<b>S/No</b>	<b>Description of Particulars</b>	<b>Amount in Kshs</b>
	Actual Surplus Amounts as per the statement of Budget	-
1	Reason for differences	-
2	Reason for differences	-
3	Reason for differences	-
4	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	-

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

### **1. General Information**

Public Service Commission Mortgage Scheme was established on 16th March, 2016 in line with SRC's circular Ref No. SRC/ADM/CIR/1/13 Vol.111 (128) and derives its authority and accountability from The Public Finance Management Act, 2012 The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to provide mortgage loans for the purchase, development or renovation of residential property by members of the scheme.

### **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 19. 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, 2012 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**3. Adoption of New and Revised Standards**

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

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43: Leases	<b>Applicable 1<sup>st</sup> January 2025</b> 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. <b>Not applicable</b>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b>Applicable 1<sup>st</sup> January 2025</b> 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. <b>Not applicable</b>
IPSAS 45: Property Plant and Equipment	<b>Applicable 1<sup>st</sup> January 2025</b> 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. <b>Not applicable</b>
IPSAS 46:	<b>Applicable 1<sup>st</sup> January 2025</b>

*The Public Service Commission Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025*

Measurement	<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> <p><b><i>State the expected impact of the standard to the Entity if relevant</i></b></p>
IPSAS 47: Revenue	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></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>The Public service commission mortgage scheme revenue is interest earned from Mortgage loans and fund held in deposit accounts. The interest earned are recognized on monthly basis.</p>
IPSAS 48: Transfer Expenses	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></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><b><i>Not applicable</i></b></p>
IPSAS 49: Retirement Benefit Plans	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></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><b><i>Not applicable</i></b></p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></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> <ol style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> </ol>

*The Public Service Commission Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025*

---

	<p>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.</p> <p>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> <p><i>Not applicable</i></p>
--	--

*iii. Early adoption of standards*

The Public service commission mortgage scheme did not early – adopt any new or amended standards in the financial

#### **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 in June 2024. Subsequent revisions or additional appropriations were not made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional funding to the revolving fund was not provided in the financial year 2024-2025. 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. 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. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.* **(entity to amend appropriately)** 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. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* 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 xx*.

## **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. (*Fund to state the reserves maintained and appropriate policies adopted*).

#### **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 Kenya Commercial Bank 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 Fund is established under Section 24 (4) of PFM Act 2012 under the Department of The National Treasury. 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 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

**Notes to the Financial Statements**

**6. Interest income**

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	<b>Kshs.</b>	<b>Kshs.</b>
Interest Income from Mortgage Loans	10,503,405	10,389,362
Interest Income from Investments in financial assets	-	-
Interest Income on Bank Deposits	1,141,929	962,142
Other ( <i>Specify</i> )	-	-
<b>Total Interest Income</b>	<b>11,645,334</b>	<b>11,351,504</b>

**7. Other income**

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	<b>Kshs.</b>	<b>Kshs.</b>
Account maintenance fee	-	53,112
Income from Sale of Tender documents	-	-
Bad debts recovered	-	-
Miscellaneous income ( <i>Specify</i> )*	-	-
<b>Total Other income</b>	<b>-</b>	<b>53,112</b>

**8. . Administration costs**

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	<b>Kshs.</b>	<b>Kshs.</b>
Admin costs	7,352,383	7,220,627
<b>Total</b>	<b>7,352,383</b>	<b>7,220,627</b>

**9. Use of Goods and Services**

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	<b>Kshs.</b>	<b>Kshs.</b>
Use of goods and services	1,853	5,325
Other ( <i>Specify</i> )		
<b>Total</b>	<b>1,853</b>	<b>5,325</b>

**10. Other Charges**

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	<b>Kshs.</b>	<b>Kshs.</b>
Account maintenance fee		53,112.00
<b>Total</b>		<b>53,112.00</b>

**11. Taxation**

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	<b>Kshs.</b>	<b>Kshs.</b>
Tax Charged on Interest Income	643,943	608,505
<b>Income Tax expense</b>	<b>643,943</b>	<b>608,505</b>

**12. Cash and cash equivalents**

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	<b>Kshs.</b>	<b>Kshs.</b>
Mortgage Account		
KCB Bank-KICC Branch -1221809512	928,155	1,257,394
Fixed Deposit Accounts -MM1814406361	112,061,953	110,916,936
<b>Return 30/June. pending disbursement</b>	<b>5,052,123</b>	<b>4,803,474</b>
<b>Total Cash and Cash equivalents</b>	<b>118,042,231</b>	<b>116,977,804</b>

**12 a) Detailed analysis of the cash and cash equivalents**

		<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
<b>Financial Institution</b>	<b>Account number</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Mortgage Loan</b>			
KCB Commercial Bank Account	1221809512	928,155	1,257,394
<b>Fixed Deposit Accounts</b>			
KCB Bank-KICC Branch Commercial Bank	MM1814406361	112,061,953	110,916,935
<b>Sub- Total</b>		<b>112,990,108</b>	<b>112,174,330</b>
<b>Return 30/June. pending disbursement</b>			
KCB Bank-KICC Branch		5,052,123	4,803,474
<b>Grand Total</b>		<b>118,042,231.00</b>	<b>116,977,804.00</b>

*The Public Service Commission Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025*

**13. Receivables from exchange transactions**

Description	FY 2024-2025		FY 2023-2024	
	Kshs.		Kshs.	
<b>Current Receivables</b>				
Interest Receivable	-		-	
Current Loan Repayments Due	-		-	
Other Exchange Debtors	-		-	
Less: Impairment Allowance	-		-	
<b>Total Current Receivables</b>	-		-	
<b>Non-Current Receivables</b>				
Long Term Loan Repayments Due	211,477,340		208,894,612	
<b>Total Non- Current Receivables</b>	211,477,340		208,894,612	
<b>Total Receivables</b>	211,477,340		208,894,612	
<b>Ageing analysis (receivable from exchange transactions)</b>	<b>Current FY</b>	<b>%of total</b>	<b>Comparative FY</b>	<b>%of total</b>
Less than 1 year	-	0%	-	%
Between 1-2 years	2,633,335	2%	4,122,525	2%
Between 2-3 years	-	0%	-	%
Over 3 years	208,844,005	98%	204,772,087	98%
<b>Total (tie to totals above)</b>	<b>211,477,340</b>	<b>100%</b>	<b>208,894,612</b>	<b>100%</b>

**14. Net cash flows from operating activities**

<b>Description</b>	<i>Insert Current FY2025</i>	<i>Insert comparative FY2024</i>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>Surplus/ (deficit) for the year before tax</b>	<b>4,291,097.05</b>	<b>4,125,552</b>
<b>Adjusted for:</b>		
Depreciation	(0.00)	(0.00)
Amortisation	(0.00)	(0.00)
Gains/ losses on disposal of assets	(0.00)	(0.00)
Interest income	(0.00)	(0.00)
Taxation	(643,942.50)	(608,505.00)
<b>Working capital adjustments</b>	<b>(643,942.50)</b>	<b>(608,505.00)</b>
Increase in inventory	(0.00)	(0.00)
Increase in receivables	(0.00)	(0.00)
Increase in payables	(0.00)	(0.00)
<b>Net cash flow from operating activities</b>	<b>3,647,155</b>	<b>3,517,047</b>

**15. Financial risk management**

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

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

**a) Credit risk**

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

Management assesses the credit quality of each customer, 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:

<b>Description</b>	<b>Total amount</b>	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>At 30 June 2024</b>				
Receivables From Exchange Transactions-Mortgages	208,894,612	208,894,612	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	116,977,804	116,977,804	-	-
<b>Total</b>	<b>325,872,416</b>	<b>325,872,416</b>	-	-
<b>At 30 June 2025</b>				
Receivables From Exchange	211,477,340	211,477,340	-	-

*The Public Service Commission Mortgage Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025*

Description	Total amount	Fully performing	Past due	Impaired
	Kshs.	Kshs.	Kshs.	Kshs.
Transactions- Mortgages				
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	118,042,231	118,042,231	-	-
<b>Total</b>	<b>329,519,571</b>	<b>329,519,571</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 Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Fund has significant concentration of credit risk on amounts due from from the loanees.

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 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 June 2025</b>				
Trade Payables	(0.00)	(0.00)	(0.00)	(0.00)
<b>Total</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>
<b>At 30 June 2025</b>				
Trade Payables	(0.00)	(0.00)	(0.00)	(0.00)

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>Total</b>	(0.00)	(0.00)	(0.00)	(0.00)

**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 (*subject to review and approval by the Audit and Risk Management Committee*) 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.

**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. 325,872,416.30 (2024: Kshs. 325,872,416.30). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs. 329,519,570.85 (2025— Kshs. 329,519,570.85)

**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	FY2024/2025	FY2023/2024
	Kshs.	Kshs.
Revolving fund	310,500,000.00	310,500,000.00
Accumulated surplus ( <i>Reserves</i> )	19,019,570.85	15,372,416.30
<b>Total funds</b>	<b>329,519,570.85</b>	<b>325,872,416.30</b>
Less: cash and bank balances	118,417,232.00	116,977,803.86
Net debt/(excess cash and cash equivalents)	211,102,339.85	208,894,612.44
<b>Gearing</b>	<b>56 %</b>	<b>64 %</b>

**16. 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) Board of Trustees/Committee; etc.

**b) Related party transactions**

**i. Transfers from related parties**

<b>Description</b>	<i>Insert Current FY2025</i>	<i>Insert comparative FY2024</i>
	<b>Kshs.</b>	<b>Kshs.</b>
Transfers from related parties	(0.00)	(0.00)

**ii. Key management Remuneration**

<b>Description</b>	<i>Insert Current FY2025</i>	<i>Insert comparative FY2024</i>
	<b>Kshs.</b>	<b>Kshs.</b>
Board of Trustees	(0.00)	(0.00)
Key Management Compensation	(0.00)	(0.00)
<b>Total</b>	<b>(0.00)</b>	<b>(0.00)</b>

**17. Events after the Reporting Period**

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

**18. Ultimate and Holding Entity**

The Fund is under the sponsorship of the Public Service Commission.

**19. Currency**

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

*PSC Car loan/Mortgage Fund  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2025*

**20. Annexes**

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1	Unsupported Accumulated Surplus	The Public Service Mortgage Committee is in the process of addressing Prior Year Audit issues awaiting to appear before the Parliament Special Fund Committee.	Not Resolved	
2	Unconfirmed procurement of an Institution to manage Mortgage Scheme	The fund has secured a new service provider (Family Bank) with effect from 1 July,2025	Resolved	
3	Unfavourable Clauses in Contract Agreement with the Financial Institution	A new service provider has taken over with reviewed interest rate of 3% as per SRC guidelines.	Resolved	

Fund Manager/Accounting Officer  
**Paul Famba ,MBS**



Date.....28-11-2025



Faint, illegible text or markings in the middle-left section of the page.



Faint, illegible text or markings in the bottom-left section of the page.