

REPUBLIC OF KENYA

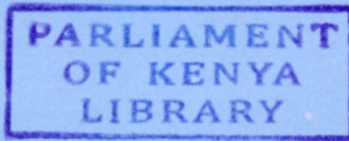


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL  
*Enhancing Accountability*

## REPORT



OF

**THE AUDITOR-GENERAL**

**ON**

**OFFICE OF THE CONTROLLER OF BUDGET  
STAFF MORTGAGE AND CAR LOAN SCHEME  
FUND**

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

**THE NATIONAL ASSEMBLY  
PAPERS LAID**

**DATE: 24 FEB 2026**

**DAY.**

Tuesday

**TABLED  
BY:**

Deputy Leader Majority Party

**CLERK-AT  
THE TABLE:**

Hon. Owen Baga, MP

Mr. Benson Inzofu



# Office of the Controller of Budget

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Harambee Avenue  
P.O Box 35616-00100  
Nairobi, Kenya

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## OFFICE OF THE CONTROLLER OF BUDGET STAFF MORTGAGE AND CAR LOAN SCHEME

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

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



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## **1. Abbreviations, Acronyms and Glossary of Terms**

### **A. Abbreviations and Acronyms**

OCoB	Office of the Controller of Budget
CoB	Controller of Budget
OAG	Office of the Auditor General
SRC	Salaries and Remuneration Commission
KRA	Kenya Revenue Authority
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
AWAK	Association of Women Accountants, Kenya
CPA-K	Certified Public Accountant of Kenya
ICT	Information Communication Technology
HFCK	Housing Finance Corporation Kenya Limited
IPSAS	International Public Sector Accounting Standards
IFMIS	Integrated Financial Management Information System
NT	National Treasury
FY	Financial Year
P. A	Per Annum (P.A)
Q	Quarter
FBT	Fringe Benefit Tax
CoB Act	Controller of Budget Act, 2016
PFMA	Public Finance Management Act, 2012
PA Act	Public Audit Act, 2015
PPAD Act	Public Procurement and Asset Disposal Act, 2015
PFMR	Public Finance Management Reforms
PFM(NG)R	Public Finance Management (National Government) Regulations 2015
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
CSR	Corporate Social Responsibility

### **B. Glossary of Terms**

**Fiduciary management** - Members of management who are entrusted directly with the responsibility and trust for the organisation's financial resources.

## **2. Key Scheme Information and Management**

### **a) Background information**

The Office of the Controller of Budget (OCoB) is an independent office established under Article 228 of the Constitution of Kenya 2010. The core mandate of the Controller of Budget (CoB) is to oversee the implementation of the budgets of both the National and County Governments by authorising withdrawals from Public Funds. The roles and functions of the CoB are further articulated in the Controller of Budget Act, 2016 and the PFM Act, 2012 together with its attendant Regulations. Specifically, the CoB is mandated to: prepare, publish and publicise budget implementation reports within thirty (30) days after the end of each quarter, conduct investigations on its own initiative or upon receipt of a complaint by a member of the public, undertake negotiations, conciliation and mediation, and resolve disputes involving budget implementation.

Further, the CoB regularly monitors, evaluates and makes recommendations to both levels of Government, enforces budget ceilings set by Parliament, and provides information to the public on budget implementation at both levels of Government. The CoB is also mandated to advise Parliament when the Cabinet Secretary responsible for Finance has stopped transferring funds to state organs or other public entities before such suspension can be lifted. In line with Section 5 of the CoB Act, 2016, the Controller of Budget seeks to, among other things, promote fiscal discipline and equitable allocation of available resources, whilst improving transparency and accountability in the budget implementation process.

The OCoB therefore promotes fiscal discipline and transparency by ensuring prudent utilisation of public funds at both levels of government. Prudent financial management is fundamental to the realisation of the OCoB Constitutional mandate which is a key ingredient in the achievements of the government's Bottom-Up Economic Transformation Agenda (BETA), the economic development blue print, Vision 2030, the United Nations Sustainable Development Goals (SDGs) and the overall development goals of the country.

### **OCoB Mortgage and Car Loan Scheme**

The OCoB Staff Mortgage and Car Loan Scheme was established by and derives its authority and accountability from sections 24 and 84 of the Public Finance and Management (PFM) Act, 2012 and Regulation 127 of the PFM (National Government) Regulations, 2015. The Scheme is wholly owned by the OCoB and is domiciled in Kenya.

The OCoB Staff Mortgage Scheme was established in FY 2018/19 as a revolving fund in line with the Salaries and Remuneration Commission (SRC) Circular Ref. No: SRC/ADM/CIR/1/13 Vol. III (128), dated December 17, 2014, to provide a Scheme for OCoB staff members to acquire residential property and purchase of a car.

Section 84 of the PFM Act, 2012, mandates the Administrator of a public fund to prepare the Annual Financial Statements of the Scheme. For proper management of the Fund and as guided by the SRC in the circular under the reference above, the Controller of Budget developed Staff Mortgage Scheme Guidelines, 2018, which incorporated the benefit as contained in the SRC Circular and the requirements under the PFM Act, 2012 and PFM (National Government) Regulations, 2015 to guide in the operationalisation of the Scheme. Arising from the guidelines, the Controller of Budget approved and adopted the OCoB Mortgage Scheme Guidelines, 2018, on 1<sup>st</sup> March, 2019.

The CoB appointed Ten (10) staff members drawn from Corporate Services, Budget Implementation and Legal Directorates to serve on the OCoB Staff Mortgage Scheme Committee. The Committee's objective is to coordinate and engage with the Scheme Managers. The Scheme's secretariat is drawn from the OCoB, whereas the role of management and administrative services are under the Scheme Managers.

The Scheme was established with a seed capital of **Kshs. 50,000,000** paid out from the OCoB annual recurrent budget allocation for FY 2018/19. The seed capital has since been enhanced through exchequer allocations and funding to **Kshs. 420,269,962** as at June 30, 2025. However, during the FY 2024/25 there was no budget allocation due to government austerity measures and budget rationalisation.

In addition, a cumulative amount of **Kshs. 31,246,299** earned as interest income as of 30th June 2025 has been capitalised and credited to the Mortgage Account since inception.

#### **b) Principal Activities**

The principal activity of the Scheme is to provide loan facilities to OCoB staff for the purposes of:-

- i) Purchasing an existing residential property
- ii) Purchasing of land and house construction

- iii) Construction, renovation and improvement of existing residential property on existing plot/land.
- iv) Takeover of loans on existing mortgages or equity release on existing property.
- v) Purchase of Cars.

Under the Mortgage and Car Loan Guidelines, the Committee is charged with processing loans from applicants under the OCoB Staff Mortgage and Car loan Scheme Guidelines, 2018. The Staff Mortgage Scheme Administration Committee is responsible for setting up a revolving Fund for the disbursement of loans and supervising of the day-to-day operations of the Scheme.

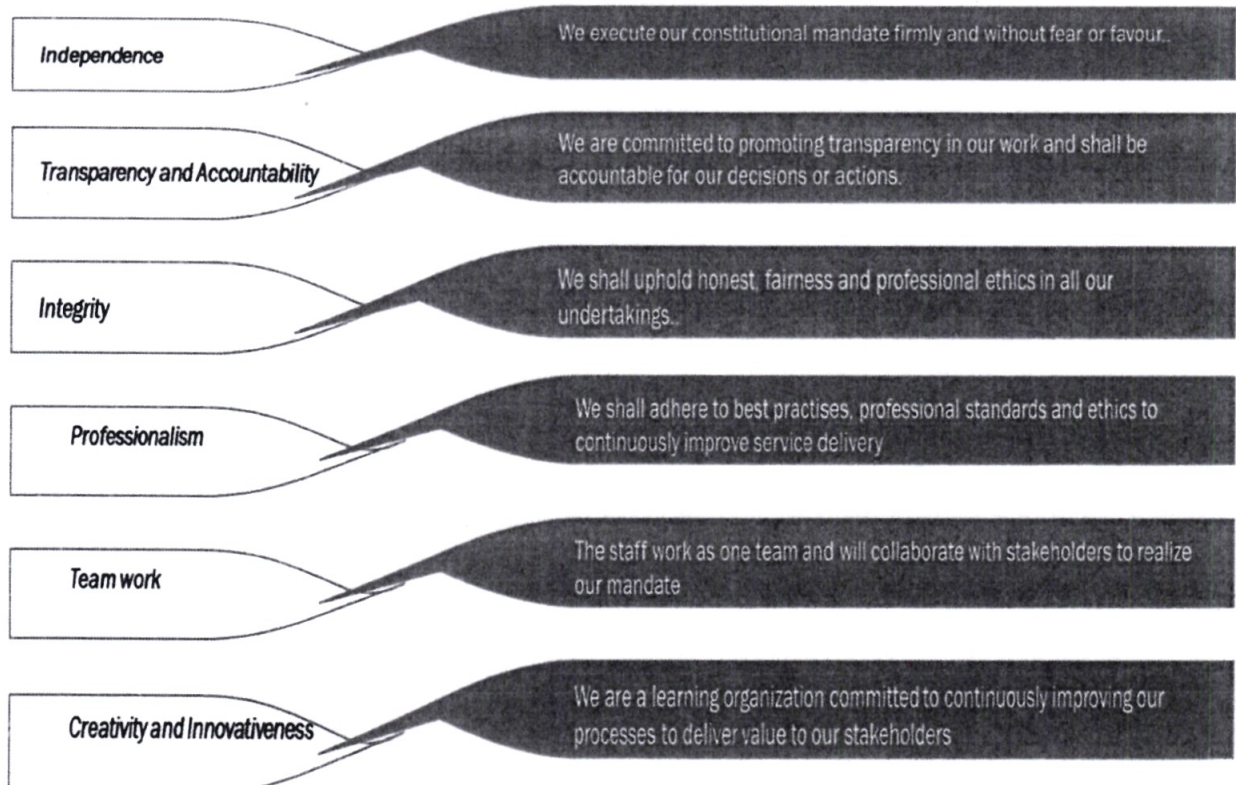
### **OUR VISION**

*A country where public funds are utilized prudently and efficiently*

### **OUR MISSION**

*To oversee the implementation of all government budgets through the timely authorization of withdrawals from Public Funds and ensuring prudent and efficient use of public finances by monitoring, evaluating and reporting in accordance with the law*

### **OUR CORE VALUES**



**c) Staff Mortgage Scheme Administration Committee**

1.	Chairperson	CPA Jacinta Masila
2.	Vice Chairperson	Ms Irene Arimi
3.	Fund Administrator	CPA Pamela Okatch
4.	Member	Mr. Boniface Ikumu
5.	Member	CPA Gilbert Gachanja
6.	Member	Mr. Leonard Miinyan
7.	Member	Ms Judith Muli
8.	Member	Dr. Denis Okungu
9.	Member	Mr. Robert Mayodi
10.	Co-opted Member (Scheme Accountant)	CPA Augustine Mburu
11.	Secretary	Mr. Waweru Tuti

**d) Key Management**

1	Fund Manager	Housing Finance Company, Kenya Limited and KCB Bank Kenya Limited
2	Fund Administrator	CPA Pamela Okatch
3	Fund Accountant	CPA Augustine Mburu
3.	Fund Secretary	Mr. Waweru Tuti

**e) Fiduciary Oversight Arrangements**

1.	Chief Manager Internal Audit	CPA Joseph Tulula
2.	Staff Mortgage and Car Loan Committee	Members of the Committee

**f) Registered Offices**

**Entity Headquarters**

Office of the Controller of Budget  
Bima House 12<sup>th</sup> Floor, Harambee Avenue  
PO Box 35616-00100  
Telephone: (254) 020-2211068  
E-mail: [cob@cob.go.ke](mailto:cob@cob.go.ke)  
Website: [www.cob.go.ke](http://www.cob.go.ke)  
Nairobi, KENYA

**g) Fund Contacts**

Office of the Controller of Budget  
Staff Mortgage and Car Loan Scheme  
P.O. Box 35616-00100  
Telephone: +254 (0) 20 318939, 2211056  
E-mail: [cob@cob.go.ke](mailto:cob@cob.go.ke)  
Website: [www.cob.go.ke](http://www.cob.go.ke)

**h) Fund Bankers**

1. Housing Finance Company of Kenya Ltd  
HFC Mortgage Division  
Head Office: Rehani House, Kenyatta Avenue / Koinange Street  
PO Box 30088-00100  
Mobile number: 0709 438 000 & 0709 438 888  
E-mail: [customer.service@hfgroup.co.ke](mailto:customer.service@hfgroup.co.ke) or [mybank@hfgroup.co.ke](mailto:mybank@hfgroup.co.ke)
2. KCB Bank Kenya Limited  
KICC Branch, Harambee Avenue  
P.O. Box 48400-00100  
Nairobi, Kenya  
Tel: +254 20 3270000  
Mobile: +254 711012000/734108200

**i) Independent Auditors**

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

**j) Principal Legal Adviser**

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

### 3. Scheme Administration Committee

#### Accounting Officer and Key Management

#### **FCPA Dr Margaret Nyakang'o - Controller of Budget**

**FCPA Dr. Margaret Nyakang'o, CBS**, was appointed the Controller of Budget in the Republic of Kenya on 4th December 2019, to oversee and report on the implementation of the budgets of the National and County Governments to the National Assembly, Senate, County Assemblies and the Executive every quarter.

She holds a Doctorate in Business Administration from the University of Liverpool, UK. Her doctoral research thesis was on Strategic Workforce Planning within the context of the Kenyan Public Service. She also holds a Master of Business Administration degree in Strategic Management and a Bachelor of Commerce in Accounting, both from the University of Nairobi. Dr. Nyakang'o is a Certified Public Accountant and a Practising Member of Kenya's Institute of Certified Public Accountants. She is also a member of the Association of Women



**FCPA Dr. Margaret Nyakang'o,  
CBS**

Accountants of Kenya and an active member of the Women on Boards Network with hands-on skills in corporate governance.

Dr. Nyakang'o has broad experience in Finance and Accounting, Strategic Management, Auditing, Tax, and Human Resource Management; all gained from working in numerous organisations both in the public and private sectors in Kenya. Her experience spans over thirty years, during which she has distinguished herself as a person of impeccable integrity with a wide range of skills and expertise, all rolled up into a powerhouse of demonstrable positive change.

Dr. Nyakang'o has undertaken training both within and outside her line of profession in various disciplines including among others, Enterprise Risk Management, Quality Management Systems, Public Finance Management, and Corporate Governance. She is passionate about mentoring and coaching young aspiring women professionals. She is both a Certified Online Trainer and a Certified Professional Coach.

Dr. Nyakang'o is an experienced Board Trustee having served in several Retirement Benefits Schemes, the most recent being the Kenya National Bureau of Statistics Staff Retirement Benefits

Scheme. She has also been a Board Member of the Institute of Pension Management. Further, she has served on the Vet Labs Sports Club Board and was a member of the Kenya National Commission for Human Rights Audit and Risk Committee. Other than having been an independent consultant, Dr. Nyakang'o also shared and disseminated her wealth of experience as a lecturer at KCA University, where she integrated academic theory into the practical world of business. She has authored several publications with some in progress. In her spare time, she plays golf and loves reading factual materials.

**CPA Jacinta Masila** is a distinguished finance and strategic leadership professional with over 25 years of cross-sectoral experience spanning public finance, corporate accounting, governance, and policy management. She holds a Bachelor of Commerce (Accounting Option), a Master of Business Administration (Finance Option) from the University of Nairobi and a Master of Public Policy and Management (MPPM) from Strathmore University School of Business.



**CPA Jacinta Masila  
CHAIRPERSON**

A Certified Public Accountant (CPA-K), Ms Masila is an active member of the Institute of Certified Public Accountants of Kenya (ICPAK), where she is currently serving as a Member of the Public Policy and Governance Committee. She is also a member of the Association of Women Accountants of Kenya (AWAK), where she is currently serving in the Grants and Fundraising Committee. She has participated in key PFM policy discussions at both ICPAK and AWAK Forums. Additionally, she represents the Office of the Controller of Budget in the Steering Committee for the Transition from Cash to Accrual Accounting at the National Treasury, a Committee that is spearheading major Public Finance reforms in Kenya.

**Mr. Waweru Tuti** holds a Master of Business Administration (MBA) in Strategic Management and Leadership from the University of Buckingham and an OTHM Level 7 Diploma in Strategic Management and Leadership from SNATIKA. His academic background includes a Bachelor of Laws (LLB) from the University of Nairobi and a Post-Graduate Diploma in Law from the Kenya School of Law.

Tuti is a highly accomplished legal professional with over 17 years of experience in legal services, strategic management, and leadership. He is responsible for overseeing legal affairs, ensuring compliance with constitutional and regulatory frameworks, and developing key legal strategies. His expertise lies in constitutional and legal interpretation, contract negotiation, dispute resolution, and the formulation of legal policies that promote public interest.



**Mr Waweru Tuti  
SECRETARY**

He is a member of the Law Society of Kenya (LSK) and a Certified Professional Mediator (CPM). Additionally, he is an Associate Member of the Chartered Institute of Arbitrators (CIArb-Kenya). Tuti has held key legal positions in both the public and private sectors, including roles at the State Law Office, Njenga Mbugua & Nyajua Advocates, and CDI-Africa. His career has been marked by a strong commitment to legal excellence, governance, and compliance. His areas of expertise include legal advisory services, alternative dispute resolution, public sector governance, and regulatory compliance. He has played a pivotal role in resolving high-profile legal disputes across various counties in Kenya.

Tuti has been instrumental in developing critical legal frameworks, including the Controller of Budget Act, 2016, and the draft Controller of Budget Regulations, 2022. He also established a framework for complaints handling, investigations, and alternative dispute resolution within OCoB. Additionally, he significantly contributed to the Commission of Inquiry into the Petition to dissolve Makueni County.

Tuti is recognized for his ability to lead cross-functional teams, mitigate legal risks, and negotiate complex contracts, ensuring compliance and protecting organizational interests. His strong analytical skills, combined with his ability to communicate effectively both orally and in writing, make him a valuable asset in legal and strategic leadership roles.

**Ms Irene Arimi** holds a Master of Business Administration (MBA) in HR from Kenya Methodist University (KeMU). She also holds a Bachelor's degree in HR Management and a Higher Diploma in HR both from the University of South Africa (UNISA) as well as a Certificate in Executive Human Resource Management from the Institute of Human Resource Management. She is a member of the Institute of Human Resources Management (IHRM).

Ms Arimi has over 16 years of experience in Human Resource management. Previously she worked at the Kenya Methodist University as the Administrative Officer–HR, at the William J. Clinton Foundation HIV/AIDS Initiative (CHAI) in Papua New Guinea as HR Coordinator and Marketing, Travel and Credit Consultancy (MTC) in Botswana as Products and Services Manager.



**Ms Irene Arimi  
VICE CHAIRPERSON**

**Ms Judith Muli** holds a Master of Science in Information Systems from the University of Nairobi, a Master in Business Administration from Moi University and a Bachelor of Science in Mathematics with a bias in computing from the University of Nairobi.

Judith has extensive professional training and over fifteen years of work experience in information systems management and training, ICT project management and research. She previously worked as a lecturer at Jomo Kenyatta University of Agriculture and Technology [JKUAT]. She is a member of the Information Systems Audit and Control Association (ISACA), Computer Society of Kenya [CSK], Internet Society (ISOC), Kenya Chapter, and a lister with Kenya ICT Action Network [KICTANet].

She has attended various leadership, management and ICT seminars and workshops including the Senior Management Course (SMC) at the Kenya School of Government, TOM PETERS (Reimagine Leadership/Re-imagine Excellence) by KPMG, Microsoft Partner University program and United Nations second World Data Forum, amongst others.



**Ms Judith Muli  
MEMBER**

**CPA, CS Pamela Okatch** holds a Master of Business Administration [Finance Option] and a Bachelor of Commerce degree [Finance Option] from the University of Nairobi and the Catholic University of Eastern Africa respectively. She is a member of the Institute of Public Accountants of Kenya (ICPAK), Association of Women Accountants of Kenya (AWAK) and Institute of Certified Secretaries (CS). She is a former Board Member of the AWAK, the former Chair of Finance & Strategy and Vice-Chair of the Public Finance Management (PFM) Committee at AWAK.

Pamela has over 20 years of experience in the accounting and finance field. She is well versed in accounting systems and practice and has attended various courses of professional training, conferences and workshops both locally and overseas on Financial Management, Finance & Accounting, Taxation, Public Financial

Management (PFM), Corporate Governance, Budgeting, Government Finance Statistics (GFS), Public Expenditure and Financial Accountability Assessment (PEFA) and Mediation. Previously, she worked for the Kenya Institute of Special Education (KISE) as Head of Finance and Administration and Jaribu Credit Traders Limited as a Senior Accountant.



**CPA Pamela Okatch  
SCHEME ADMINISTRATOR**

**Mr Boniface Ikumu** holds a Master of Science in Procurement and Logistics and a Bachelors in Procurement and Supply Chain Management both from the Jomo Kenyatta University of Agriculture and Technology. He also possesses a Bachelor of Laws degree from Mount Kenya University and a Post-graduate Diploma in Law from the Kenya School of Law. He is a member of the Kenya Institute of Supplies Management (KISM) where he currently serves as a Member of the Institute's Legislative Committee.

Mr Ikumu has extensive professional training and over 25 years of professional experience in supply chain management and training, logistics management and legal research. He served in the special committee de-linking the Directorate of Public Prosecutions from the State Law Office in 2011 to the current Office of the Directorate of Public Prosecutions and the Honorable Attorney-General's Task Force creating the Business Registration Services (BRS) as a body corporate.

He previously worked at the Department of Defense, the Kenya Police Department, and the State Law Office amongst others. Before joining the OCoB, he was an Assistant Director of Supply Chain Management Services at the Ministry of Interior and Coordination of National Government.

**CPA Gilbert Gachanja** is a holder of Masters degree in Public Policy and Administration from Kenyatta University and a Certified Public Accountant of Kenya. He has over 14 years' experience in banking covering financial crime compliance, branch operational risk, people management, providing business advisory, process improvement, regulatory reporting, stakeholder relationship management and training.



**Mr Boniface Ikumu**  
**MEMBER**



**CPA Gilbert Gachanja**  
**MEMBER**

**Dr. Denis Okungu** holds Phd in Economics from the University of the Witwatersrand Johannesburg South Africa, Master in Economics from the University of Nairobi and Bachelor in Economics from University of Nairobi. He is a holder of CPA(K) and a member of the Institute of certified public accountants of Kenya (ICPAK). Dennis has over 14 years professional experience in the public sector in the areas of research, planning, budgeting and reporting.



**Dr. Denis Okungu  
MEMBER**

**Leonard M. Miinyan** holds BA Social Studies (Sociology) from Moi University and Higher Diploma in Human Resource Management from IHRM. He is also a member of the Institute of Human Resource Management and has cumulative 15 years' experience in the Public Sector.



**Leonard M. Miinyan  
MEMBER**

**Roberts Mayodi Ngovolia** is a Certified Public Accountant of Kenya and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) in good standing. He holds an MBA in Finance and a Bachelor of Business Administration Accounting Option both from Maseno University. He has over 22 years professional experience spanning from both private and public sector.



**Roberts Mayodi Ngovolia  
MEMBER**

**CPA Augustine Mburu** is a Certified Public Accountant of Kenya and is a Member of the Institute of Certified Public Accountants of Kenya (ICPAK). He holds an MBA in Finance from the University of Nairobi and a Bachelor's degree in Commerce Finance option from KCA University. Mr Mburu has over 19 years professional experience spanning from both private and public sector.



**CPA Augustine Mburu  
SCHEME ACCOUNTANT**

#### **4. Scheme Management Team**

##### **Accounting Officer and Key Management**

#### **FCPA Dr Margaret Nyakang'o - Controller of Budget**

**FCPA Dr. Margaret Nyakang'o, CBS**, was appointed the Controller of Budget in the Republic of Kenya on 4th December 2019, to oversee and report on the implementation of the budgets of the National and County Governments to the National Assembly, Senate, County Assemblies and the Executive every quarter.

She holds a Doctorate in Business Administration from the University of Liverpool, UK. Her doctoral research thesis was on Strategic Workforce Planning within the context of the Kenyan Public Service. She also holds a Master of Business Administration degree in Strategic Management and a Bachelor of Commerce in Accounting, both from the University of Nairobi. Dr. Nyakang'o is a Certified Public Accountant and a Practising Member of Kenya's Institute of Certified Public Accountants. She is also a



**FCPA Dr. Margaret Nyakang'o,  
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member of the Association of Women Accountants of Kenya and an active member of the Women on Boards Network with hands-on skills in corporate governance.

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A Certified Public Accountant (CPA-K), Ms Masila is an active member of the Institute of Certified Public Accountants of Kenya (ICPAK), where she is currently serving as a Member of the Public Policy and Governance Committee. She is also a member of the Association of Women Accountants of Kenya (AWAK), where she is currently serving in the Grants and Fundraising Committee. She has participated in key PFM policy discussions at both ICPAK and AWAK Forums. Additionally, she represents the Office of the Controller of Budget in the Steering Committee for the Transition from Cash to Accrual Accounting at the National Treasury, a Committee that is spearheading major Public Finance reforms in Kenya.



**CPA Jacinta Masila  
CHAIRPERSON**

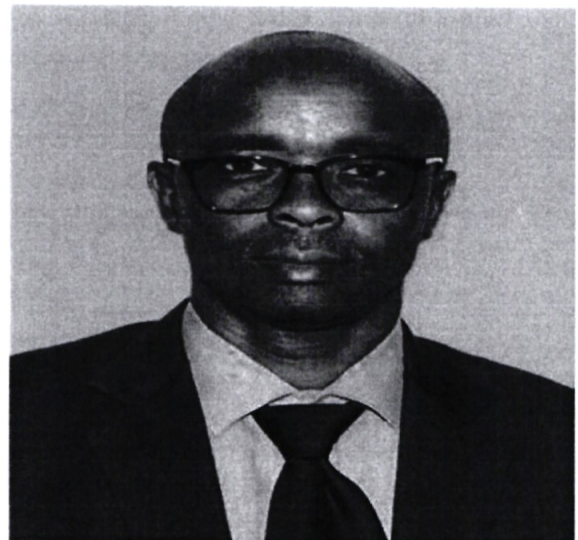
**CPA, CS Pamela Okatch** holds a Master of Business Administration [Finance Option] and a Bachelor of Commerce degree [Finance Option] from the University of Nairobi and the Catholic University of Eastern Africa respectively. She is a member of the Institute of Public Accountants of Kenya (ICPAK), Association of Women Accountants of Kenya (AWAK) and Institute of Certified Secretaries (CS). She is a former Board Member of the AWAK, the former Chair of Finance & Strategy and Vice-Chair of the Public Finance Management (PFM) Committee at AWAK.



**CPA Pamela Okatch  
SCHEME ADMINISTRATOR**

Pamela has over 20 years of experience in the accounting and finance field. She is well versed in accounting systems and practice and has attended various courses of professional training, conferences and workshops both locally and overseas on Financial Management, Finance & Accounting, Taxation, Public Financial Management (PFM), Corporate Governance, Budgeting, Government Finance Statistics (GFS), Public Expenditure and Financial Accountability Assessment (PEFA) and Mediation. Previously, she worked for the Kenya Institute of Special Education (KISE) as Head of Finance and Administration and Jaribu Credit Traders Limited as a Senior Accountant.

**CPA Augustine Mburu** is a Certified Public Accountant of Kenya and is a Member of the Institute of Certified Public Accountants of Kenya (ICPAK). He holds an MBA in Finance from the University of Nairobi and a Bachelor's degree in Commerce Finance option from KCA University. Mr Mburu has over 19 years professional experience spanning from both private and public sector.



**CPA Augustine Mburu  
SCHEME ACCOUNTANT**

## **5. Chairman's Report**

With great pleasure, I forward, on behalf of the Office of the Controller of Budget, the OCoB Staff Mortgage Scheme Financial Statements for the Financial Year ending June 30, 2025. These Financial Statements represent the financial performance of the Scheme in the FY 2024/25 and prior-period comparative FY 2023/24 in compliance with IPSAS 1.

### **Review of Performance**

The OCoB Staff Mortgage Scheme's key objective is to support employees in acquiring residential property at a subsidized interest rate. During the reporting period, the Scheme maintained an interest rate of 3% as the cost of borrowing. The number of loan applications increased from thirty-seven (37) in FY 2023/24 to forty-four (44) in the FY 2024/25. Mortgage disbursements cumulatively increased from **Kshs. 221,560,206** to **Kshs. 320,435,195** in FY 2023/2024 and FY 2024/2025 respectively.

### **Challenges**

The following challenges have been identified by the Scheme Committee.

- i. Lengthy conveyancing processes
- ii. High cost of processing the mortgage (Valuation fees, Legal fees)

### **Future Outlook**

The future outlook of the Scheme is optimistic as the loan uptake is on the rise. The Scheme focuses on building a robust and sustainable human resource for OCoB with a motivated workforce and structures that enhance seamless service delivery. The Scheme looks forward to continued support from the National Government and other stakeholders to realize its full potential as a stable and sustainable revolving fund.

### **Appreciation**

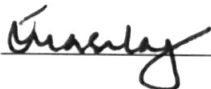
I take this opportunity to express my sincere gratitude and appreciation to the National Government, OCoB Management, the Scheme Managers, the Auditors, Stakeholders, the Committee Members and OCoB Staff for their continued support towards realizing the objectives of the Mortgage and Car Loan Scheme.

*Office of the Controller of Budget Staff Mortgage and Car loan Scheme*  
*Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2025*

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We shall endeavour to support staff through continuous engagements with the Scheme Manager to ensure that more employees benefit from the loan facilities

I look forward to your continued support in the Financial Year 2025/2026.

Signed:  \_\_\_\_\_

**Chairperson of the Scheme Committee**

**CPA Jacinta Masila**

**ICPAK Member: 3240**

## 6. Report of the Scheme Administrator

### Performance Summary

The OCoB Staff Mortgage and Car Loan Scheme's key objective is to support employees in acquiring residential property and owning Cars at a subsidised interest rate. During the reporting period, the Scheme maintained an interest rate of 3% as the cost of borrowing. The cumulative number of loan applications stood at forty-four (44), with a cumulative Mortgage disbursement of Kshs. **320,435,195**, as of FY 2024/25. This benefit has not only played a role in the attraction, motivation and retention of staff but also enhanced the realization of highly motivated, dedicated and committed staff.

Since inception, the Mortgage Committee has so far approved Kshs. **380,135,195** in loans for staff. However, a loan amount of Kshs. **59,700,000** for seven officers (7) has not been disbursed as of the end of the FY 2024/25. A total of thirty-seven (37) officers from different cadres have benefitted from the Scheme as shown below.

1	*Controller of Budget	1	-	Since the operationalisation of the Scheme, the Committee has approved loans amounting to Kshs. <b>380,135,195</b> , for forty-four (44) staff, however funds for thirty-seven (37) staff had been disbursed as of 30 <sup>th</sup> June, 2025.
2	Deputy Controller of Budget	1	1	
3	Directors	3	-	
4	Chief Managers	9	4	
5	Managers	13	5	
6-10	Technical & Support Staff	118	27	
	<b>Total</b>	<b>144</b>	<b>37</b>	

*\*Controller of Budget is a State Officer\**

HFC and KCB Bank Kenya Limited continuously carry out due diligence for all loan applications to minimize risks in property acquisition.

## **Income**

The Scheme earned revenues amounting to Kshs.16,429,767 from exchange transactions in the year under review compared to Kshs. 11,706,512 earned in FY 2023/24, translating to an increase of 40.4 % in interest performance.

## **Capital**

During the year under review, the Scheme did not receive additional transfer from the exchequer due to government austerity measures and budget rationalisation. The cumulative exchequer receipts to the scheme as of 30<sup>th</sup> June, 2025 is **Kshs. 420,269,962**. The Scheme did not receive any Exchequer funding in FY 2024/25.

In addition, **Kshs. 31,246,299** earned as interest income has been capitalised and credited to the mortgage account since inception.

## **Expenditures**

### **i) Taxes**

#### **Withholding Income Tax**

The Scheme Managers withheld tax on interest of Kshs. 1,459,304 charged at the prevailing tax rate of 15% on total interest income earned, compared to Kshs. 838,637 withheld and paid during the previous year-FY 2023/24 representing an increase of 74% on tax withheld and paid to the Kenya Revenue Authority (KRA).

#### **Fringe Benefit Tax (FBT)**

Fringe Benefit Tax (FBT) was introduced under Section 12B of the Income Tax Act. It is payable by employers in respect of loan provided to employees at an interest rate lower than the market interest rate. The Office paid FBT of Kshs. **5,946,343** during the period under review FY 2024/25 as compared to **Kshs. 5,339,161** for the FY 2023/24. The FBT for the FY 2023/24 was paid from OCoB recurrent bank account while for the period under review was paid from OCoB Mortgage Bank Account held at KCB Bank Limited.

**ii) Administration Fees**

The Contract Agreement No. 13/2018-2019 between HFC ltd and OCoB, and Contract number IP/A No. 37/250-5100 between KCB Bank Ltd and OCoB for the provision of mortgage administration services provides that interest on Mortgage Loans is at 3% per annum on a reducing balance basis, all paid to Housing Finance Corporation (HFC) and KCB Bank Ltd as administration fees. During the period under review, Kshs. 6,701,075 was earned as interest from issued mortgage loans and expensed as administration fees as per the terms of the contract as compared to Kshs. 6,115,600 in the FY 2023/2024 translating to 9.6 % increase. This rise was necessitated by increase in the number of staffs who accessed the mortgage loans during the FY 2024/25.

Signed: \_\_\_\_\_



**Scheme Administrator**

**CPA Pamela Okatch**

**ICPAK Member: 7884**

**7. Statement of Performance against Pre-determined Objectives**

Section 81 (2) (f) of the Public Finance Management Act, 2012, requires the Accounting Officer to include a statement of the National Government Fund's performance against predetermined objectives in the Financial Statements.

The OCoB Staff Mortgage Scheme has one strategic pillar/ theme and objectives within the current Strategic Plan. This strategic pillars/ themes/ issue is as follows:

- **Pillar/Theme: To attract and retain productive and motivated human resource**

The OCoB Staff Mortgage Scheme develops its Annual Work Plans based on the above Pillar/Theme/Issue. Assessment of the Committee's performance against its Annual Work Plan. The OCoB Staff Mortgage Scheme achieved its performance targets set for the FY 2024/2025 period for its one strategic pillar, as indicated in the diagram below:

Control and Management of Public Finance.	To attract and retain productive and motivated human resource.	Increased number of staffs accessing the loan facility.	Number of staffs who accessed the mortgage loans and percentage of staff retained in OCoB.	The cumulative number of staffs whose mortgage loan applications were approved stood at Forty-Four (44) as of FY 2024/2025, leading to a motivated workforce and retention of staff.
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The key strategic objectives are contained in the OCoB 2023-2027 Strategic Plan. However, to comply with the Salaries and Remuneration Commission (SRC) guidelines, Circular Ref. No: SRC/ADM/CIR/1/13 Vol. III (128) dated December 17, 2014, that initialised the establishment of

the Scheme, the OCoB 2023-2027 Strategic Plan incorporated the following as one of its strategic objectives.

- **To attract and retain productive and motivated human resource**

To realize this strategic objective, the OCoB Mortgage Scheme relied on its strategic objectives to guide activities, policy formulation and work plans.

## **8. Corporate Governance Statement**

### **a. Introduction**

The OCoB Mortgage and Car Loan Scheme is a revolving fund established in accordance with the Salaries and Remuneration Commission (SRC) Circular Number SRC/ADM/CIR/1/13 Vol. III (128) dated December 17, 2014, and Section 24 (4)(5)(6)(7) of the Public Finance Management (PFM) Act 2012 and Regulation 127 (1)(2) of the PFM (National Government) Regulations, 2015, with the sole mandate of providing housing mortgages and car loans to OCoB staff members. The Scheme is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. A formal governance structure with the Committee at its apex is essential to establishing a corporate governance framework for the Fund. The operations of the Fund are governed by OCoB Staff Mortgage and Car Loan Scheme Guidelines, 2018 and PFM Act, 2012, PFM (National Government) Regulations, 2015 SRC Circulars, National Treasury Circulars and any other relevant government legislations.

### **b. Process of Appointment and Removal of Committee Members**

Clause 6 & 8 of the OCoB Staff Mortgage Guidelines of 2018, provides for the appointment of a Committee and Administrator of the Scheme. The Committee is made up of Eleven (11) Members, including the Chairperson and a Secretary and it is responsible for the long-term strategic direction of the Fund. The Committee exercises leadership, enterprise, integrity and judgment transacting the business of the Scheme

### **c. Roles and Functions of the Administration Committee Members**

The function of the Committee includes: receiving and processing applications for loans following the existing terms and conditions of borrowing; liaising with the service provider (financial institution) to set up the revolving Fund for disbursement of loans; forwarding the successful applications with recommendations to the Controller of Budget for approval before delivering to the financial institution; considering and recommending approval of the Financial Statements; and such other lawful duty as may be assigned by the Controller of Budget.

**d. Number of Scheme Administration Committee Meetings held and the Attendance at those Meetings by Members**

The Committee meets monthly or as required to monitor the implementation of the Scheme. During the year under review, the Committee met seven times (7) times on diverse dates as shown on the table below:

**Table 1: Scheme Administration Committee Membership and Attendance**

1	5 <sup>th</sup> July, 2024	9/11	82%
2	24, July, 2024	8/11	73%
3	21 <sup>st</sup> , August, 2024	6/11	55%
4	22 <sup>nd</sup> , January, 2025	8/11	73%
5	12 <sup>th</sup> March, 2025	8/11	73%
6	3 <sup>rd</sup> , June, 2025	6/11	55%
7	19 <sup>th</sup> June, 2025	7/11	64%

**e. Existence of a Service Charter**

The Committee developed a conduct of business document to provide a framework for the operations of the Committee. The framework provides for the quorum of meetings, schedule of meetings and provision for special sessions, conflict of interest, creating a sub-committee to deal with audit and compliance issues, confidentiality and proper records management.

**f. Conflict of Interest**

The framework provides guidelines on dealing with conflict of interest. The Committee maintains a register on the declaration of conflict of interest, which is signed at the beginning of each meeting.

**g. Committee Remuneration**

The Committee Members have not earned any remuneration since the inception of the OCoB Staff Mortgage Scheme, however, they continue to discharge their duties diligently on *pro bono* basis.

**h. Ethics, Conduct and Governance Audit**

**(i) Internal Control**

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

**(ii) Management Team**

The management team headed by the Chair of the Mortgage Committee and the Fund Administrator implements the Committee decisions and policies through action plans. The team regularly reviews these action plans to ensure that the Committee's objectives are effective and efficient.

**(iii) Audit**

The Auditor General is responsible for the statutory audit of the Office of the Controller of Budget Staff Mortgage and Car Loan Scheme in accordance with the provisions of Art. 226 (3) and Art.229 (4) (b) of the Constitution of Kenya, 2010, Section 24 (10) (b) and Section 84 (3) of the PFM Act, 2012 and Section 35 of the Public Audit Act, 2015.

The audit issues raised in the previous FY 2023/2024 were resolved, and the Scheme Financial Statements were reported to present fairly in all material aspects the true financial position of the Scheme. The auditors of the Scheme issued an **Unqualified Audit Opinion**.

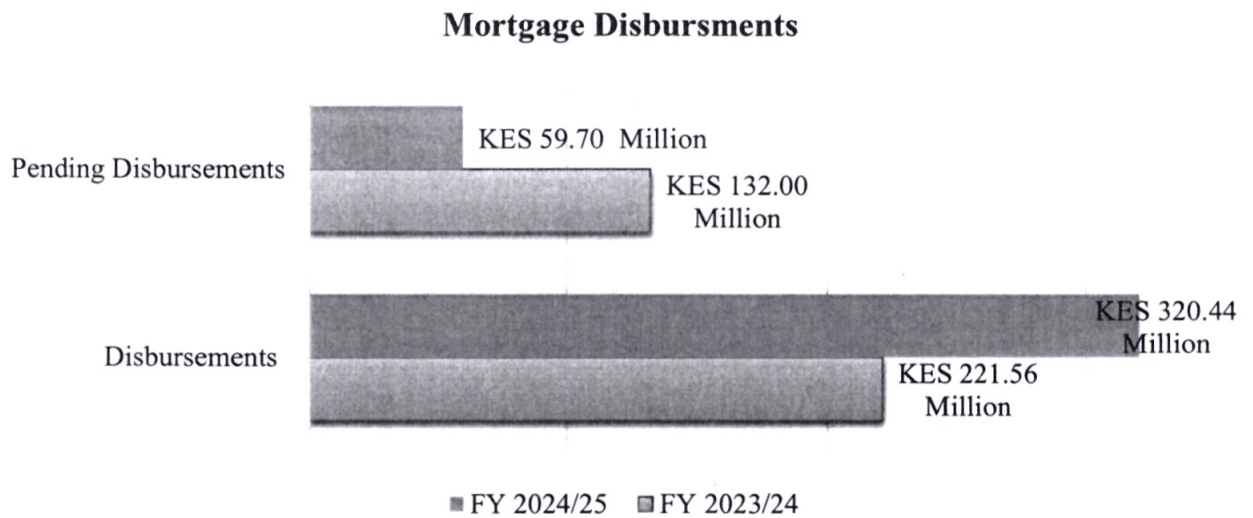
**(iv) Statement of Compliance**

The Committee confirms that the Scheme has, throughout the FY 2024/2025, complied with all statutory and regulatory requirements and has been managed under the principles of good corporate governance. Further, the fund complied with the values and principles of public service.

**9. Management Discussion and Analysis**

**a. The Operational and Financial Performance of the Scheme during the Period**

During the FY 2024/25, the Scheme maintained an interest rate of 3% as the cost of borrowing as guided by the SRC Circular. The cumulative number of loan applicants increased from thirty-seven (37) in FY 2023/24 to forty-four (44) in FY 2024/25, with cumulative disbursements increasing from Kshs. 221,560,206 to Kshs. 320,435,195. Loan application in the process of conveyancing were Kshs.132,000,000, and Kshs. 59,700,000 in FY 2023/24 and 2024/25 respectively.



The performance of the Mortgage Scheme as of 30<sup>th</sup> June 2025 is analysed in the table below:

**Table 2: Performance of the Mortgage Scheme**

1	Exchequer Receipts	Kshs. -	Kshs. 420,269,962	There was no exchequer receipt during the FY 2024/25 due to massive budget cuts informed by the austerity measures pronounced by the National Treasury
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*Office of the Controller of Budget Staff Mortgage and Car loan Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2025*

2	Interest Income- Earned from High Interest Account and bank balances from HFC & KCB	Kshs. 9,728,692	Kshs. 5,590,911	The interest income increased by Kshs.4,137,781 due to changes in interest rates.
13	Interest Income from loans utilized as Administration fees by the Fund Managers	Kshs. 6,701,075	Kshs.6,115,600	The interest income earned from the loan disbursed increased by Kshs 585,475 due to a rise in loan uptake. The interest was utilized as administration fees by the fund manager as per the contract terms.
4	Number of loan applications approved	44	37	During the year, the Committee approved all loan applications received
5	Cumulative amount of loan disbursed to date	Kshs.320,435,195	Kshs.221,560,206	The loan disbursed increased by Kshs.98,874,989, however, there were approved loan applications undergoing appraisal by KCB bank of Kshs. 59,700,000 of which funds have not been disbursed as of 30 <sup>th</sup> June, 2025.
6	Loan absorption rate as a percentage of exchequer receipts/income	76.25%	52.7%	There was an increase of 23.55% in loan absorption as compared to the cumulative total exchequer received.

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7	Principal loan recoveries	Kshs. 17,216,297	Kshs. 16,085,232	The principal loan recovery for FY 2024/25 increased by Kshs 1,131,065 in comparison to FY 2023/24 due to an increase in loan uptake.
8	Number of Loan applications approved but funds not disbursed	7	14	As at the end of the reporting period, loan applications for seven (7) officers were approved by the Mortgage Committee and forwarded to the Fund Managers for conveyancing processes as compared to fourteen (14) in the last FY 2023/24
9	Interest Rate	3%	3%	The interest rate remained at 3% per annum on reducing balance as per the SRC Circular during the reporting period.
10	Scheme Bank Balance (Unutilized Funds)	HFC Kshs. 416,530 KCB Mortgage Kshs. 104,336,077 KCB Car Loan Kshs.4,579,339	HFC- Kshs.227,879,302 KCB Mortgage Kshs. 20,000,000 KCB Car Loan Kshs. 4,579,339	There was a decrease in scheme funds balance during the period due to loan disbursements.
11	Amount of Funds transferred from HFC to KCB Bank Ltd	Kshs.100,000,000.00 and Kshs.141,631,690.00		The Funds were transferred on 11 <sup>th</sup> October, 2024 (Kshs.100M) and 14 <sup>th</sup> April, 2025 (Kshs.141.6M).

12	Loan Book Balance (Scheme Back-up Account)	Kshs.185,318,972	Kshs. 196,744,574	The loan book balance decreased by Kshs 11,425,602 in the reporting period representing a 5.8% decrease.
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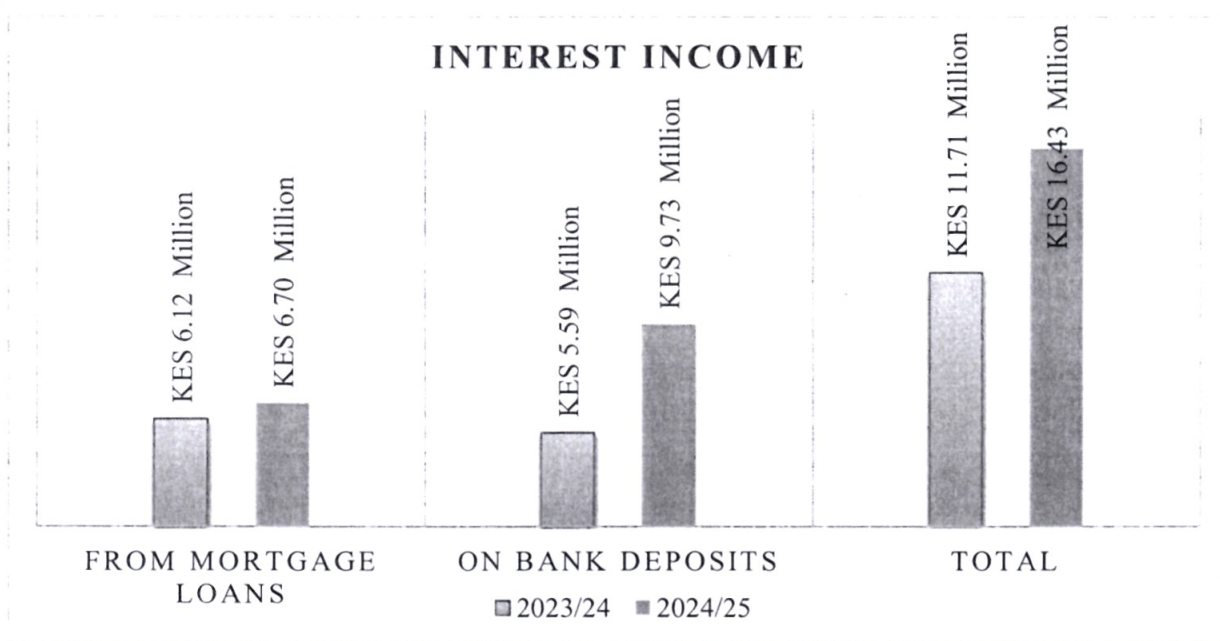
The status of the OCoB staff mortgage loan uptake as of 30<sup>th</sup> June 2025, is analysed in the table below.

**Table 3: Status of cumulative mortgage uptake as of 30<sup>th</sup> June, 2025 was as follows;**

1	OCoB HFC Mortgage and Car Loan Scheme.	25	-	229,868,500
2	OCoB KCB Mortgage and Car Loan Scheme	12	-	90,566,695
3	OCoB KCB Mortgage and Car Loan Scheme		7	59,700,000
	<b>Total</b>	<b>37</b>	<b>7</b>	<b>380,135,195</b>

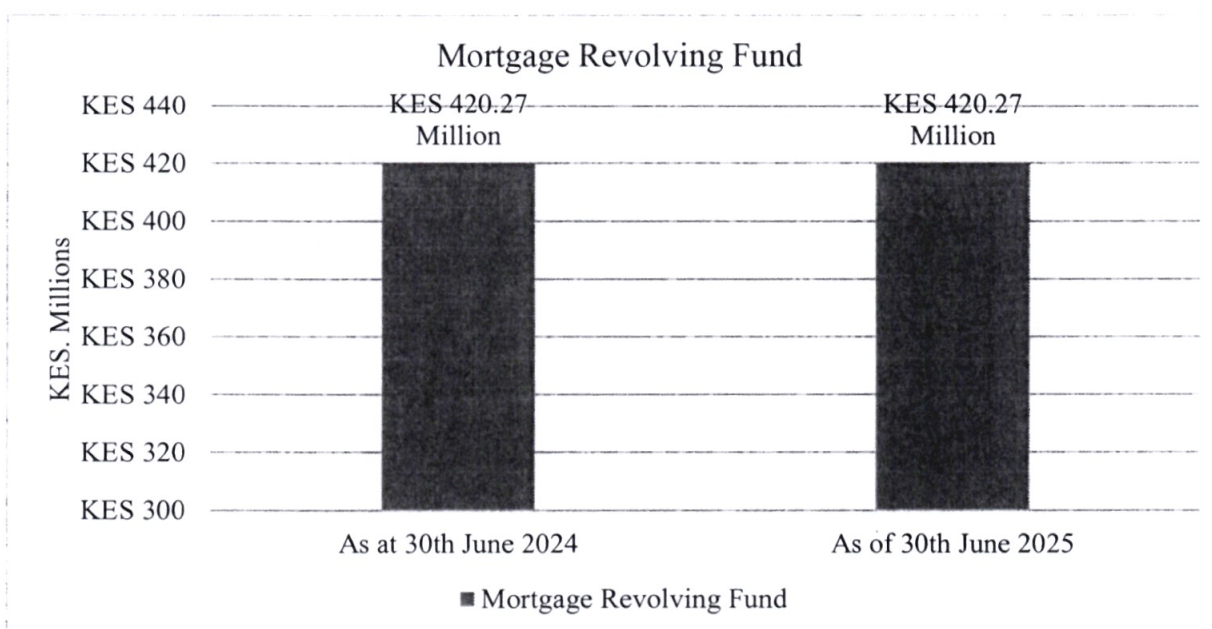
**Interest Income**

During the FY 2024/25, there was an increase of 40.4% in interest income earned. The Scheme earned interest income of Kshs.16,429,767 for the period under review from exchange transactions compared to Kshs. 11,706,512 earned in FY 2023/24 due to an increase in loan repayment. Interest income from mortgage loans increased from Kshs. 6.12 Million in the FY 2023/24 to Kshs 6.70 Million in the FY 2024/25, while Interest income from bank deposits increased from Kshs. 5.59 Million to Kshs. 9.72 Million. Interest rates on bank deposits averaged 7.8% from KCB bank and 2.5% from HFC in FY 2024/25. The interest performance during the period is as shown below;



### Capital Funds

The OCoB Staff Mortgage and Car Loan Scheme did not receive additional transfers from the National Treasury Exchequer. The total sum of Kshs. 420,269,962 is the exchequer receipts to the fund since inception. Overall capital injection in the form of exchequer transfers to the fund dropped by 100% in FY 2024/25 compared to 46% in FY 2023/24 due to the National Government budget austerity measures for budget rationalisation in FY 2024/25 budget fiscal consolidation.

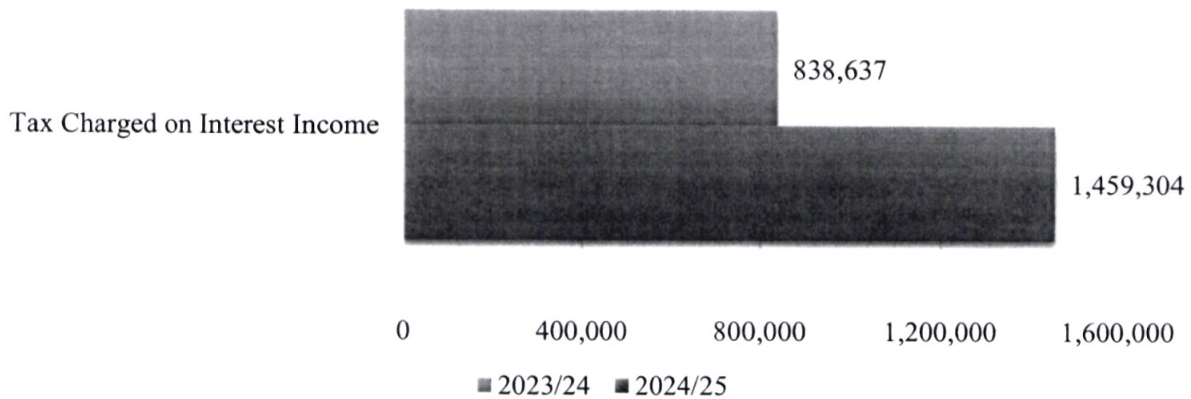


**Expenditures**

**iii) Taxes**

The Fund Managers withheld and paid tax on interest of Kshs 1,459,304 charged at the statutory tax rate of 15% on total interest income earned of Kshs. 9,728,691 during the FY 2024/25 compared to Kshs.838,637 withheld and paid on interest income of Kshs. 5,590,911 during the previous FY 2023/24 representing an increase of 74% on tax charged and paid to the KRA.

**Tax Charged on Interest Income (KES)**



**Fringe Benefits Tax (FBT)**

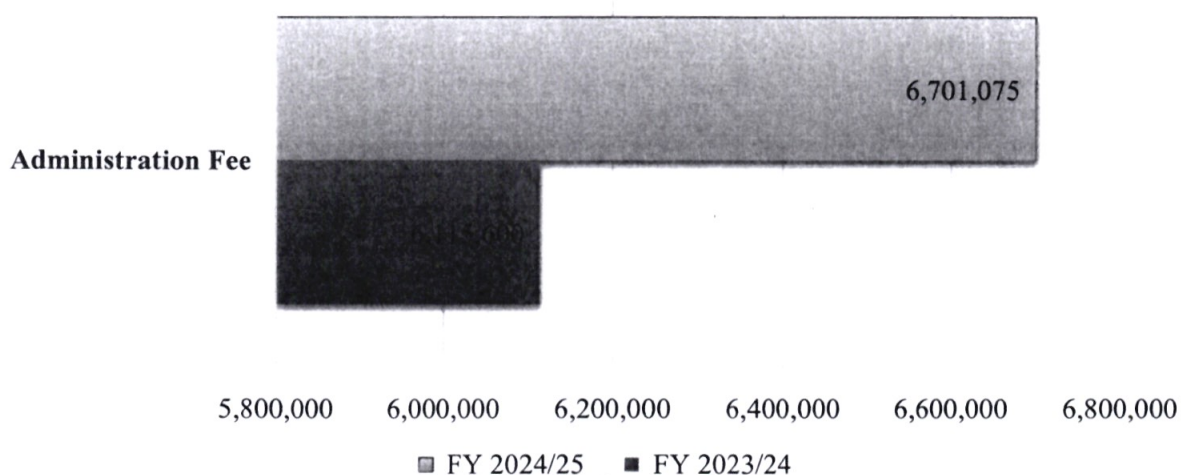
Section 12B of the Income Tax Act provides for Fringe Benefit Tax (FBT). FBT is payable by employers in respect of loans provided to employees at an interest rate lower than the market interest rate.

The OCoB operationalized the Staff Mortgage Scheme in FY 2020/21 to support employees in acquiring residential properties. The scheme has maintained granting mortgage to the staff at an interest rate of 3% p.a as per Salaries and Remuneration Commission (SRC) circular Ref: SRC/ADM/CIR/1/13 Vol. III (128) dated 17<sup>th</sup> December 2014 as the cost of borrowing against the prescribed market interest rates published and issued by the Kenya Revenue Authority (KRA) from time to time through a public notice. The commissioner prescribed market interest rate for FBT averaged 8%-15% during the period under review. The office paid FBT of Kshs. 5,956,343 through OCoB Mortgage Bank Account held with KCB Bank Ltd during the reporting period.

**Administration Fees**

The Contract Agreement No. 13/2018-2019 on the provision of mortgage administration services provides that interest on mortgage loans is at 3% per annum on a reducing balance basis, all paid to Housing Finance (HF) Ltd and KCB Bank Ltd as administration fees. During the period under review, Kshs. 6,715,515 was earned as interest from the issued mortgage and expensed as administration fees as per the terms of the contract compared to Kshs. 6,115,600 in the FY 2023/2024 translating to an increase of 10.7%. This rise can be attributed to the increase in the number of staffs who accessed the mortgage during the FY 2024/25.

**Administration Fee (KES)**



**b. Fund's compliance with Statutory requirements,**

The Committee confirms that the Fund has, throughout the FY 2024/2025, complied with all statutory and regulatory requirements and has been managed under the principles of good corporate governance.

**c. Other relevant information to the users of the Financial Statements**

Changes in Government Policies may lead to changes in the Mortgage guidelines, which may affect the current scheme operations, e.g. the low interest rates and an extended repayment period.

## **10. Environmental and Sustainability Reporting**

Corporate Social Responsibility (CSR) is an integral part of OCoB culture. As a responsible organisation, we respect the interests of our stakeholders – our employees, customers, suppliers and the wider community. We actively seek opportunities to improve the environment and contribute to the well-being of our communities.

During the Financial Year 2024/25, the Scheme did not carry out any CSR activities. However, the Committee is looking forward to getting involved in CSR activities in FY 2025/26.

## **11. Report of the Scheme Administration Committee**

The Scheme Administration Committee submits the report together with the Financial Statements for the Year Ended June 30, 2025, which show the state of the Scheme affairs.

### **Principal Activities**

The principal activity of the Scheme is to provide financing to the members of OCoB staff to purchase, develop or renovate a residential property and car purchase.

### **Performance**

The performance of the Scheme for the Year Ended June 30<sup>th</sup>, 2025, is as set out on pages xxi to xxxix for non-financial performance and 1 to 32 for financial performance.

### **Committee**

The Members of the Committee who served during the year are as shown on pages vi.

### **Auditors**

The Auditor-General is responsible for the statutory audit of the Scheme in accordance with Article 229 of the Constitution of Kenya, 2010 and the Public Audit Act 2015.

By Order of the Committee



**Chairperson of the Scheme Committee**

**CPA Jacinta Masila**

**ICPAK Member: 3240**

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

Section 84 (1) of the Public Finance Management Act, 2012, requires the Administrator of a Fund established by the Salaries and Remuneration Commission (SRC) Circular Number SRC/ADM/CIR/1/13 Vol. III (128) dated December 17, 2014, and Section 24 (4)(5)(6)(7) of the Public Finance Management (PFM) Act, 2012 and Regulation 127 (1)(2) of the PFM (National Government) Regulations, 2015 to prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's Financial Statements, which give a true and fair view of the state of affairs of the Fund for the Financial Year ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Fund; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012, the Salaries and Remuneration Commission (SRC) circular number SRC/ADM/CIR/1/13 Vol. III (128) dated December 17, 2014, and Section 24 (4)(5)(6)(7) of the Public Finance Management (PFM) Act 2012 and regulation 127 (1)(2) of the PFM (National Government) Regulations, 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended June 30, 2025, and of the Fund's financial position as of that date.

The Administrator further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in preparing the Fund's financial statements and the adequacy of the systems of internal financial control.

*Office of the Controller of Budget Staff Mortgage and Car loan Scheme  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2025*

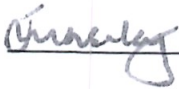
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In preparing the Financial Statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern.

Nothing has come to the Administrator's attention to indicate that the Fund will not remain a going concern for at least the next Twelve Months from the date of these Statements

**Approval of the Financial Statements**

The Scheme's Financial Statements were approved by the Committee on 27<sup>th</sup> of August, 2025 and signed on its behalf by:



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**CPA Jacinta Masila**  
**ICPAK M/No. 3240**  
**Scheme Committee Chairperson**



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**CPA Pamela Okatch**  
**ICPAK M/No. 7884**  
**Scheme Administrator**

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## **REPORT OF THE AUDITOR-GENERAL ON OFFICE OF THE CONTROLLER OF BUDGET STAFF MORTGAGE AND CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2025**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Office of The Controller of Budget Staff Mortgage and Car Loan Scheme Fund set out on pages 1 to 31, which

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*Report of the Auditor-General on Office of the Controller of Budget Staff Mortgage and Car Loan Scheme Fund for the year ended 30 June, 2025*

comprise of the statement of financial position as at 30 June, 2025, and the statement of statement of financial performance, statement of changes in 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 Office of The Controller of Budget Staff Car and Mortgage Scheme Fund 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.

### **Basis for Opinion**

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

### **Unresolved Prior Year Matter**

In the audit report of the previous year, one issue was raised under Report on Lawfulness and Effectiveness in use of Public Resources. However, Management had not resolved the issue as at 30 June, 2025.

### **Other Information**

Management is responsible for the other information set out on page iii to xxxix which comprise Key Scheme Information and Management, Fund Administration Committee, Scheme Management Team, Chairman's Report, Report of the Administrator, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and Report of the Scheme Administration Committee. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Controller of Budget Staff Mortgage and Car Loan Scheme Fund 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 and I am required to report that fact. Based on the audit procedures performed, I confirm that other information is not materially inconsistent with the financial statements.

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

## **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**




**28 November, 2025**

**14. Statement of Financial Performance for the year ended 30<sup>th</sup> June, 2025**

<b>Revenue from Exchange Transactions</b>			
Interest Income	7	16,429,767	11,706,512
<b>Total Revenue</b>		<b>16,429,767</b>	<b>11,706,512</b>
<b>Expenses</b>			
Use of Goods and Services	8	(6,702,800)	(6,116,175)
<b>Total Expenses</b>		<b>(6,702,800)</b>	<b>(6,116,175)</b>
<b>Surplus/(Deficit) Before Tax</b>		<b>9,726,967</b>	<b>5,590,336</b>
<b>Taxation</b>	9	(7,413,921)	(838,637)
<b>Surplus/(Deficit) After Tax</b>		<b>2,313,046</b>	<b>4,751,699</b>

*(The notes on pages 6 to 31 form an integral part of these Financial Statements).*

The Scheme's Financial Statements were approved on 27<sup>th</sup> of August, 2025 and signed by:


		
CPA Jacinta Masila	CPA Pamela Okatch	CPA Augustine Mburu
ICPAK M/No:3240	ICPAK M/No. 7884	ICPAK M/No:10823
Scheme Committee Chairperson	Scheme Administrator	Fund Accountant

**15. Statement of Financial Position as at 30<sup>th</sup> June, 2025**

<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	10	175,971,559	252,458,641
Receivables from Exchange Transactions	11	25,946,756	19,836,175
<b>Total Current Assets</b>		<b>201,918,315</b>	<b>272,294,816</b>
<b>Non-Current Assets</b>			
Receivables from Exchange Transactions	11	249,597,946	176,908,399
<b>Total Non-Current Assets</b>		<b>249,597,946</b>	<b>176,908,399</b>
<b>Total Assets(A)</b>		<b>451,516,261</b>	<b>449,203,215</b>
<b>Liabilities</b>			
<b>Total Liabilities(B)</b>		-	-
<b>Net Assets(A-B)</b>		<b>451,516,261</b>	<b>449,203,215</b>
<b>Represented By:</b>			
Car Loan Revolving Fund		4,579,339	4,579,339
Mortgage Revolving Fund		415,690,623	415,690,623
Accumulated Surplus ( <i>Reserves</i> )		31,246,299	28,933,253
<b>Net Assets</b>		<b>451,516,261</b>	<b>449,203,215</b>

The Accounting Policies and Explanatory Notes to the Financial Statements form an integral part of the Financial Statements.

The Scheme's Financial Statements were approved on 27<sup>th</sup> August, 2025 and signed by:

  
.....

**CPA Jacinta Masila**

**ICPAK M/No:3240**


**Scheme Committee Chairperson**

  
.....

**CPA Pamela Okatch**

**ICPAK M/No. 7884**

**Scheme Administrator**

  
.....

**CPA Augustine Mburu**

**ICPAK M/No:10823**

**Fund Accountant**

**16. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June, 2025**

<b>Balance as at 1<sup>st</sup> July, 2023</b>	<b>395,690,623</b>		<b>24,181,554</b>	<b>419,872,177</b>
Surplus/(deficit) for the period			4,751,699	4,751,699
Funds received during the year	20,000,000	4,579,339		<b>24,579,339</b>
<b>As at 30<sup>th</sup> June, 2024</b>	<b>415,690,623</b>	<b>4,579,339</b>	<b>28,933,253</b>	<b>449,203,215</b>
<b>Balance as at 1<sup>st</sup> July, 2024</b>	<b>415,690,623</b>	<b>4,579,339</b>	<b>28,933,253</b>	<b>449,203,215</b>
Surplus/(deficit) for the period			2,313,046	2,313,046
Funds received during the year	-	-	-	-
<b>As at 30<sup>th</sup> June, 2025</b>	<b>415,690,623</b>	<b>4,579,339</b>	<b>31,246,299</b>	<b>451,516,261</b>

**17. Statement of Cash Flows for the year ended 30<sup>th</sup> June, 2025**

<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Interest Received		16,429,767	11,620,131
Other Income			
Decrease/Increase in Interest Receivable			1,156,195
<b>Total Receipts</b>		<b>16,429,767</b>	<b>12,776,326</b>
<b>Payments</b>			
Use of Goods and Services		(6,702,800)	(6,029,795)
Finance Cost			(1,300)
Withholding Tax		(1,459,304)	(838,637)
Fringe Benefit Tax		(5,954,617)	
<b>Total Payments</b>		<b>(14,116,721)</b>	<b>(6,867,131)</b>
<b>Net Cash Flows from Operating Activities</b>	12	<b>2,313,046</b>	<b>5,909,195</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from principal loan repayments		17,216,297	16,085,232
Loan disbursements paid out		(96,016,425)	(18,095,636)
<b>Net Cash Flows used in Investing Activities</b>		<b>(78,800,128)</b>	<b>(2,010,404)</b>
<b>Cash Flows from Financing Activities</b>			
Receipts into the Mortgage and Revolving Fund		-	70,269,962
Loan Disbursements Outstanding		-	-
<b>Net Cash Flows used in Financing Activities</b>		<b>-</b>	<b>70,269,962</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>			
Cash and Cash Equivalents at 1 <sup>st</sup> July	10	252,458,641	178,289,889
<b>Cash and Cash Equivalents at June 30<sup>th</sup></b>	10	<b>175,971,559</b>	<b>252,458,641</b>



**18. Statement of Comparison of Budget and Actual Amounts for the year ended 30<sup>th</sup> June, 2025**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
<b>Revenue</b>						
Transfers from OCoB	-	-	-	-	-	-
Interest income	13,696,150		13,696,150	16,429,767	(2,733,617)	120
<b>Total Revenue</b>	<b>13,696,150</b>	<b>-</b>	<b>13,696,150</b>	<b>16,429,767</b>	<b>(2,733,617)</b>	
<b>Expenses</b>						
Use of goods and services	6,727,160	-	6,727,160	6,702,800	24,360	101
<b>Total recurrent Expenses</b>	<b>6,727,160</b>	<b>-</b>	<b>6,727,160</b>	<b>6,702,800</b>	<b>24,360</b>	
<b>Surplus /(Deficit) for the period before tax</b>	<b>6,968,990</b>	<b>-</b>	<b>6,968,990</b>	<b>9,726,967</b>	<b>(2,757,977)</b>	140
Taxation	6,778,805		6,778,805	7,413,921	(635,116)	109
<b>Surplus /(Deficit) for the period after tax</b>	<b>190,185</b>		<b>190,185</b>	<b>2,313,046</b>	<b>(2,122,861)</b>	1216
<b>Capital Expenditure</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

The budget and actual on a comparison basis do not tie to the statement of financial performance totals due to differences in accounting basis. The Statement of Financial Performance is presented under IPSAS-Accrual Basis, thus showing the interest earned by the Scheme of Kshs. 16,429,767, whereas the Statement of Budget Comparison is presented under IPSAS-Cash basis shows a final budget of Kshs. Nil. The OCoB Mortgage and Car Loan Scheme was not allocated any budget in FY 2024/25 due to the Government austerity measures. Further, the statement of financial performance and statement of comparison of budget shows Kshs. 2,313,046 and Kshs. 190,185 respectively, as surplus to the Scheme because of the difference in accounting methods as explained above

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

### **1. General Information**

The Office of the Controller of Budget Staff Mortgage and Car loan Scheme is established by and derives its authority and accountability from the Salaries and Remuneration Commission (SRC) circular number SRC/ADM/CIR/1/13 Vol. III (128) dated December 17 2014, and Section 24 (4)(5)(6)(7) of the Public Finance Management (PFM) Act 2012 and Regulation 127 (1)(2) of the PFM (National Government) Regulations, 2015. 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 to OCoB staff members.

### **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. Preparing financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in applying the Fund's accounting policies. The OCoB did not have areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements.

The Financial Statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Scheme.

The Financial Statements have been prepared in accordance with the PFM Act, 2012 and International Public Sector Accounting Standards (IPSAS) Accrual Basis. 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 June 30 2025*

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

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

<p>IPSAS 43: Leases</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></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. <i>(There was no impact of the standard on the current financial report of the Scheme)</i></p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></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. <i>(There was no impact of the standard on the current financial report of the Scheme)</i></p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></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</p>

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	<p>assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. <i>(There was no impact of the standard on the current financial report of the Scheme)</i></p>
<p>IPSAS 46: Measurement</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b> 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. <i>(There was no impact of the standard on the current financial report of the Scheme)</i></p>
<p>IPSAS 47: Revenue</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b> 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. <i>(There was no impact of the standard on the current financial report of the Scheme)</i></p>
<p>IPSAS 48: Transfer Expenses</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b> 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. <i>(There was no impact of the standard on the current financial report of the Scheme)</i></p>

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<p>IPSAS 49: Retirement Benefit Plans</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b> 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. <i>(There was no impact of the standard on the current financial report of the Scheme)</i></p>
<p>IPSAS 50: Exploration For &amp; Evaluation of Mineral Resources</p>	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul> <p><i>(There was no impact of the standard on the current financial report of the Scheme)</i></p>

**Notes to the Financial Statements (Continued)**

- iii. New and amended standards and interpretations in issue not yet effective in the year ended June 30 2024.**

<p>IPSAS 43</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right-of-use assets and lease liabilities.</p> <p><i>(There was no impact of the Standard on the current financial report of the Scheme)</i></p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale are to be presented separately in the statement of financial position and the results of discontinued operations are to be presented separately in the statement of financial performance.</p> <p><i>(There was no impact of the Standard on the current financial report of the Scheme)</i></p>

***(iii) Early adoption of standards***

The OCoB Mortgage and Car Loan Scheme did not early – adopt any new or amended standards in the financial year 2024/2025.

**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 have 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.

**b. Budget Information**

The original budget for the OCoB for FY 2024/25 was Kshs. 740,219,080. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Scheme upon receiving the respective approvals in order to conclude the final budget. The final approved budget was Kshs. 634,251,897, of which the Mortgage and Car loan Scheme did not receive additional appropriations during the year under review.

During the FY 2023/24, budget allocation to Mortgage and Car Loan Scheme was Kshs. 50,000,000 of which Kshs. 20,081,500 was cut as part of the government budget rationalisation, whereas Kshs. 24,579,339 was received in the scheme account on 30<sup>th</sup> June 2024 and Kshs. 5,339,161, paid to the Commissioner of Income Tax as Fringe Benefit Tax.

The Scheme's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. 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 comparison of budget and actual amounts as per the statement of financial performance has been presented under section 8 of these financial statements.

**c. 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 exchange date. Following initial recognition, intangible assets are carried at a cost less than accumulated amortization and 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.

**d. 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 OCoB does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the OCoB's financial statements.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the 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.

**D) 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 an irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the 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 Scheme assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments are made by management in determining the expected credit loss (ECL). There were no indication or evidence of impairment of financial assets during the period under review.

**II) Financial liabilities**

**Classification**

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

**e. 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. The scheme did not have any contingent liabilities during the reporting period.

**f. 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. Suppose 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. The scheme did not have any contingent asset during the reporting period.

**g. Nature and Purpose of Reserves**

The Scheme creates and maintains reserves in terms of specific requirements. No Scheme reserves were maintained during the period under review.

**h. 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.

**i. Foreign Currency Transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise. The Scheme did not have any foreign exchange currency transactions as it is denominated and operated in Kenya Shillings (Local Currency)

**j. Related Parties**

The Scheme regards a related party as a person or entity with the ability to exert control individually or jointly or to exercise significant influence over the Scheme, or vice versa. Key Management members are regarded as related parties and comprise the Directors/ Trustee, the Scheme Managers, and Scheme Accountant.

**k. 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 an insignificant risk of changes in value.

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Bank account balances include amounts held at the Housing Finance Corporation of Kenya Ltd and Kenya Commercial Bank Limited.

**l. Comparative Figures**

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

**m. Events After the Reporting Period**

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

**n. Ultimate and Holding Fund**

The Fund is established under Section 24 (4) PFM Act and it's under the sponsorship of the Office of the Controller of Budget which is an independent office. Its ultimate parent is the Government of Kenya.

**o. Currency**

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

**Significant Accounting Policies (Continued)**

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

Preparing the Fund's financial statements in conformity with IPSAS requires Management to make judgments, estimates and assumptions that affect the reported 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.

**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

The Scheme did not own any assets which would be subject to this assumption.

**Notes to the Financial Statements**

**6. (a) Transfers from the Office of the Controller of Budget**

Description	2024/25	2023/24
	Kshs.	Kshs.
Transfers	-	24,579,339
<b>Total</b>	<b>-</b>	<b>24,579,339</b>

The transfers refer to the additional capital sum received from the Exchequer to the Scheme account during the period. During the FY 2024/25 the Mortgage and Car Loan Scheme did not receive additional funding. In the FY 2023/24 Kshs.50,000,000 was budgeted and appropriated for the Scheme. However, Kshs. 24,579,339 was transferred to the Scheme account on 30<sup>th</sup> June, 2024, whereas Kshs. 5,339,161, was paid to the Commissioner of Income Tax as Fringe Benefit Tax from OCoB recurrent account and Kshs. 20,081,500 was cut as part of the budget government rationalization measures put in place in the FY 2023/24 to meet the fiscal deficit.

**6(b) Transfers from the Office of the Controller of Budget**

Office of the Controller of Budget (OCoB)	Amount recognised to Statement of Financial performance.	The amount recognised in the revolving fund.	Total FY 2024/25	Total FY2023/24
	Kshs	Kshs	Kshs	Kshs
Transfers from the OCoB	-	-	-	24,579,339
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,579,339</b>

**7. Interest income**

Description	2024/25	2023/24
	Kshs.	Kshs.
Interest Income from Mortgage Loans	6,701,075	6,115,600
Interest Income on Bank Deposits	9,728,692	5,590,911
<b>Total Interest Income</b>	<b>16,429,767</b>	<b>11,706,511</b>

The Interest Income of **Kshs.** 9,728,692 is the total interest earned by the Scheme bank balances that had not been issued to OCoB staff in HFC Bank Ltd and KCB Bank Ltd. In addition, the interest income of **Kshs.** 6,701,075 constitutes interest earned from the issued mortgage loan.

It refers to the total interest charged to loan beneficiaries at an approved interest rate of 3% per annum on a reducing balance basis, all earned and paid as administration costs to the scheme manager, the Housing Finance (HFC) Ltd and KCB Bank Ltd as per the existing contract agreement terms.

**7(a) Analysis of Interest income from Bank Deposits**

Description	2024/25	2023/24
	Kshs.	Kshs.
HFC	3,228,107	5,590,911
KCB	6,500,585	-
<b>Total</b>	<b>9,728,692</b>	<b>5,590,911</b>

**7(b) Analysis of Interest income from Mortgage loans**

Description	2024/25	2023/24
	Kshs.	Kshs.
HFC	5,772,487	6,115,600
KCB	928,588	-
<b>Total</b>	<b>6,701,075</b>	<b>6,115,600</b>

**8. Use of Goods and Services**

Description	2024/25	2023/24
	Kshs.	Kshs.
Administration Fees	6,701,075	4,207,063
Insurance Expenses		1,822,037
Ledger fees		86,500
Sub-Total	<b>6,701,075</b>	<b>6,115,600</b>
Bank charges	1,725	575
<b>Total</b>	<b>6,702,800</b>	<b>6,116,175</b>

The total use of goods and services comprises of **Kshs 6,702,800**, as administration fees which includes interest charged on loans, insurance fees, ledger fees deducted from the loan beneficiaries at an approved interest rate of 3% per annum on a reducing balance, all earned and paid as administration costs to the mortgage administrator, the Housing Finance (HF.) Ltd as per the existing contract agreement terms. Further, it includes RTGS cost of **Kshs.1,725**, for the transfer of funds from HFC Bank Ltd to KCB Bank Ltd during the FY 2024/25.

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**9. Taxation**

Tax Charged on Interest Income	1,459,304	838,637
Fringe Benefit tax	5,954,617	-
<b>Income Tax expense</b>	<b>7,413,921</b>	<b>838,637</b>

**9(b) Analysis of Tax charged on income-HFC Ltd**

Date	Period	Amount (Kshs)
9/30/2024	Jul-Sept-2024	216,038
31/12/2024	Oct-Dec-2024	124,037
29/03/2025	Jan-Mar-2025	125,132
30/06/2025	Apr-Jun-2025	19,010
<b>Sub-Total</b>		<b>484,216</b>

**9(c) Analysis of Tax charged on income-KCB Ltd**

Date	Period	Amount (Kshs)
9/30/2024	Jul-Sept-2024	36,211
31/12/2024	Oct-Dec-2024	270,409
29/03/2025	Jan-Mar-2025	234,941
30/06/2025	Apr-Jun-2025	433,527
<b>Sub-Total</b>		<b>975,088</b>
<b>Total</b>		<b>1,459,304</b>

**9(d) Analysis of fringe benefit tax**

Date	Period	Amount (Kshs)
20/05/2025	Jul-24-Mar- 2025	4,823,294
30/06/2025	Apr-25-Jun-2025	1,131,323
<b>TOTAL</b>		<b>5,954,617</b>

**10. Cash and Cash Equivalents**

OCoB Fixed Deposit-High Interest Account (Free Fund Account)-HFC Ltd	416,530	227,879,302
OCoB Mortgage Account-KCB Bank Ltd	170,975,690	20,000,000
OCoB-Car Loan Account -KCB Bank Ltd	4,579,339	4,579,339
<b>Total Cash and Cash Equivalents</b>	<b>175,971,559</b>	<b>252,458,641</b>

**10. (a) Detailed analysis of the Cash and Cash Equivalents**

<b>Mortgage and Car Loan Fund</b>			
<b>Deposit Accounts</b>			
Housing Finance Company of Kenya Ltd -Free Fund Account - OCoB High-Interest Account	9289753401-0	416,530	227,879,302
<b>Sub-Total</b>		<b>416,530</b>	<b>227,879,302</b>
KCB Bank Ltd- OCoB-Mortgage Scheme Account	1327855623	170,975,690	20,000,000
<b>Sub-Total</b>		<b>170,975,690</b>	<b>20,000,000</b>
KCB Bank Ltd-OCOB-Car Loan Account	1328096629	4,579,339	4,579,339
<b>Sub- Total</b>		<b>4,579,339</b>	<b>4,579,339</b>
<b>Grand Total</b>		<b>175,971,559</b>	<b>252,458,641</b>

The cash and cash equivalent of Kshs. **175,971,559** reported as of 30<sup>th</sup> June 2025, is the total bank balance in the Free Fund (High Interest) Fixed Deposit Account with HFC ltd of Kshs. **416,530**, and Kshs. **4,579,339**, Car Loan Account with KCB Bank Ltd and Kshs. **170,975,690** Mortgage Scheme Account held with KCB Bank Kenya Limited. The balances are supported by Bank Balance Certificates as at 30<sup>th</sup> June 2025.

The average effective interest rate to the Free Fund (High Interest) Account is an annualized 91-day treasury bill rate minus 1%. The applied average actual percentage rates for Q1, Q2, Q3 and Q4 stood at 2.5% for HFC Bank deposits while KCB Bank Ltd applied a rate of 7.8% on unutilized funds.

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**11. Receivables from Exchange Transactions**

<b>Current Receivables</b>		
Interest Receivable	-	-
Current loan repayment due	25,946,756	19,836,175
<b>Total Current Receivables</b>	<b>25,946,756</b>	<b>19,836,175</b>
<b>Non-Current Receivables</b>		
Long-Term Loan Repayments Due	249,597,946	176,908,399
<b>Total Non-Current Receivables</b>	<b>249,597,946</b>	<b>176,908,399</b>
<b>Total Receivables</b>	<b>275,544,702</b>	<b>196,744,574</b>

Current loan repayment due **Kshs. 25,946,756**, include receivables of loan principal repayment of **Kshs. 5,247,759** and **Kshs. 1,130,064** from HFC Limited and KCB Bank Limited respectively as of 30<sup>th</sup> June, 2025.

Ageing analysis (receivable from exchange transactions)	2024/25	% of Total	2023/24	% of Total
Less than 1 year	275,544,702	100%	196,744,574	100%
Between 1-2 years				
Between 2-3 years				
Over 3 years				
<b>Total</b>				

**12. (a) Net Cash Flows from Operating Activities**

<b>Surplus/ (Deficit) for the year before tax</b>	<b>9,726,967</b>	<b>5,590,336</b>
<b>Adjusted for:</b>		
Income received		45,690,623
Income Receivable		
Interest income receivable		
Decrease in tax payable.		
Interest expense		
Tax paid	(7,413,921)	(838,637)
Finance costs		(1300)
Ledger fees and insurance paid		
<b>Sub-Total</b>	<b>2,313,046</b>	<b>50,443,622</b>

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<b>Working Capital Adjustments</b>		
Increase/decrease (-ve/+ve) interest receivables		(3,159,179)
Increase/decrease (+ve/-ve) in receivables		2,304,971
Increase in Income receivable (Non-exchange Transactions)		(45,690,623)
Increase in payables		2,010,404
<b>Sub-Total</b>	-	<b>44,534,428</b>
<b>Net Cash Flows from Operating Activities</b>	<b>2,313,046</b>	<b>5,909,195</b>

**Other Disclosures**

**13. Financial Risk Management**

The Fund's activities expose it to various financial risks, including credit and liquidity risks and the effects of changes in foreign currency. The Fund's overall risk management programme focuses on the unpredictability of changes in the business environment. It seeks to minimize 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 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 loanee will be unable to pay amounts in full as and when due. Credit risk arises from cash and cash equivalents, deposits with banks, trade and other receivables, and available-for-sale financial investments.

Management assesses each customer's credit quality, considering its financial position, experience and other factors. Individual risk limits are set based on internal or external assessments per the directors' limits. 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 Scheme beneficiaries are under the fully performing category and are paying their mortgage loans as per the mortgage loan agreements. The credit risk associated with these receivables is minimal and no allowance for uncollectible amounts have been recognized in the financial

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statements. The Scheme operates a check-off system and therefore, the loan disbursed is not exposed to the risk of non-payment.

<b>On June 30 2024</b>				
Receivables from Exchange Transactions-Car loans and mortgages	196,744,574	196,744,574	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	252,458,641	252,458,641	-	-
<b>Total</b>	<b>449,203,215</b>	<b>449,203,215</b>	-	-
	-	-	-	-
<b>On June 30 2025</b>				
Receivables from Exchange Transactions- Car loans and mortgages	275,544,702	275,544,702	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	175,971,559	175,971,559	-	-
<b>Total</b>	<b>451,516,261</b>	<b>451,516,261</b>	-	-

**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 by continuously monitoring 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.

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	Less than 12 months	Between 12 months	Over 12 months	Total
	K\$	K\$	K\$	K\$
<b>On June 30 2024</b>				
Trade Payables	0	0	0	0
<b>Total</b>	0	0	0	0
<b>On June 30 2025</b>				
Trade Payables	0	0	0	0
<b>Total</b>	0	0	0	0

*No contractual undiscounted cash flow balance was due within 12 months under review.*

**c) Market Risk**

The Office of the Controller of Budget has in place an internal audit function to assist it in assessing the risk faced by the Fund on an ongoing basis and evaluating and testing 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 rates, equity prices and foreign exchange rates which will affect the Fund's income or the value of its holding of financial instruments. Market risk management aims to manage and control market risk exposures within acceptable parameters while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Committee is responsible for developing detailed risk management policies and implementing 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 position may be adversely affected due to changes in interest rates. The Fund's interest rate risk arises from bank deposits, exposing the Scheme's Fund to cash flow interest rate risk. The interest rate risk exposure occurs 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.

**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 the following funds:

Revolving fund	420,269,962	420,269,962
Accumulated surplus ( <i>Reserves</i> )	31,246,299	28,933,253
<b>Total funds</b>	<b>451,516,261</b>	<b>449,203,215</b>
Less: Cash and Bank balances	<b>451,516,261</b>	<b>449,203,215</b>
Net debt/ (excess cash and cash equivalents)	-	-
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

**Other Disclosures Continued**

**14. Related Party Balances**

**a) Nature of related party relationships**

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

- a) The National Treasury
- b) Office of the Controller of Budget
- c) Housing Finance Company of Kenya Limited
- d) KCB Bank Kenya Limited
- e) Mortgage Scheme Committee; and
- f) Key Management Personnel

**b) Related party transactions**

**i. Transfers from related parties**

Description	2024/25	2023/24
	Kshs.	Kshs.
Transfers from OCoB	-	24,579,339

**15. Events after the Reporting Period**

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

**16. Ultimate and Holding Entity**

The Entity is a Fund under the sponsorship of the Office of the Controller of Budget which is an Independent Office created under Article 228 of the Constitution of Kenya 2010

**17. Currency**

The Financial Statements are presented in Kenya Shillings (Kshs) rounded to the nearest one Shilling.

**20. Annexures**

**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 the management comments provided to the auditor.

<p>Irregular Payment of Administration Fees</p>	<p>The Statement of Financial Performance and Note 8 to the Financial Statements reflect an expenditure totalling Kshs.3,954,345 under use of goods and services which relates to administration costs. This represents approximately Eight percent (8%) of the approved budget of Kshs.49,591,150. However, the Management was required to charge an amount of Kshs.1,487,734 or 3% of the approved budget resulting in an irregular additional expenditure totalling Kshs.2,466,611. This is contrary to Regulation 207(1)(d) of the Public Finance Management (National Government)</p>	<p>The Staff Mortgage Scheme Annual Reports and Financial Statements is prepared in accordance with the International Public Sector Accounting Standards on accrual basis.</p> <p>Regulation 207(1)(d) of the Public Finance Management (National Government) Regulations, 2015 which sets the ceiling of administration costs of a public fund to a maximum of three percent (3%) of the approved budgets of the fund. In the case of the Staff Mortgage and Car Loan Scheme, the approved budget is</p>	<p>Work in Progress</p>	<p>Financial Year 2025/26</p>
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Reference No. in the External audit Report	Issue / Observations from Auditor	Management Comments	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>Regulations, 2015 which sets the ceiling of administration costs of a public fund to 3% of the approved budget. Although Management had indicated that they are engaging the Fund Managers on the issue of administration fees and that they are in the process of procuring mortgage services competitively, the progress made by the time of completion of the audit in December, 2023 was not disclosed.</p>	<p>the capital fund (revolving fund) of the scheme which is Kshs.395,690,623. The 3% administration costs on approved budget amounts to Kshs.11,870,719. The Scheme paid Kshs.3,954,345 hence there was no irregular additional expenditure totalling to Kshs.2,466,611.</p> <p>The Scheme Management had been experiencing significant delays on approvals and disbursement of the staff mortgage loans by the Housing Finance Corporation and therefore sourced for another service provider Kenya Commercial Bank (KCB) to offer administration services.</p>		

The audit issues raised in the FY 2024/2025 were resolved, except for an un resolved prior year matter on payment of administration fees. The Accounting Officer appeared before Public

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Accounts Committee (PAC) and the matter was referred to Public Investments Committee (PIC). However, the Scheme's Financial Statements were reported to present fairly in all material respect the true and fair financial position of the Scheme. The Auditor of the Scheme (OAG) issued an **Unqualified Audit Opinion.**



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**CPA PAMELA OKATCH**

**ICPAK No. 7884**

**Scheme Administrator**

**Office of the Controller of Budget Staff Mortgage Scheme**

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**Annex II: Inter-Fund Confirmation Letter**

**The Fund Administrator**

**Officer of the Controller of Budget**

**Staff Mortgage and Car Loan Scheme**

The Office of the Controller of Budget wishes to confirm that no funds were disbursed to the Mortgage and Car Loan Scheme as of 30<sup>th</sup> June 2025 as indicated in the table below.

Amounts Disbursed by the Office of the Controller of Budget as at 30 <sup>th</sup> June 2025							
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)	Amount Received by OCoB Staff Mortgage Fund (KShs) as at 30 <sup>th</sup> June 2025 (E)	Differences (KShs) (F)=(D-E)
<b>Total</b>		<b>NIL</b>	<b>-</b>	<b>-</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>

I confirm that the position shown above is correct as of the date indicated.

**Head of Accounts Department OCoB**

Name PAMELA OKAICH Sign [Signature] Date 25/11/25