


REPUBLIC OF KENYA



Enhancing Accountability



 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: ^{MAY} 28 FEB 2025	
DAY: Wednesday	
TABLED BY:	Hon. Owen Binyo, MP Deputy Leader of the majority Party
CLERK-AT THE-TABLE:	Esther Sginyo

REPORT

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

**SALARIES AND REMUNERATION
COMMISSION MORTGAGE AND CAR LOAN**

**FOR THE YEAR ENDED
30 JUNE, 2024**

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**



Salaries & Remuneration
Commission

OFFICE OF THE AUDITOR GENERAL
P.O. BOX 304 - 00100, NAIROBI
REGISTRY

23 DEC 2024

RECEIVED

**SALARIES AND REMUNERATION COMMISSION
MORTGAGE AND CAR LOAN SCHEME FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2024**

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

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

1. ABBREVIATIONS AND ACRONYMS.....	iv
2. KEY FUND INFORMATION AND MANAGEMENT	v
3. SCHEME FUND ADVISORY COMMITTEE	vii
4. CHAIRPERSON'S REPORT.....	ix
5. REPORT OF THE OFFICER ADMINISTERING THE FUND	x
6. CORPORATE GOVERNANCE STATEMENT.....	xi
7. MANAGEMENT DISCUSSION AND ANALYSIS	xii
8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xv
9. REPORT OF THE FUND ADMINISTRATION COMMITTEE	xvi
10. STATEMENT OF THE RESPONSIBILITIES OF THE CHAIRPERSON AND MEMBERS OF THE COMMISSION.....	xvii
11. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024	1
12. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024	2
13. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2024	3
14. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024.....	4
15. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024	5
16. NOTES TO THE FINANCIAL STATEMENTS.....	6
Appendix 1: Implementation Status of Auditor-General's Recommendations.....	16
Appendix 2: SRC Transfers to the Fund	17

Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund Annual Report and Financial Statements for the year ended 30 June 2024

1. ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
CEO	Chief Executive Officer
FY	Financial Year
HR	Human Resource
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
Ksh	Kenya Shillings
MOU	Memorandum of Understanding
NT	National Treasury
OAG	Office of the Auditor General
PSASB	Public Sector Accounting Standards Board
PFM	Public Finance Management
SRC	Salaries and Remuneration Commission

Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund Annual Report and Financial Statements for the year ended 30 June 2024

2. KEY FUND INFORMATION AND MANAGEMENT

a) Background information

Salaries and Remuneration Commission (SRC) is established under Article 230 of the Constitution of Kenya, 2010, to:

- i. Set and regularly review the remuneration and benefits of all State officers; and
- ii. Advise the national and county governments on the remuneration and benefits of all other public officers.

Scheme Fund was established in 2017 line with the Constitutional principles under Article 230(5) of the Constitution of Kenya, 2010 on attraction and retention of requisite skills in the public service. The scheme's operations commenced in 2019 upon disbursement of first tranche of the seed capital to the Fund's bank account. The Scheme Fund is owned by the Commission and domiciled in Kenya.

b) Principal activities

The Scheme Fund's principal activity is to offer low interest loan facilities to members of the Commission for the purchase of residential property, purchase of land, house construction, purchase of land and construction and/or improvement, loan takeover or equity release and purchase of motor vehicles for personal use.

c) Key management

The Scheme Fund is administered by Co-operative Bank. It therefore does not have a Fund Administration Committee.

d.) Fiduciary Oversight Arrangements

The Mortgage and Car Loan Scheme Fund Advisory Committee is made up of the management team representatives and officers of the Commission who are appointed by the CEO. They oversee the implementation and administration of the scheme. The Scheme Fund's Committee members, who served during the financial year ended 30th June 2024, and who had direct fiduciary responsibility were;

SN	Position	Name
2	Director Remuneration Services (Chairperson)	Dr. Hillary Patroba
3	Head, Human Resource and Administration (Secretary	Samuel Makori
4	Head, Legal Services Department	James Sitienei
5	Head, Corporate Communications Department	Anthony Mwangi
6	Head, Finance and Accounts Department	CPA Mary Konuche
7	Deputy Director Productivity and Performance Department	Christopher Tialal
8	Deputy Director Allowances and Benefits	Grace Ogembo
9	Deputy Director Job Evaluation and Salary Structures	Mokua Nyandieka

d) Scheme Fund Registered Offices

Williamson House, 6th Floor,
4th Ngong Avenue
P.O. Box 43126, GPO-00100,
Nairobi, Kenya

Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund Annual Report and Financial Statements for the year ended 30 June 2024

e) Contacts information

Tel: +254 (20) 2710065/71/73/81

Tel: +254 794 587 903

Email: info@src.go.ke

Website: <https://www.src.go.ke/>

Twitter – @srckenya: <https://mobile.twitter.com/srckenya>

Instagram – @srckenya: <https://www.instagram.com/srckenya/>

Threads – @srckenya: <https://www.threads.net/@srckenya>

Flickr – srckenya: <https://www.flickr.com/photos/186707933@N05>

Facebook – @SRCKE: <https://www.facebook.com/SRCKE>

LinkedIn – Salaries and Remuneration Commission: <https://tinyurl.com/2bkawvae>

YouTube – Salaries and Remuneration Commission: https://www.youtube.com/@SRC_Kenya

f) Fund Bankers and Administrators

Co-operative Bank of Kenya Limited

Haile Selassie Avenue

P.O Box 48231, GPO-00100

Nairobi, Kenya

g) Independent Auditor

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084, GPO-00100

Nairobi, Kenya

h) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue





P.O. Box 40112

City Square 00200

Nairobi, Kenya

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

3. SCHEME FUND ADVISORY COMMITTEE

 <p>Dr. Hillary Patroba, Chairperson</p>	<p>Dr. Hilary Patroba is the Director, Remuneration Services, appointed to the position in January 2020. His experience spans public and private sector organisations. He holds a PhD in Economics from Stellenbosch University.</p> <p>He is the Chairperson of the Committee.</p>
 <p>Samuel K. Makori Secretary</p>	<p>Mr. Makori is the Head of Human Resources and Administration, with more than 25 years of experience in the public service. He has a Master’s degree in Business Administration (MBA-HRM option) and a Post Graduate Diploma in HR and Business Management and a member of the Institute of Human Resource Management.</p> <p>He Joined the Commission in 2013 where he has steered the HR and Administration function from inception to the current status.</p>
 <p>James Sitienei</p>	<p>Mr. Sitienei is the Head of Legal Services. He holds a Bachelor’s and Master’s degrees in law and is an advocate of the High Court of Kenya. He has more than 20 years of experience in the private and public sectors.</p>
 <p>Mary Konuche</p>	<p>CPA. Mary Konuche is the Head of Finance and Accounting at the Commission and has over 14 years of experience in the public sector. She is a Certified Public Accountant and holds a Master degree in Business Administration.</p>

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

 <p>Anthony Mwangi</p>	<p>Mr. Mwangi is the Head of Corporate Communications at SRC, with more than 20 years of experience in the public relations and communications field. He possesses Bachelor’s and Master’s Degrees in Mass Communication and Journalism. He is a member of the Public Relations Society of Kenya.</p> <p>He has past work experience in the communications field with the United Nations system, international organisations, civil society organisations and the private sector, having also worked in some countries at the international level.</p>
 <p>Christopher Tialal</p>	<p>Mr. Tialal is the Deputy Director, Productivity and Performance. He is an HR and productivity management expert with over 20 years of experience. He has served in senior management roles for over 10 years.</p> <p>He Holds an MBA in Strategic Management (UoN), B.Com (CUEA) and Higher Diploma in HRM. He is also widely trained in various aspects of HR and corporate leadership both locally and abroad.</p>
 <p>Nyandieka Mokuia</p>	<p>Nyandieka Mokuia is the Deputy Director in the Job Evaluation and Salary Structures Department.</p> <p>He holds a masters in Econometrics and has over 20 years of experience in the public sector</p>
 <p>Grace Ogembo</p>	<p>Grace Ogembo is the Deputy Director in the Allowances and Benefits Department. She holds a Masters degree in Economic Policy Management and has over 30 years of experience in the public sector.</p>

Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund Annual Report and Financial Statements for the year ended 30 June 2024

4. CHAIRPERSON'S REPORT

The Salaries and Remuneration Commission established the Staff Mortgage and Car Loan Scheme Fund Advisory Committee whose objective oversee the implementation and administration of the Scheme. In doing so, the committee coordinates and engages with the fund administrator in the management of the Scheme Fund on behalf of SRC. The Scheme Fund's Committee members are drawn from all the two directorates and three departments. For the year ending 30th June 2024, Cooperative Bank was the appointed fund administrator.

The Commission, in consultation with the Co-operative Bank, developed internal rules and a Memorandum of Understanding, which are binding on matters relating to the Scheme Fund. The Scheme rules, regulations, and guidelines on accessibility of the loans, as well as requirements to be met by the applicants, are clearly stipulated.

The key objective of the Scheme Fund is to support employees acquire defined mortgage facilities and car loan as a way of motivating and retention of staff at the Commission.

The Scheme Fund has since supported 45 members of staff and disbursed Ksh 259.1 million. The Co-operative Bank continues to carry out due diligence for all loan applications to minimize risks in acquiring property.

The Committee shall endeavor to support staff through continuous engagement with the Co-operative Bank and ensure more employees benefit from the Scheme Fund.



Dr. Hillary Patroba
Chairperson,
SRC Staff Mortgage and Car Loan Scheme Fund
Date: 23rd December 2024

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

5. REPORT OF THE OFFICER ADMINISTERING THE FUND

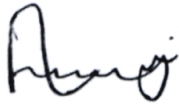
The Staff Mortgage and Car Loan Scheme Fund was established in February 2019. As at the close of the year, the Scheme Fund had received Ksh 288.7 million from the National Treasury in capital, earned Ksh 15 million in interest, and disbursed Ksh 259.1 million to successful applicants.

The Scheme Fund closed with a cash and cash equivalent balance of Ksh 108.3 million, of which Ksh 60 million was held in a fixed deposit account, Ksh 20.7 million committed for applications awaiting the verification process, and the actual cash available for lending being Ksh 27.6 million.

The Scheme's funds were utilised in accordance with the provisions of the Public Finance Management (PFM) Act, 2012, the PFM Regulations, 2015, and all other applicable legislation, for the purpose for which it was intended.

The Scheme Fund's principal activity is to offer low interest loan facilities to members of the Commission for the purchase of residential property, purchase of land, house construction, purchase of land and construction and/or improvement, loan takeover or equity release and purchase of motor vehicles for personal use.

The Scheme Fund's administrators hereby submit the report together with the audited financial statements for the year ended 30 June 2024, which show the state of the Scheme Fund's affairs.



Mrs. Anne R. Gitau, CHRP, EBS
Commission Secretary/Chief Executive Officer
Date: 23rd December 2024

Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund Annual Report and Financial Statements for the year ended 30 June 2024

6. CORPORATE GOVERNANCE STATEMENT

The Salaries and Remuneration Commission established a Mortgage and Car Loan Scheme Fund Advisory Committee, which oversees the implementation and administration of the Scheme, as well as coordinates and engages with the Co-operative Bank in the management of the Scheme Fund on behalf of SRC.

The authority to appoint members of the Advisory Committee is vested on the Commission Secretary/CEO. The Scheme Fund's Committee members comprise of the Chairperson and seven staff representatives drawn from the Commission's two directorates and three departments.

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

- a) Liaise with the service provider to set up a revolving fund for the disbursement of the loans;
- b) Supervise the day-to-day running of the Scheme Fund;
- c) Forward the successful applications with recommendations to the service provider for approval;
- d) Process applications for loans in accordance with the existing terms and conditions of borrowing; and
- e) Any other scheme related administration activities.

The Head of Human Resources and Administration is the Secretary to the committee with his main role being general administration of the Scheme including:-

- i. Convene meetings of the Committee and keep minutes of the committee meetings;
- ii. Receive and review application for loan;
- iii. Submit all loan applications with appropriate recommendations to the Committee for consideration and thereafter submit approved applications to the service provider for funding;
- iv. Keep database of applicants; and
- v. Effect loan deductions into payroll and ensure all loan deductions are effected within the a third rule regulation;

The membership of the Committee nominates, from among themselves, a liaison officer whose roles include:

- a) Supervise the administration of the Scheme Fund;
- b) Cause to be kept books of account in relation to the Scheme Fund of all the loans financed from the Scheme Fund;
- c) Furnish such information regarding the administration of the Scheme Fund as may be required for examination and audit by the Auditor General or under any law;
- d) Designate or appoint such staff as may be necessary to assist the administration of the Scheme Fund and may require such staff to carry out such inspections as may be necessary to verify any information submitted under the regulations.

During the year, the Committee held four meetings. Further, the Committee, jointly with the Co-operative Bank carried out eight staff sensitisation sessions during the financial year whereby staff were sensitised scheme products, the loan application processes and the procedures and regulation of the fund.

Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund Annual Report and Financial Statements for the year ended 30 June 2024

7. MANAGEMENT DISCUSSION AND ANALYSIS

A) OPERATIONAL AND FINANCIAL PERFORMANCE

1. Strategic direction

The Scheme Fund is now in its fifth year of operation. The main objective of the Scheme Fund is to provide financial support for the acquisition of mortgage facility and car loan at a subsidized interest rate relating to;

- a) Home development loans
- b) Acquisition or purchase of residential homes
- c) Purchase of land for home construction
- d) Purchase of motor vehicles

As at the close of the year, the Scheme Fund's financial position was Ksh 303.7 million, that is, Ksh 288.7 million in transfers from the Commission, and Ksh 15 million in interest earned from unutilised funds held in the call-deposit account and fixed deposit account.

During the year, a total of six disbursements were made to successful applicants, one being for the purchase of a motor vehicle amounting to Ksh 2.6 million, and five for mortgage facilities amounting to Ksh 38.5 million. Since the inception of the Scheme Fund, 45 (60%) staff members had benefited from the scheme, with Ksh 259.1 million having been disbursed to successful applicants.

A total of Ksh 13.9 million was recovered during the year from the outstanding loans. The total recoveries from successful applicants to date is Ksh 66.5 million comprising of Ksh 53.7 million from mortgage-related facilities, and Ksh 12.8 million from motor vehicle loans.

The Scheme Fund closed with a cash and cash equivalent balance of Ksh 108.3 million, of which, Ksh 60 million was held in a fixed deposit account, and Ksh 20.7 million was committed for applications awaiting the verification process. Thus, the actual cash available for lending was Ksh 27.6 million.

2.) Financial performance analysis

The Scheme Fund's approved budget for the financial year was Ksh 6.4 million in transfers and Ksh 6 million in interest income earned from unutilised funds. The previous financial year's approved budget was Ksh 16.1 million, with Ksh 4 million provided for interest earned from unutilised funds.

During the year, SRC was faced austerity measures from the National Treasury, leading to the surrender of Ksh 6.4 million, which had been allocated to the Scheme Fund.

B.) FUND'S KEY PROJECTS OR INVESTMENT DECISIONS IMPLEMENTED OR ONGOING

The Scheme's unspent funds were invested in an on-call deposit account and fixed deposit. As at the close of the year, the prevailing interest rate was 3 per cent for the on-call deposits. During the first quarter, Ksh 60 million was placed in a fixed deposit account for 6 months at the rate of 10 per cent per annum and Ksh 30 million was placed in a fixed deposit account for 3 months at the rate of 9 per cent.

Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund Annual Report and Financial Statements for the year ended 30 June 2024

These matured in the second and third quarters, respectively, and as a result, Ksh 60 million was invested in fixed deposit for another 6 months at a rate of 17 per cent per annum. The total reported interest earned at the close of the year was Ksh 8.3 million.

C.) COMPLIANCE WITH STATUTORY REQUIREMENTS

The Scheme Fund administrators are required to comply with various laws and constitutional provisions, which include the PFM Act, 2012, PFM Regulations, 2015, SRC Act, 2011, among others. The Scheme Fund is compliant with the statutory requirements.

D.) MAJOR RISKS FACING THE SCHEME

i. Liquidity risk

Liquidity risk is the risk that the Scheme Fund will not be able to meet financial obligations when they fall due. This risk is managed by ensuring that the Scheme Fund is liquid enough to meet its obligations whenever they fall due. This has since been managed over the previous years by ensuring sufficient budget allocations are appropriated to the Scheme Fund and the recoveries are credited to the account on a monthly basis.

ii. Credit risk

Credit risk is the possibility of loss resulting from a borrower's failure to repay a loan or meet contractual obligations. The Scheme Fund's exposure to credit risk is low owing to the fact that properties acquired are charged to the bank, and thus, held as security. The administrator also mitigates the risk by strictly scrutinising the prevailing financial state of the borrower before processing an application. The loan deductions are also effected through check off for the staff in post.

iii. Market and inflationary risks

Market risk is a risk inherent to the Scheme Fund. The properties in the market are affected by the prevailing economic conditions in the country. The increase in the Central Bank of Kenya rate from 12.5 to 13 percent is likely to subject the properties to inflation risk, making them inaccessible to potential applicants. Inflationary risk will also erode the purchasing power of the revolving fund.

In order to mitigate these risks, strategies on how to grow the fund, as well as raising additional funds, are being explored. This includes investing funds in avenues of higher returns and looking out for service providers that may offer credible services at lower administrative costs. The loan limit imposed on individuals to enable them to purchase their preferred properties will also be reviewed in the event of a significant rise in the cost of properties.

iv. Sustainability risk

The Scheme Fund's main source of income is transfers from the Commission. Although the Fund charges interest on successful applicants, the full amount is taken up by the Co-operative Bank as administration cost. The fund is therefore faced with sustainability risk in that it will not be

Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund Annual Report and Financial Statements for the year ended 30 June 2024

able to earn any extra funds in the event that the current unutilized funds are taken up and thus cannot be invested.

The Scheme Fund Advisory Committee is exploring ways in which the fund can earn extra income to enable sustainability and maintenance of value amidst long-term inflation effects.

E.) MAJOR RISKS FACING THE FUND, MATERIAL ARREARS IN STATUTORY AND OTHER FINANCIAL OBLIGATIONS

The Scheme Fund does not have any material arrears in statutory of financial obligations.

F.) THE SCHEME FUND'S FINANCIAL PROBITY AND GOVERNANCE ISSUES

The Scheme Fund operates through a committee, whose main role is to oversee its operations and implementation by both the Administrator and the Commission. The Committee's membership is drawn from two directorates and three departments of the Commission for inclusivity purposes.

Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund Annual Report and Financial Statements for the year ended 30 June 2024

8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

SRC Mortgage and Car Loan Scheme Fund was established in February 2019 pursuant to Sections 20, 22, and 31 of the SRC Act, 2011, and SRC Circular No. SRC/ADM/CIR/1/13 Vol. III of 17 December 2014 on Car Loan and Mortgage Schemes for State officers and other Public Officers of the Government of Kenya.

The Scheme's funds are utilised in accordance with the provisions of the PFM Act, 2012, PFM Regulations, 2015, and all other applicable legislation, and for the purpose for which it was intended. The Scheme Fund's principal activity is to offer low-interest loan facilities to members of the Commission for the purchase of existing residential property, purchase of land, construction, purchase of land and construction and improvement, loan takeover or equity release, and purchase of motor vehicles for personal use.

a.) Sustainability strategy and profile

The seed capital of the Scheme Fund is Ksh 400 million, which is based on the number of staff and expected loan uptake. For the past three financial years, SRC disbursed Ksh 288.7 million to the Scheme Fund and factored in **Ksh. 6.4 million** in the approved budget for FY 2023/2024. The Scheme Fund is revolving and closed with cash and cash equivalent amounting to **Ksh. 108.3 million**.

Measures have been put in place to ensure that funds will be available to staff both in the medium and long term. This includes continuous follow-up with the National Treasury to ensure that the full seed capital of **Ksh. 400 million** is disbursed to the fund. The Scheme Fund Advisory Committee has also continued to ensure that the unutilized funds are invested in high-interest earning avenues. There are currently no loan repayment defaults, and stringent measures are in place to ensure staff repay their loan as per the signed loan agreements. These measures include using a check-off system to effect transactions and having properties acquired charged to Co-operative bank.

b.) Environmental performance

The Scheme Fund operates within SRC's environment. SRC initiated programmes to ensure that its environmental activities remained sustainable in the long run. This effort is demonstrated by operationalizing policies relating to the disposal of electronic waste, pooling of water dispenser units, sharing of IT assets, sharing and circulation of soft copies of documents as opposed to hard copies, applying Just-In-Time philosophy for the replenishment of store items (minimizes storage of large stocks), and printing on both sides of paper documents.

In addition, SRC commenced the digitization of its work processes by developing and implementing an Intranet, an Electronic Document Management System (EDMS), an SRC App, a Bulk SMS System, an Integrated Job Evaluation System, and a Monitoring and Evaluation System.

c.) Employee welfare

The Scheme Fund is anchored under the Affordable Housing plan, which is an intervention by the government to offer housing to both public officers and all other citizens. This is derived from the Vision 2030 and Medium-Term Strategic Plan. By setting up the Scheme Fund with a lower interest of 3 percent, the Scheme Fund has enabled employees to purchase their dream homes and motor vehicles at affordable interest rates.

Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund Annual Report and Financial Statements for the year ended 30 June 2024

9. REPORT OF THE FUND ADMINISTRATION COMMITTEE

The Chairperson and Members of the Staff Mortgage and Car Loan Advisory Committee submitted their reports together with the audited financial statements for the year ended 30 June 2024, which show the state of the Scheme Fund affairs.

Principal activities

The principal activity of the Scheme Fund is to provide financial support for the acquisition of mortgage facilities and car loans at a subsidized interest rate relating to;

- i. Home development loans.
- ii. Acquisition or purchase of residential homes.
- iii. Construction of residential homes.
- iv. Purchase of land for home construction.
- v. Equity release.
- vi. Purchase of motor vehicles.

Results

The results of the Scheme Fund for the year ended 30 June 2024 are set out on Pages 1 to 6.

Chairperson and Members of the Advisory Committee

The Chairperson and Members of the Advisory Committee who served during the year are shown on Page vii to viii.

Auditors

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

By Order of the Advisory Committee



Dr. Hillary Patroba
Chairperson,
SRC Staff Mortgage and Car Loan Scheme Fund
Date: 23rd December 2024

Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund Annual Report and Financial Statements for the year ended 30 June 2024

10. STATEMENT OF THE RESPONSIBILITIES OF THE CHAIRPERSON AND MEMBERS OF THE COMMISSION

Section 84(1) of the PFM Act, 2012, requires that, at the end of each financial year, the Administrator of a Fund established by SRC circular, SRC/ADM/CIR/1/13 Vol. III (128) of 17 December 2014, on the Car Loan and Mortgage Scheme for State officers and other public officers of the Government of Kenya, shall prepare financial statements for the Scheme 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 Scheme Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the year ended on 30 June 2024.

This responsibility includes: (a) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (b) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund, (c) 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, (d) safeguarding the assets of the fund; (e) selecting and applying appropriate accounting policies, and (f) 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 judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 2012, and Salaries and Remuneration Commission circular SRC/ADM/CIR/1/13 Vol. III (128) of 17 December 2014 on Car Loan and Mortgage Scheme for State officers and other Public Officers of the Government of Kenya.

The Administrator of the Fund is of the opinion that the Scheme Fund's financial statements give a true and fair view of the state of the Fund's transactions during the year ended 30 June 2024, and of the Scheme Fund's financial position as of that date.

The Administrator confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements, and the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Scheme Fund's financial statements were approved on 21 August 2024 and signed on its behalf by:

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**



**Hon. Sen. Isaac Kipkemboi Melly, MBS
For the Chairperson
Date: 23rd December 2024**



**Mrs. Anne R. Gitau, CHRP, EBS
Commission Secretary/CEO
Date: 23rd December 2024**

REPUBLIC OF KENYA



Enhancing Accountability

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

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

REPORT OF THE AUDITOR-GENERAL ON SALARIES AND REMUNERATION COMMISSION MORTGAGE AND CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2024

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.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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 of the Auditor-General on Salaries and Remuneration Commission Mortgage and Car loan scheme Fund for the year ended 30 June, 2024

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Salaries and Remuneration Commission Mortgage and car Loan Scheme Fund set out on pages 1 to 16, which comprise the statement of financial position as at 30 June, 2024, and the 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 Salaries and Remuneration Commission Mortgage and car Loan Scheme Fund as at 30 June, 2024, 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, Salaries and Remuneration Commission Act, 2011 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Salaries and Remuneration Commission 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.

Other Information

Management is responsible for the other information set out on page i to xviii which comprise of Key Fund Information and Management, Chairperson's Statement, Report of

Report of the Auditor-General on Salaries and Remuneration Commission Mortgage and Car loan scheme Fund for the year ended 30 June, 2024

the Officer Administering the Fund, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Responsibilities of the Chairperson and Members of the Commission. The other information does not include the financial statements and my audit report thereon.

In connection with my audit on the Commission's 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. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Irregular Investment of Mortgage and Car Loan Funds

The statement of financial position and as disclosed in Note 22 to the financial statements reflects balances of Kshs.48,342,923 and Kshs.60,000,000 relating to cash and cash equivalents and investment in fixed deposits respectively.

Further, the statement of financial performance and as disclosed in Note 18 to the financial statements reflects an amount of Kshs.8,329,331 relating to interest income derived from the investment in the on-call deposit and fixed deposit. These investment options are contrary to the provisions of the National Treasury & Ministry of Planning circular No.3/2018 dated 26 March, 2018 which requires State Corporations to invest the surplus funds in Treasury bills and Treasury bonds directly through the Central Bank of Kenya through the non-competitive bidding and not under competitive bidding within the commercial banks.

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

2.0 Unbalanced Budget

The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.6,000,000 and a Nil expenses budget. Thus, the budgeted revenue did not have a corresponding budgeted expenditure. This is contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 which provides that budget revenue and expenditure appropriations shall be balanced.

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

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

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, 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 Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

The Commissioners are responsible for overseeing the Commission'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 for 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

Report of the Auditor-General on Salaries and Remuneration Commission Mortgage and Car loan scheme Fund for the year ended 30 June, 2024

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

24 December, 2024

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

11. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024

Description	Note	2023/2024	Year ended 30 June 2023
		Ksh	Ksh
Revenue from exchange transactions			
Interest income	18	8,329,331	4,625,199
Interest on individual staff mortgage and car loan	19	6,075,182	4,586,025
Total revenue		14,373,991	9,211,224
Expenses			
Fund administration expenses	20	6,075,182	4,586,025
General expenses		-	-
Withholding tax	21	1,249,400	693,780
Total expenses		7,324,582	5,279,805
Surplus for the year		7,079,931	3,931,419

{The notes set out on Pages 7 to 18 form an integral part of these Financial Statements}

The financial statements were approved by the Commission on 21 August 2024 and signed by:



**Hon. Sen. Isaac Kipkemboi Melly, MBS
For the Chairperson
Date: 23rd December 2024**



**Mrs. Anne R. Gitau, CHRP, EBS
Commission Secretary/CEO
Date: 23rd December 2024**



**CPA Mary C. Konuche
Head of Finance & Accounts
ICPAK Member No.9824
Date: 23rd December 2024**

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

12. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note	2023/2024	2022/2023
		Ksh	Ksh
Assets			
Current assets			
Cash and cash equivalents	22	48,342,923	133,911,291
Investment in Fixed Deposit	22	60,000,000	-
Current receivables from exchange transactions for car loan	23	4,145,872	4,489,127
Current receivables from exchange transactions for mortgage	23	14,348,960	10,485,721
Total current assets		126,837,755	148,886,139
Non-current assets			
Long-term receivables from exchange transactions for car loan	23	8,261,651	9,325,991
Long-term receivables from exchange transactions for mortgage	23	170,413,025	139,726,276
Total non-current assets		178,674,676	149,052,268
Total assets		305,512,431	297,939,407
Liabilities			
Trade and other payables from exchange transactions	24	1,835,998	1,341,905
Total liabilities		1,835,998	1,341,905
Net assets		303,676,433	296,596,502
Equity			
Revolving Fund	25	288,675,603	288,675,603
Accumulated surplus		15,000,830	7,920,898
Total net assets		303,676,433	296,596,502
Total net assets and liabilities		303,676,433	296,596,502

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Scheme Fund financial statements were approved on 21 August 2024 and signed by:



Hon. Sen. Isaac Kipkemboi Melly, MBS
For the Chairperson
23rd December 2024



Mrs. Anne R. Gitau, CHRP, EBS
Commission Secretary/ CEO
23rd December 2024



CPA. Mary C. Konuche
Head of Finance & Accounts
ICPAK Member. 9824
Date: 23rd December 2024

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

13. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2024

	Note	Revolving Fund	Accumulated Surplus	Total Ksh
Balance as at 1 July 2022		272,550,603	3,989,479	276,540,082
Surplus for the year		-	3,931,419	3,931,419
Funds received during the year	17	16,125,000	-	16,125,000
Balance as at 30 June 2023		288,675,603	7,920,898	296,596,501
Balance as at 1 July 2023		288,675,603	7,920,898	296,596,501
Surplus earned in 2023/24		-	7,079,932	7,079,932
Funds received during the year	17	-	-	-
Balance as at 30 June 2024		288,675,603	15,000,830	303,676,433

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

14. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Note	2023/2024	2022/2023
		Ksh	Ksh
Cash flows from operating activities			
Surplus		7,079,931	3,931,419
(Increase) in current receivables	26	(3,519,982)	(1,780,860)
(Increase) in non-current receivables	26	(29,622,409)	3,028,852
Increase in accrued withholding tax		494,093	693,780
Net cash flows from operating activities	26	(25,568,367)	5,873,191
Cash flows from investing activities			
Transfer from the SRC Main A/C		-	-
Additional capital during year	17	-	16,125,000
Net cash flows used in investing activities		-	16,125,000
Cash flows from financing activities	22	(60,000,000)	-
Net cash flows used in financing activities		(60,000,000)	(21,998,191)
Net increase/(decrease) in cash and cash equivalents		(85,568,367)	-
Cash and cash equivalents at 1 July (Beginning)	22	133,911,290	111,913,099
Cash and cash equivalents as at 30 June (End)	22	48,342,923	133,911,290

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

**15. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR
THE YEAR ENDED 30 JUNE 2024**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	a	b	C=(a+b)	d		E=(d/c)
Revenue	Ksh	Ksh	Ksh	Ksh	Ksh	
Commission Transfers	6,373,536	(6,373,536)	-	-	-	100%
Interest income	6,000,000	-	6,000,000	8,329,331	2,329,331	135%
Total income	12,373,536	(6,373,536)	6,000,000	8,329,331	2,329,331	139%
Expenses						
General expenses	-	-	-	-	-	-
Finance cost	-	-	-	-	-	-
Total expenditure	-	-	-	-	-	-
Net Income	12,373,536	(6,373,536)	6,000,000	8,329,331	2,329,331	139%

a) Explanation notes for the differences between the actual and budgeted amounts (10 percent and over/under):

- i.) The interest amount is an initiative by the Management to grow the Scheme Fund by utilizing uncommitted funds. The amount received in the financial year is 139% of the amount budgeted.
- ii.) This can be attributed to the high interest rates prevailing in the country during the financial year occasioned by the high CBK rate.

b) Explanation note for the changes between the original and final budget: The changes in the original and final budget for transfers was due to austerity measures undertaken by the National Treasury which led to reduction of the approved budget.

c) The Scheme Fund is administered by the Co-operative Bank at an administrative cost of 3 percent: This cost is borne by the successful applicants on a reducing balance basis.

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

16. NOTES TO THE FINANCIAL STATEMENTS

16.1. General Information

SRC is established by and derives its authority and accountability from Article 230 of the Constitution, and was operationalized by SRC Act, 2011. The Commission is wholly owned by the Government of Kenya (GoK) and is domiciled in Kenya. The Commission’s principal activity is to set and regularly review the remuneration and benefits of all State officers, and to advise the national and county governments on the remuneration and benefits of all public officers.

The Staff Mortgage and Car Loan Scheme Fund is established by, and derives its authority and accountability from the Salaries and Remuneration Regulations of 2017.

a. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis, unless stated otherwise. The preparation of financial statements in conformity with IPSAS allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund’s accounting policies. The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Scheme Fund.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise and in accordance with the PFM Act and IPSAS. The policies adopted have been consistently applied to all the years presented.

16.2. Adoption Of New and Revised Standards

(i) New and amended standards and interpretations in issue effective in the year ended June 2024.

There are no new amended standards effective in the financial year.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024

Standard	Effective date and impact:
IPSAS 43: Leases	The Standard has no impact on the Salaries and Remuneration Commission staff Mortgage and Car loan Scheme Fund.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1 January 2025</i> The Standard requires, a) 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: b) 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.

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

	<p>The Standard has no impact on the Salaries and Remuneration Commission staff Mortgage and Car loan Scheme Fund.</p>
IPSAS 45: Property Plant and Equipment	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>The Standard has no impact on the Salaries and Remuneration Commission staff Mortgage and Car loan Scheme Fund.</p>
IPSAS 46: Measurement	<p>Applicable 1 January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> a) Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. b) Clarifying transaction costs guidance to enhance consistency across IPSAS. c) Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>The Standard has no impact on the Salaries and Remuneration Commission staff Mortgage and Car loan Scheme Fund.</p>
IPSAS 47: Revenue	<p>Applicable 1 January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>The Standard has no impact on the Salaries and Remuneration Commission staff Mortgage and Car loan Scheme Fund.</p>
IPSAS 48: Transfer Expenses	<p>Applicable 1 January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements</p>

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

	<p>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 or accounting for such transfers.</p> <p>The Standard has no impact on the Salaries and Remuneration Commission staff Mortgage and Car loan Scheme Fund.</p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1 January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>The Standard has no impact on the Salaries and Remuneration Commission staff Mortgage and Car loan Scheme Fund.</p>

16.3. Early adoption of standards

The Scheme Fund has not adopted any new or amended standards in year 2023/24.

Summary of significant accounting policies and notes to the financial statements

a) Revenue recognition

(i) Revenue from non-exchange transactions

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably.

(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.

b) Budget information

The original budget for FY 2023/2024 was approved. Subsequent revisions or additional appropriations may be 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 Fund upon receiving the respective approvals to conclude the final budget. Accordingly, the Scheme Fund did not have any additional budgetary allocation on the appropriations for FY 2023/2024 budget.

Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund Annual Report and Financial Statements for the year ended 30 June 2024

c.) Financial instruments

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments; recognition and measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The fund determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Fund has the positive intention and ability to hold into maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, with less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Fund assesses at each reporting date whether there is objective evidence that a financial asset of a Fund of financial assets is impaired. Management then follows the procedure required by Regulation 145 of the PFM Act, 2012. A financial asset of the Fund is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss has an impact on the estimated future cashflows of the Fund that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors of the fund are experiencing significant financial difficulty.
- Default or delinquency in interest of principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization.
- observable data indicates a measurable decrease in estimated future cashflows (e.g. changes in arrears or economic conditions that correlate with defaults).

d.) Related parties

The Fund regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. The Fund is administrator is Co-operative bank in line with the MOU and the scheme's approved regulations.

e.) 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

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held in current and on-call deposit accounts at the Co-operative bank at the end of the financial year.

f.) Fund Account

The Scheme Fund is enhanced gradually on an annual basis through appropriations from the Commission’s budget. Further, all interest is recouped back to the Scheme Fund. The Scheme Fund was mainly established in order to enable members purchase of residential property, purchase of land, house construction, purchase of land and construction and/or improvement, loan takeover or equity release and purchase of motor vehicles for personal use. The facility is extended to applicants at an interest rate of 3 per cent, which are funds utilised by the bank for administration of the Scheme Fund. The account is a revolving fund, which receives recoveries made from the disbursed funds.

g.) Comparative figures

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

h.) Events after the reporting period

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

i.) Ultimate and Holding Entity

The Scheme Fund is a Public Fund established under the Salaries and Remuneration Commission. Its ultimate parent is the Salaries and Remuneration Commission.

j.) Currency

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

17. Transfers from the National Treasury

Description	2023/2024	2022/2023
	Ksh	Ksh
Transfers from the National Treasury	-	16,125,000
Total other income	-	16,125,000

18. Interest Income

Description	2023/2024	2022/2023
	Ksh	Ksh
Interest from on-call deposit account at 3%	1,277,144	2,820,376
Interest from fixed deposit at 8% 60M	575,450	1,804,823
Interest from fixed deposit at 9% 30M	673,151	-
Interest from fixed deposit at 10% 60M	2,988,903	-
Interest from fixed deposit at 17% 60M	2,814,683	-
Interest income	8,329,331	4,625,199

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

19. Interest on individual staff mortgage and car loan; 3%

Description	2023/2024	2022/2023
	Ksh	Ksh
Interest on individual staff mortgage and car loans	6,075,182	4,586,025
Total other income	6,075,182	4,586,025

20. Fund administration expenses

Description	2023/2024	2022/2023
	Ksh	Ksh
Administrative cost	6,075,182	4,586,025
Total cost	6,075,182	4,586,025

Note: The Fund administration expense is charged on the applicants at the rate of three (3) per cent per annum, payable by the loanees on a reducing balance basis.

21. Withholding tax

Description	2023/2024	2022/2023
	Ksh	Ksh
15% withholding tax on interest income	1,249,400	693,780

22. Cash and cash equivalents

Description	2023/ 2024	2022/2023
	Ksh	Ksh
On-call deposits	48,342,923	73,911,291
Current account	-	-
Fixed deposit	60,000,000	60,000,000
Total cash and cash equivalents	108,342,923	133,911,291

Two applications worth Ksh 20.7 million were at various stages of verification process. These funds had already been set aside and factored within the balance of Ksh 48.3 million. As at the close of the financial year, the actual cash available for lending was Ksh 27.6 million.

In the interest of growing the revolving fund, the Committee factored in the pending applications and the projected disbursements in the next six months. Arising from the projections, the balance of Ksh 60 million was placed in fixed deposit for a period six months to earn interest at a higher rate of 17 per cent as compared to 3 per cent that was being earned from funds in the on-call deposit account.

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

23.Receivables from exchange transactions

Description	As at 30 June 2024	As at 30 June 2023
	Ksh	Ksh
Current receivables		
Current loan repayments from car loan	4,145,872	4,489,127
Current loan repayments from mortgage	14,348,960	10,485,721
Less: impairment allowance	-	-
Total current receivables	18,494,832	14,974,848
Non-current receivables		
Long-term loan repayments due from car loan	8,261,651	9,325,991
Long-term loan repayments due from mortgage	170,413,025	139,726,276
Total Non-current receivables	178,674,675	149,052,267
Total receivables	197,169,565	164,027,115

24.Trade and other payables from exchange transactions

Description	2023/2024	2022/2023
	Ksh	Ksh
Withholding tax accrued at beginning of year	1,341,905	1,341,905
Additional accrued tax	1,249,400	-
Withholding tax paid in the year	(755,306)	-
Accrued balance as at close of year	1,835,999	1,341,905

25.Revolving Fund

	Revolving Fund (Ksh)	Accumulated Surplus (Ksh)	Total (Ksh)
Balance as at July 2022	272,550,603	3,989,479	276,540,082
Fund transfer during the year	16,125,000	-	16,125,000
Surplus for the year	-	3,931,419	3,931,419
Balance as at June 2023	288,675,603	7,920,898	296,596,501
Fund transfer during the year	-	-	-
Surplus for the year	-	7,079,932	7,079,932
Balance as at June 2024	288,675,603	15,000,830	303,676,433

26.Net cash flow from operating activities

Description	2023/2024	2022/2023
	Ksh	Ksh
Surplus for the year after tax	7,079,931	4,625,199
Increase in current receivables	(3,519,982)	(1,780,860)
Increase in non-current receivables	(29,622,409)	3,028,852
Increase in accrued withholding tax	494,093	-
Net cash flow from operating activities	(25,568,367)	5,873,191

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

27. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to applicants 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 beneficiary will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, deposits with banks, as well as trade and other receivables.

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

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

Description	Total amount Ksh	Fully performing Ksh	Past due Ksh	Impaired Ksh
As at 30 June 2023				
Receivables from Exchange Transactions - Car loans and mortgages	164,027,115	164,027,115	-	-
Bank Balances	133,911,291	133,911,291	-	-
Total	297,938,406	297,938,406		
As at 30 June 2024				
Receivables from Exchange Transactions - Car loans and mortgages	197,169,565	197,169,565	-	-
Bank Balances	108,342,865	108,342,865	-	-
Total	305,512,431	305,512,431	-	-

The beneficiaries under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and no amount has been identified as unrecoverable therefore no allowance has been provided for bad debts. The Fund has significant concentration of credit risk on amounts due from staff loan beneficiaries.

Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund Annual Report and Financial Statements for the year ended 30 June 2024

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

b) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Ksh	Ksh	Ksh	Ksh
As at 30 June 2023				
Accrued withholding tax	-	270,723	1,071,181	1,341,904
Total	-	270,723	1,071,181	1,341,904
As at 30 June 2024				
Accrued withholding tax	-	422,202	1,413,796	1,835,998
Total	-	422,202	1,413,796	1,835,998

c) Market risk

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

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

The Mortgage and Car Loan Scheme Fund Advisory Committee is responsible for the development of detailed risk management policies (*subject to review and approval by the Commission*) and for the day-to-day implementation of those policies.

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

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

d) Interest rate risk

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

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to only bank with institutions that offer favourable interest rates and are regulated by the Central Bank of Kenya.

e) Capital risk management.

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

Description	2023/2024	2022/2023
	Ksh	Ksh
Revolving fund	288,675,603	288,675,603
Accumulated surplus (<i>Reserves</i>)	15,000,830	7,920,898
Total funds	303,676,433	296,596,501
Less: cash and bank balances	(108,342,865)	(133,911,291)
Net debt (excess of cash and cash equivalents)	196,742,050	162,685,210
Gearing	65%	55%

28. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund is related to the Salaries and Remuneration Commission which provides management and financial support to the scheme.

b) Related party transactions

Transfers from related parties

Description	2023/ 2024	2022/2023
	Kshs.	Kshs.
Transfers from related parties	-	16,125,000

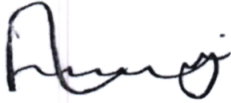
29. Events after the Reporting Period

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

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

Appendix 1: Implementation Status of Auditor-General's Recommendations

The Commission does not have any unresolved issues raised by the external auditor.



.....
Mrs. Anne R. Gitau, CHRP, EBS
Commission Secretary/Chief Executive Officer
Date: 23rd December 2024

**Salaries and Remuneration Commission- Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements for the year ended 30 June 2024**

Appendix 2: SRC Transfers to the Fund

No.	Ref. No.	Year	Date	Amount Ksh
1.	-	-	-	-