

REPUBLIC OF KENYA



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REPORT	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 MAR 2025	DAY: Tuesday
TABLED BY: Hon. Owen Baya m.p. Deputy majority leader Getunde Chebet	

THE AUDITOR-GENERAL

ON

KCAA STAFF MORTGAGE SCHEME

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

KENYA CIVIL AVIATION AUTHORITY

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KCAA STAFF MORTGAGE SCHEME

KENYA CIVIL AVIATION AUTHORITY

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

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

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1. Acronyms and Definition of Key Terms

A. Acronyms

DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

2. Key Mortgage Scheme information and management**a) Background information**

KCAA Mortgage Scheme was established on 14th October 2014 and derives its authority and accountability from the Civil Aviation Act 2013. The Scheme is wholly managed by Kenya Civil Aviation Authority and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Scheme is to offer employees of KCAA an opportunity to access mortgage facility through the selected service provider, KCB Bank. The scheme is administered by the Authority's Human Resources Department. There is a committee charged with the responsibility of processing loans from applicants in accordance with laid down procedures, setting up a revolving Mortgage Scheme for the disbursement of loans, and supervising the day-to-day operations of the Mortgage Scheme.

The Mortgage Scheme administrator is responsible for the day-to-day operations.

c) Mortgage Scheme Administration Committee

1	Chairperson	Mr. Emile N. Arao
2	Mortgage Scheme Administrator	CPA Joseph K. Chebungei
3	Committee Member	Mr. Martin Kivui
4	Committee Member	Mr. Stephen Rangar
5	Committee Member	Ms. Asenath Yagan

d) Key Management

1	Mortgage Scheme Administrator	CPA Joseph K. Chebungei
2	Mortgage Scheme Accountant	CPA David Ndung'u
3	Mortgage Scheme Manager	Mr. Martin Kivui

e) Fiduciary Oversight Arrangements

1	Director General	Mr. Emile N. Arao
2	Director Corporate Services	CPA Joseph K. Chebungei
3	Corporation Secretary	Mr. George O. Mogaka
4	Director Air Navigation Services	Mrs. Anne N. Gitau
5	Director Aviation Safety and Security Regulation	Mr. Nicholas M. Ngatia
6	Director Strategy and Knowledge Management	Dr George K. M. M’Nchebere
7	Director East African School of Aviation	Dr Serah W. Waitiki
8	Manager Internal Audit & Review	Dr Gladys Byegon

f) Registered Offices

Aviation House
Jomo Kenyatta International Airport
P. O. Box 30163
GPO 00100
Nairobi, Kenya

g) Mortgage Scheme Contacts

Telephone: (254) 20 6827470-5
Email: info@kcaa.or.ke

h) Mortgage Scheme Bankers

Kenya Commercial Bank
Haile Selassie Avenue Branch
P. O. Box 58992 – 00200
Nairobi, Kenya

i) Independent Auditor

Auditor-General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

3. Management Team

Name	Details of qualifications and experience
<i>1. Mortgage Scheme administrator</i>	<i>Mr Emile N. Arao, Director General</i>
<i>2. Mortgage Scheme Accountant</i>	<i>Mr David I. Ndung'u Manager Finance in the Authority</i>
<i>3. Member</i>	<i>Mr Joseph K. Chebungei, Director Corporate Services</i>
<i>4. Member</i>	<i>Mr Martin M. Kivui -Manager Human Resources and Administration.</i>
<i>5. Member</i>	<i>Ms Asenath J. Yagan Chief Human Resources Officer in charge of Planning and Recruitment</i>
<i>6. Member</i>	<i>Mr Stephen O. Rangar Chief Human Resources officer in charge of Employee Welfare</i>

4. Report Of the Mortgage Scheme Administrator

The KCAA staff Mortgage Scheme was established to advance loans to staff for the purpose of purchasing or construction of residential properties aimed at creating a more competitive retention strategy, enhancing staff welfare and improving staff morale and motivation. The welfare of the staff has a direct impact on their productivity hence the decision of the Board to allow the scheme to be set up.

The scheme plays an important role in;

- (i) Alleviating national housing shortage as espoused in the Government Policy and the 'Big Four' agenda
- (ii) Assisting employees to own residential houses
- (iii) Enabling employees to access decent accommodation
- (iv) Facilitating employees to invest part of their income in housing as a way of promoting long term savings
- (v) Enhancing staff living standards.

The Mortgage Scheme is cash backed and has been in operation since 2014. The Authority through a competitive procurement process sourced and identified KCB Bank Kenya Ltd Mortgages division to administer the funds on behalf of the Authority.

Currently there are 120 members of staff who are servicing mortgage loans. This number is expected to rise given the affordable housing drive by the Kenya Government.

Ksh 600 million has been set- up for the mortgage fund and the interest accruing thereon from these funds is capitalised. The fund currently stands at Ksh 701 million as at 30th June 2024.

Similarly the amount disbursed to date as loans to staff is Ksh 592.45 million. The pending disbursement (i.e at appraisal and pending security confirmation) is Ksh 103.27 million.

The scheme will seek for more funds to be placed by the Authority to support those who will apply for the mortgage in the coming financial year since the amount available now has been depleted.



CPA Joseph K. Chebungei

Mortgage Scheme Administrator

5. Statement of Performance Against Predetermined Objectives

The Authority developed her fourth Strategic Plan covering a six-year period from 2022/23 to 2027/28 which was approved by the Board of Directors in June 2022. In the FY 2023/24, the Plan was reviewed to align it to the Government priority of Bottom-up Economic Transformation Agenda (BETA) and the Medium-Term Plan (MTP) IV. The reviewed Strategic Plan was approved by the Board of Directors in December 2023.

The fourth Strategic plan is anchored on five (5) Key Result Areas (KRAs);

- 1) A Vibrant Policy, Legal and Regulatory Environment
- 2) Airspace, Equipment, and Infrastructure Development
- 3) Aviation Training
- 4) Corporate Image and Reputation.
- 5) Institutional Capacity Development

The Authority develops Annual Work Plans (AWPs) based on the above 5 KRAs. KCAA undertakes assessment of performance based on the AWP on a quarterly basis, and a summative assessment annually. Budget allocation is made on the targets in the AWP and form the basis upon which Performance Contracts are developed. KCAA performance against the set targets for FY 2023-24 is presented in Table 1:

Table 1: Key Highlights in the Implementation of the Strategic Plan

Strategic Pillar	Objective	Strategies	Achievement
A Vibrant Policy, Legal and Regulatory Environment	Establish mechanism for efficient air transport industry	a) Support the development and implementation of air transport policies and plans b) Develop and implement air operators surveillance programme/plan c) Implement licensing and approval/authorization obligations d) Monitor facilitation of air transport services at airports e) Support the development of the air transport market	a) Undertook initial issuance and continuous renewal of licenses and authorizations of air service providers and air operators by issuing 101 ASL, 232 Aircraft Lease Approvals; and 5,589 Ad hoc Permits. b) Carried out surveillance and inspections of airlines operations and facilitation inspections at JKIA, Mombasa, Malindi, Kisumu, Eldoret and Wilson Airports. c) Participated in development of the National Aviation Policy that was submitted to Cabinet and approved. d) Reviewed the State Safety Programme and Manual. e) Disseminated and implemented the National Civil Aviation Security Programme (NCASP). f) Participated in quarterly National Aviation Security Committee (NAVSEC) meetings.

Strategic Pillar	Objective	Strategies	Achievement
			g) Reviewed and approved thirty-seven (37) Security Programmes and six (6) operator security training Programmes.
	Develop, review and implement an effective legal and regulatory framework	a) Review the Civil Aviation Act b) Develop and review civil aviation regulations. c) Develop, review, and implement Technical Guidance Materials.	a) Reviewed the Civil Aviation Act 2013 (Amended 2016) which is scheduled to undergo stakeholder engagement in August 2024. b) Finalized review of thirty (30) and drafting of eight (8) Civil Aviation Regulations which were forwarded to the Ministry for approval. c) Reviewed the following set of Technical Guidance Materials (TGMs); <ul style="list-style-type: none"> • Inspection Surveillance and Audit Manual. • Surveillance Policy. • Products for Management of ICAO State Letters, Identification, Notification and Publication of Differences. • Enforcement Procedures. • Developed advisory Circular on Enforcement Procedures. h) Two TGMs for Safety Management System (SMS).
	Establish an effective aviation safety oversight system	a) Implement and maintain the State Safety Programme and Plans. b) Enhance the level of compliance with ICAO and other international aviation safety requirements. c) Undertake initial and continuous licensing, certifications, authorizations, and approval obligations. d) Enhance implementation of surveillance and quality control obligations. e) Enhance the resolution of safety issues and concerns.	a) Closed fifteen (15) USOAP CAPs b) Undertook oversight activities on KQ, JKIA and MIA for purposes of maintenance of FAA Category 1 status. c) Undertook initial and continuous certification of Aviation Personnel, ANS Stations, ATOs, and registration of aircrafts. d) Conducted an evaluation and analysis for obstacle controls and issued approvals for 928 Aerial Telecommunication Masts; 2 Wind Turbines; and 31 Buildings; and 26 TV and Radio Stations. e) Developed and implemented the surveillance plans for local, foreign AMOs and for SAFA (Safety Assessment of Foreign Operators).
	Establish and implement an effective aviation	a) Implement and maintain the National Civil Aviation Security Programme (NCASP).	a) Closed one (1) USAP CAP.

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Strategic Pillar	Objective	Strategies	Achievement
	security oversight system	<ul style="list-style-type: none"> b) Enhance the level of compliance with ICAO and other international aviation security requirements. c) Undertake initial and continuous licensing, certifications, authorizations, and approval obligations. d) Enhance implementation of surveillance and quality control obligations. e) Enhance the resolution of security issues and concerns. 	<ul style="list-style-type: none"> b) Undertook oversight activities on KQ, JKIA and MIA for purposes of maintenance of FAA Category 1 status.
	Influence international decisions on aviation	<ul style="list-style-type: none"> a) Increase the level of contribution by Kenya to global aviation development. b) Collaborate with other states to enhance aviation safety and Security. c) Collaborate with ICAO to develop Kenya's Aviation Industry. d) Strengthen and maintain Kenya's presence at ICAO HQs and other international bodies 	<ul style="list-style-type: none"> a) Hosted the ICAO AFI week. b) Conducted ANS Inspector OJT for trainees from Nigeria and Mozambique. c) Hosted a stakeholder's workshops on Development & Deployment of Sustainable Aviation Fuel (SAF). d) Submitted air transport data to ICAO. e) Participated in various ICAO and AFCAC experts WG meetings and presented Kenya's position. f) Made voluntary contributions through participation in developments of SARPS in Technical working groups of ICAO. g) Made payment of Kenya's yearly assessed contribution to ICAO.
	Establish and implement mechanisms for environmental conservation and protection	<ul style="list-style-type: none"> a) Enhance compliance with international obligations on environmental protection in the aviation sector. b) Implement the Kenya State Action Plan on environment protection in the Aviation sector. c) Develop and implement internal policies and action plans on Environment and Climate Change. 	<ul style="list-style-type: none"> a) Participated in the First AFCAC Workshop on Development and Deployment of Sustainable Aviation Fuels in Africa. b) Hosted a workshop on CORSIA, SAF and high-level meetings on development and deployment of SAF). c) Trained industry stakeholders on SAF Technology. d) Participated in various ICAO Conferences on Aviation and Alternative Fuels. e) Hosted the first meeting of the National Steering Committee on Development & Deployment of Sustainable Aviation Fuel (SAF) in Kenya.

Strategic Pillar	Objective	Strategies	Achievement
			<p>f) Developed Civil Aviation (Carbon Offsetting and Reduction Scheme for International Aviation) Regulations, 2024.</p> <p>g) Planted 51,370 tree seedlings to support the government's efforts in forest restoration.</p>
Airspace, Equipment, and Infrastructure Development	Modernize systems and equipment	<p>a) Review and implement a modernization plan for systems and equipment.</p> <p>b) Review and implement a maintenance plan for systems and equipment</p>	<p>a) Achieved overall availability of ANS equipment and systems of 98.11%.</p> <p>b) Modernization and upgrade of equipment and systems ongoing.</p> <p>c) Maintenance of equipment and systems undertaken regularly to ensure functionality and improve performance.</p>
	Develop and maintain buildings, facilities, and Infrastructure	<p>a) Develop and implement a buildings and facilities policy.</p> <p>b) Develop and implement a master plan for buildings, facilities and infrastructure improvement including maintenance</p>	<p>a) Handed site for construction of Kisumu Airport Control Tower which has progressed to 45%.</p> <p>b) Concept paper for construction of Diani Airport Control Tower was prepared and submitted to the Ministry.</p> <p>c) Renovation and routine maintenance for other buildings, facilities and installations undertaken on a regular and need basis.</p>
	Enhance airspace safety	<p>a) Provide quality aeronautical information products.</p> <p>b) Implement standards and operating procedures.</p> <p>c) Implement effective safety management systems.</p> <p>d) Manage Search and Rescue Operations efficiently.</p> <p>e) Implement ATM Security Programme</p>	<p>a) Conducted regulatory audits for MIA, Diani and Malindi.</p> <p>b) Provided ATC services during the Safari World Rally Championships.</p> <p>c) Conducted QMS checks in Mombasa, Malindi, Eldoret, Kisumu and ground control survey for Lamu and Manda.</p> <p>d) Carried out internal ATS audits on eleven (11) ATS Units.</p>
	Optimise airspace operational capacity	<p>a) Implement Operational Performance Management System (OPMS)</p> <p>b) Undertake systematic and regular reviews of airspace and air route's structure.</p> <p>c) Improve coordination, planning and implementation of ANS Plans</p>	<p>a) Conducted training and two (2) multi-agency stakeholders' workshop on Search and Rescue (SAR) to build SAR capacity.</p> <p>b) Registered four hundred and ninety-seven (497) new Emergency Beacons.</p> <p>c) Undertook mapping of SAR assets in the five counties in western part of the country.</p>
Aviation Training	Enhance the quality of aviation training	<p>a) Enhance the existing mechanisms for course development and review.</p> <p>b) Ensure a robust quality management framework.</p>	<p>a) Developed training MOUs with several states including Mozambique, Botswana, Niger, and Rwanda.</p> <p>b) Discussions are underway with KDF on an MoU for training in ATC.</p>

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Strategic Pillar	Objective	Strategies	Achievement
		<ul style="list-style-type: none"> c) Enhance capacity for training delivery. d) Enhance partnerships and collaborations for aviation training 	<ul style="list-style-type: none"> c) Developing an MoU with Nairobi Institute of Aircraft Maintenance (NIAM) to provide comprehensive training for students pursuing careers as Aircraft Maintenance Engineers (AMEs) and obtaining relevant licenses. d) Developed the Aeronautical Information Management Competency Assessors Course (AIMCA – STP) and submitted it to ICAO. e) Student enrolment increased by 7% from 2,906 in FY 2022/23 to 3,109 in the FY 2023/24.
	Improve Student Welfare	<ul style="list-style-type: none"> a) Enhance and maintain co-curricular programs and activities. b) Develop a mechanism for psycho-social support. 	<ul style="list-style-type: none"> a) Promoted student welfare at EASA through engaging coaches for various disciplines - basketball, football, handball. b) EASA students participated in various co-curricular activities including KETISA Games, inter-county swimming gala and Music Festivals.
Corporate Image and Reputation	Enhance brand resonance, visibility, and corporate image	<ul style="list-style-type: none"> a) Enhance brand resonance and visibility. b) Institutionalize Corporate Social Responsibility c) Nurture and enhance strategic partnerships and collaborations d) Lobby for hosting of international events. 	<ul style="list-style-type: none"> a) Issued branded items, including T-shirts, caps, Flash discs, lanyards, and Notebooks for publicity to professional clients. b) Held digital Media campaigns involving Twitter, Facebook, Instagram, and YouTube. c) Hosted and participated in several national and international events aimed at improving KCAA visibility. d) Appointed the Aviation Excellence (AviEx) Award Committee. e) Hosted the 8th AFI week regional meeting in Nairobi. f) Participated in various ICAO high level meetings.
	Enhance Customer Experience and Quality Management	<ul style="list-style-type: none"> a) Implement measures to improve customer satisfaction. b) Develop and implement quality management systems (QMS) 	<ul style="list-style-type: none"> a) Trained six (6) Officers on Quality Management Systems (QMS). b) EASA underwent a recertification Audit by Kenya Bureau of Standards (KEBS) which resulted in the renewal of EASA ISO certification, valid until March 2027.
	Protect Aviation consumers rights	<ul style="list-style-type: none"> a) Enhance the rights and interests of aviation consumers 	<ul style="list-style-type: none"> a) Developed draft Consumer Protection Strategy. b) Updated the Consumer Protection Service charter and sensitization done to staff.

Strategic Pillar	Objective	Strategies	Achievement
			c) Developed draft consumer protection regulations.
Institutional Capacity Development	Attract and retain skilled, competent, and high performing workforce	a) Attract skilled, competent, and motivated workforce. b) Manage staff performance for improved productivity. c) Review, enhance and inculcate a positive work culture. d) Review and implement an effective staff capacity development programme. e) Enhance a conducive and enabling work environment	a) Prepared and implemented the Board PC which had 35 targets, and 30 targets were fully achieved. b) Undertook evaluation of FY 2022/23 PC where KCAA registered a score of very good (2.9433). c) Reviewed the KCAA Strategic Plan. d) Prepared a Paper to enhance contributions to the staff Retirement Benefits Scheme. e) Evaluated implementation of the organization structure and identified gaps are being addressed. f) Developed a Staff performance appraisal tool that will be used from FY 2023/24 employee performance appraisal. g) Ongoing implementation of various Staff welfare programmes - Provision of staff tea, drinking water, medical health insurance, housing mortgage facility, pension scheme, car loan scheme, group life insurance, group accident insurance, last expense policies, gym and creches for nursing mothers. h) Undertook various capacity-building programme to address identified skill gaps and improve staff performance. Within the FY, 589 Staff were trained locally and abroad. i) Engaged a consultant to carry out an audit on current work environment, the organization culture, and a comprehensive training needs assessment together with training projections for the next three years.
	Digitalise systems and processes	a) Review and implement ICT Policy and Strategy. b) Automate, integrate and upgrade key business processes c) Upgrade and modernize ICT equipment and infrastructure	a) Reviewed ICT policy and strategy b) In line with the Government directive to have all financial transactions conducted through e-Citizen platform, automated the following business processes; <ul style="list-style-type: none"> • File tracking.

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Strategic Pillar	Objective	Strategies	Achievement
			<ul style="list-style-type: none"> • Partial Automation of Personnel Licensing and licensing for AVSEC Department. • Automation of examinations system. • Automation of surveillance activities. • Implementation of Obstacles Control Analysis for AAMLE. • Air Navigation Services (ANS). • School management processes. <p>c) All financial transactions are conducted through the e-Citizen platform.</p>
	Promote prudent financial management	<p>a) Enhance and diversify revenue sources.</p> <p>b) Increase efficiency in expenditure management, budget utilization and finance operations.</p> <p>c) Optimize returns on assets.</p>	<p>a) Budget absorption rate was 83.16% (Recurrent 80.33%; Development 99.94%).</p> <p>b) The actual revenues collected were Ksh. 12,778.16 million representing above target achievement of Ksh. 4,663.18 million (57.46%).</p>
	Strengthen the supply chain system	<p>a) Implement procurement processes in compliance with requirements.</p> <p>b) Enhance inventory/stores management and disposal of assets.</p> <p>c) Establish mechanisms to enhance contract management processes</p>	<p>a) Value of tenders awarded to Youth, Women and PWD was Ksh. 470,518,502.78 against a target of Ksh. 324,180,960.30 exceeding the AGPO target of 30%.</p> <p>b) Value of goods, works and services procured from local market was Ksh. 1,029,047,817.65 against a target of Ksh. 686,550,808.00 exceeding the target of 40%.</p> <p>c) Reports on procurement activities submitted to Public Procurement Regulatory Authority (PPRA), the National Council for People with Disabilities (NCPWD) and Ministry of Industry, Trade, and Investments.</p> <p>d) Prepared a Procurement and Asset Disposal Policy which is aligned to the PPADA 2015, PPADR 2020 and PPADR 2022 that was approved by management awaiting presentation to the Board.</p>
	Mainstream Research, Science, Technology, Innovation & Knowledge Management in service delivery	<p>a) Develop and implement a framework to promote and support Research, Technology and Innovation, (RSTI).</p> <p>b) Harness organizational knowledge for business sustainability</p>	<p>a) Prepared a Research, Science, Technology and Innovation (RSTI) Policy.</p> <p>b) In collaboration with KAA and KNBS, undertaking a study that aims to measure the contribution of Civil Aviation activities on Kenya's economy and establish a Civil Aviation Satellite Account for Kenya.</p>

Strategic Pillar	Objective	Strategies	Achievement
			c) Implemented the KCAA STI Annual Work Plan and submitted quarterly reports to NACOSTI. d) Held a benchmarking visit to University of Embu and KURA on implementation of Performance Contracts. e) Held a Knowledge Management Day on 15 th and 16 th May 2024 in all KCAA Stations.
	Strengthen the risk management framework	a) Review and implement an effective Risk Management Framework. b) Review and implement an Authority-wide Business Continuity and Disaster Preparedness (BC&DP) Plan	a) Continuous implementation of the Institutional Risk Management Framework (IRMF) to transform the Authority to a Risk Intelligent entity. b) Strengthened the Authority Risk Management capacity through training of seven (7) Risk Management Champions (RMCs). c) Undertook a Risk Management maturity assessment.
	Enhance assurance and advisory services offered by internal audit function	a) Enhance governance over the internal audit function in line with legislative/government requirements and best practices. b) Enhance IAD capacity to contribute towards protection of the Authority's value through provision of effective assurance and advisory services. c) Review and implement effective and efficient Internal Audit processes that incorporate emerging technologies.	a) Level of implementation of Annual Internal Audit Plan was 92% against a target of 90%. b) Utilizes Teammate+ auditing management system, open CAPs declined from 175 in June 2022 to 163 in June 2023. a) Frequent Audits carried out on various functions and internal Audit Reports presented to the Board.
	Enhance good governance and compliance practices	a) Implement relevant governance laws, regulations, policies, and circulars. b) Enhance capacity building on corporate governance at Board and Management level. c) Ensure effective communication between Management and Board d) Review and implement Board and Board Committees Charters	b) Engaged the Institute of Certified Secretaries (ICS) to conduct the legal audit. c) Updated Board and Board Committee Charters.

*KCAA Staff Mortgage Scheme
Annual Report and Financial Statements For the year ended 30th June 2024*

Strategic Pillar	Objective	Strategies	Achievement
	Improve efficiency and effectiveness in Project Management	a) Enhance project conception and planning. b) Ensure effective implementation, monitoring and evaluation of projects and Programmes.	a) Progressed with implementation of projects planned for FY 2023/24. b) Prepared concepts notes for projects planned for implementation in FY 2024/25 and submitted to the Ministry for approval.

6. Management Discussion and Analysis

- The KCAA Staff Mortgage scheme has been in operation since 2014 when the scheme was set up. Several staff member have benefited from the scheme in acquiring houses and plots as well as building their own homes. During the year 24 members of staff were advanced loans to purchase and/or construct own houses and Ksh 81 million were disbursed.
- As per the bankers, the amount outstanding as loans disbursed at end of the financial year was Ksh 592.45 million, with principal repayments during the year amounting to Ksh 69.08 million.
- As it is a check-off system, the repayments by staff have been remitted on time by the Authority to the bank.
- The scheme has been outsourced to KCB Bank Ltd mortgages division which is capable of assessing the inherent risk of default by a borrower since they have been in the industry for long.
- The Authority does not foresee any changes to the running of the scheme.

7. Report of The Mortgage Scheme Administration Committee

The Mortgage Scheme Administration Committee submit their report together with the Annual financial statements for the year ended June 30, 2024 which show the state of the Mortgage Scheme's affairs.

Principal activities

The principal activities of the scheme are to offer mortgage facility to the staff of the Authority.

Performance

The performance of the Mortgage Scheme for the year ended June 30, 2024, is set out on page 1.

Administration Committee

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

Auditors

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

By Order of the Board



.....

Emile N. Arao

Chair of the Fund Administration Committee

8. Statement of Management's Responsibilities

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Mortgage Scheme established by Civil Aviation Act 2013 shall prepare financial statements for the Mortgage Scheme in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Mortgage Scheme is responsible for the preparation and presentation of the Mortgage Scheme's financial statements, which give a true and fair view of the state of affairs of the Mortgage Scheme as at the end of the financial year ended on June 30, 2024. 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 Mortgage Scheme, (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 Mortgage Scheme; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Mortgage Scheme accepts responsibility for the Mortgage Scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Civil Aviation Act 2013*. The Administrator of the Mortgage Scheme is of the opinion that the Mortgage Scheme's financial statements give a true and fair view of the state of Mortgage Scheme's transactions during the financial year ended June 30, 2024, and of the Mortgage Scheme's financial position as at that date.


The Administrator further confirms the completeness of the accounting records maintained for the Mortgage Scheme, which have been relied upon in the preparation of the Mortgage Scheme's financial statements as well as the adequacy of the systems of internal financial control. In preparing

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the financial statements, the Administrator of the Mortgage Scheme has assessed the Mortgage Scheme's ability to continue as a going concern. Nothing has come to the attention of the Administrator to indicate that the Mortgage Scheme 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 Mortgage Scheme's financial statements were approved by the Board on 30/06/
2024 and signed on its behalf by:



.....
Emile N. Arao
Chairman of the Mortgage Scheme

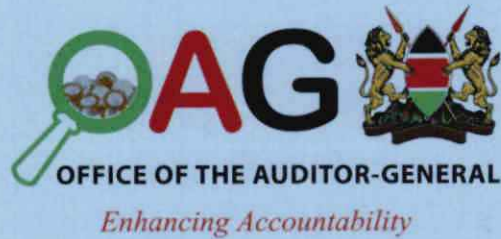


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CPA Joseph K. Chebungei
Mortgage Scheme Administrator

LEFT BLANK INTENTIONALY

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KCAA STAFF MORTGAGE SCHEME FOR THE YEAR ENDED 30 JUNE, 2024 – KENYA CIVIL AVIATION AUTHORITY

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 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 ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of KCAA Staff Mortgage Scheme set out on pages 1 to 20, which comprise the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets and statement of cash flows 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 KCAA Staff Mortgage Scheme 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 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 KCAA Staff Mortgage Scheme Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Information

The Management is responsible for the other information set out on page iii to xx which comprise of Key Mortgage Scheme Information and Management, Management Team, Report of the Mortgage Scheme Administrator, Statement of Performance Against Predetermined Objectives, Management Discussion and Analysis, Report of the Mortgage Scheme Administration Committee and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Scheme's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 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 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 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

27 December, 2024

KCAA Staff Mortgage Scheme
Annual Report and Financial Statements For the year ended 30th June 2024

10. Statement of Financial Performance for the year ended 30th June 2024.

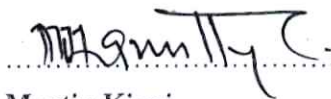
	Note	2024 Kshs.	2023 Kshs.
Revenue from exchange transactions			
Interest income	14.6	4,968,248	
Total revenue		4,968,248	
Expenses			
Finance costs		1,065	
Total expenses		1,065	
Surplus/(deficit) before tax		4,967,183	
Surplus/ (Deficit) after Tax		4,967,183	

The notes set out on pages 5 to 22 form an integral part of these Financial Statements.

The financial statements were approved on ... 30/09/24 ... by:



Emile N. Arao
 Director General



Martin Kivui
 Manager HR & A



CPA Joseph K. Chebungeti
 Director Corporate Services
 ICPAK M/No. 4023

Date... 20/12/24

Date... 20/12/24

Date... 20/12/24

*KCAA Staff Mortgage Scheme
Annual Report and Financial Statements For the year ended 30th June 2024*

11. Statement of Financial Position as at 30th June 2024

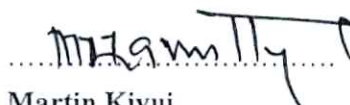
	Note	2024	2023
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	14.7	109,310,932	
Total Current Assets		109,310,932	
Non-current assets			
Receivables from exchange transactions	14.8	592,450,968	
Total Non-Current Assets		592,450,968	
Total assets (A)		701,761,900	
Liabilities			
Total Current Liabilities		-	
Non-current liabilities			
Total non-current liabilities		-	
Total liabilities (B)		-	
Net Assets (A-B)		701,761,900	
Represented By:			
Mortgage revolving Mortgage Scheme		701,761,900	
Net Assets		701,761,900	

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

The Mortgage Scheme financial statements were approved on 30/09/2024 and signed by:



Emile N. Arao
Director General
Date 20/12/24



Martin Kivui
Manager HR & A
Date 20/12/24



CPA Joseph K. Chebungei
Director Corporate Services
Date 20/12/24

12. Statement of Changes in Net Assets for the year ended 30th June 2024

	Mortgage Mortgage	Car Loan Mortgage	Accumulated surplus	Total
	Scheme	Scheme		
	Kshs.	Kshs.	Kshs.	Kshs.
As at 1 July 2023	696,794,717	-		696,794,717
Surplus/(deficit) for the period				
Mortgage Schemes received during the year	-			
Interest capitalized*	4,967,183			4,967,183
Transfers				
As at 30 June 2024	701,761,900			701,761,900
Balance as at 1 July 2022	-	-	-	-
Surplus/(deficit) for the period				
Mortgage Schemes received during the year				
Interest capitalized*				
Transfers				
As at 30 June 2023	-	-	-	-

13. Statement of Cash Flows for the year ended 30th June 2024

	Note	2024	2023
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from Parent Ministry/ SC/SAGA		-	
Interest received	14.6	4,968,248	
Other income			
Total receipts		4,968,248	
Payments			
Finance cost		(1,065)	
Total payments		(1,065)	
Net cash flow from operating activities		4,967,183	
Cash flows from investing activities			
Loan disbursements paid out		(81,879,254)	
Net cash flows used in investing activities			
Cash flows from financing activities			
Receipts into the mortgage revolving Mortgage Scheme		-	
Net cash flows used in financing activities		-	
Net increase/(decrease) in cash and cash equivalents		(76,912,071)	
Cash and cash equivalents at 1 July 2023		186,223,003	
Cash and cash equivalents at 30 June 2024		109,310,932	

14. Notes to the Financial Statements

14.1 General Information

The KCAA Staff Mortgage Scheme is established by and derives its authority and accountability from Civil Aviation Act 2013. The Mortgage Scheme is wholly owned by the Kenya Civil Aviation Authority and is domiciled in Kenya. The Mortgage Scheme's principal activity is offering loans to staff to acquire houses and plots.

14.2 Statement of Compliance and Basis of Preparation

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

14.3 Adoption Of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.

There are no new standards effective in the FY.

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	Applicable 1st January 2025 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.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	Applicable 1st January 2025 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.
IPSAS 45: Property Plant and Equipment	Applicable 1st January 2025 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.
IPSAS 46: Measurement	Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by:

	<ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p>Applicable 1st 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>
IPSAS 48: Transfer Expenses	<p>Applicable 1st 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 about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p>Applicable 1st January 2026</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>

iii. Early adoption of standards

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

14.4 Significant Accounting Policies

a. Revenue recognition

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. 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 scheme does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the scheme'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.

I. Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Note 4.

II. Financial liabilities

Classification

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

c) Contingent liabilities

The Mortgage Scheme 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.

d) Contingent assets

The Mortgage Scheme 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 Mortgage Scheme in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

e) Nature and purpose of reserves

The Mortgage Scheme creates and maintains reserves in terms of specific requirements.

f) Changes in accounting policies and estimates

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

g) Related parties

The Mortgage 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 Mortgage Scheme, or vice versa. Members of key management are regarded as related parties and comprise the Directors, Trustee, the Mortgage Scheme Managers, and Mortgage Scheme Accountant.

h) Cash and cash equivalents.

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

i) Comparative figures

The comparative figures are embedded in the main financial statements of the Kenya Civil Aviation Authority.

14.5 Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Mortgage Scheme. 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 Mortgage Scheme
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funds to replace the asset
- v) Changes in the market in relation to the asset

Notes to the Financial Statements

14.6 Interest income

Description	2024	2023
	Kshs.	Kshs.
Interest Income from Mortgage Loans	4,968,248	
Interest Income from Car Loans	-	
Interest Income from Investments in financial assets	-	
Interest Income on Bank Deposits	-	
Other	-	
Total Interest Income	4,968,248	

14.7 Cash and cash equivalents

Description	2024	2023
	Kshs.	Kshs.
KCAA Mortgage Account 1159226555	109,310,932	
Fixed Deposits Account		
On – Call Deposits		
Current Account		
Others		
Total Cash and Cash equivalents	109,310,932	

14.8 Receivables from exchange transactions

Description	2024		2023	
	Kshs.		Kshs.	
Current Receivables				
Interest Receivable				
Current Loan Repayments Due	58,977,176			
Other Exchange Debtors	-			
Less: Impairment Allowance	-			
Total Current Receivables	58,977,176			
Non-Current Receivables				
Long Term Loan Repayments Due	533,473,792			
Total Non- Current Receivables	533,473,792			
Total Receivables	592,450,968			
Ageing analysis (receivable from exchange transactions)	2024	%of total	2023	%of total
Less than 1 year	58,977,176	10%		%
Between 1-2 years	117,954,352	20%		%
Between 2-3 years	176,931,529	30%		%
Over 3 years	238,587,911	40%		%
Total (tie to totals above)	592,450,968	100%		%

14.9 Net cash flows from operating activities

Description	2024		2023	
	Kshs.		Kshs.	
Surplus/ (deficit) for the year before tax	4,967,183			
Adjusted for:				
Depreciation				
Amortisation				
Gains/ losses on disposal of assets				
Interest income				
Finance cost				
Working capital adjustments				
Increase in inventory				
Increase in receivables				
Increase in payables				
Net cash flow from operating activities	4,967,183			

14.10 Financial risk management

The Mortgage Scheme's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Mortgage Scheme'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 Mortgage Scheme does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Mortgage Scheme's financial risk management objectives and policies are detailed below:

a) Credit risk

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

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

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

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2024				
Receivables From Exchange Transactions- mortgages				
Receivables From Non-Exchange Transactions				
Bank Balances	109,310,932	109,310,932		
Total	109,310,932	109,310,932		

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Mortgage Scheme has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Mortgage Scheme has significant concentration of credit risk on amounts due within five years

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

b) Liquidity risk management

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

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

in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2024				
Trade Payables	NIL	NIL	NIL	NI
Total				
At 30 June 2023				
Trade Payables	NIL	NIL	NIL	NIL
Total				

c) Market risk

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

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

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

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

d) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage

point as a decrease/increase NA. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax -NA.

e) Capital risk management.

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

Description	2024	2023
	Kshs.	Kshs.
Revolving Mortgage Scheme	701,761,899	-
Accumulated surplus (<i>Reserves</i>)		
Total Mortgage Schemes	701,761,899	-
Less: cash and bank balances	109,310,932	-
Net debt/(excess cash and cash equivalents)	592,450,967	-
Gearing	84%	

14.11 Related party balances

a) Nature of related party relationships

Entities and other parties related to the Mortgage Scheme 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 Mortgage Scheme is related to the following entities:

- a) National Government
- b) Key Management.
- c) Mortgage Scheme Committee.

14.12 Events after the Reporting Period

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

14.13 Ultimate And Holding Entity

The Scheme is a staff Mortgage Scheme under the sponsorship of Kenya Civil Aviation Authority which is a State Corporation within the ministry of Roads and Transport, Kenya.

14.14 Currency

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

15. Annexes

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

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

			N/A	
		N/A	N/A	
			N/A	
			N/A	
			NA	



EMILE N. ARAO
DIRECTOR GENERAL
KENYA CIVIL AVIATION AUTHORITY

Date.....20/12/24.....