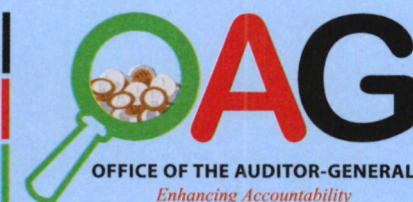


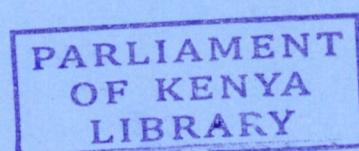
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REPORT

OF



THE AUDITOR-GENERAL

ON

**KITUI COUNTY ASSEMBLY SERVICE BOARD
EMPLOYEES' CAR & MORTGAGE
FUND SCHEMES**

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

Revised 30th June 2025



**KITUI COUNTY ASSEMBLY SERVICE BOARD EMPLOYEES' CAR & MORTGAGE
FUND SCHEMES**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025**

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

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

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Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2025

1. Acronyms and Definition of Key Terms

A. Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
NARC	National Alliance Rainbow Coalition
HRIS-Ke	Human Resource Information System Kenya
CSR	Corporate Social Responsibility

B. Definition of Key Terms

Fiduciary Management- Members of Management are directly entrusted with the responsibility of financial resources of the organization.

Comparative Year- Means the prior period.

2. Key Entity Information and Management

a) Background information

Kitui County Assembly Service Board Employees' Car & Mortgage Fund is a revolving fund established on 28th January, 2015. The fund's authority and accountability is derived from the Public Finance Management (PFM) Act 2012. The fund is wholly owned by the County Government of Kitui, domiciled in Kenya.

The fund's primary objective is to provide staff members with affordable financing options for the purchase of motor vehicles and for the acquisition, development, renovation, or repair of residential properties. Its core mandate is the issuance of car loans and mortgage facilities to eligible employees.

The scheme was established pursuant to the Salaries and Remuneration Commission (SRC) Circular No. SRC/ADM/CIR/1/13 Vol. III (128) dated 14th February 2014, and in compliance with the Public Finance Management (PFM) Regulations, 2015. The circular set out key guidelines to facilitate fair and efficient access to the scheme by qualified officers.

Following this, the County Assembly Service Board formulated and approved specific regulations for the implementation of the scheme on 17th March 2015. These regulations offered both procedural direction and a legal foundation for the scheme's administration. Additionally, the Board designated the Clerk of the Assembly to oversee the internal management of the scheme in accordance with the approved framework.

b) Principal Activities

The principal activity of the fund is to offer staff members access to affordable car loans and mortgage facilities.

Vision

"The fund of choice for members of staff of the County Assembly of Kitui."

Mission

"To provide affordable, accessible, and sustainable car loans and mortgages to members of staff of the County Assembly of Kitui."

Core Values

The fund upholds the values of accountability, transparency, excellence, accessibility, integrity, responsiveness, equity, and teamwork.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

c) Fund Administration Committee

Ref	Name	Position
1.	Hon. Hussein Mwandia	Board member- Chairperson of the Fund Committee
2.	Augustus M. Kyenze	Principal Finance Officer – Member
3.	David M. Mwangangi	Ag. Senior Legal Counsel – Member
4.	Josphat K. Kwanda	Principal Clerk Assistant – Member
5.	Mary M. Mulima	Ag. Principal Human Resource Officer– Member
6.	Harrison O. Ouma	Senior Administrative Officer – Member
7.	Lawrence M. Kirigwi	Senior Sergeant-At-Arms -Member
8.	Charles N. Nyaga	Ag. Deputy Clerk of the Assembly- Vice Chair
9.	Lucy N. Waema	Ag. Clerk of the Assembly-Fund Administrator

d) Key Management Team

Ref	Name	Position
1	Lucy N. Waema	Fund Administrator (Ag. Clerk of the Assembly)
2	Mr. Augustus M. Kyenze	Principal Finance Officer
3	Mr. Mutua Mwendwa	Fund Accountant
4	Mr. Josphat K. Kwanda	Principal Clerk Assistant
5	Mrs. Mary Musyoka	Ag. Principal Human Resource Officer
6	Mr. Lawrence M. Kirigwi	Senior Sergeant-At-Arms
7	Mr. Kevin M. Ndeto	Senior ICT Officer
8	Mr. Harrison O. Ouma	Senior Administration Officer

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	Risper M. Joseph

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

f) Registered Offices

P.O. Box 694 – 90200, Kitui
County Assembly of Kitui Chambers,
Mutomo - Kibwezi Road,
Kitui, Kenya

g) Fund Contacts

Telephone: 044-22914
E-mail: kituiassembly@gmail.com
Website: www.kituiassembly.go.ke

h) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
P.O. Box 683-90200
Kitui, Kenya

i) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

j) Principal Legal Adviser

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

k) County Attorney

N/A

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

3. Fund Administration Committee

Name	Details of qualifications and experience
1. Hon. Hussein Mwandia 	He was born in 1966. He has Degree in Social Work. Experienced in social worker activities worked as a former Counselor. He is currently an elected member of County Assembly on NARC party ticket. He is a member of the County Assembly Service Board. He is the chairperson of the loans management committee representing the board.
2. Lucy N. Waema 	She was born in 1973. She hold a Bachelor Degree in Business Administration. She brings along wealth of management experience having served in senior positions during the defunct local Authorities including being the clerk of municipal council. She is currently the Acting Clerk of Assembly. She is the vice-chairperson of the loans management committee.
3. Charles N. Nyaga 	Born in 1976, he brings a wealth of management experience, having held senior positions in the former local authorities, including serving as an Accountant for a municipal council. He holds a Master of Science in Finance from KCA University. He currently serves as the Acting Deputy Clerk of the Assembly and is the Vice-Chairperson of the Loans Management Committee.
4. Augustus M. Kyenze 	Born in 1980, he holds a Master of Business Administration (MBA) from the University of Nairobi. He has extensive experience in public finance management, having served in senior finance roles at Moi Teaching and Referral Hospital. He currently serves as the Principal Finance Officer.
5. David M. Mwangangi 	He was born in 1988 and holds of Bachelor of Law LLB from Kampala University and a Diploma in law from Kenya School of Law. He has commendable exposure in matters of law. Currently she is the acting Senior Legal Counsel.

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

6. Joseph K. Kwanda 	Born in 1976, he holds a Bachelor's degree in Education and is currently pursuing a Master's degree in Public Management at South Eastern University. He has extensive experience in the banking sector, having risen through the ranks to the position of Branch Manager. He currently serves as the Principal Clerk Assistant and Head of Legislative Practices and Procedures at the County Assembly
7. Mary M. Mulima 	Born in 1976, she holds a degree in Business Administration with a specialization in Human Resource Management. She brings extensive experience in human resource management and development, having served in various institutions, including Mombasa Water and Sanitation Company. She currently serves as the Acting Head of Human Resource
8. Lawrence M. Kirigwi 	Born in 1973. Holds Bachelor of Arts in Economics and Business Studies from Kenyatta University. He has a wealth of experience in public administration and security expert having served as a District Officer. Currently, he serves as the Head Sergeant-at-arms and security department
9. Harrison O. Ouma 	He was born in 1973 and is holder of Business Administration (Anthropology). He has wealth of experience in Public Administration. Currently he heads the Administration Department

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

4. Management Team

Name and Passport Photo	Details of qualifications, experience, date of birth, work experience and responsibility
Lucy N. Waema 	She was born in 1973 and brings along wealth of management experience having served in senior positions during the defunct local Authorities including being the clerk of municipal council. She is currently the acting Clerk of Assembly. She is the Fund Administrator.
Charles N. Nyaga 	Born in 1976, he brings a wealth of management experience, having held senior positions in the former local authorities, including serving as an Accountant for a municipal council. He holds a Master of Science in Finance from KCA University. He currently serves as the Acting Deputy Clerk of the Assembly and is the Vice-Chairperson of the Loans Management Committee.
Augustus M. Kyenze 	Born in 1980. He has Masters in Business Administration from Nairobi University. He is experienced in public finance management having served in senior positions in finance at Moi Teaching and Referral Hospital. He is currently the Principal Finance Officer
Mary M. Musyoka 	She was born in 1976 and is holder of Business Administration (Human Resource Management). She has wealth of experience in human resource management and development having worked in different institutions including Mombasa Water and Sanitation company. Currently she is the acting head of Human Resource.
Lawrence M. Kirigwi 	Born in 1973. Holds Bachelor of Arts in Economics and Business Studies from Kenyatta University. He has a wealth of experience in public administration and security expert having served as a District Officer. Currently, he serves as the Head Sergeant-at-arms and security department

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

Kevin M. Ndeto 	He was born in 1988. Holds Bachelor of Science in Computers. Brings along wealth of experience in computer management. Currently he is the head of ICT Department.
Harrison O. Ouma 	He was born in 1973 and is holder of Business Administration (Anthropology). He has wealth of experience in Public Administration. Currently, he heads the Administration Department
Josphat K. Kwanda 	Born in 1976. Holder of Bachelor of Education. Currently pursuing master's in Public Management at South Eastern University. Experienced in school management and Assembly procedures. He is the head of Legislative Practice & Procedure department
Mutua Mwendwa 	Born in 1983. He has a degree in Business Administration-Accounting from Maseno University, CPA (K), and is a Certified Fraud Forensic Examiner (CFFE). He is experienced in public finance management having served in senior positions in finance. He is currently the Fund Accountant.

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2025

5. Fund Chairperson's Report

It is my pleasure to present the financial statements of Kitui County Assembly Service Board Employees' Car & Mortgage Fund for the year ended 30th June 2025, on behalf of the management committee.

Board and Management Change

There were no changes to the membership of the Board or the management team during the reporting period.

Review of performance

The Fund recorded a solid performance during the year. Interest income amounted to Kshs. 5,737,676, representing a 1.8% decrease from the previous year. This decline was primarily due to a reduction in the disbursement of both mortgage and car loans. Total expenditure for the year stood at Kshs. 552,546, comprising Kshs. 255,540 in committee sitting allowances, Kshs. 279,993 in printing and stationery and, Kshs. 17,013 in bank charges.

Since inception of the Fund, the committee processed and approved 20 car loan applications totaling Kshs. 34,205,810 and 48 mortgage applications amounting to Kshs. 261,282,111. All approved car loans were fully disbursed upon receipt of the necessary documentation. Out of the approved mortgage amount, Kshs. 250,020,969 had been disbursed as at 30th June 2025, with the balance of Kshs. 11,261,142 pending, subject to submission of project completion certificates from beneficiaries.

Future outlook

The Fund's prospects are optimistic as the Assembly remains committed to empowering its staff. The committee intends to enhance the scheme further, with the aim of boosting staff morale and, in turn, improving service delivery. We remain optimistic that the County Treasury will maintain its financial support to help the Fund meet its objectives.

Challenges Faced

Despite notable achievements, the Fund faced several challenges during the year. These included: lack of required lien to secure the loans, and over-committed payslips of applicants. These issues offered key insights and learning opportunities to guide the Fund's continued improvement and increase uptake in future periods.

Conclusion

The committee remains dedicated to supporting the County Assembly Service Board in fulfilling its mandate as outlined under Section 12(7) of the County Governments Act, 2012. We also

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

strive to uphold the objectives of the Salaries and Remuneration Commission by facilitating the attraction, motivation, and retention of qualified personnel.

I extend my sincere gratitude to the Clerk of the Assembly and the management team for their unwavering support. I also encourage them to remain focused on strategic priorities as we work together to strengthen the Assembly's service delivery.



**HON. HUSSEIN MWANDIA
FUND CHAIRPERSON**

DATE: 03/11/2025

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2025

6. Report of the Fund Administrator

I am pleased to present the financial statements of the Kitui County Assembly Service Board Employees' Car & Mortgage Fund for the year ended 30th June 2025. These statements reflect the Fund's financial performance and operational progress over the past year.

The Fund was formally established on 28th January 2015 following the enactment of guiding regulations, in line with recommendations from the Salaries and Remuneration Commission (SRC).

a) Financial Performance

(i) Budget Performance

During the year under review, the Fund did not receive any additional allocation from the County Treasury.

(ii) Capital Fund

Since inception, the Kitui County Treasury has disbursed a total of Kshs. 196,207,234 to the Fund as a revolving capital base for the car and mortgage loan schemes.

(iii) Revenue

In the financial year under review, the Fund generated gross interest income of Kshs. 5,737,676, representing a 1.8% decrease compared to the previous year. Since inception, the Fund has earned cumulative gross revenue of Kshs. 37,819,405 against total expenditure of Kshs. 3,489,004. This translates to a net surplus of Kshs. 34,330,402 to date.

(iv) Loans

During the year, the Fund disbursed Kshs. 1.48 million for one (1) car loan and Kshs. 20,239,373 to six (6) mortgage applicants. Cumulatively, a total of sixty-eight (68) staff members have benefited from the scheme since its inception, with total loan disbursements amounting to Kshs. 284,226,779.

To date, principal loan recoveries from both car and mortgage loans stand at Kshs. 92,372,112. The outstanding net collectible loan portfolio as at 30th June 2025 stands at Kshs. 191,854,667. This amount excludes Kshs. 1,030,542, which has been provided for and recognized as a doubtful debt in the financial statements, following the revision of the loan interest rate for Mr. Alex Kamba from the prevailing market rate to 3%, in compliance with a court directive. The management continues to closely monitor repayments to ensure that no loan remains unpaid upon the beneficiary's retirement.

(v) Cash flow

The loan management committee implemented proactive planning and effective recovery strategies throughout the year. Loan recoveries were facilitated through the county payroll using the Human Resource Information System Kenyas (HRIS-Ke), significantly reducing the risk of default.

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2025

Since the scheme's inception, principal loan repayments totaling Kshs. 92,372,112 have been recorded. The Fund currently maintains a healthy bank balance of Kshs. 37,402,427, ensuring sufficient liquidity to support new loan applications.

While the Fund experienced some disruptions due to delayed disbursements from the National Treasury, these cash flow challenges were effectively mitigated through dependable payroll-based loan recovery mechanisms.

(vi) Future Outlook

The Car and Mortgage Scheme continues to serve as a significant incentive for the Assembly's staff, and its future remains promising. It has gained broad acceptance among employees and is viewed as a valuable tool for staff empowerment. The current focus is on strengthening the Fund further by fostering a motivated and productive workforce, thereby enhancing efficiency and effectiveness in service delivery. We remain optimistic that the County Treasury and other development partners will continue offering the necessary financial support to ensure the Fund achieves its objectives.

b) Program Performance

The Fund targets staff members under the Administration and Support Services Programme, aiming to provide them with affordable car loans and mortgage facilities. In the financial year under review, a total of seven (7) staff members successfully benefited from both car loans and mortgages.

c) Value for money achievements

To ensure prudent use of resources, the committee implemented several oversight measures. A dedicated sub-committee was established to inspect and verify projects before any disbursement of funds. This helped ensure that all loans were adequately secured and supported by professional valuation reports. These controls significantly reduced the risk of misuse and reinforced the Fund's commitment to achieving value for money in all its operations.

d) Implementation challenges

Despite notable successes, the scheme encountered several challenges during implementation, including:

- Inadequate collateral or lien documentation,
- Overcommitted staff payslips,
- Delayed disbursements from the National Treasury, and
- Prolonged timelines in perfecting securities due to bureaucratic processes.

To address these issues, the committee formed a sub-committee to expedite project inspections and held regular meetings to streamline approvals and documentation processes.

The outlook remains positive, as the Fund is sufficiently resourced to support all eligible staff. Moving forward, the Assembly seeks to partner closely with employees to address challenges that hinder access to the Fund. A key part of this strategy includes providing training on personal

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

budgeting and financial discipline, empowering staff to better manage their finances and maximize the benefits of the scheme.

e) Risk management strategies

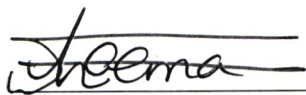
The primary risk facing the Fund is the potential default on loan repayments by beneficiaries. To mitigate this, management adopted a robust recovery mechanism whereby all loan repayments are effected directly through the County payroll system, using the Human Resource Information System Kenya (HRIS-Ke). This strategy has proven effective in minimizing the risk of default and ensuring consistent loan recoveries.

f) Conclusion

The year under review posed several significant challenges, particularly a low uptake of loans due to financial constraints and the lack of acceptable lien documentation from some applicants. Despite these setbacks, the management treated these challenges as valuable learning opportunities and has since intensified efforts to address the underlying issues, with a renewed focus on achieving the Fund's objectives.

Looking ahead, we are optimistic that more staff will take advantage of the low-interest loan facilities available. As a team, we remain steadfast in our commitment to serving the public with diligence, even in the face of uncertainty. Our focus will continue to center on enhancing staff welfare and strengthening the Fund to support improved service delivery.

I am confident that through collaboration, dedication, and strategic planning, we will continue to advance the Assembly's mission and contribute meaningfully to the growth and prosperity of our County.



LUCY N. WAEMA
AG. CLERK OF ASSEMBLY

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

7. Statement of Performance against the County Fund's Predetermined Objectives

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key objectives of the Kitui County Assembly Service Board Employees' Car & Mortgage Fund in year 2024-2025 plan are to:

- a) Facilitate the members of staff with affordable loans to acquire decent residential houses.
- b) Facilitate the members of staff with affordable loans to acquire motor vehicles.

Progress on the attainment of Strategic development objectives

Below is the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provision of car loan facilities to all members of staff	To facilitate the members of staff with affordable loans to acquire motor vehicles.	Number of car loans successfully applied	1% of the members of staff have benefited from the car loan scheme	In FY 2024-2025, one (1) member of staff received a car loan.
Provision of Mortgage facilities to all members of staff	To facilitate the members of staff with affordable loans to acquire decent residential houses	Number of mortgages successfully applied	7.7% of the members of staff have benefited from the mortgage scheme	In FY 2024-2025, six (6) Members of staff accessed mortgages to build their houses.

Implementation Challenges

Though the scheme has had a positive impact to the welfare of the staff, the committee has faced numerous challenges during the implementation. These includes;

- a) **Overcommitted pay-slips** by some civil servants who had already acquired loans from other commercial banks hence hindering them from applying for the car loans or mortgage.
- b) **Title Deeds used as security registered in the name of the applicant's parents**
This posed a serious legal challenge in the future if consent to charge was not acquired from the other beneficiaries of the said Title Deed.
- c) **Lack of Title Deeds** - This has hindered some members of staff from applying for mortgages since they lack the necessary lien for the loan.

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2025

8. Corporate Governance Statement

The scheme is dedicated to upholding compliance with all regulatory and supervisory corporate governance standards. Central to this commitment is the establishment of a formal governance framework, led by the Loans Management Committee at its highest level. This Committee provides strategic direction, ensuring the fund operates consistently within an environment of transparency and accountability.

In accordance with Section 6 (1) of the Fund Regulations, the Car and Mortgage Loan Management Committee was established as the sole body authorized to oversee the implementation of the schemes. Its membership comprises the following:

- a) One Board member to represent the Board - the chairperson of the committee.
- b) The Deputy Clerk of the Assembly- the Vice-chairperson of the committee.
- c) The Principal Finance Officer
- d) The Senior Legal Counsel
- e) The person in charge of the legislative and procedural Department
- f) The Head of the Human Resource Department
- g) One Senior Administrative Officer
- h) The Fund Administrator (ex-officio)

The process of appointment and removal of the trustees is spelt out by the governing regulations.

The Committee Meetings

Committee meetings were convened by the Chairperson or, in their absence, by the Vice-Chairperson or a member appointed by the Chairperson, as necessary to fulfill the Committee's functions. Members received timely and relevant information regarding key activities, including all materials related to agenda items before each meeting.

During the year, the Committee met six (6) times to carry out its mandate. Where seven (7) loan applications were reviewed and approved. Members demonstrated commendable attendance, with meetings often held with full participation.

Functions of the Committee

Section 6(6) of the regulations grants the Loan Management Committee the authority to review and approve loan applications submitted by the Fund Administrator. The Committee exercises leadership, integrity, enterprise, and sound judgment in overseeing the Fund's direction.

On 9th September 2015, the County Assembly Service Board of Kitui enacted regulations to implement the Salaries and Remuneration Commission's recommendations regarding car loans and mortgages for state officers and civil servants. These regulations include:

1. Regulations for the Operationalization of the Kitui County Assembly Service Board Employees' Car Loan Fund Scheme, and
2. Regulations for the Operationalization of the Kitui County Assembly Service Board Employees' Mortgage Fund Scheme.

The regulations clearly define the responsibilities for managing the funds. Additionally, the succession plan is well structured under these regulations, with the membership of the Board of Trustees detailed explicitly in Section 6(1).

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2025

Committee Allowances

Members of the loan management committee earned sitting allowance as per Ministry of Devolution and Planning Circular Ref. No. MSPS.2/1AVOL.XLVIII/ (119) dated 2nd August 2013. These allowances were paid only upon holding a successful meeting.

Statement of Compliance

The committee confirms that the fund complied with statutory and regulatory requirements throughout the year. It was managed in accordance with the principles of good corporate governance.

Ethics and Conduct

The committee members upheld the highest standards of honesty and integrity in accordance with Chapter Six of the Constitution of Kenya 2010 and the principles of good governance. They demonstrated ethical conduct and adhered strictly to all applicable laws, regulations, audit and accounting standards, corporate policies, procedures, and the code of ethics while executing their duties.

Conflict of Interest

The committee has a fiduciary duty to act honestly and in the best interests of the fund. All business transactions were conducted at arm's length and fully disclosed. Members actively promoted diversity within the organization, embracing differences in age, gender, ethnicity, and cultural background among committee members and employees. In carrying out their responsibilities, members ensured that no loan applicant was discriminated against based on these factors.

Internal Control Framework

The fund consistently reviews its internal control framework to ensure a strong and effective control environment. Regular assessments of processes and controls are conducted, alongside periodic risk-based audits, to provide assurance on key operational and financial risks facing the fund.

The internal audit function examined significant control issues highlighted by management, as well as by external auditors, and reported its findings to the Board. Where weaknesses were identified, the Committee ensured that management took prompt and appropriate corrective actions. No major deficiencies or weaknesses were identified during the year.

Succession plan

The fund has a clearly defined succession plan as outlined in the governing regulations.

Service charter

The fund does not have any service charter.

Induction and training

The fund did not carry any training during the year.

Auditor

The fund is audited by the Auditor-General.

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2025

9. Management Discussion and Analysis

Operational Performance

Since its inception, the Car and Mortgage Fund has significantly improved staff welfare, with various employees acquiring vehicles and residential properties. This has greatly boosted morale and contributed to improved productivity within the Assembly.

As of 30th June 2025, the Fund had disbursed a total of Kshs. 34,205,810 in car loans and Kshs. 250,020,969 in mortgage facilities, bringing the cumulative loan disbursement to Kshs. 284,226,779. This upward trajectory indicates a strong and promising future for the scheme, with the committee expecting an increase in loan applications in subsequent financial years.

Principal loan recoveries to date total Kshs. 92,372,112, while the outstanding collectible loan portfolio stands at Kshs. 191,854,667. Since inception, the Fund has earned a net interest income of Kshs. 34,330,402, resulting in a growth of the Fund balance from Kshs. 196,207,234 (initial capital from the County Treasury) to Kshs. 230,537,636 as of June 2025.

The Fund continues to be administered internally under the supervision of the Clerk of the County Assembly.

Compliance with Statutory Requirements

The committee remains committed to full compliance with statutory obligations. As the interest rate charged on loans is 3% which is below the rate prescribed by the Kenya Revenue Authority, fringe benefit tax is applicable. The County Assembly has consistently met this obligations under the Income Tax Act, supported by adequate budget provisions.

In addition, the Fund has secured a life protection policy covering death and permanent disability for all beneficiaries. This is in line with regulatory requirements that all loans must be insured and secured by either a perfected Title Deed or a logbook jointly registered with the County Assembly.

Implementation Challenges

While the schemes have positively impacted staff welfare, the committee has encountered several challenges during their implementation, including:

a) Lack of Title Deeds

Certain areas within the County are yet to be adjudicated, preventing some staff members from acquiring Title Deeds required as collateral for mortgage loans.

b) Title Deeds registered in the name of applicant's parents

Some mortgage applicants presented Title Deeds registered in their parents' names as security. While the regulations allow the use of third-party securities, this presents a legal risk if proper consent to charge is not obtained from all beneficiaries of the said property. This highlights the need for due diligence and legal compliance to protect both the applicant and the Fund.

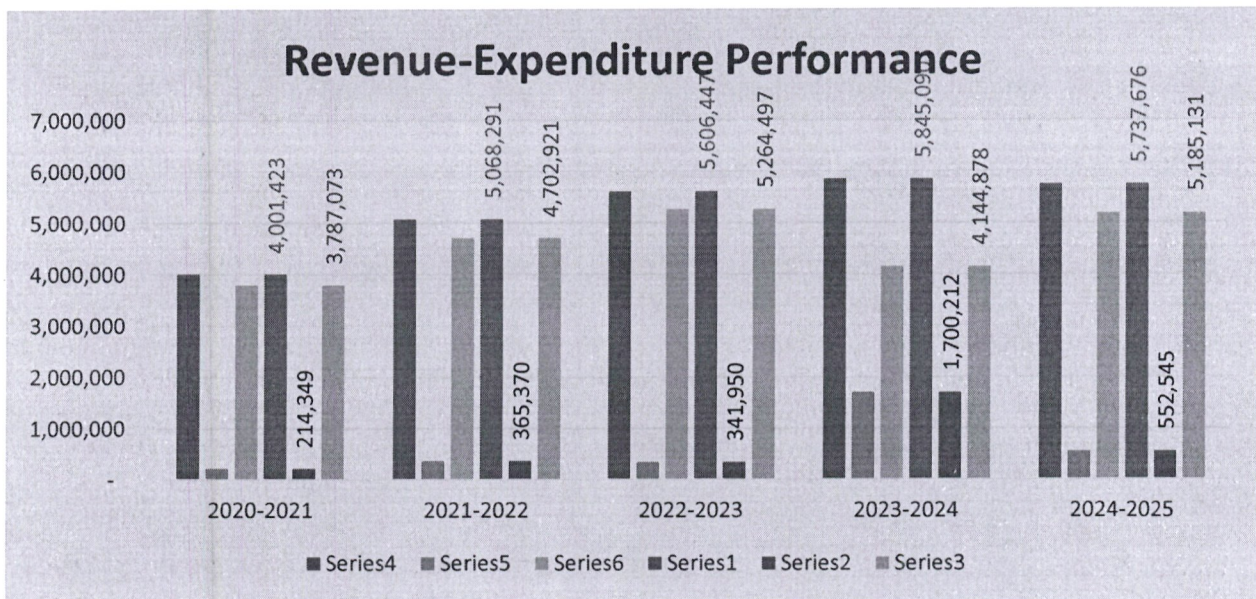
Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2025

Financial Performance

The committee reviewed most aspects of the financial reporting framework and made changes to ensure we remain in line with both the latest regulatory requirements and best practices.

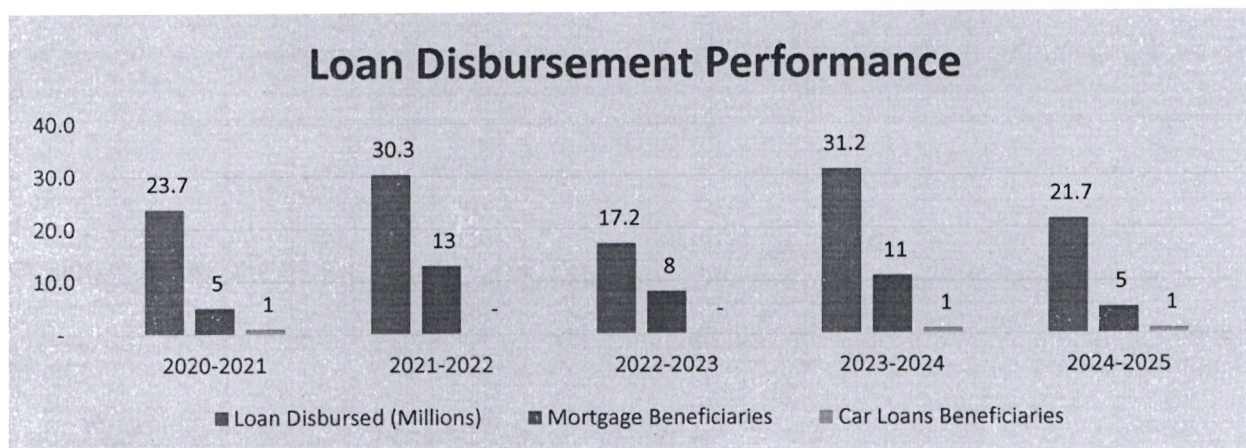
The performance for the last five (5) years is as shown below;

Revenue-Expenditure Performance					
Description	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Revenue	4,001,423	5,068,291	5,606,447	5,845,090	5,737,676
Expenses	214,349	365,370	341,950	1,700,212	552,546
Surplus	3,787,073	4,702,921	5,264,497	4,144,878	5,185,130



Loan Disbursement Performance					
Description	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Loan Disbursed (Millions)	23.7	30.3	17.2	31.2	21.7
Mortgage Beneficiaries	5	13	8	11	5
Car Loans Beneficiaries	1	0	0	1	1

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2025



Risks facing the Fund

The primary risk facing the Fund is loan default by beneficiaries. To mitigate this, the management implemented an effective loan recovery strategy, whereby repayments are deducted directly through the County payroll via the Human Resource Information System Kenya (HRIS-Ke). This approach has significantly minimized the risk of default.

Additionally, the Fund remains fully compliant with all statutory requirements, including the timely payment of fringe benefit tax and submission of requisite reports. As a result, there are no outstanding statutory obligations.

Key Project

The core mandate of the Fund is to provide staff members with affordable financing to acquire motor vehicles and residential homes, thereby supporting their mobility and stability as they discharge official duties within the County Assembly.

This objective has largely been achieved, as a majority of eligible staff have benefited from either the car loan facility, the mortgage scheme, or both.

10. Environmental and Sustainability Reporting

i) Corporate Social Responsibility / Community Engagements

The fund did not carry out any CSR activity during the year

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund Annual Report and Financial Statements for the year ended June 30, 2025

11. Report of the Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Fund's affairs.

Principal activities

The principal activities of the Fund are to provide car loans and mortgages to members of staff of the County Assembly of Kitui.

Results

The results of the Fund for the year ended June 30, 2025 are set out on page 1-5

Trustees

The members of the Board of Management who served during the year are shown on pages vi to vii. There were no changes in the Board of Management during the financial year.

Auditors

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

By Order of the Board



Hon. Hussein Mwandia
Chair of the Fund Administration Committee

Date: 03/11/2025

12. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Kitui County Assembly Service Board Employees' Car & Mortgage Fund Schemes Rules and Regulations 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

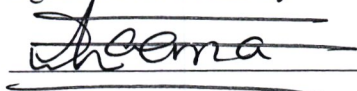
The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kitui County Assembly Service Board Employees' Car & Mortgage Fund Schemes Rules and Regulations 2015). The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2025, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public 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. OR

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 Fund's financial statements were approved by the Board on 03/11/ 2025 and signed on its behalf by:



LUCY N. WAEMA

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KITUI COUNTY ASSEMBLY SERVICE BOARD EMPLOYEES' CAR AND MORTGAGE FUND SCHEMES FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

The three parts of the report 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 Kitui County Assembly Service Board Employees' Car and Mortgage Fund Schemes set out on pages 1 to 44, which comprise of the statement of financial position as at 30 June, 2025 and the statement of

Report of the Auditor-General on Kitui County Assembly Service Board Employees' Car and Mortgage Fund Schemes for the year ended 30 June, 2025

financial performance, statement of cash flows, statement of changes in net assets 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 Kitui County Assembly Service Board Employees Car and Mortgage Fund Schemes as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kitui County Assembly Service (Board Employees' Car and Mortgage Fund Schemes) Regulations, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kitui County Assembly Service Board Employees' Car and Mortgage Fund Schemes 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 pages iii to xxiii which comprise of Key Entity Information and Management, Fund Administration Committee, Management Team, Fund Chairperson's Report, Report of the Fund Administrator, Statement of Performance Against the County Fund's Predetermined Objectives, Corporate Governance Statement, Management Discussions and Analysis, Environmental and Sustainability Reporting, Report of Trustees and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Fund'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 the Management and those Charged with Governance

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

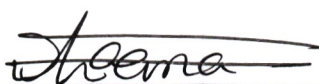
12 November, 2025

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

14. Statement of Financial Performance for the Year Ended 30th June 2025

Description	Note	FY2024/2025	FY2023/2024
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	6	0	0
Transfers from the County Government	7	0	0
Fines, penalties and other levies	8	0	0
Revenue from exchange transactions			
Interest income	9	5,737,676	5,845,090
Other income	10	0	0
		5,737,676	5,845,090
Total revenue		5,737,676	5,845,090
Expenses			
Employee Costs	11		
Use of goods and services	12	552,545	1,700,212
Depreciation and Amortization Expense	13	0	0
Finance costs	14	0	0
Total expenses		552,545	1,700,212
Other gains/losses			
Gain/loss on disposal of assets	15	0	0
Gain /Loss on fair value of investments	16	0	0
Surplus/(deficit) for the period		5,185,131	4,144,878

The notes set out on pages 19 to 38 form an integral part of these Financial Statements



Lucy N. Waema
Administrator of the Fund



Mutua Mwendwa
Fund Accountant
ICPAK Member Number: 26038

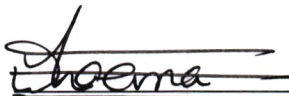
Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

15. Statement of Financial Position As at 30 June 2025

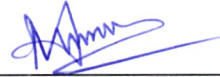
Description	Note	FY2024- 2025	FY2023- 2024
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	17	37,402,427	42,429,504
Current portion of long term receivables from exchange transactions	18	21,213,468	19,386,234
Prepayments	19	0	0
Inventories	20	0	0
Investments in financial assets	21	0	0
Total Current assets		58,615,895	61,815,738
Non-current assets		0	0
Property, plant and equipment	22	250,000	0
Intangible assets	23	0	0
Long term receivables from exchange transactions	18	171,671,741	163,536,767
Investment Property	24	0	0
Total non- current assets		171,921,741	163,536,767
Total assets (A)		230,537,636	225,352,505
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	25	0	0
Current Provisions	26	0	0
Current portion of borrowings	27	0	0
Employee benefit obligations	28	0	0
Social benefit liabilities	29	0	0
Total current liabilities		0	0
Non-current liabilities		0	0
Non-Current Provisions	26	0	0
Long term portion of borrowings	27	0	0
Non-current employee benefit obligation	28	0	0
Long term Social benefit liabilities	29	0	0
Total liabilities (B)		0	0
Net assets (A-B)		230,537,635	225,352,505
Revolving Fund		196,207,234	196,207,234
Reserves		0	0
Accumulated surplus		34,330,402	29,145,271
Total net assets and liabilities		230,537,636	225,352,505

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 03/11/ 2025 and signed by:



Lucy N. Waema
Administrator of the Fund



Mutua Mwendwa
Fund Accountant
ICPAK Member Number: 26038

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

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

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2023	196,207,234	0	25,000,392	221,207,626
Surplus/(deficit) for the period	0	0	4,144,879	4,144,879
Funds received during the year	0	0	0	0
Transfers	0	0	0	0
Revaluation gain	0	0	0	0
Balance as at 30 June 2024	196,207,234	0	29,145,271	225,352,505
Balance as at 1 July 2024	196,207,234	0	29,145,271	225,352,505
Surplus/(deficit) for the period	0	0	5,185,131	5,185,131
Funds received during the year	0	0	0	0
Transfers	0	0	0	0
Revaluation gain	0	0	0	0
Balance as at 30 June 2025	196,207,234	0	34,330,402	230,537,636

The fund did not have any reserves during the year under review

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

17. Statement of Cash Flows for The Year Ended 30 June 2025

Description	Note	FY2024/2025	FY2023/2024
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		0	0
Transfers from the County Government		0	0
Interest received		5,240,702	5,845,090
Receipts from other operating activities		0	0
Total Receipts		5,240,702	5,845,090
Payments			
Employee Costs		0	0
Use of goods and services		552,545	1,700,212
Depreciation and Amortization Expense		0	0
Finance costs		0	0
Total Payments		552,545	1,700,212
Net cash flows from operating activities	30	4,688,157	4,144,879
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(250,000)	0
Proceeds from sale of property, plant and equipment		0	0
Proceeds from loan principal repayments		12,254,139	9,395,663
Loan disbursements paid out		(21,719,373)	(31,172,523)
Net cash flows used in investing activities		(9,715,234)	(21,776,860)
Cash flows from financing activities			
Proceeds from revolving fund receipts		0	0
Additional borrowings		0	0
Repayment of borrowings		0	0
Net cash flows used in financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		(5,027,077)	(17,631,982)
Cash and cash equivalents at 1 JULY 2024		42,429,504	60,061,486
Cash and cash equivalents at 30 JUNE 2025		37,402,427	42,429,504

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

18. Statement of Comparison of Budget and Actual Amounts for the Period ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	KShs	KShs	KShs	KShs	KShs	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c*100
Budget carryovers from the previous year*	0	0	0	0	0	0.00
Receipts						
Public contributions and donations	0	0	0	0	0	0.00
Transfers from County Govt.	0	0	0	0	0	0.00
Interest income	6,000,000	0	6,000,000	5,737,676	262,324	96%
Other income	0	0	0	0	0	0.00
Total income	6,000,000	0	6,000,000	5,737,676	262,324	96%
Expenses						
Fund administration expenses	2,000,000	0	2,000,000	552,545	1,447,455	28%
General expenses	0	0	0	0	0	0.00
Finance cost	0	0	0	0	0	0.00
Total expenditure	2,000,000	0	2,000,000	552,545	1,447,455	28%
Capital expenditure	0	0	0	0	0	
Surplus for the period	4,000,000	0	4,000,000	5,185,131	(1,185,131)	

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Budget notes

1. There were no changes to the original budget during the financial year
2. Fund Administration expenses-These were budgeted funds to cater for committee sitting allowances

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	1,185,131
1	Reason for differences	0
2	Reason for differences	0
3	Reason for differences	0
4	Classification differences	36,217,296
	Closing Cash and Cash Equivalent as per the statement of Cash flows	37,402,427

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Kitui County Assembly Service Board Employees' Car & Mortgage Fund entity is established by Kitui County Assembly Service Board and derives its authority and accountability from Public Finance Management (PFM) Act 2012. The entity is wholly owned by the Kitui County Government and is domiciled in Kenya. The entity's principal activity is to provide members of staff with an opportunity to access affordable car loans and mortgages.

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>There was no impact of the amendment to IPSAS 43 with respect to the current financial report.</i>
IPSAS 44:	<i>Applicable 1st January 2025</i> The Standard requires,

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Non- Current Assets Held for Sale and Discontinued Operations	Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. <i>There was no impact of the amendment to IPSAS 44 with respect to the current financial report.</i>
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> 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 recognized 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. <i>There was no impact of the amendment to IPSAS 45 with respect to the current financial report.</i>
IPSAS 46: Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: - Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. - Clarifying transaction costs guidance to enhance consistency across IPSAS. - Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value. <i>There was no impact of the amendment to IPSAS 46 with respect to the current financial report.</i>
IPSAS 47: Revenue	<i>Applicable 1st January 2026</i> 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

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

	of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. <i>There was no impact of the amendment to IPSAS 47 with respect to the current financial report.</i>
IPSAS 48: Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. <i>There was no impact of the amendment to IPSAS 48 with respect to the current financial report.</i>
IPSAS 49: Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. <i>There was no impact of the amendment to IPSAS 49 with respect to the current financial report.</i>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: - Limited improvements to existing accounting practices for exploration and evaluation expenditures. - Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. - Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <i>There was no impact of the amendment to IPSAS 50 with respect to the current financial report.</i>

(i) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year 2024-2025.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2024-2025 was approved by the County Assembly on June 28, 2024. There were no subsequent revisions or additional appropriations made to the approved budget in accordance with specific approvals from the appropriate authorities. There were no additional appropriations to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations during the FY 2024-2025 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

Summary of Significant Accounting Policies (Continued)

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial cash flows has been presented.

c) Property, plant and equipment

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

a) Intangible Assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

b) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *The find did not have investments in property during the year under review.* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

c) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Kitui County Assembly Service Board Employees' Car and Mortgage 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.

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.

Summary of Significant Accounting Policies (Continued)

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 23*.

Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

d) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

e) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

f) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

g) Contingent liabilities

The Entity 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.

Contingent assets

The Entity 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 Entity 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.

h) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *The Fund does not maintain reserves.*

i) Changes in accounting policies and estimates

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

j) Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

Summary of Significant Accounting Policies (Continued)

k) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

l) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

m) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

o) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

The preparation of the Entity'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. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

The fund did not make provisions during the year under review.

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To the Financial Statements

6. Public contributions and donations

Description	FY2024-25	FY2023-24
	Kshs	Kshs
Donation From Development Partners	0	0
Contributions From The Public	0	0
Total	0	0

7. Transfers from County Government

Description	FY2024-25	FY2023-24
	Kshs	Kshs
Transfers From County Govt. –Operations	0	0
Payments By County On Behalf Of The Entity	0	0
Unconditional Development grants	0	0
Total	0	0

8. Fines, penalties and other levies

Description	FY2024-25	FY2023-24
	Kshs	Kshs
Late Payment Penalties	0	0
Fines	0	0
Total	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

Notes To the Financial Statements (Continued)

9. Interest income

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Interest Income from Mortgage Loans	4,671,609	5,777,303
Interest Income From Car Loans	35,526	67,787
Interest Income From Investments in financial assets	0	0
Interest Income On Bank Deposits	0	0
Total Interest Income	4,707,135	5,845,090

10. Other income

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Insurance Recoveries	0	0
Income from Sale of Tender Documents	0	0
Bad debts recovered	0	0
Miscellaneous Income	0	0
Total Other Income	0	0

11. Employee Costs

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Salaries And Wages	0	0
Staff Gratuity	0	0
Staff Training Expenses	0	0
Social Security Contribution	0	0
Other (<i>Specify</i>)	0	0
Total	0	0

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To the Financial Statements (Continued)

12. Use of Goods and Services

Description	FY2024-2025	FY2023-2024
	Kshs.	Kshs.
General Office Expenses	0	0
Loan Processing Costs	0	0
Professional Services Costs	0	0
Administration Fees	255,540	1,696,340
Committee Allowances	0	0
Bank Charges	17,013	3,592
Electricity And Water Expenses	0	0
Fuel And Oil Costs	0	0
Insurance Costs	0	0
Postage And Courier	0	0
Printing And Stationery	279,993	0
Rental Costs	0	0
Security Costs	0	0
Telephone And Communication Expenses	0	0
Bank Charges	0	0
Audit Fees	0	0
Provision For Doubtful Debts	0	0
Other (<i>Specify</i>)	0	0
Social benefit expenses*	0	0
Total	552,546	1,700,212

13. Depreciation and Amortization Expenses

Description	FY2024-2025	FY2023-2024
	Kshs.	Kshs.
Property Plant and Equipment	0	0
Intangible Assets	0	0
Total	0	0

14. Finance costs

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Interest On Bank Overdrafts	0	0
Interest On Loans From Banks	0	0
Total	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

Notes To the Financial Statements (Continued)

15. Gain/(loss) on disposal of assets

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Property, Plant and Equipment	0	0
Intangible Assets	0	0
Total	0	0

16. Gain/ (loss) on Fair Value Investments

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Investments at Fair Value- Equity investments	0	0
Fair value – Investment property	0	0
Fair value- other financial assets (specify)	0	0
Total Gain	0	0

17. Cash and cash equivalents

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Kitui County Car Loan Account	0	0
Kitui County Mortgage Account	37,402,427	42,249,504
Fixed Deposits Account	0	0
On – Call Deposits	0	0
Current Account	0	0
Others (<i>Specify</i>)	0	0
Total Cash And Cash Equivalents	37,402,427	42,249,504

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To the Financial Statements (Continued)

Detailed analysis of the cash and cash equivalents are as follows:

Financial Institution	Account number	FY2024-2025	FY2023-2024
		Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank		0	0
Equity Bank, Etc.		0	0
Sub- Total		0	0
b) On - Call Deposits			
Kenya Commercial Bank		0	0
Equity Bank - Etc.		0	0
Sub- Total		0	0
c) Current Account			
Kenya Commercial Bank		37,402,427	41,457,829
Kenya Commercial Bank		0	971,675
Sub- Total		37,402,427	42,249,504
d) Others(Specify)		0	0
Cash In Transit		0	0
Cash In Hand		0	0
Sub- Total		0	0
Grand Total		37,402,427	42,249,504

18. Receivables from exchange transactions

Description	FY2024-2025	FY2023-2024
	KShs	KShs
Current Receivables		
Interest receivable	496,974	502,966
Current loan repayments due	19,685,952	18,883,268
Other exchange debtors – <i>Provision for bad & doubtful debts</i>	1,030,542	0
Less: impairment allowance	0	0
Total Current receivables	21,213,468	19,386,234
Non-Current receivables		
Long term loan repayments due	171,671,741	163,536,767
Total Non-current receivables	171,671,741	163,536,767
Total receivables from exchange transactions	192,885,209	182,923,001

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes To the Financial Statements (Continued)

Additional disclosure on interest receivable

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	0	0
Accrued interest receivable from of long-term loans of previous years	0	0
Interest receivable from current portion of long-term loans issued in the current year	496,974	502,966
Current loan repayments due	0	0
Current portion of long-term loans from previous years	0	0
Accrued principal from long-terms loans from previous periods	0	0
Current portion of long-term loans issued in the current year	0	0

19. Prepayments

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Prepaid Rent	0	0
Prepaid Insurance	0	0
Prepaid Electricity Costs	0	0
Other Prepayments (<i>Specify</i>)	0	0
Total	0	0

20. Inventories

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Consumable Stores	0	0
Spare Parts And Meters	0	0
Catering	0	0
Other Inventories (<i>Specify</i>)	0	0
Total Inventories at The Lower of Cost and Net Realizable Value	0	0

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To the Financial Statements (Continued)

Detailed disclosure on inventories

	FY2024-2025	FY2023-2024
Opening balance	0	0
Additional Inventory in the year	0	0
Inventory expensed in the year	0	0
Write-downs in the year	0	0
Others specify	0	0
Closing balance	0	0

21. Investments in financial assets

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
a. Investment in Treasury bills and bonds		
Financial institution		
CBK	0	0
CBK	0	0
Sub- total	0	0
b. Investment with Financial Institutions/ Banks		
Bank x	0	0
Bank y	0	0
Sub- total	0	0
c. Equity investments (specify)		
Equity/ shares in Entity xxx	0	0
Sub- total	0	0
Grand total	0	0

Movement of Equity Investments

Impairment allowance/ provision	FY2024-2025	FY2023-2024
	Kshs	Kshs
At the beginning of the year	0	0
Purchase of investments in the year	0	0
Sale of investments during the year	(0)	(0)
	0	0
Gain/(loss) in fair value of investments through surplus or deficit		
At the end of the year	0	0

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To the Financial Statements (Continued)

e) Shareholding in other entities

For investments in equity share listed above, list down the equity investments under the following categories:

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Kshs	Kshs	Kshs
Entity A	0	0	0	0	0	0
Entity B	0	0	0	0	0	0
Entity C	0	0	0	0	0	0
	0	0	0	0	0	0

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To the Financial Statements (Continued)

22. Property, plant, and equipment

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Rate	2%	15%	12.5%	33.3%		
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2023	0	0	0	0	0	0
Additions	0	0	0	0	0	0
Disposals	(0)	(0)	(0)	0	0	(0)
Transfers/Adjustments	0	0	(0)	0	(0)	(0)
Revaluation Adjustments	0	0	0	0	0	0
At 30th June 2024	0	0	0	0	0	0
At 1st July 2024						
Additions	0	0	0	0	250,000	250,000
Disposals	(0)	(0)	0	0	0	(0)
Transfer/Adjustments	(0)	(0)	0	0	0	(0)
Revaluation Adjustments	0	0	0	0	0	0
At 30th June 2025	0	0	0	0	250,000	250,000
Depreciation And Impairment						
At 1 st July 2023	(0)	(0)	(0)	(0)	(0)	(0)
Depreciation	(0)	(0)	(0)	(0)	(0)	(0)
Impairment	(0)	(0)	0	0	0	(0)
At 30th June 2024	(0)	(0)	(0)	(0)	(0)	(0)
At 1st July 2024						
Depreciation	(0)	(0)	(0)	(0)	(0)	(0)
Disposals	0	0	0	0	0	0
Impairment	(0)	(0)	(0)	0	(0)	(0)
Transfer/Adjustment	0	0	(0)	(0)	(0)	0
At 30th June 2025	0	0	0	0	0	0
Net Book Values						
At 30th June 2024	0	0	0	0	0	0
At 30th June 2025	0	0	0	0	250,000	250,000

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To the Financial Statements (Continued)

23. Intangible assets

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Cost		
At Beginning of The Year	0	0
Additions	0	0
At End of The Year	0	0
Amortization And Impairment		
At Beginning of The Year	0	0
Amortization	0	0
At End of The Year	0	0
Impairment Loss	0	0
At End of The Year	0	0
NBV	0	0

24. Investment Property

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
At beginning of the year	0	0
Additions	0	0
Disposal during the year	(0)	(0)
Depreciation	(0)	(0)
Impairment	(0)	(0)
Gain/(loss) in fair value (if fair value is elected)	0	0
At end of the year	0	0

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To the Financial Statements (Continued)

25. Trade and other payables from exchange transactions

Description	FY2024-2025		FY2023-2024	
	Kshs		Kshs	
Trade Payables	0		0	
Refundable Deposits	0		0	
Accrued Expenses	0		0	
Other Payables	0		0	
Total Trade and Other Payables	0		0	
Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	0	%	0	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total (tie to above total)	0		0	

26. Provisions

Description	Leave provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance b/f	0	0	0	0
Additional provisions	0	0	0	0
Provision utilised	(0)	(0)	(0)	(0)
Change due to discount and time value for money	(0)	(0)	(0)	(0)
Total provisions year end	0	0	0	0
Current Provisions	0	0	0	0
Non-Current Provisions	0	0	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
Annual Report and Financial Statements for the year ended June 30, 2025**

Notes To the Financial Statements (Continued)

27. Borrowings

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Balance At Beginning of The Period	0	0
External Borrowings During the Year	0	0
Domestic Borrowings During the Year	0	0
Repayments of External Borrowings During the Period	(0)	(0)
Repayments of Domestic Borrowings During the Period	(0)	(0)
Balance At End of The Period	0	0

The table below shows the classification of borrowings into external and domestic borrowings:

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organization'	0	0
Sterling Pound Denominated Loan From 'Y Organization'	0	0
Euro Denominated Loan from Z Organization'	0	0
Domestic Borrowings	0	0
Kenya Shilling Loan From KCB	0	0
Kenya Shilling Loan from Barclays Bank	0	0
Kenya Shilling Loan from Consolidated Bank	0	0
Borrowings From Other Government Institutions	0	0
Total Balance at End of The Year	0	0

The table below shows the classification of borrowings long-term and current borrowings:

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Short Term Borrowings (Current Portion)	0	0
Long Term Borrowings	0	0
Total	0	0

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes To the Financial Statements (Continued)

28. Employee benefit obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	FY2024-2025	FY2023-2024
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	0	0	0	0	0
Non-Current Benefit Obligation	0	0	0	0	0
Total	0	0	0	0	0

29. Social Benefit Liabilities

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Health social benefit scheme	0	0
Unemployment social benefit scheme	0	0
Orphaned and vulnerable benefit scheme	0	0
Elderly social benefit scheme	0	0
Bursary social benefits	0	0
Total	0	0
Current social benefits	0	0
Non- current social benefits	0	0
Total (tie to totals above)	0	0

30. Cash generated from operations.

Description	FY2024-2025	FY2023-2024
	KShs	KShs
Surplus for the year before tax	5,185,131	4,144,878
Adjusted for:		
Depreciation	0	0
Amortisation	0	0
Gains/ losses on disposal of assets	0	0
Interest income (<i>Accrued interest cash not received</i>)	(496,974)	0
Finance cost	0	0
Working Capital adjustments		
Increase in inventory	0	0
Increase in receivables	0	0
Increase in payables	0	0
Net cash flow from operating activities	4,688,157	4,144,878

Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Notes To the Financial Statements (Continued)

31. Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc.

b) Related party transactions

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Transfers From Related Parties'	0	0
Transfers To Related Parties	0	0

c) Key management remuneration

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Board Of Trustees	0	0
Key Management Compensation	0	0
Total	0	0

d) Due from related parties

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Due From Parent Ministry	0	0
Due From County Government	0	0
Total	0	0

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Notes To the Financial Statements (Continued)

Other Disclosures

e) Due to related parties

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Due To Parent Ministry	0	0
Due To County Government	0	0
Due To Key Management Personnel	0	0
Total	0	0

32. Contingent assets and contingent liabilities

Contingent Liabilities	FY2024-2025	FY2023-2024
	Kshs	Kshs
Court Case Against the Fund	0	0
Bank Guarantees	0	0
Total	0	0

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Notes To the Financial Statements (Continued)

33. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity'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 entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2024				
Receivables from exchange transactions	182,923,001	182,923,001	0	0
Receivables from non -exchange transactions	0	0		
Bank balances	42,429,504	42,429,504	0	0
Total	225,352,505	225,352,505	0	0
At 30 June 2025				
Receivables from exchange transactions	191,854,667	191,854,667	0	0
Receivables from non -exchange transactions	0	0		
Bank balances	37,402,427	37,402,427	0	0
Total	229,257,094	229,257,094	0	0

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Notes To the Financial Statements (Continued)

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 entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from N/A

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

b) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade Payables	0	0	0	0
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	0	0
At 30 June 2024				
Trade Payables	0	0	0	0
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	0	0

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Notes To the Financial Statements (Continued)

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

i. Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2025			
Financial Assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	0	0	0
Borrowings	0	0	0
Net Foreign Currency Asset/(Liability)	0	0	0

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Notes To the Financial Statements (Continued)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
FY2023-2024			
Euro	10%	0	0
USD	10%	0	0
FY 2022-2023			
Euro	10%	0	0
USD	10%	0	0

ii. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity'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 endeavored to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 47,071 (2024: Kshs 58,451). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 221,729 (2024 – Kshs 207,244).

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Notes To the Financial Statements (Continued)

d) 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 entity capital structure comprises of the following funds:

Description	FY2024-2025	FY2023-2024
	KShs	KShs
Revaluation reserve	0	0
Revolving fund	196,207,234	196,207,234
Accumulated surplus	33,299,860	29,145,271
Total funds	229,507,094	225,352,505
Total borrowings	0	0
Less: cash and bank balances	(37,402,427)	(42,429,504)
Net debt/(excess cash and cash equivalents)	192,104,667	182,923,001
Gearing	84%	81%

34. Events after the reporting period

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

35. Ultimate and Holding Entity

Kitui County Assembly Service Board Employees' Car & Mortgage Fund is a revolving fund established on 28th January 2015. The fund's authority and accountability are derived from the Public Finance Management (PFM) Act 2012. The fund is owned by the County Government of Kitui, domiciled in Kenya.

36. Currency

The financial statements are presented in Kenya Shillings (Kshs)

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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20. Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: Expected Date for the issue to be resolved)
1.0	Doubtful Receivables The statement of financial position and as disclosed in Note 13 to the financial statements reflect current portion of long-term receivables from exchange transactions and long-term receivables from exchange transactions balances of Kshs.19,386,234 and Kshs.163,536,767 respectively totaling Kshs.182,923,001. However as previously reported, review of mortgage files revealed that one beneficiary applied for a loan of Kshs.5,016,843 for renovation / repair and mortgage buy-off and was approved in January 2019. Information provided supported by minutes from loan Committee indicates that the said officer's employment was terminated in	<i>The management concurs with the Auditor's observation that the affected officer was suspended from employment in November 2021 due to disciplinary issue. The County Assembly Service Board terminated his employment in March 2022.</i> <i>The management being aware of the mortgage advanced to the officer, issued a notice of intention to recall loan vide a letter Reference No. 20140095192(100), dated 29th July, 2022. However, the officer took the case to court on 15th July, 2022. The matter has been pending in court till December 2023, when the court ruled in his favor and the Assembly was directed to re-engage the officer and revert the mortgage terms to</i>	Not Resolved	The officer took the case to court, a matter was determined and the officer thereafter resigned. The officer continues repaying the loan.

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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: Expected Date for the issue to be resolved)
	March 2022, and he has since defaulted on instalments payments from November 2021. Accumulated arrears stood at Kshs.4,928,932 as at 30 June 2022 but Management has not demonstrated any measures being taken to recover the loan arrears. Further, no adjustment has been made by way of provisions for doubtful debts receivables. In the circumstances, the recoverability of the doubtful loan amount of Kshs.4,928,932 could not be confirmed.	staff rates. (Annexure I-Court Degree). The amount payable to the officer was agreed upon in October 2024 by representatives from both parties. Among the agreed amount is a recovery of the mortgage repayment of 31 months totaling to Kshs.946,016 (Annexure II-Payment Schedule agreed). In addition, the officer placed a standing order with Equity bank in order to facilitate subsequent payment of instalments (Annexure III-Commitment Letter and Standing Order Instruction). Therefore, the Assembly is committed to recover the amount outstanding from the Officer.		
	REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF			

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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: Expected Date for the issue to be resolved)
	PUBLIC RESOURCES			
1.1	LACK OF INTERIM CERTIFICATES PRIOR TO DISBURSEMENT OF FUNDS The statement of financial position reflects long term receivables from exchange transactions balance of Kshs.163,536,767 and as disclosed in Note 13 to the financial statements. Included in the amount is Kshs.8,946,691.90 in respect of three (3) loans disbursed during the year under review. However, review of loan disbursements documents revealed that no interim certificates were issued for subsequent disbursements. This is contrary to Regulation 9(1)(b) of the Kitui County Assembly Service Board Employees' Mortgage Fund Scheme Rules and Regulations, 2015 which stipulates that subsequent loan	<i>The management wishes to clarify that at the 4th Ordinary committee meeting held on 27th October 2015, it was resolved that an initial down payment of 25% of the approved loan amount would be disbursed to support the mortgage applicants with initial mobilization and purchase of construction materials. This resolution's intention was to ease the financial burden on the borrowers during the initial stages of construction. The mount of Kshs.2,450,988 was therefore an initial down payment. (Annexure IV-Copy of 4th Ordinary Sitting Committee Minutes). However, this was stopped vide a resolution of the committee and money is only disbursed to the applicant after a</i>		

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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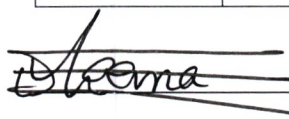
Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: Expected Date for the issue to be resolved)
	disbursements should be based on the rate of completion of the various phases of development as certified by a qualified architect at the cost of the applicant.	<i>charge or security for the entire loan is produced. The management further wishes to clarify that an interim certificates for Kshs.6,495,703.90 for subsequent disbursements were issued and produced during the audit as observed by the Auditor in the management letter. (Annexure V- Interim Certificate)</i>		
1.2	Failure to Pay Rates, Rents and Insurance Review of loan disbursements records revealed that there were no receipts showing proof that the borrowers had paid land rates, rents and insurance for the properties acquired. This is contrary to Regulation 15(2)(b) of the Kitui County Assembly Service Board Employees' Mortgage Fund Scheme Rules and Regulations, 2015 which stipulates that the borrower shall	<i>The management wishes to clarify that all the properties in which loans have been disbursed are sitting on free hold land where rent and rates payments are not applicable. (Annexure VI- Copies of Title Deeds)</i> <i>In relation to insurance payment, the management wishes to note and clarify that all properties are insured annually for the mortgage loan period. (Annexure</i>		

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: Expected Date for the issue to be resolved)
	meet and pay all rates, rents, insurance and any other outgoings in respect of the property and send the proof of such payments to the Board.	VII-Insurance Payment Schedule & Receipts).		
	REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE			
1.0	Failure to Fully Secure Loans Disbursed Review of loan applications documents revealed that four (4) mortgage loans amounting to Kshs.10,133,313 were issued during the year under review. However, the value of securities charged were lower than the applied loans. This is contrary to Regulation 17 of the Kitui County Assembly Service Board Employees' Mortgage Funds Scheme Rules and Regulations, 2015 which stipulates that	<i>The management concurs with the auditor's observation and wishes to clarify as follows that the mortgage beneficiaries referenced provided the valuation reports for their properties as noted by the Auditor, however the overall value of each property appreciates, once a residential house is constructed. This is only applied where the property is constructed on the land title which is used as a security. Further the disbursement is also</i>		

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Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: Expected Date for the issue to be resolved)
	the Board may call in a loan and in default, sell the charged property by public auction or private treaty where the borrower is in breach of the terms under the loan agreement, or the covenant contained in the charge of the mortgage instrument subject to the Provisions of the Land Act, 2012.	<i>made in phases upon submitting a certificate of completion. The value of the property by the time the last installment is disbursed is over and above the total mortgage loan thus the loan amount is fully secured in case of default.</i>		



**LUCY N. WAEMA
FUNDS ADMINISTRATOR**

**Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund
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Annex II: Inter-Fund Confirmation Letter

The Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund

[N/A]

[N/A]

The Kitui County Assembly Service Board Employees' Car Loan & Mortgage Fund wishes to confirm the amounts disbursed to you as at 30th June 2025 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 th June 2025							
Reference Number	Date Disbursed	Amounts Disbursed by the Fund (Kshs) as at 30 th June 2025				Amount Received by [beneficiary Fund] (KShs) as at 30 th June 2025 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
N/A							
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name Augustine Kyenzi Sign [Signature] Date 3/11/25

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Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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Annex IV: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
N/A	N/A	N/A	N/A	N/A	N/A	N/A