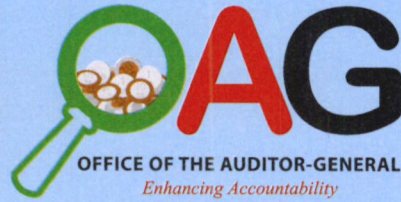


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

**THARAKA NITHI COUNTY EXECUTIVE
STAFF MORTGAGE AND CAR
LOAN SCHEME FUND**

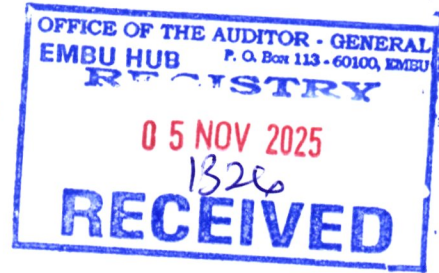
**FOR THE YEAR ENDED
30 JUNE, 2025**

PAPERS LAID	
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COMMITTEE	-
CLERK AT THE TABLE	Tiffany

Margaret P. P. P.



REPUBLIC OF KENYA



THARAKA NITHI COUNTY EXECUTIVE STAFF MORTGAGE AND CAR LOAN SCHEME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2025

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

Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025

Table of Content

1. Acronyms, Abbreviations, and Definition of Key Terms	i
2. KEY ENTITY INFORMATION AND MANAGEMENT	ii
3. THE FUND MANAGEMENT COMMITTEE	iv
4. THE KEY MANAGEMENT TEAM	vi
5. CHAIRPERMAN'S STATEMENT	vii
6. REPORT OF THE FUND ADMINISTRATOR	viii
7. STATEMENT OF PERFORMANCE AGAINST FUND'S PREDETERMINED OBJECTIVES	ix
8. CORPORATE GOVERNANCE STATEMENT	x
9. MANAGEMENT DISCUSSION AND ANALYSIS	xi
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xii
11. REPORT OF FUND ADVISORY COMMITTEE	xiii
12. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	xiv
13. REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENT FOR THE FUND	xv
14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 th JUNE 2025	1
15. STATEMENT OF FINANCIAL POSITION AS AT 30 th JUNE 2025	2
16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 st JUNE 2025	3
17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 th JUNE 2025	4
18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 th JUNE 2025	5
19. NOTES TO THE FINANCIAL STATEMENTS	7
20. Appendices	22

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

1. Acronyms, Abbreviations, and Definition of Key Terms

A: Acronyms and Abbreviations

CBK	Central Bank of Kenya
CECM	County Executive Committee Member
CO	Chief Officer
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board

B: Definition of Key Terms

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

Comparative Year- Means the prior period.

Fund: Tharaka Nithi County Staff Mortgage and Car Loan Scheme Fund

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

2. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund is established by and derives its authority and accountability from Public Management Finance Act, 2012 and Public Finance Management (Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund) Regulations, 2023. The Fund is wholly owned by the County Government of Tharaka Nithi and is domiciled in Kenya.

The fund's objective is to provide low interest mortgage and car loans to County executive staff.

The Fund's principal activity is to mobilise and provide funds for advance loans to county staff.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to provide funds for mortgage and car loans to county executive employees.

c) Fund Management Committee

Ref	Name	Position
1	Lawrence Ileri Rweria	CECM Finance and Econ. Planning / Chairman
2	Wycliffe Kinyua Kabinga	CO Finance and Economic Planning /Fund Administrator
3	Alex Micheni Muratha	County Secretary
4	Eng. Julius Giti	CECM Public Works and Housing
5	Faith Kalunda	CO Transport, Public Works and Urban Development
6	Justus Mutembei Nabea	Secretary, County Public Service Board
7	Mark Munene	County Legal Officer
8	Fredrick Nthiga Njiru	Director Human Resources

d) Key Management

Ref	Name	Position
1	Lawrence Ileri Rweria	CECM Finance and Econ. Planning
2	Wycliffe Kinyua Kabinga	CO Finance and Economic Planning /Fund Administrator
3	Humphrey Gitonga	Director Finance
3	CPA Nduati E.K.	Director Accounting Services

e) Registered Offices

Entity Headquarters

County Headquarters Building
Kathwana Town
P.O. Box 10-60406
KATHWANA

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

Entity Contacts

Telephone: **1513**

E-mail treasury@tharakanithi.go.ke

Website: www.tharakanithicounty.go.ke

Entity Bankers

1. Family Bank
Chuka Branch
P.O. Box 60000 – 00400
CHUKA

f) Independent Auditors

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

g) Principal Legal Adviser





The County Attorney
County Government of Tharaka Nithi
P.O. Box 10- 60406
KATHWANA

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

3. THE FUND MANAGEMENT COMMITTEE





Name	Details of qualifications and experience
 <p>Lawrence K. Ileri Rweria</p>	<p>Mr. Lawrence Ileri Rweria is the County CEC Member for Finance and Economic Planning and also the Fund Chairman</p> <p>He holds a Master's Degree in Finance and Bachelor's Degree Education Arts (Economics and Business)</p> <p>He previously worked with Central Bank of Kenya in Banking Division with over 39 years work experience in bank operations management</p> <p>Year of birth;1964</p>
 <p>Wycliffe Kinyua Kabinga</p>	<p>Mr. Wycliffe Kinyua Kabinga is the County Chief Officer in charge of Finance and Economic Planning and Fund Administrator</p> <p>He holds a bachelor's degree in Arts (Economics and Sociology) from University of Nairobi. Has extensive training in information technology locally and abroad.</p> <p>He has over 10 years work experience in banking sector as Operations Manager.</p> <p>Year of birth 1982</p>
 <p>Alex Micheni Muratha</p>	<p>Mr. Muratha is the County Secretary and Head of Public Service</p> <p>He holds a Diploma, Bachelor and a Master's Degree in Human Resource Management.</p> <p>He has over twenty (20) years experience in public service both at National and County Government</p> <p>Year of Birth 1967</p>
 <p>Eng. Julius Giti</p>	<p>Eng. Julius Giti is the CECM for Land, Physical Planning Roads, Infrastructure, Public Works, Urban Development, Housing.</p> <p>He holds a Master's Degree in Construction Engineering Management and Bachelor's Degree Civil Engineering from University of Nairobi</p> <p>He has vast experience both in private and public sector with over for over ten years.</p> <p>Year of birth;1978</p>

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

	<p>Mrs. Faith Kalunda is the Chief Officer, Lands, Physical Planning & Urban Development</p> <p>She holds a Bachelor Degree on Urban and Regional Planning, Masters' Degree in Public Policy and Management, Masters' Degree in Entrepreneurship and innovation Management</p> <p>She has over ten (10) years work experience with public sector</p> <p>Date of Birth: 1988</p>
	<p>Mr. Justus Nabea is the CEO and Secretary to the County Public Service Board</p> <p>He holds a Bachelor of Commerce degree from KCA, CPA (K) and registered member of ICPAK</p> <p>Has over 10 years work experience in both private and public sector</p> <p>Year of birth 1979</p>
	<p>Mr. Munene is the County Principal Legal Officer.</p> <p>He holds a Bachelor of Laws degree from University of Nairobi and graduate of Kenya School of Law.</p> <p>He over three years work experience in both private and public sector</p> <p>Year of birth; 1997</p>
	<p>Mr. Fredrick Njiru is the County Director of Human Resource Management and Development</p> <p>He holds a Master's Degree (MBA) in Human Resource Management, Bachelor of Commerce Degree in HRM, Diploma in Bible and Theology, Diploma in Pharmacy, Certificate in Strategic Leadership Development Programme and registered member of Institute of Human Resource Management (IHRM)</p> <p>He has over 15 years' experience in Human Resource Management with National and County Government</p> <p>Year of Birth. 1982</p>

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

4. THE KEY MANAGEMENT TEAM

Name	Details of qualifications and experience
 <p>Lawrence Ileri Rweria</p>	<p>Mr. Lawrence Ileri Rweria is the County CEC Member for Finance and Economic Planning and also the Fund Chairman. He holds a Master's Degree in Finance and Bachelor's Degree Education Arts (Economics and Business) He previously worked with Central Bank of Kenya in Banking Division with over 39 years work experience in bank operations management</p> <p>Year of birth;1964</p>
 <p>Wycliffe Kinyua Kabinga</p>	<p>Mr. Wycliffe Kinyua Kabinga is the County Chief Officer in charge of Finances and Economic Planning/ Fund Admin. He holds a Bachelor's degree in Arts (Economics and Sociology) from University of Nairobi. Has extensive trained in information technology locally and abroad. He has over 10 years work experience in banking sector as Operations Manager.</p> <p>Year of birth 1982</p>
 <p>Humphrey Kinyua Gitonga</p>	<p>Mr. Humphrey Gitonga is the County Director of Finance. He holds degree in Bachelor of Commerce (Accounting) from Maseno University.</p> <p>He has over 20 years work experience in public sector finance management having previously worked in banking sector</p> <p>Year of Birth 1970</p>
 <p>CPA, CS Nduati E.K.</p>	<p>CPA, CS Nduati is the County Director - Accounting Services</p> <p>He is qualified Accountant and registered professional member of ICPAK (6720) and Certified Secretary, registered member ICPSK (2253). He holds Master's Degree in Finance (UON), B.A. Economics (UON). PhD Candidate at JKUAT</p> <p>He has over 12 years work experience in public sector finance management and specialist in public accounting</p> <p>Year of birth 1980</p>

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

5. CHAIRPERMAN'S STATEMENT

Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme is a Fund established in accordance to Public Finance Management Act, 2012 (Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme) Regulation 2023.


The Fund was established with objective of advancing the county government staff mortgages and car loans in accordance to Salaries and Remuneration Commission guidelines as contained in the gazette notice no. 10348 of 09th August 2023 which provided the remuneration and benefit for state officers in the executive of the county government.

State Officer	Car Loan	Mortgage
County Governor	Up to Ksh. 10 Million	Up to Ksh. 40 Million
Deputy Governor	Up to Ksh. 6 Million	Up to Ksh. 30 Million
Member of County Executive Committee	Up to Ksh. 4 Million	Up to Ksh. 20 Million

The Fund has to date disbursed a total of Ksh. 81,123,459 in mortgage to members of county executive with outstanding principal loan amount as at 30th June 2025 amounting to Ksh. 55,575,225. The Fund earned interest earned amounting to Ksh. 1,797,486 during the year.

Due to inadequate resources, the amount disbursed was limited to a capping as determined by the Mortgage and Car Loan Committee. The officers are entitled to additional amounts in accordance to threshold provided by SRC upon receipt of additional grant from the County Government.

Thank you

Signed: 
Lawrence K. Ileri Rweria
Fund Chairman

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

6. REPORT OF THE FUND ADMINISTRATOR

The Fund was formed pursuant to Public Finance Management Act, 2012 (Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme) Regulations, 2023) to provide for resources to grant mortgage and car loan to county executive employees,

The Fund performance during the year ended **30th June 2025** was as follows;

a. Income

Description	Original Budget Ksh	Adjustment	Approved Budget	Actual Ksh.	Variance Ksh
Loan Repayments	23,250,480		23,250,480	20,235,517	(3,014,963)
Interest Income	2,087,501		2,087,501	1,814,802	(272,699)
Capital Grant	30,000,000	(30,000,000)	0	0	0
Balance B/ Forward	1,957,576		1,957,576	1,957,576	0
Total Income	57,295,557	(30,000,000)	27,295,557	24,007,895	(3,287,662)

b. Expenditure

Particulars	Original Budget Ksh.	Adjustment	Approved Budget	Actual Ksh.	Variance Ksh
Loan Disbursement	57,195,557	(30,000,000)	27,195,557	7,073,704	57,195,557
Use of Goods and Services	100,000		100,000	91,400	100,000
Total	57,295,557	(30,000,000)	27,295,557	7,165,104	57,295,557

I take this opportunity to appreciate H.E. The Governor, Members of County Assembly and the Management Team for your commitment and immense support accorded to the Fund.

Thank you



Signed: _____
Wycliff Kinyua Kabinga
Fund Administrator

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

7. STATEMENT OF PERFORMANCE AGAINST FUND'S PREDETERMINED OBJECTIVES

The Fund was formed pursuant to Public Finance Management Act, (Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund) Regulations, 2023 to provide for resources to grant mortgage and car loan to county executive employees.

The County Government of Tharaka Nithi provided a grant amounting Ksh. 70,000,000 (Seventy Million) for allocation to Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund.

The Fund has to date managed to advance mortgages to county officers amounting to Ksh. 81,123,459 with additional funds being loan repayments.

The Fund expects to receive repayments amounting to Ksh. 27,295,557 which includes Ksh. 3,304,978 outstanding at the end of last financial year and cash and cash equivalent at the beginning of the year amounting to Ksh. 1,957,576

The loan repayments will be rolled back to the revolving funds to enable disburse more loans to county officers. Future additional allocation in form of grant from the County Government is expected to increase the loan book.

The repayments are made through check-off deduction from beneficiary payroll and remitted to the Fund on monthly basis. Due to cash flow challenges being experienced by the County from delayed exchequer disbursement, the repayments for December had not been received as at end of period.

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

8. CORPORATE GOVERNANCE STATEMENT

The Fund was formed pursuant to Public Finance Management Act, 2012 (Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund) Regulations, 2023 to provide for resources to grant mortgage and car loan to county executive employees.

Section 6 of the Fund Regulations, provides that there is established Fund Management Committee to be known as the County Staff Mortgage and Car Loan Scheme Fund Management Committee, which shall consist of;

- (a) the County Executive Committee member for Finance who shall be the chairperson;
- (b) the Chief Officer in charge of Finance who shall also be the Fund Administrator
- (c) Secretary to County Public Service Board
- (d) Director Human Resource Management
- (e) County Attorney

(2) The Management Committee shall be supported by a secretariat consisting of the following officers—

- (a) Director of Administration;
- (b) County Attorney;
- (c) County Treasury Nominee nominated by Head of the County Treasury; and

The County Executive Committee Member shall appoint an officer to administer the Fund in accordance with Section 116 (2) Public Finance Management Act 2012 who shall be an ex officio member and secretary to the committee.

Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025

9. MANAGEMENT DISCUSSION AND ANALYSIS

The Fund is established in accordance to Public Finance Management Act, 2012 (Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme) Regulation 2023.

The Fund has to date managed to advance mortgages to county officers amounting to Ksh. 81,123,459 with additional funds being loan repayments.

The Fund expects to receive repayments amounting to Ksh. 27,295,557 which includes Ksh. 3,304,978 outstanding at the end of last financial year and cash and cash equivalent at the beginning of the year amounting to Ksh. 1,957,576

The loan repayments will be rolled back to the revolving funds to enable disburse more loans to county officers. Future additional allocation in form of grant from the County Government is expected to increase the loan book.

The repayments are made through check-off deduction from beneficiary payroll and remitted to the Fund on monthly basis. Due to cash flow challenges being experienced by the County from delayed exchequer disbursement, the repayments for December had not been received as at end of period.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund exists to provide low interest mortgage and car loans to county executive employees.

This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on five pillars: Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile -

The Fund management has put plans for fund sustainability through reimbursement of amount utilised from the county appropriation.

2. Environmental Performance

To ensure environmental sustainability, the fund has endeavoured to apply eco-friendly operations that minimise harmful effect on the environment. The Fund has in its policy to conserve the environment through use of electronic documents rather than printed copies.

3. Employee Welfare

The Fund has not hired its own staff but obtain necessary human resources from the County Executive. The Fund has ensured the employees seconded by the County Executive are adequately facilitated and provided with conducive working environment.

4. Market Place Practices-

The Fund being a Public funded entity is governed by The Public Procurement and Disposal Act, 2015. The Fund has endeavoured to adhere to the requirement of the law in the process of procurement of goods and services.

The Fund does not condone any unethical and corrupt practices in dealing with its suppliers. The highest level of integrity is mandatory among its employees. The supplies are paid within stipulated time including the remittance of tax to Kenya Revenue Authority.

The advertisement for supply of goods and services is done through public notices and widely circulated in local newspapers. All bidders are given equal opportunity whereas certain category of goods and services is reserved for Youth, Women and People with Disabilities.

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

11. REPORT OF FUND ADVISORY COMMITTEE

The Fund Management Committee submit the quarterly report together with the Financial Statements for the year ended **30th June 2025**, which show the state of the Fund affairs.

10.1 Principal activities

The principal activity/mission/ mandate of the Fund is to provide low interest mortgage and car loan to county executive employees.

10.2 Performance

The performance of the Fund for the year ended **30th June 2025**, are set out on page 1 to 6

10.3 Advisory Committee

The members of the Management Committee who served during the financial year are shown on page iv. There were no changes in the Administration Committee during the period.

10.4 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 Fund Management Committee



Signed: _____
Wycliffe Kinyua Kabinga
Fund Administrator

Date: 03rd July 2025

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

12. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 (1) of the Public Finance Management Act, 2012 requires that, at the end of each year, the Administrator of a County Public Fund established by the Constitution, Act of Parliament or an Act of County Assembly, 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 Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme 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 **30th June 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 Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme 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 Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund Regulations, 2022 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 **30th June 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 Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Administration Committee on **03rd July, 2025** and signed on its behalf by:



Wycliffe Kinyua Kabinga
Fund Administrator

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON THARAKA NITHI COUNTY EXECUTIVE STAFF MORTGAGE AND CAR LOAN SCHEME FUND 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 the 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 the Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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 Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund set out on pages 1 to 23, which comprise of

Report of the Auditor-General on Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund for the year ended 30 June, 2025

the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund Regulations, 2022 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 Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Budgetary Control and Performance.

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.27,295,557 and Kshs.24,007,895 respectively resulting to over-funding of Kshs.3,287,662 or 12% of the budget. Similarly, the Fund spent Kshs.7,165,104 against actual receipts of Kshs.24,007,895 resulting to an under-utilization of Kshs.16,842,791 or 70% of the actual receipts.

The under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My Opinion is not modified in respect of the above matter.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on page i to xv which comprise of Key Entity Information and Management, Fund Management Committee, The Key Management Team, Chairman's Statement, Report of the Fund Administrator, Statement of Performance Against Funds Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Funds Advisory Committee and Statement of Management 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 conclusion thereon.

REPORT ON THE LAWFULNESS AND EFFECTIVENESS IN 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.

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.

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 Fund Management Committee

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

In preparing the financial statements, Management is responsible for assessing the 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.

Fund Management Committee is 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 ISSAIs requires 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

03 November, 2025

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

**14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE
2025**

	Note	2024/2025	2023/2024
		Ksh.	Ksh.
Revenue from Exchange Transactions			
Interest Income	7	1,797,486	814,005
Total Revenue		1,797,486	814,005
Expenses			-
Use of Goods and Services	9	91,400	12,075
Total Expenses		91,400	12,075
Surplus/(Deficit) for the Year		1,706,086	801,930

Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund financial statements were approved on 03rd July 2025 and signed by:



Wycliffe Kinyua Kabinga
Fund Administrator



CPA Nduati E.K
Director Accountant Services
ICPAK No. 6720

Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025

15. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2025

	Note	2024/2025	2023/2024
		Ksh	Ksh
Assets			
Current Assets			
Cash and Cash Equivalents	9	16,932,791	1,957,576
Receivable from Exchange Transaction	10	3,952,487	3,304,978
Receivable from Non - Exchange Transaction	11	-	90,000
Total Current Assets		20,885,278	5,352,554
Non-Current Assets			
Receivable from Exchange Transaction	10	51,622,738	65,449,376
Total Non-Current Assets		51,622,738	65,449,376
Net Assets		72,508,016	70,801,930
Financing			
Revolving Fund		70,000,000	70,000,000
Accumulated Surplus and Reserves		2,508,016	801,930
Total Net Assets and Liabilities		72,508,016	70,801,930

Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund financial statements were approved on 03rd July 2025 and signed by:



Wycliffe Kinyua Kabinga
Fund Administrator



CPA Nduati E.K
Director Accountant Services
ICPAK No. 6720

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

**16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31st
JUNE 2025**

	Revolving Funds	Accumulated Surplus	Total
	Ksh	Ksh	Ksh
Balance as at 01st July 2023			
Surplus for the Year	-	801,930	801,930
Funds Received during the Year	70,000,000	-	70,000,000
Balance as at 30th June 2024	70,000,000	801,930	70,801,930
Balance as at 01st July 2024	70,000,000	801,930	70,801,930
Surplus for the Year	-	1,706,086	1,706,086
Funds Received during the Year	-	-	-
Balance as at 30th June 2025	70,000,000	2,508,016	72,508,016

**Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE 2025

	Note	2024/2025	2023/2024
		Ksh	Ksh
Cash Flows from Operating Activities			
Receipts			
Interest Income		1,814,802	523,990
Total Receipts		1,814,802	523,990
Payments			
Use of Goods and Services		1,400	102,075
Total Payments		1,400	102,075
Net Cash Flow from Operating Activities		1,813,402	421,915
Cash flows from Investing Activities			
Decrease in Receivable from Exchange Transactions		-	(3,156,928)
Proceeds from Loan Repayments		20,235,517	6,127,028
Loan Disbursement Paid Out		(7,073,704)	(74,591,367)
Net Cash Flows from Investing Activities		13,161,813	(71,621,267)
Cash flows from Financing Activities			
Revolving Fund Receipts		0	70,000,000
Net Cash Flows from Financing Activities		0	70,000,000
Net Increase / (Decrease) in Cash and Cash Equivalent		14,975,215	(1,199,352)
Cash and Cash Equivalents at 01 st July 2024		1,957,576	3,156,928
Cash and Cash Equivalents at 30th June 2025	9	16,932,791	1,957,576

Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE 2025

	Original budget	Adjustments	Final budget	Actual on comparable Basis	Performance Difference	% Utilisation
	Ksh	Ksh	Ksh	Ksh	Ksh	
Revenue						
Loan Repayments	23,250,480		23,250,480	20,235,517	(3,014,963)	87%
Interest Income	2,087,501		2,087,501	1,814,802	(272,699)	87%
Capital Grant	30,000,000	(30,000,000)	0	0	0	0%
Balances Brought Forward	1,957,576		1,957,576	1,957,576	0	100%
Total Income	57,295,557	(30,000,000)	27,295,557	24,007,895	(3,287,662)	88%
Expenses						
Loan Disbursements	57,195,557	(30,000,000)	27,195,557	7,073,704	(20,121,853)	26%
Use of Goods and Services	100,000		100,000	91,400	(8,600)	91%
Total Expenditure	57,295,557	(30,000,000)	27,295,557	7,165,104	(20,130,453)	26%
Surplus / (Deficit)	0	0	0	16,842,791	16,842,791	

Reconciliation Between Surplus as per Statement of Budget Comparison and Statement of Performance

Description	Amount Ksh.
Surplus as Per Statement of Budget	16,842,791
Less: Balance Brought Forward Cash and Cash Equivalent	(1,957,576)
Add Loan Disbursement During the Year	7,073,704
Less Loan Repayments	(20,235,517)
	1,723,402
Less: Interest Receivable 30 June 2024	(290,015)
Add: Interest Receivable 30 June 2025	272,699
Surplus as Per Statement of Performance	1,706,086

**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

Explanation Notes on Budget Performance

- i. The budget information is presented on comparable basis of budgeted receipts against actual amount received.
- ii. The amount budgeted for principal loan repayments comprise the amount due from previous financial year and loan repayments during the current year. The loan repayments for the month of May and June 2025 were yet to be received by the close of the year amounting to Ksh. 3,014,963
- iii. The interest income comprises of amount due from previous financial year and interest charged during the current year. The loan repayments for the month of May and June 2025 were yet to be received by the close of the year amounting to Ksh. 272,699
- iv. An amount of Ksh. 30,000,000 had been provided in the County Executive original Budget, but due to financial constraints, the allocation was reallocated and hence the adjustment in the Fund budget
- v. The amount of loan disbursement during the year amount to Ksh. 7,073,704 comprising of additional mortgage granted to the County Attorney and advances towards fire and life insurance policies
- vi. The reported low amount of loan disbursements was in cognisant of the short period of time remaining before expiry of contract term of service by Chief Officers and therefore awaiting extension / renewal of the contract before awarding the mortgages.
- vii. The expenditure on Use of Goods and Services relates to expenses on bank charges and commission and cost and processing the charges
- viii. The variance between the reported surplus as per the Statement of Comparison of Budget and Actual amounts as compared to Statement of Cash Flow is due to an amount of imprest issued in the previous financial year but was accounted for during the current year.

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Fund was formed pursuant to Public Finance Management Act, (Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund) Regulations, 2023. The Fund is wholly owned by the County Government of Tharaka Nithi and is domiciled in Kenya. The Fund’s principal activity is to provide funds to provide for resources to grant mortgage and car loan to county executive employees.

2. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Fund accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shilling, which is the functional and reporting currency of the Fund. The financial statements have been prepared in accordance with the PFM Act 2012, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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>No expected impact</i>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:

**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

	<p>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.</p> <p><i>No expected impact</i></p>
IPSAS 45: Property Plant and Equipment	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>No expected impact</i></p>
IPSAS 46: Measurement	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <p>Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</p> <p>Clarifying transaction costs guidance to enhance consistency across IPSAS.</p> <p>Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>No expected impact</i></p>
IPSAS 47: Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>No expected impact</i></p>
IPSAS 48: Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>No expected impact</i></p>

**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>No expected impact</i></p>
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i. Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees and other charges

The Fund recognizes revenues from fees and other charges when the event occurs, and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services, and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Entity recognizes revenue from the rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

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.

**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

Summary of Significant Accounting Policies (Continued)

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 the Current FY 2024/25 was approved by the County Assembly on 18th June 2024. There has been one Subsequent revisions or additional appropriations made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals to conclude the final budget. The Entity had not record additional appropriations of on the budget following the governing body's approval. The Fund budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Fund operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates, and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits, and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences

Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025

associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Fund and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over the useful life or investment property is measured at fair value with gains and losses recognised through surplus or deficit. 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. Transfers are made to or from investment property only when there is a change in use.

Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025

Summary of Significant Accounting Policies (Continued)

e) 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.

f) Leases

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Fund. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Fund also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Fund will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Fund. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) 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. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

h) Research and development costs

The Fund expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Fund can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

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 Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Summary of Significant Accounting Policies (Continued)

Fair value through net assets/ equity

Financial assets that are held for the 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.

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.

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 a surplus or deficit model.

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)

b) Financial liabilities

Classification

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

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or 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 Fund.

**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

Summary of Significant Accounting Policies (Continued)

j) Provisions

Provisions are recognized when the Fund 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 Fund 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.

k) 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.

l) 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.

m) Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements. The Fund has marinated accumulated surplus reserves.

n) 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.

o) Employee benefits

Retirement benefit plans

The Fund currently does not provide retirement benefits as do not have employees and or directors.

p) 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.

**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

Summary of Significant Accounting Policies (Continued)

q) 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 the construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

r) Related parties

The Fund 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 Fund, or vice versa.

s) Service concession arrangements

The Fund analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Fund recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement, or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Fund also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

t) Cash and cash equivalents.

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call, and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and various commercial banks at the end of the financial year.

u) Comparative figures

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

v) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the period ended December 31, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

Summary of Significant Accounting Policies (Continued)

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 Fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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 is 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

Provisions

No Provisions were raised and management determined an estimate based on the information available. 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.

6. Transfers from County Government

Description	2024/2025	2023/2024
	Ksh.	Ksh.
Revolving Funds / Capital Grant	0	70,000,000
Total Amount	0	70,000,000

7. Interest Income

Description	2024/2025	2023/2024
	Ksh.	Ksh.
Interest on Mortgage	1,797,486	814,005
Total Amount	1,797,486	814,005

8. Use of Goods and Services

Description	2024/2025	2023/2024
	Ksh.	Ksh.
Bank Charges	1,400	12,075
Administrative Expenses	90,000	-
Total Amount	91,400	12,075

Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025

Notes to Financial Statements (Continued)

9. Cash and Cash Equivalents

		2024/2025	2023/2024
Financial institution	Account number	Ksh	Ksh
Co-operative Bank – Chuka	01141923530601	16,932,791	1,957,576
Total Amount		16,932,791	1,957,576

10. Receivable from Exchange Transactions

Description	2024/2025	2023/2024
	Ksh	Ksh
Loan Interest Receivable	272,699	290,015
Current Loan Repayment	3,679,788	3,014,963
Total Current Receivables	3,952,487	3,304,978
Non - Current Receivables	51,622,738	65,449,376
Total Receivables	55,575,225	68,754,354

11. Receivable from Non - Exchange Transactions

Description	2024/2025	2023/2024
	Ksh	Ksh
Outstanding Imprest	0	90,000
Total	0	90,000

12. Cash Generated from Operations

Description	2024/2025	2023/2024
	Ksh	Ksh
Surplus/ (deficit) for the Year	1,706,086	801,930
Adjusted for:		
Working Capital adjustments		
Changes in Receivables from Exchange Transactions	17,316	(290,015)
Changes in Receivables from Non - Exchange Transaction	90,000	(90,000)
Net Changes in Working Capital	107,316	(380,015)
Net Cash flow from Operating Activities	1,813,402	421,915

**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

Notes to Financial Statements (Continued)

13. Financial Risk Management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Fund 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 Ksh.	Fully performing Ksh.	Past due Ksh.	Impaired Ksh.
At 30th June 2025				
Receivables from Exchange Transactions	55,575,225	55,575,225	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	16,932,791	16,932,791	-	-
Total	72,508,016	72,508,016	-	-

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 no significant concentration of credit risk.

The Administration Committee 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.

Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025

Notes to Financial Statements (Continued)

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.

	Less than 1 Month	Between 1-3 Months	Over 5 Months	Total
	Ksh.	Ksh.	Ksh.	Ksh.
At 30th June 2025				
Account Payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Total	-	-	-	-

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. 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 endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

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

**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

Notes to 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:

	2024/2025	2023/2024
	Ksh.	Ksh.
Revolving fund	70,000,000	70,000,000
Accumulated Surplus	1,706,086	801,930
Total funds	71,706,086	70,801,930
Total Borrowings	-	-
Less: Cash and Bank Balances	16,932,791	1,957,576
Net debt / (excess cash and cash equivalents)	-	-
Gearing	0%	0%

14. 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;

b) Related party transactions

	2024/2025	2023/2024
	Ksh.	Ksh.
Transfers from County Government		70,000,000
Total		70,000,000

15. Events after the reporting period

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

16. Ultimate and Holding Entity

The entity is a County Public Fund established by Public Finance Management Act, 2012 (Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund) Regulations, 2023 under the docket of Finance and Economic Planning. Its ultimate parent is the County Government of Tharaka Nithi.

17. Currency

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

**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

20. Appendices

I. Progress on Follow up of Prior Year Auditor’s Recommendation

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved. Audit Report FY 2023/2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
OTHER MATTERS				
1. Lack of Insurance Premium Cover for Loans Issued by the Fund	<p>The Statement of financial position reflects receivables from exchange transactions balance of Ksh. 65,449,376. Review of supporting documents reveals that the long term mortgages were issued to beneficiaries for construction and maintenance of building. However, there was no mortgage protection policy and fire policy with an insurance firm taken by the borrowers of the mortgage facilities as required by Regulation 19 of the Public Finance Management (Tharaka Nithi County Executive Staff Mortgage and Car Loan Scheme Fund) Regulations, 2023.</p> <p>In addition, insurance policy documents for the loans granted to the borrows were also not provided for audit verification. This is contrary to Regulation 19 (6) which states that every loan granted under these Regulations shall be insured for the benefit of the member of Staff and premium in respect thereof shall be debited to the account of the members of the staff.</p>	<p>The Management confirms advancing mortgage facility to eleven (11) county officers with an amount of Ksh. 65,449,376 being long term debt.</p> <p>The Management has initiated the process of obtaining both life and fire policy for all beneficiaries. The Fund has remitted the payment to Britam Assurance Limited for the cover as evidenced by attached payment receipt.</p> <p>While one officer obtained the cover individually.</p>	Resolved	30 th March 2025

**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, Management was in breach of the law.			



Sign:

Wycliffe Kinyua Kabinga

Tharaka Nithi Executive Mortgage and Car Loan Scheme Fund Administrator


Date: 03rd July 2025


**Tharaka Nithi County Executive Mortgage and Car Loan Scheme Fund
Annual Report and Financial Statements
For the Year Ended 30th June, 2025**

II. Transfers from Other Government Entities

	ENTITY NAME:	THARAKA NITHI COUNTY MORTGAGE AND CAR LOAN FUND		
	Break down of Transfers from the County Executive of Tharaka Nithi County Government			
	FY 2024/2025			
a.	Capital Grants	<u>Bank Statement Date</u>	<u>Amount (Ksh)</u>	<u>Relate to FY</u>
		Total		

The above amounts have been communicated to and reconciled with the County Government of Tharaka Nithi

Sign: 
Fund Administrator
Mortgage and Car Loan Fund

Sign: 
Director Finance
County Government of Tharaka Nithi

Date: 03rd July 2025

Date: 03rd July 2025