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ON

PUBLIC SERVICE COMMISSION
CAR LOAN SCHEME

FOR THE YEAR ENDED
30 JUNE, 2025

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PUBLIC SERVICE COMMISSION

OFFICE OF THE AUDITOR GENERAL
P.O. Box 30984 - 00100, NAIROBI
RECORDS OF

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THE PUBLIC SERVICE COMMISSION CAR LOAN SCHEME

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

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

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1. Acronyms and Definition of Key Terms

A. Acronyms

CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CPA	Certified Public Accountant,
DG	Director General
FY	Financial Year
HRMI	Human Resource Management (Internal)
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
KNEC	Kenya National Examinations Council
KSH	Kenyan Shilling
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
PSC	Public Service Commission
SAGAs	Semi-Autonomous Government Agencies

B. Definition of Key Terms

Accrual Accounting	An accounting method that recognizes revenue in the period in which it's earned and realizable, but not necessarily when the cash is actually received.
Comparative Year	The prior year's financial data that is presented alongside the current year's data in financial statements for the purpose of comparison and analysis.
Fiduciary Management	Members of Management who are directly entrusted with the entity's financial resources.
Financial Year	Refers to the Government budgeting and planning period running from 1 st July to 30 th June
Fund Administrator	The office given powers to manage and account for the funds used for staff Car Loan Scheme
Management Committee	A Committee appointed by Fund Administrator to oversee operational issues of the fund
Service Provider	An institution procured by the Fund Administrator to assist in the management of the Car Loan Scheme

2. Key Fund Information and Management

a) Background Information

The Public Service Commission Car Loan Scheme Fund is established by and derives its authority and accountability from the Public Finance Management Act, 2012 (No. 18 of 2012) and is regulated by the Public Service Commission Car Loan Scheme Guidelines, 2018 which were revised in 2024. The Fund is wholly owned by the Public Service Commission and is domiciled in Kenya. The Fund began its operations on 16th March, 2016 following a resolution to support staff welfare through access to affordable car financing as advised by Salaries and Remuneration Commission Circular Ref. No. SRC/ADM/CIR/1/13 VOL. III (128) of 17th December, 2014 in accordance with the Legal Notice No. 195/2015.

The Scheme was initially capitalized with Ksh.15,000,000 from the National Treasury and has grown steadily to total of Ksh.49,500,000 as of 30th June 2025. The growth is attributed to loan repayments and interest earned. The Fund currently serves two active members, with an outstanding loan balance of Ksh. 3,489,706.05. Two members have fully settled their Car loans. The Fund has also accumulated Ksh. 3,159,660.57 in interest on disbursed loans and Ksh. 1,569,775.75 from deposits.

b) Principal Activities

The mandate of the Fund is to provide car loans to eligible members of the Public Service Commission Secretariat for purchase of private motor vehicle. The Scheme has a committee which is charged with the responsibility of processing car loan applications in accordance with approved regulations. The committee also oversees the day-to-day operations of the fund to ensure sustainability.

The Public Service Commission Car Loan Scheme operates as a revolving fund, ensuring sustainability and continued support for current and future staff members. Its committee oversees the processing and disbursement of loans, while the Fund Administrator who is Commission Secretary/Chief Executive Officer, is responsible for day-to-day operations and compliance with all regulatory frameworks.

Through transparent administration, prudent financial management and a focus on staff welfare, the Public Service Commission Car Loan Scheme continues to play a pivotal role in enhancing employee satisfaction and service delivery within the Commission.

***The Public Service Commission Car Loan Scheme
Annual Report and Financial Statements for the year ended 30th June 2025***

The Scheme has a committee which is charged with the responsibility of processing car loan applications in accordance with approved regulations. The committee also oversees the day-to-day operations of the fund to ensure sustainability.

The Car Loan Scheme has been using the Public Service Commission identity so far as the Vision, Mission and Core Values

Vision: A citizen centric public service.

Mission: To reform and transform the public service for efficient and effective service delivery.

Core Values: Citizen Focus, Professionalism, Teamwork, Innovation.

c) Fund Management Committee

S/No	Position	Name
1.	Committee Chairperson (up to January 2025)	Remmy N. Mulati, MBS-Deputy Commission Secretary, Corporate Services
	Committee Chairperson (March 2025)	Gerald G. Kuhaka, OGW - Director, Administration
2.	Committee Vice Chairperson	Simiyu Njalale - Deputy Director, Finance
3.	Committee Secretary (up to August 2024)	Caroline Kiget - Director, HRM(Internal)
	Committee Secretary (September 2024-Feb 2025)	Naomi Sidi- Assistant Director, Human Resource Management & Development (Administration)
	Committee Secretary (March 2025)	Emily Njue - Director, HRM(Internal)
4.	Fund Accountant (Up to August 2024)	CPA Joseph M. Njoroge - Deputy Director, Accounts
	Fund Accountant (September 2024)	CPA Daniel Karanja - Assistant Director, Accounts
5.	Committee Member	William Migwi - Director, Planning
6.	Committee Member (September 2024)	Wangechi Gichangi-Assistant Director, Legal
7.	Committee Member (September 2024)	Stephanie Ndiku-Principal Research Officer
8.	Committee Member (up to September 2024)	Musa Cherogony Director, Legal Services- Appeals
9.	Committee Member (up to September 2024)	Sally Tanui Deputy Commission Secretary, Recruitment & Selection

Key Fund and Information Management (Continued)

d) Key Management

SN	Position	Name
1.	Fund Manager/ Administrator	Paul Famba, MBS Commission Secretary/Chief Executive Officer
2.	Committee Chairperson	Gerald G. Kuhaka, OGW Director, Administration
3.	Committee Vice-Chairperson	Simiyu Njalale Deputy Director, Finance
4.	Fund Accountant	CPA Daniel Karanja Assistant Director, Accounts
5.	Committee Secretary	Emily Njue Director, HRM(Internal)

e) Fiduciary Oversight Arrangements

PSC Secretariat staff who had a direct fiduciary responsibility during the financial year ended 30th June, 2025 were:

SN	Position	Name
1.	Officer Administering the Scheme	Paul Famba, MBS Chief Executive/Commission Secretary
2.	Committee Chairperson	Gerald G. Kuhaka, OGW Director, Administration
3.	Committee Vice-Chairperson	Simiyu Njalale Deputy Director, Finance
4.	Fund Accountant	Daniel Karanja Assistant Director, Accounts
5.	Committee Secretary	Emily Njue Director, HRMI

Key Fund and Information Management (Continued)

f) Registered Offices

Public Service Commission
Commission House
P.O. Box 30095-00100 Nairobi-Kenya
Harambee Avenue
NAIROBI, KENYA

g) Fund Contacts

Telephone: (254) 020 2223901-5, 2227471-5
E-mail: psck @ public service.go.ke
Website: <https://www.publicservice.go.ke>

h) Fund Bankers

KCB Bank Kenya Limited, KICC Branch
P.O. Box 45129-00100
NAIROBI



i) Independent Auditor

Auditor-General
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya




j) Principal Legal Adviser

Deputy Commission Secretary
Legal Services Directorate
Public Service Commission
Commission House, Harambee Avenue
P.O. Box 30095- GPO 00100
Nairobi, Kenya




3. The Fund Management Committee

Name	Details of qualifications and experience
 <p><i>Mr. Paul Famba, MBS</i> Secretary/CEO Officer Administering the Scheme</p>	<p>Mr. Paul Famba was appointed Secretary/Chief Executive of the Public Service Commission with effect from 1st August 2024. Before his appointment, he was the Secretary of Administration at the Ministry of Interior and National Administration since January 2023.</p> <p>Mr. Famba is a career administrator with credentials and a record of accomplishments in public service, spanning 29 years. He started his career in public service in 1995 as a Research Assistant at the University of Nairobi, before joining the civil service in 1997 as a District Officer. He rose steadily through the administrative ranks to the position of Secretary of Administration. His deep understanding of government administration saw him successfully implement various government programmes.</p> <p>Mr. Famba holds a Master of Arts degree in Peace and Conflict Management from Kenyatta University and a Bachelor of Arts degree from the University of Nairobi. He has successfully served in various national assignments in different capacities. He was a member of the Multi-Agency Team for Mapping, Verification and Valuation of Mature/Over-Mature Forest Plantations from April 2020 to January 2021, and the Joint Secretary of the Inter-Faith Council on National Response to Corona Virus Pandemic from June 2020 to October 2022.</p> <p>He served as the Alternate Director for Principal Secretary of the State Department for Internal Security and National Administration at the Tourism Promotion Fund Oversight Board and a member of the Presidential Task Force on the Development of Kenya Home of Human Origins Museum and Science Park since January 2024. He is a member of the Kenya Association of Public Administration and Management (KAPAM)</p> <p>Mr. Famba is a recipient of the Order of the Grand Warrior of Kenya (OGW) and Moran of the Order of the Burning Spear (MBS) in recognition of his distinguished service to the nation.</p>
 <p><i>Gerald G. Kuhaka, OGW</i> Committee Chairperson</p>	<p>Mr. Gerald Kuhaka is the Director Administration, responsible for coordination of administrative and support services in the Commission. He was appointed to this position on 17th October 2018. He is a career administrator with a distinguished record of public service spanning over thirty four years in various Ministries; rising through the ranks from the level of Assistant Secretary/District Officer Cadet. He was appointed as the committee Chair in February 2025</p> <p>Mr. Kuhaka holds a Master's Degree in Public Sector Management (Africa University, Zimbabwe, 2007) and a Bachelor of Arts degree in Economics and Government (University of Nairobi – 1990). He has also attended numerous professional development courses, workshops and seminars locally and internationally.</p> <p>In recognition of his distinguished public service, Mr. Kuhaka received two state honors from His Excellency the President:</p>





*The Public Service Commission Car Loan Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

Name	Details of qualifications and experience
	Distinguished Service Medal (DSM) and Order of the Grand Warrior (OGW). In addition, he was awarded certificates of merit for distinguished services in various ministries where he served.
 <p><i>Simiyu Njalale</i> Committee Vice Chairperson</p>	<p>Mr. Simiyu Njalale holds the position of Deputy Director, Finance with over 20 years of experience in the public sector, demonstrating a strong track record in financial management and leadership. He started his career as a Sales Executive at Nation Media Group. He was appointed as the committee Vice Chairperson in 2019 and holds a Bachelor's degree in Business Administration (Accounting) from the University of Eastern Africa, Baraton and a postgraduate diploma in Financial Management from KCA University. In addition, he has undertaken Financial Management Course from the Malawi Institute of Management and the Strategic Leadership Development Programme and the Senior Management Course at the Kenya School of Government. Further, Mr. Simiyu has served as Head of Finance of the inaugural Commission on Revenue Allocation and Director of Finance to the County Government of Trans Nzoia.</p>
 <p><i>Emily Njue</i> Committee Secretary</p>	<p>Ms. Emily Njue is the Director, Human Resource Management and Development (Internal) since January 2025. She was deployed to coordinate the human resource and welfare matters for the Commission and the Secretariat in March 2025. Ms Njue holds a Master's degree in Human Resource Management from Methodist University, a Bachelor of Arts in Sociology and Economics from the University of Nairobi, and a Higher Diploma in Human Resource Management from Kenya National Examinations Council. She is a Member of the Institute of Human Resource Management (IHRM). She has served across various departments in the Commission for over 15 years, contributing significantly to organizational development, staff welfare, and policy implementation.</p>
 <p><i>CPA Daniel Karanja</i> Fund Accountant</p>	<p>CPA Daniel Karanja is an Assistant Director (Accounts) in the Finance and Resource Mobilization Department since April 2024. He was appointed as Fund Accountant in September 2024. He has over 20 years' experience in accounting and finance in the public sector. He was appointed as the Committee Fund Accountant in September 2024. He holds a Bachelor of Commerce (Finance) degree from KCA University and is a Certified Public Accountant (Kenya). He attended the Strategic Leadership Development Programme and the Senior Management Course at the Kenya School of Government, equipping him with advanced leadership and management skills. CPA Karanja has consistently demonstrated expertise in financial management, compliance, and strategic financial planning, contributing to the effective stewardship of public resources.</p>

*The Public Service Commission Car Loan Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

Name	Details of qualifications and experience
 <p><i>CPA William Migwi</i> Committee Member</p>	<p>CPA William Migwi is the Director Planning in the Commission since January 2025. He has over 20 years' experience in Economics, Research and Policy in international and civil society organizations and the public sector. He was appointed as a committee member in 2017.</p> <p>He holds a Master of Philosophy in Economics, from University of Ghana, Legon and a Bachelor of Arts degree from Kenyatta University with a major in Economics. He is a professional member of ICPAK by virtue of being a Certified Public Accountant (K). This certification was earned at Strathmore University. He has attended the Strategic Leadership Development Programme and Senior Management Course at the Kenya School of Government among many other local and international leadership courses.</p>
 <p><i>Wangeci Gichangi</i> Committee Member</p>	<p>Ms. Wangeci Gichangi is an Assistant Director Legal Services since April 2024. She was appointed as a committee member in September 2024. She is also a certified Legal Auditor and an Advocate of the High Court of Kenya with over 11 years' experience.</p> <p>She served in the Transition Committee for Handover of functions from the Nairobi Metropolitan Service to the Nairobi City County Public Service Board. She is a member of the Multi-Agency Committee that developed the Integrated Defence Civilian Staff Management Policy. Prior to joining the Commission, she was a Senior State Counsel in the Office of the Attorney General and Department of Justice. She is highly skilled in alternative dispute resolution, oral arguments, drafting and legal research.</p>
 <p><i>Stephanie Ndiku</i> Committee Member</p>	<p>Ms. Stephanie Ndiku is a Principal Research Officer since April 2024. She has over 11 years of experience in the private and public sectors. She was appointed as a committee member in September 2024.</p> <p>She serves in the Integrity Assurance Officers Committee and has participated in several task teams within the Commission, including the team responsible for preparing the report on the Public Service's compliance with the Values and Principles outlined in Articles 10 and 232 of the Constitution.</p> <p>She holds a Bachelor's degree in Communication and Public Relations from Moi University, a Diploma in Social Work and Community Development from the Kenya National Examinations Council.</p> <p>Her professional skill set includes project management, report writing, events coordination, public information management, media relations, and crisis communication.</p>

4. Management Team.

Name	Details of Qualifications and Experience
 <p><i>Mr. Paul Famba, MBS</i> Fund Administrator</p>	<p>Mr. Paul Famba is the Secretary/Chief Executive Officer and the Fund Administrator</p>
 <p><i>Gerald G. Kuhaka</i> Committee Chairperson</p>	<p>Mr. Gerald G. Kuhaka, OGW is the Director, Admin and Chairs the Mortgage and Car Loan Scheme Fund.</p>
 <p><i>Simiyu Njalale</i> Committee Vice Chairperson</p>	<p>Mr. Simiyu Njalale is a Deputy Director, Finance and Vice Chairperson to the committee.</p>
 <p><i>Emily Njue</i> Committee Secretary</p>	<p>Ms. Emily Njue is the Head of Human Resource Management (Admin) and in charge of the secretariat to the Fund.</p>



CPA Daniel Karanja
Fund Accountant

Mr. CPA Daniel Karanja is Assistant Director, Accounts and Fund Accountant

5. Committee Chairperson's Report.

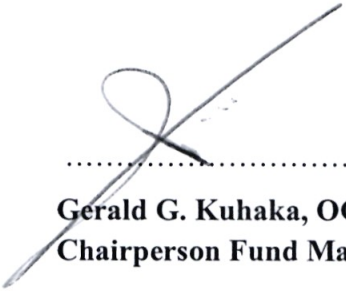
The Public Service Commission Car Loan Scheme was established on 16th March 2016 as guided by relevant Public Finance Management framework in order to facilitate staff to access car loans. Through implementation of the scheme, the Commission expects to attract, motivate and retain staff and enhance performance.

The year under review marks the tenth year in the implementation of the Scheme. The Scheme is a collaborative effort between the National Treasury and the Public Service Commission. It was established as a revolving fund with an initial seed capital of Kshs.15,000,000 which has grown to Kshs. 49,500,000 as at 30th June, 2025. On behalf of the Scheme Management Committee, I wish to appreciate the Government for the budgetary support through the National Treasury.

The responsibility of the day-to-day management of the Scheme rests with the Public Service Commission whereas the Salaries and Remuneration Commission is responsible for setting the maximum loan thresholds and interest rates for the Scheme. During the year under review, maximum loan entitlements remained at Kshs. 5,000,000. The Scheme has processed a total of 8 applications since inception, out of which 6 officers have fully serviced their loans while 2 remained active.

Key challenge was the low uptake of the facility by staff largely attributed to the high interest rate of 5% under the KCB contract. To address this challenge and enhance the uptake of the facility, the Commission reviewed the interest rate to 3% to align with the SRC guidelines. With this intervention, the uptake is envisaged to improve with the on-boarding of a new service provider with effect from 1st July, 2025.

Going forward, the Scheme remains committed to ensuring that all staff have access to car loan facilities.



.....
Gerald G. Kuhaka, OGW
Chairperson Fund Management Committee

6. Report of the Fund Administrator



On behalf of the Public Service Commission, I am pleased to present The Public Service Commission Car Loan Scheme Annual Report and Financial Statements for the year ended 30th June, 2025. The Scheme remains a key element in the non – remunerative benefits for secretariat staff of the Commission through provision of car loan facility. It is noteworthy that the trend of loan applicants has continued on a positive trajectory from 5 applicants during inception in financial year 2018/19 to 8 beneficiaries by the financial year 2024/25. The car loan facility is strategic to the Commission as it accords the secretariat staff access to car loan facilities to purchase motor vehicle. In the long term, the facility remains a key driver for motivating individual performance and improvement of overall institutional performance.

The Commission has engaged Family Bank Limited to administer the Scheme effective 1st July, 2025. This will give Commission staff an opportunity to enjoy lower interest rates under the new service provider.

The Commission appreciates budgetary support by the National Treasury over the years and will ensure that the Scheme is managed professionally in line with relevant laws, regulations and guidelines. Our ultimate goal is to transition the scheme to a self – sustaining revolving fund.

A handwritten signature in black ink, appearing to be 'Paul Famba', written over a horizontal dotted line. The signature is stylized and fluid.

**Paul Famba, MBS
Fund Administrator**

7. Statement of Performance against Predetermined Objectives

The scheme had not developed a strategic plan and work plan to guide its operations and activities. Going forward the committee commits to develop these instruments to make it more transparent and accountable in its operations.

The key objective of the scheme is to approve all the loan applications subject to availability of funds and provided the applications meets the set criteria.

8. Corporate Governance Statement

8.0 Introduction

The PSC Car Loan Scheme is a revolving Fund established pursuant to the Public Finance Management (PFM) Act of 2012, the PFM (National Government) Regulations of 2015 and the SRC circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December 2014.

The object and purpose of the Scheme as set out in Part II paragraph 5 of the PSC Car Loan Scheme Guidelines is to provide loans for the purchase of private motor vehicle by members of the Scheme.

The Scheme has a formally constituted corporate governance structure; with the scheme management committee having overall oversight of all operations. In addition to the existing legal and regulatory framework referenced in this report, the Scheme Management Committee also administers its own procedures by passing resolutions in meetings.

8.1 Appointment of Scheme Committee Members

Members of the Scheme Management Committee are appointed by the Secretary/CEO, PSC on a personal basis. The committee membership comprises of seven (7) members, inclusive of the Chairperson and Secretary. The Scheme Committee draws membership from the relevant departments as spelt out in Part III paragraph seven of the guidelines.

8.2 Roles & Functions of the Scheme Committee

The day-to-day running of the scheme is delegated to the Committee by the Fund Administrator. The overarching strategic, compliance, financial including fiduciary responsibility and administrative functions rests with the Scheme Management Committee.

The roles and functions of the scheme management committee is provided for under paragraph eight of the guidelines and include:

- a) Preparation of work plan and budget for the Committee;
- b) Procurement/identification of service providers;
- c) Sensitization of staff on the Car Loan Scheme Fund;
- d) Receiving and processing of applications for loans in accordance with the existing terms and conditions of borrowing;
- e) Oversight and supervision of the day to day running of the fund;
- f) Maintenance of proper books and records of accounts of the income and expenditure, assets and liabilities of the funds;

- g) Receive gifts and donations, grants or endowments made to the fund;
- h) Consider and recommend approval of annual report and financial statements to the Authorized officer; and
- i) Quarterly reporting on the operations of the scheme.

8.3 Induction, training, and development

Due to budgetary constraints and transition, the induction and training of scheme management committee members was postponed to the financial year 2025/26.

8.4 Management committee performance

The management committee has prioritised the development of performance and governance instruments to guide and account for its performance.

8.5 Number of Board meetings held and the attendance to those meetings by members

The committee meets regularly to deliberate on staff requests and to monitor the performance of the scheme funds and achievement of work plan objectives. The committee held twelve meetings in the year under review. Ad-hoc meetings are also convened on need basis.

8.6 Succession plan

The scheme management committee comprises a diverse age set of members to ensure institutional memory during staff changes and deployments.

8.7 Policy to manage Conflict of interest

The car loan scheme guidelines (Third Schedule, Sections 4 and 5) provide for handling of conflict of interest. The Members of the Scheme Management Committee are required to declare any conflict of interest at the start of each meeting on any matter/s subject of the deliberations of specific meeting and to record such declaration in a register designed for this purpose.

8.8 Management Committee remuneration

The car loan scheme guidelines (Third Schedule, Section 7) provide for remuneration of committee members upon approval of the Officer Administering the Scheme. However, during the review period, the scheme management committee was not remunerated.

8.9 Ethics and Conduct

The Third Schedule of the scheme guidelines provide for the conduct of business and affairs of the scheme committee.

8.10 Governance audit

The operation of the scheme committee is audited by the Commission's Internal audit unit and the Office of the Auditor General. The Commission, at its 2821st meeting held on 11th September 2024, approved the Car Loan Scheme Guidelines. The reviewed guidelines incorporated the views of PSC staff.

8.11 Communication policy

The Commission's Communication Strategy has lapsed and the process is underway to formulate a new one which will be adopted by the scheme committee to come up with its communication policy.

8.12 Terms of Reference of Committees

Part III of the scheme guidelines spells out the functions of the scheme management committee.

8.13 Policy on related party transactions

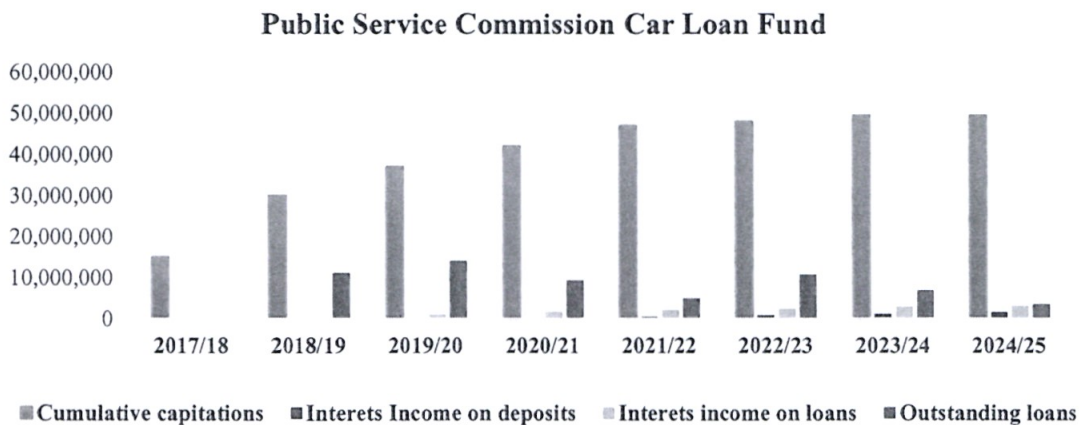
The Scheme management committee has prioritized the development of a policy to manage related party transactions and conflicts of interest.

9. Management Discussion and Analysis

The Public Service Commission Car Loan Scheme has a management committee appointed by the fund administrator. The Committee has a Chairperson, Secretary and five other members drawn from different departments of the Commission. They maintain and coordinate all issues relating to the fund and report to the fund administrator on periodic basis. The Committee oversees preparation of the financial statements at the end of each financial year. The management report for the year under review 2024/25 is as discussed below.

a. Operational and financial performance of the Fund during the period, as compared to the industry.

The Car Loan Scheme was established in the financial year 2016/17 as part of staff motivation programme by the Commission and is fully funded through the voted budget. The first seed capital was transferred to the fund from the Commission budget during the financial year 2017/18. It is managed as a separate fund from the main Commission work-plan and is oversighted by the Special Funds Committee of the National Assembly unlike the main operations which fall under Public Accounts Committee. The scheme is established to operate as a revolving fund where loans extended to staff plus accruing interest therein are recovered through the payroll and re-invested back into the fund for further lending. It operates under the broad guidelines approved by the Commission and which are revised from time to time. The comparable funds in the industry are those managed by other public bodies and the state officers fund managed by the National Treasury.



*The Public Service Commission Car Loan Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

b. Fund's key projects or investments decision implemented or ongoing

During the year under review the fund guidelines were reviewed and approved by the Commission. The Fund administrator reconstituted the management committee as a good governance practice. A new service provider was also competitively procured as part of addressing prior period audit recommendations. The fund has processed applications for 12 members out of which 10 had fully settled their loans and discharged from the fund. Only two loans were active as at the closure of the financial year 2024/25.

c. Number and amount of Loans issued during the period, loans outstanding at end of the period and loans repaid during the period.

Since its inception, the fund had processed 12 applications. The Funds capitations have increased from seed capital of Ksh 15.0 million. Subsequently, the funds amounting to Ksh 15.0 million (2018/19), Ksh 7.0 million (2019/20), Ksh 5.0 million (2020/21), Ksh 5.0 million (2021/22), Ksh 1.0 million (2022/23) and Ksh 1.5 million (2023/24) have been transferred. Cumulatively, the Commission has transferred Ksh 49,500,000 to the Fund as reflected in the Table*** below. The Fund has earned Ksh 1,569,775.75 from fixed deposits and a further Ksh 3,159,660.57 from interest charges on loans disbursed to staff over time. It held outstanding loans with staff totaling Ksh 3,489,706.05 and a closing balance of Ksh 48,141,614.50 as at 30th June 2025.

The Capitations and Loan Disbursement for the Period 2017/18-2024/25

Year	Beneficiaries	Capitations	Interest Income from Deposits	Interest Income from on Loans	Outstanding Loans
2017/18	0	15,000,000	0	0	0
2018/19	5	15,000,000	84,149.15	391,088.55	11,133,330.00
2019/20	7	7,000,000	34,532.30	622,705.20	14,094,419.00
2020/21	6	5,000,000	103,049.85	691,971.55	9,261,889.00
2021/22	6	5,000,000	196,619.60	431,144.05	4,968,167.70
2022/23	7	1,000,000	367,757.35	317,182.55	10,732,977.00
2023/24	4	1,500,000	371,472.02	427,646.91	6,868,209.20
2024/25	2	0	412,195.48	277,921.76	3,489,706.05
TOTAL		49,500,000	1,569,775.75	3,159,660.57	

d. Fund's compliance with statutory requirements

The fund continued to apply the 5% interest on loans as per the contract which was in place awaiting termination and a competitively sourced service provider. The fund paid withholding tax on interest earned on every loan and this was paid by the service provider. The loans were also approved based on the SRC benefits schedule and the revised guidelines.

The fund issues loans recoverable by the date of retirement of each officer to avoid officers exiting with active loans.

e. Major risks facing the Fund, material arrears in statutory and other financial obligations

The main risks are financial and legal in nature. They include credit, market volatility, changing legislations and possible legal disputes. The fund loans face credit risk since officers have other tax and debt obligations with banks, SACCOs and KRA. The market risk arises where properties identified by staff for funding are also being competed for by other individuals thus delays in execution forces officers to lose the properties and therefore have to search for other properties in the market. The legal risks are occasioned by individual failure to honour loan contract or the properties falling into legal disputes. However, the disbursement criteria consider due diligence before loans are approved and the loanee is required to take life and fire insurance. Due to low uptake of loans, the fund remained liquid during the period under review.

f. any other information considered relevant to the users of the financial statements.

No other material information was deemed necessary for disclosure under this section.

10. Environmental and Sustainability Reporting

i) *Sustainability strategy and profile*

The Public Service Commission Car Loan Scheme aligns itself with national and global sustainability priorities, recognizing the vital role of sustainable development in public sector service delivery. The Scheme acknowledges the implications of global macroeconomic and political dynamics, such as climate change and environmental degradation, and commits to supporting Kenya's Vision 2030 and the United Nations Sustainable Development Goals (SDGs), particularly those related to sustainable cities and communities (SDG 11), affordable and clean energy (SDG 7), and climate action (SDG 13).

The Car Loan Scheme is in the process of developing a governance manual that guide the operations of the Scheme. The management scheme committee has adequate representation from youth, women, Persons with Disabilities (PWDs), ensuring that diverse perspectives inform the Scheme's strategic decisions. The Scheme advocates for responsible engagement with stakeholders, including its members by encouraging ethical practices that contribute positively to the scheme's well-being. Its contractual procedures are aligned with government procurement guidelines that favour local suppliers and vulnerable groups, including youth, women, and PWDs.

The Public Service Commission Car Loan Scheme Guidelines, 2024 makes provisions that ensures a sustainable loan scheme which aligns strategies that safeguards the fund and enabling growth by ploughing back resources from loan repayments by beneficiaries. The scheme loans disbursed to beneficiaries are insured by the bank and recoveries are effected through payroll checkoff hence minimizing risks associated with defaulting in repayment. Access to legal documents for the vehicle acquired through the scheme can only be released to the beneficiary upon full recovery of the loan thereby enhancing sustainability by minimizing loses associated with non-compliance by the beneficiary.

ii) *Environmental performance*

The Scheme is managed with a sustainability-focused approach that emphasizes responsible financing. The PSC scheme encourages its members to acquire vehicles that are environmentally sustainable to support energy efficiency and climate resilience.

iii) *Employee welfare*

The Public Service Commission Car Loan Scheme does not engage its own staff but draws its officials from the secretariat staff. The Scheme therefore benefits from the Commission's

human resource policies which advocates inclusivity through representation of youth, women and persons with disabilities in appointments, training and promotions. The Commission is also compliant with the Occupational Safety and Health Act of 2007.

iv) *Market place practices-*

a) *Responsible competition practice.*

The Commission competitively procured the new service provider, and the lowest bidder (Family Bank Ltd) was awarded the contract with effect from 1st July 2025. Car Loans are approved and disbursed directly into the individuals bank account to prevent corruption. Processing of loan applications is done within 30 days upon receipt of application forms as stipulated in the approved service charter (internal). New Commission staff were sensitized on the Car Loan scheme during the induction program in May 2025.

b) *Responsible Supply chain and supplier relations*

The timely loan recoveries were effected in the payroll and subsequently remitted to the service provider as per contract terms.

c) *Responsible marketing and advertisement or Responsible engagement with the citizens.*

The Scheme sensitized staff on the Car Loan facility through staff meetings, holding consultative forums, induction workshops and email correspondence.

d) *Product stewardship or Awareness creation*

The Service provider currently offers custodial services for car loan collaterals ensuring data privacy and security. Application documents are stored in fireproof lockable cabinets. Complaints are addressed directly to the fund administrator or through the committee for deliberation and resolution.

v) *Corporate Social Responsibility / Community Engagements*

The Scheme undertakes its CSR role under the umbrella of the Commission. The Commission engaged in tree planting and donated trophies during the national drama festivals.

11 Report of the Fund Management Committee

The Committee managing the Scheme submits this report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Fund's affairs.

11.1 Principal Activities

The principal activity of the Fund is to provide a Car Loan facility for the purchase of motor vehicle by members of the scheme.

11.2 Performance

The performance of the Fund for the year ended June 30, 2025, is set out in Section 14.

11.3 Management Committee

The members of the Management Committee who served during the year are shown in Section 4.

11.4 Auditors

The Office of 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 Committee



.....
Gerald G. Kuhaka, OGW

Chair of the Fund Management Committee

12. Statement of Management's Responsibilities

In accordance with Section 84 (1) of the Public Finance Management Act, 2012, the Administrator of a fund established by the Constitution or an Act of Parliament is required to prepare financial statements for the Scheme at the end of each financial year, using the standards and formats prescribed by the Public Sector Accounting Standards Board (PSASB). The Administrator is responsible for the preparation and fair presentation of the Scheme's financial statements, which reflect a true and fair view of the financial position of the Scheme as at June 30, 2025, and its performance during the financial year. This responsibility includes:

- i). Maintaining adequate financial management arrangements throughout the reporting period.
- ii). Ensuring proper accounting records are kept that disclose the financial position of the Scheme with reasonable accuracy.
- iii). Designing, implementing and maintaining internal controls to ensure the financial statements are free from material mis-statements, whether due to fraud or error.
- iv). Safeguarding the Scheme's assets.
- v). Selecting and applying appropriate accounting policies.
- vi). Making reasonable and prudent accounting estimates.

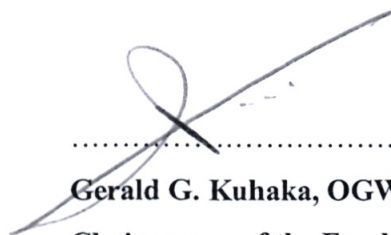
The financial statements have been prepared using suitable accounting policies in accordance with International Public Sector Accounting Standards (IPSAS), supported by estimates that are reasonable and prudent and presented in the manner required by the Public Finance Management Act, 2012 and the regulations establishing the Car Loan Scheme in accordance with the Salaries and Remuneration Commission circular SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December 2014. The Administrator affirms that the financial statements give a true and fair view of the transactions of the Car Loan Scheme during the financial year ended 30th June 2025 and its financial position as at that date.

The Administrator is also responsible for confirming the completeness of the accounting records relied upon in the preparation of the financial statements, as well as the adequacy of the internal financial control systems in place. In preparing these financial statements, the Administrator has assessed the Scheme's ability to remain a going concern and confirms that there is no indication that the Scheme will not remain operational for at least the next twelve months from the date of this statement.

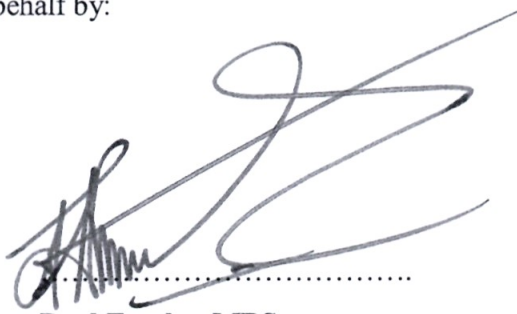
The Public Service Commission Car Loan Scheme
Annual Report and Financial Statements for the year ended 30th June 2025

Approval of the financial statements

The Fund's financial statements were approved by the Management Committee on 28-11- 2025 and signed on its behalf by:



.....
Gerald G. Kuhaka, OGW
Chairperson of the Fund



.....
Paul Famba, MBS
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 PUBLIC SERVICE COMMISSION CAR LOAN SCHEME 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 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 the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying Financial Statements of Public Service Commission Car Loan Scheme set out on pages 1 to 26, which comprise of 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 Public Service Commission Car Loan Scheme as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Public Service Commission Car Loan Scheme Guidelines, 2024.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Public Service Commission Car Loan Scheme 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 Matter

Unresolved Prior Year Matters

In the prior year audit report, three (3) issues were raised under Report on Financial statement and Report on Lawfulness and Effectiveness in Use of Public Resources. These include unsupported accumulated surplus, unconfirmed procurement of an institution to manage Car Loan Scheme and unfavorable clauses in contract agreement with the Financial Institution. Review of the status during audit in financial year 2024/2025 revealed that the matters remained unresolved.

Other Information

Management is responsible for the Other Information set out on page iv to xxviii which comprise of Key Fund Information and Management, The Fund Management Committee, Report of the Fund Administrator, Management Team, Committee Chairman's Report, Statement of Performance against Pre-determined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting 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 Scheme's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information, and 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 LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on the Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that use of public resources was not done in a lawful and effective way.

Basis for Conclusion

Irregular Investment of Car Loan Funds

The statement of financial position and as disclosed in Note 10 to the financial statements reflects cash and cash equivalents balance of Kshs.48,141,615. Included in the balance is an amount of Kshs.47,413,259 in fixed deposit account held at a commercial bank. This investment option is contrary to the provisions of The National Treasury and Ministry of Planning Circular No. 3/2018 dated 26 March, 2018 which requires to invest the surplus funds in Treasury bills and Treasury bonds directly to the Central Bank of Kenya through the non-competitive bidding and not under competitive bidding within the commercial banks.

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

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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effects of the matters described in the Basis for

Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Segregation of Duties for the Scheme Accountant

Review of Public Service Commission Car Loan Scheme records revealed that a single accountant at the Scheme is responsible for multiple critical financial functions, including: making entries in the cashbook, approving payments, reconciling bank statements and maintaining accounting records. This violates the principle of segregation of duties, which is a key internal control as per Paragraph 1.3 of IPSAS 1.

In the circumstances, the internal control in the management of the Scheme's funds could not be confirmed.

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

Responsibilities of Management and the Scheme 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 Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

The Committee is responsible for overseeing the Scheme's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems

are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAI 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

02 December, 2025


*The Public Service Commission Car Loan Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*


14. Statement of Financial Performance for the year ended 30th June 2025.

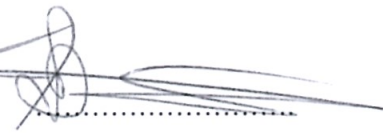
Item Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from Parent Ministry/ SC/SAGA		-	-
		-	-
Revenue from exchange transactions			
Interest income	6	690,117	799,119
Other income		-	-
		-	-
Total revenue		690,117	799,119
Expenses			
Admin costs	7	222,337	338,472
		-	-
Depreciation and amortization expense		-	-
Use of goods and services	8	1,278	6,475
Total expenses		223,615	344,947
Other gains/losses			
Gain/loss on disposal of assets		-	-
Gain /Loss on fair value of investments		-	-
Surplus/(deficit) before tax		466,502	454,172
Taxation	9	70,167	68,414
Surplus/ (Deficit) after Tax		396,335	385,758

(The notes set out on pages 18 to 25 form an integral part of these Financial Statements).

The financial statements were approved on 28-11 2025....by:


.....
Gerald G. Kuhaka, OGW
Chairperson of the Committee


.....
Paul Famba, MBS
Fund Administrator


.....
Daniel M. Karanja
Fund Accountant
ICPAK M/No.12107

*The Public Service Commission Car Loan Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

15. Statement of Financial Position as at 30th June 2025

Item Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	10	48,141,615	44,366,777
Receivables from exchange transactions	11	1,474,266	1,987,724
Receivables from non-exchange transactions		-	-
Total Current Assets		49,615,881	46,354,501
Non-current assets			
Receivables from exchange transactions	11	2,015,440	4,880,485
Total Non-Current Assets		2,015,440	4,880,485
Total assets (A)		51,631,321	51,234,986
Liabilities			
Trade and other payables		-	-
Total Current Liabilities		-	-
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities (B)		-	-
Net Assets (A-B)		51,631,321	51,234,986
Represented By:			
Car loan revolving fund		49,500,000	49,500,000
Accumulated surplus/Deficit		2,131,321	1,734,986
Net Assets		51,631,321	51,234,986

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

The Fund financial statements were approved on 28-11 2025 and signed by:


.....
Gerald G. Kuhaka, OGW

Chairperson of the Committee


.....
Paul Eamba, MBS

Fund Administrator


.....
Daniel M. Karanja

Fund Accountant

ICPAK M/No.12107

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

Item Description	Mortgage Fund	Car Loan Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
As at 1 July 2023	-	49,349,227	49,349,227	49,349,227
Surplus/(deficit) for the period	-	385,759	385,759	385,759
Funds received during the year	-	1,500,000	1,500,000	1,500,000
Interest capitalized*	-	-	-	-
Transfers	-	-	-	-
As at 30 June 2024	-	51,234,986	51,234,986	51,234,986
Balance as at 1 July 2024		51,234,986	51,234,986	51,234,986
Surplus/(deficit) for the period	-	396,335	396,335	396,335
Funds received during the year	-	-	-	-
Interest capitalized*	-	-	-	-
Transfers	-	-	-	-
As at 30 June 2025	-	51,631,321	51,631,321	51,631,321

The fund interest for the previous financial period(2023-2024) was ksh.385,759. The addition ksh 396,335 is interest earned in financial year 2024-2025.

*The Public Service Commission Car Loan Scheme
Annual Report and Financial Statements For the year ended 30th June 2025*

17. Statement of Cash Flows for the year ended 30th June 2025

Item Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from Parent Ministry/ SC/SAGA		-	-
Interest received		690,117	799,119
Other income		-	-
Total receipts		690,117	799,119
Payments			
Admin costs		222,337	338,472
Taxation		70,167	68,414
Bank Charges		1,278	6,475
Total payments		293,782	413,361
Net cash flow from operating activities	12	396,335	385,758
Cash flows from investing activities			
Purchase of PPE and intangible assets		-	-
Proceeds from sale of PPE		-	-
Proceeds from loan principal repayments		3,378,503	3,864,768
Loan disbursements paid out		-	-
Net cash flows used in investing activities		3,378,503	3,864,768
Cash flows from financing activities			
Receipts into the car revolving fund		-	1,500,000
Increase(Decrease)in accounts payables		-	(3,223,162)
Increase(Decrease)in accounts receivables		-	1,000,000
Net cash flows used in financing activities		-	-
Net cash flows used in financing activities		-	723,162
Net increase/(decrease) in cash and cash equivalents		3,774,838	3,527,364
Cash and cash equivalents at 1 July	10	44,366,776	40,839,412
Cash and cash equivalents at 30 June	10	48,141,615	44,366,776

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

Item Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Budget carryovers from the previous year*						
Receipts						
Transfers from other Parent Ministry/ SC/SAGA	-	-	-	-	-	0%
Interest income	-	-	-	690,117	- 690,117	0%
Other income	-	-	-	-	-	0%
Total Revenue	-	-	-	690,117	- 690,117	0%
Expenses						
Administration cost	-	-	-	222,337	- 222,337	0%
Bank charges	-	-	-	1,278	- 1,278	0%
Finance cost	-	-	-	70,167	- 70,167	0%
Expenditure	-	-	-	293,782	- 293,782	0%
Surplus for the period	-	-	-	396,335	- 396,335	0%
Capital Expenditure	-	-	-	-	-	0%

Budget notes

There was no budget provision during the year under review.

19. Notes to the Financial Statements

1. General Information

Public Service Commission Mortgage Scheme was established on 16th March, 2016 in line with SRC's circular Ref No. SRC/ADM/CIR/1/13 Vol.111 (128) and derives its authority and accountability from The Public Finance Management Act, 2012 The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is to provide mortgage loans for the purchase, development or renovation of residential property by members of the scheme.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 19. The financial statements have been prepared and presented in Kenya Shillings, 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

i. New and amended standards and interpretations in issue 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>Not applicable</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: 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>Not applicable</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 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. <i>Not applicable</i>
IPSAS 46:	<i>Applicable 1st January 2025</i>

PSC Car Loan Fund

Annual Report and Financial Statements for the year ended 30th June 2025

Standard	Effective date and impact:
Measurement	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 47: Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>The Public service commission mortgage scheme revenue is interest earned from Mortgage loans and fund held in deposit accounts. The interest earned are recognized on monthly basis.</p>
IPSAS 48: Transfer Expenses	<p><i>Applicable 1st January 2026</i></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>Not applicable</i></p>
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>Not applicable</i></p>
IPSAS 50: Exploration For & Evaluation of Mineral	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration

PSC Car Loan Fund

Annual Report and Financial Statements for the year ended 30th June 2025

Standard	Effective date and impact:
Resources	and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <i>Not applicable</i>

iii. Early adoption of standards

The Public service commission mortgage scheme did not early – adopt any new or amended standards in the financial

4. Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.

Dividends

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

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 2024/25 was approved in June 2024. Subsequent revisions or additional appropriations were not made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional funding to the revolving fund was not provided in the financial year 2024-2025. The Fund's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of cash flows has been presented.

c. Property, plant, and equipment (PPE)

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 Fund 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.

d. 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.

e. 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 an year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.* **(entity to amend appropriately)** 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

f. 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 Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

I. Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

II. Financial liabilities

Classification

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

g. Contingent liabilities

The Fund does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

h. Contingent assets

The Fund does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. 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.

i. Nature and purpose of reserves

The Fund does not create and maintain reserves in terms of specific requirements.

j. Changes in accounting policies and estimates

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

k. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

l. Related parties

The Fund regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Directors/Trustee, the Fund Managers, and Fund Accountant.

m. 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 Kenya Commercial Bank at the end of the financial year.

n. Comparative figures

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

o. Events after the reporting period

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

p. Ultimate and Holding Fund

The Fund is established under Section 24 (4) of PFM Act 2012 under the Department of The National Treasury. Its ultimate parent is the Government of Kenya.

q. Currency

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

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.

a) Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. (*see 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:

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

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Notes to the Financial Statements

6. Interest income

Description	<i>FY2024-2025</i>	<i>FY 2023-2024</i>
	Kshs.	Kshs.
Interest Income from Car Loans	277,922	427,647
Interest Income from Bank Deposits	412,195	371,472
Other (<i>Specify</i>)		
Total Interest Income	690,117	799,119

7. Administration cost

Description	<i>FY2024-2025</i>	<i>FY 2023-2024</i>
	Kshs.	Kshs.
Car Loans	222,337	338,472
Car Loan Fixed Deposit Account	-	-
Other (<i>Specify</i>)	-	-
Total	222,337	338,472

8. Use of goods and services

Description	<i>FY2024-2025</i>	<i>FY 2023-2024</i>
	Kshs.	Kshs.
Use of goods and services	1,278	6,475
Other (<i>Specify</i>)	-	-
Total	1,278	6,475

9. Taxation

Description	<i>FY2024-2025</i>	<i>FY 2023-2024</i>
	Kshs.	Kshs.
Tax	70,167	68,414
Other(<i>Specify</i>)	-	-
Total	70,167	68,414

10. Cash and cash equivalents

Description	<i>FY2024-2025</i>	<i>FY 2023-2024</i>
	Kshs.	Kshs.
Car Loan Account	116,783	489,964
Fixed Deposits Account	47,413,259	42,979,253
Return 30/06 pending disbursements	611,573	897,560

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Total Cash and Cash equivalents	48,141,615	44,366,777
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10a) Detailed analysis of the cash and cash equivalents

		<i>FY2024-2025</i>	<i>FY 2023-2024</i>
Financial Institution	Account number	Kshs.	Kshs.
Car Loan Account			
Kenya Commercial Bank-KICC	1221809245	116,783	489,964
Fixed Deposit Accounts			
KCB Commercial Bank-KICC		47,413,259	42,979,253
Sub- Total		47,530,042	43,469,217
Return 30/06/2025 pending disbursement			
KCB Bank-KICC Branch		611,573	897,560
Grand Total		48,141,615	44,366,777

Funds in deposit account earned an interest rate of 10% of CBR rate

11. Receivables from exchange transactions

Description	<i>FY2024-2025</i>		<i>FY 2023-2024</i>	
	Kshs.		Kshs.	
Current Receivables				
Interest Receivable				
Current Loan Repayments Due	1,474,266		1,987,724	
Other Exchange Debtors	-		-	
Less: Impairment Allowance	-		-	
Total Current Receivables	1,474,266		1,987,724	
Non-Current Receivables				
Long Term Loan Repayments Due	2,015,440		4,880,485	
Total Non- Current Receivables	2,015,440		4,880,485	
Total Receivables	3,489,706		6,868,209	
Ageing analysis (receivable from exchange transactions)	<i>FY2024-2025</i>	%of total	<i>FY 2023-2024</i>	%of total
Less than 1 year	-	0%	1,987,724	29%
Between 1-2 years	1,474,266	42%	-	0%
Between 2-3 years	2,015,440	58%	-	0%
Over 3 years	-	%	4,880,485	71%
Total (tie to totals above)	3,489,706	%	6,868,209	100%

12. Net cash flows from operating activities

Description	<i>FY2024-2025</i>	<i>FY 2023-2024</i>
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	466,502	454,172
Adjusted for:		
Taxation	70,167	68,414
	-	-
	-	-
	-	-
	-	-
Working capital adjustments	70,167	68,414
	-	-
	-	-
	-	-
Net cash flow from operating activities	396,335	385,758

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

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Fund's management based on prior experience and their assessment of the current economic environment.

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

Description	Total amount	Fully performing	Past due	Impaired
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2024				
Receivables From Exchange Transactions	6,868,209	6,868,209	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	44,366,777	44,366,777	-	-
Total	51,234,986	51,234,986	-	-
At 30 June 2025				
Receivables From Exchange Transactions	3,489,706	3,489,706	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	48,141,615	48,141,615	-	-
Total	51,631,321	51,631,321	-	-

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 Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Fund has significant concentration of credit risk on amounts due from loan recoveries.

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 Fund's short, medium, and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2024				
Trade Payables	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00
At 30 June 2025				
Trade Payables	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

c) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Fund's Finance Department is responsible for the development of detailed risk management policies (*subject to review and approval by the Audit and Risk Management Committee*) and for the day-to-day implementation of those policies.

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

d) Interest rate risk

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

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to 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. 396,334.85 (2025: Kshs. 396,334.85). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs. 385,758.65 (2024— Kshs. 385,758.65)

e) Capital risk management.

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

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Revolving fund	49,500,000.	49,500,000
Accumulated surplus (<i>Reserves</i>)	2,131,321	1,734,986
Total funds	51,631,321	51,234,986
Less: cash and bank balances	(48,141,614.5)	(44,366,776.00)
Net debt/(excess cash and cash equivalents)	3,489,706	6,868,210
Gearing	7%	13%

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) National government Fund
- b) Key management;
- c) Board of Trustees/Committee; etc.

PSC Car Loan Fund

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b) Related party transactions

i. Transfers from related parties

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	Kshs.	Kshs.
Transfers from related parties	-	-

ii. Key management remuneration

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	Kshs.	Kshs.
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

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 Fund is under the sponsorship of the Public Service Commission.

17.Currency

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

PSC Car Loan Fund

Annual Report and Financial Statements for the year ended 30th June 2025

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

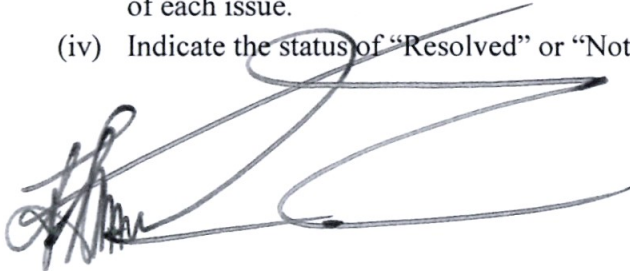
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported Accumulated Surplus	The Public Service Commission Car scheme loan Committee is in the process of addressing Prior Year Audit issues awaiting to appear before the Parliament Special Funds Committee	Not Resolved	
2	Unconfirmed procurement of an Institution to Manage Car loan scheme	The Commission has secured the services of a new a service provider (Family Bank) with from 1st July,2025	Resolved	
3	Unfavourable Clauses in Contract Agreement with a Financial Institution	The Commission has secured the services of a new a service provider (Family Bank) with effect from 1st July,2025 at an agreeable interest rate of 3%	Resolved	

Guidance Notes:

***PSC Car Loan Fund
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- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from the final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Fund responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to the National Treasury.



**Paul Famba, MBS
Fund Manager/Accounting Officer**

Date..... 28-11-2025