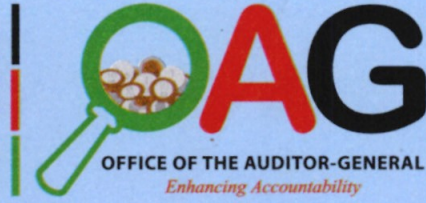


REPUBLIC OF KENYA



REPORT
THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 24 FEB 2026 Tuesday

DAY: _____

TABLED BY: Deputy Leader Majority Party
Hon. Ower Baya, MP

CLERK AT TABLE: Mr. Benson Inzola

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**WATER SERVICES REGULATORY BOARD CAR
LOAN AND MORTGAGE LOAN FUND**

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



WASREB CAR LOAN / MORTGAGE LOAN FUND

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)

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

TABLE OF CONTENTS

PAGE

1. ACRONYMS AND DEFINITION OF KEY TERMS.....	ii
2. KEY FUND INFORMATION AND MANAGEMENT.....	iii
3. THE BOARD OF DIRECTORS	viii
4. MANAGEMENT TEAM	xii
5. CHAIRMAN’S REPORT.....	xiv
6. REPORT OF THE FUND ADMINISTRATOR	xv
7. STATEMENT OF FUND’S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES	xvi
8. CORPORATE GOVERNANCE STATEMENT	xviii
9. MANAGEMENT DISCUSSION AND ANALYSIS	xxv
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xxvi
11. REPORT OF THE FUND ADMINISTRATION COMMITTEE.....	xxvii
12. STATEMENT OF MANAGEMENT’S RESPONSIBILITY	xxviii
13. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF WASREB CAR LOAN AND MORTGAGE FUND	xxx
14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2025.	1
15. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025.	2
16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2025.....	3
17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2025	4
18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2025	5
19. NOTES TO THE FINANCIAL STATEMENTS.....	6
I. Annexes	19

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

1. ACRONYMS AND DEFINITION OF KEY TERMS

A. Acronyms

WASREB	Water Services Regulatory Board
CEO	Chief Executive Officer
NT	National Treasury
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
SRC	Salaries and Remuneration Commission
ICT	Information and Communication Technology
SCAC	State Corporation Advisory Committee

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

2. KEY FUND INFORMATION AND MANAGEMENT

(a) Background information

Water Services Regulatory Board is a corporate body established under the provisions of the Water Act 2016 and operating under the provisions of the State Corporations Act, Cap 446 of the laws of Kenya and it is domiciled in Kenya.

The Car and Mortgage Loan Fund is a staff welfare financial facility established to provide eligible employees of WASREB with access to affordable credit for the acquisition of motor vehicles and residential housing. The Fund operates under the policy and regulatory framework issued by the Salaries and Remuneration Commission (SRC), particularly SRC Circular No. SRC-023/12/2014 on Car Loan and Mortgage Funds for State and Public Officers, which guides eligibility, loan ceilings, interest rates, repayment periods, and security requirements.

The primary objective of the Fund is to enhance staff welfare, promote financial stability for employees, and support long-term staff retention by offering concessional financing options. The Fund is structured to be self-sustaining, with loan repayments and interest recoveries forming the basis for continued lending and growth of the facility.

(b) Principal Activities

The objective of the Car and Mortgage Loan Fund is to enhance staff welfare by providing access to affordable credit facilities for motor vehicle acquisition and home ownership. Implementation of these benefits is expected to motivate employees, improve productivity, and significantly contribute to the attraction and retention of requisite skills within the public service. This objective is aligned to the constitutional principles under Article 230(5) of the Constitution, which require consideration of affordability, fiscal sustainability, and attraction and retention of the skills necessary to execute public functions.

The approved benefits under the Car and Mortgage Loan fund shall be implemented within the following guidelines:

1. Scope and Eligibility

The car and Mortgage fund shall apply to all staff of the Board, subject to meeting the eligibility criteria and requirements set out in the relevant policies and SRC guidelines. Eligible staff may access financing for:

- a) Motor vehicle purchase (car loan)
- b) Residential property purchase or construction (mortgage)
- c) Equity
- d) Land

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

2. Commencement Date

The Car and Mortgage loan fund shall take effect upon approval by the Board of Directors and confirmation that the necessary budgetary provision has been made. Only applications received after the commencement date will be considered for funding.

3. Implementation and Administration of the Benefits

The Car and Mortgage Loan Fund shall be administered internally by the Board through established management structures. This policy document and its accompanying guidelines shall serve as the regulatory framework guiding:

- i) Loan processing and approval
- ii) Disbursement and recovery
- iii) Security and documentation requirements
- iv) Compliance with SRC Circular No. SRC-023/12/2014

The Fund Administration Committee and management staff with fiduciary responsibilities shall ensure transparency, accountability, and adherence to internal controls.

4. Financing

The Car and Mortgage loan Fund shall be financed through:

- a) Funds set aside within the Board’s annual budget, and/or
- b) Budgetary support from the National Treasury, where applicable

The Fund shall be administered and managed internally and shall be subject to the annual audit by authorised government audit agencies in accordance with public finance management requirements.

5. Thresholds

Loan thresholds for various job grades shall follow the ceilings and parameters prescribed under SRC Circular No. SRC-023/12/2014 and the equivalence of WASREB scales to public service grading as advised by the State Corporations Advisory Committee (SCAC).

Table of Beneficiaries for Wasreb

Beneficiaries	Car Loan	Mortgage Fund
WSRB/SS/1	Up to Kshs 5 million	Up to Kshs 25 million
WSRB/SS/2&3	Up to Kshs 4 million	Up to Kshs 20 million
WSRB/SS/ 4	Up to Kshs 3 million	Up to Kshs 15 million
WSRB/SS/6& 5	Up to Kshs 1.5 million	Up to Kshs 10 million
WSRB/SS/7&8	Up to Kshs 800,000	Up to Kshs 6 million

These thresholds shall guide:

- a) Maximum loan amounts per grade
- b) Applicable interest rates (where prescribed)
- c) Repayment periods

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.
d) Any other lending conditions outlined in SRC guidelines

(c) Fund Administration Committee

The Fund administration Committee who held office during the financial year ended 30 June 2025, and who exercised direct fiduciary responsibility over the Car and Mortgage Loan Fund, included the table below:

SN	Position	Name
1	Fund Administrator	Richard Cheruiyot
2	Fund Accountant	David Leleito
3.	Secretary	Elly Were
4	Member	Angela Kimani
5	Member	John Muruka
6	Member	Brenda Anzagi

These officers were responsible for ensuring the prudent administration and financial integrity of the Fund, including reviewing and approving loan applications, monitoring loan utilisation and repayments, safeguarding Fund assets, and ensuring adherence to SRC Circular No. SRC-023/12/2014 governing Car Loan and Mortgage Funds for public officers. They further ensured that all Fund operations complied with relevant legislation, internal controls, and sound public finance management principles.

(d) Key Management

The key management personnel who held office during the financial year ended 30 June 2025, and who exercised direct fiduciary responsibility over the Car and Mortgage Loan Fund,

S/no	Designation	Name
	Ag. Chief Executive Officer (from 16 September 2024)	Richard Cheruiyot
	Director Licensing, Standards, and Advocacy	Eng. James Kigutu
	Acting Director Corporate Services	Angela Kimani
	Manager ICT	Brenda Anzagi
	Manager Internal Audit	George Wakaba
	Manager Finance and Accounts	David Leleito
	Manager Human Resource and Administration	Elly Were Nyangweso

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

(e) Fiduciary Oversight Arrangements

The Board has established a structured oversight framework through its committees, each operating under clearly defined Terms of Reference approved by the Board. These committees enhance the effectiveness and efficiency of the Board's decision-making processes and strengthen governance over all institutional functions, including the Car and Mortgage Loan Fund. Through this framework, the Board ensures that the Fund is administered prudently, that loan approvals and recoveries adhere to SRC Circular No. SRC-023/12/2014, and that internal controls, risk management practices, and compliance mechanisms remain robust. The committees provide periodic reports to the Board, enabling continuous oversight, accountability, and transparency in the management of the Car and Mortgage Loan Fund.

SN	Position	Name
1	Internal Audit Manager	George Wakaba
2	Loan Advisory Committee chairman	Richard Cheruiyot
3	Loan Advisory Committee Member	David Leleito
4.	Loan Advisory Committee Secretary	Elly Were
5	Loan Advisory Committee Member	Angela Kimani
6	Loan Advisory Committee Member	John Muruka
7	Loan Advisory Committee Member	Brenda Anzagi

(f) Fund Registered Office

WASREB Headquarters

P.O. Box 41621 - 00100

SHA Building

Ngong Road

Nairobi, KENYA

(g) Fund Contact Information

TEL: +254 (0) 0202733561

Email: info@wasreb.go.ke

Website: www.wasreb.go.ke

(h) Fund Bankers

National Bank of Kenya

Hill Branch

P.O. Box 45219-00100

NAIROBI, KENYA

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

(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 Advisor

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
NAIROBI, KENYA






WASREB Car Loan / Mortgage Fund

Annual Reports and Financial Statements For the year ended 30th June 2025.


3. THE BOARD OF DIRECTORS

Ref.	Directors	Details
1.	 <p>Mr. Job Chirchir Chairman</p>	<p>Job Chirchir born 1966, is the Chairperson of the Board of Directors of WASREB having been appointed on 13th October 2023 as an independent director. He is human resource management professional and has worked in various institutions as a board member, most recently as a board chairman at Kenya Forest Services. He is serving the board of Water Services Regulatory Board on a three-year term.</p>
2.	 <p>Mrs Rose Nyakwana Alternate Member PS Ministry of Water, Sanitation and Irrigation</p>	<p>Mrs Rose Nyakwana born 1970, is a Director of Sanitation Management in Ministry of Water, Sanitation and Irrigation. She was appointed to WASREB Board as an alternate, PS Ministry of Water, Sanitation and Irrigation. He holds Bachelor of Law. She has held senior positions in the Ministry.</p>
3.	 <p>Ms Catherine Nzioki Alternate Member PS, The National Treasury</p>	<p>Ms Catherine Nzioki born 1986 was appointed to WASREB Board as an alternate CS, The National Treasury. He holds a Bachelor of degree in business. She has over 8 years' experience in, Public Policy, Commercial Affairs and Financial Management.</p>
4.		<p>Irene Cheruiyot born 1986, is a Procurement specialist. She was appointed to WASREB Board and is the Chair</p>

**WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.**

	 <p>Ms. Irene Cheruiyot</p>	<p>Corporate Services committee. She holds a Bachelor of Business Administration (Procurement option). She has been an elected member of Nakuru County Assembly for 10 years and having sat in different county assembly committees.</p>
5.	 <p>Rev.(Dr.) Stephen Kanyaru</p>	<p>Rev. (Dr.) Stephen Kanyaru born 1949, is an ordained Minister of the Methodist Church. He was appointed to WASREB Board and is also Chair Audit committee. He holds a Doctorate in Ministry, Masters in Theological Studies and Bachelor of Divinity. He has 17 years hands on Church Leadership and Management and 39 years on Christian living, Pastoral Ministry, Education, Governance, Prayer, Health and Wholeness</p>
6.	 <p>Mr. Peter Ndunda Mutisya</p>	<p>Mr. Peter Ndunda Mutisya born 1970, is a Managing Director in Agriculture sector. He was appointed to WASREB Board. He holds a Bachelor of Science in Agriculture and a Master of Science -Crop Production. He has over 30 years' experience in Agro business.</p>
7.	 <p>Mr. Arnold W. Wasilwa</p>	<p>Arnold Wamalwa Wasilwa born 1991, is a Technical Audit Engineer in Energy Sector. He was appointed as WASREB Board member and is the Chair Technical Services committee. He holds a Bachelor of Science in Electrical and Electronics Engineering. He has over 7 years in design, construction of medium and low voltage power networks, sub-stations, metering, electrical installations internal audit risk and energy audit.</p>
8.		<p>Richard Cheruiyot is the Director Monitoring and Enforcement and currently the Ag. Chief Executive Officer</p>

**WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.**



	<p style="text-align: center;">Richard K. Cheruiyot</p>	<p>from 1st September 2024. He holds a Bachelor of Science degree in Analytical Chemistry from the University of Nairobi. He is also a holder of two master's degrees in environmental chemistry and business administration both from the University of Nairobi.</p> <p>Mr. Cheruiyot has over 23 years' experience in management of water services both at policy levels, regulation and operations with a bias in regulation, with a specific focus on the development and monitoring of compliance to the regulatory framework. Prior to joining WASREB, he worked with the National Water Conservation and Pipeline Corporation as the Deputy Regional Manager in charge of Technical Services in the Western Region.</p>
	<div style="text-align: center;">  <p>John Hosea Muruka</p> </div>	<p>John Muruka is the Corporation Secretary & Manager Legal Services, WASREB. He is a Certified Secretary and Advocate of the High Court of Kenya with 19 years' experience in commercial and corporate practice, governance and policy advisory, corporate restructuring, project finance, governance audits and compliance. Part of his accomplishments in the water sector includes overseeing water sector governance reforms under the Water Act 2016, policy reforms to strengthen the legal and policy framework for water services within the devolved system of government in Kenya, leading regulatory compliance to promote transparency in licensed utilities, and stakeholder engagement to support an inclusive reform agenda.</p> <p>He holds a Bachelor of Laws Degree from Makerere University and a Post Graduate Diploma in Law from the Kenya School of Law. He is currently undertaking a Master of Laws (LLM) in Corporate Governance and the Law at the University of Nairobi and is awaiting the defence of his thesis. Muruka holds an advanced certification in Public Utility Regulation from the University of Florida (PURC)</p>

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

		<p>and an Advanced Professional Certificate in Management of Water Institutions from the IHE Delft Institute for Water Education in the Netherlands.</p> <p>Muruka is a member of the Institute of Certified Secretaries of Kenya (ICS), the Law Society of Kenya (LSK), and the East Africa Law Society (EALS).</p>
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WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

4. MANAGEMENT TEAM

Reference	Management	Details
	 <p>Richard K. Cheruiyot</p>	<p>Richard Cheruiyot is the Director Monitoring and Enforcement and currently the Ag. Chief Executive Officer from 1st September 2024. He holds a Bachelor of Science degree in Analytical Chemistry from the University of Nairobi. He is also a holder of two master's degrees in environmental chemistry and business administration both from the University of Nairobi.</p> <p>Mr. Cheruiyot has over 23 years' experience in management of water services both at policy levels, regulation and operations with a bias in regulation, with a specific focus on the development and monitoring of compliance to the regulatory framework. Prior to joining WASREB, he worked with the National Water Conservation and Pipeline Corporation as the Deputy Regional Manager in charge of Technical Services in the Western Region.</p>
	 <p>Eng. James Kigutu</p>	<p>Eng. James Kigutu is the Director Licensing, Standards, Advocacy and Public Education. He holds a BSc. Civil Engineering from the University of Nairobi; MSc. Water Resources Engineering and Management from University of Stuttgart, Germany; and Master of Business Administration (MBA) from United States International University-Africa. He is a Professional Engineer with Engineers Board of Kenya (EBK) and Corporate Member of the Institution of Engineers of Kenya (IEK).</p>
3.		<p>David Leleito is the Manager of Finance & Accounts. He holds a B.Com (Finance) from Catholic University for Eastern Africa and an MBA (Strategic Management) from the University of Nairobi. He is a Certified Public Accountant of Kenya, CPA (K). He has over 22 years'</p>

**WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.**



David Leleito Kibai

experience in Finance and Accounting. Mr Leleito is a member of the International Water Association (IWA).

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

5. CHAIRMAN'S REPORT



The Water Services Regulatory Board (WASREB) established the Staff Mortgage and Car Loan Fund Advisory Committee to oversee the effective implementation and administration of the Staff Loan Fund. The Advisory Committee is mandated to coordinate and engage with the appointed Fund administrator to ensure efficient management and seamless service delivery on behalf of WASREB staff.

The Committee comprises representatives drawn from key directorates and departments across the organization, ensuring balanced governance and oversight of the Fund. For the year ending 30 June 2025, National Bank of Kenya served as the appointed Fund administrator.

In collaboration with the National Bank Kenya, WASREB developed internal rules and a binding Memorandum of Understanding (MoU) that guide the operations, eligibility criteria, and loan accessibility under the Fund . These rules and guidelines clearly outline the requirements and procedures to be followed by staff applicants seeking mortgage or car loan facilities.

The primary objective of the Fund is to support employees in acquiring mortgage facilities and car loans as part of WASREB's commitment to staff motivation, welfare improvement, and retention. Since its inception, the Fund has supported 22 staff members. The National Bank of Kenya continues to conduct thorough due diligence for all loan applications to minimize risk and ensure proper acquisition of property.

The Advisory Committee remains committed to strengthening staff welfare through continuous engagement with the Fund administrator and working to ensure that more employees benefit from the facility in the coming years.

MR. JOB CHIRICHIR

CHAIRMAN OF THE FUND ADMINISTRATION COMMITTEE

WASREB Car Loan / Mortgage Fund

Annual Reports and Financial Statements For the year ended 30th June 2025.

6. REPORT OF THE FUND ADMINISTRATOR



The Staff Mortgage and Car Loan Fund at WASREB was established in 2016 to enhance staff welfare by providing affordable financing options for home ownership and vehicle acquisition. As at the start of the financial year, the Fund had Ksh 149.999 million and Management added Kshs 50 million to close the fund with ksh. 199.999 million. During the year the Loan uptake was Ksh 50.8 million to qualifying staff members.

The Fund closed the year with Ksh 78 million in cash and cash equivalents. Repayment by staff in the year was Kshs 8.6 million and Kshs 121.3 million is what the staff owes the Fund.

The Fund funds were utilized in strict compliance with the Government regulations on car loans and mortgage facilities, as well as all other relevant legislation governing the proper management of public resources. The Fund's primary objective is to enhance staff welfare, promote financial stability for employees, and support long-term staff retention by offering concessional financing options. The Fund is structured to be self-sustaining, with loan repayments forming the basis for continued lending and growth of the facility.

The Fund administrators hereby present this annual report and the audited financial statements for the year ended 30 June 2025 which outline the financial performance and overall status of the Fund.

Richard Cheruiyot

Fund Administrator

WASREB Car Loan / Mortgage Fund

Annual Reports and Financial Statements For the year ended 30th June 2025.

7. STATEMENT OF FUND'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

During the FY 2024/2025, WASREB continued to manage the Car Loan and Mortgage Fund in alignment with the applicable guidelines issued by the Salaries and Remuneration Commission (SRC) through Circular No. SRC-023/12/2014 SRC-023_12_2014_Car-Loan-Mortgage.

The primary objective of the Fund is to support eligible staff in accessing affordable credit facilities for car loans and mortgages while ensuring sustainability and compliance with public finance management principles.

The Fund successfully facilitated loan access to staff, maintained full compliance with SRC parameters on eligibility, ceilings, and repayment terms, and achieved a positive growth in the Fund balance over the reporting period.

2. Corporate Governance Statement

The Fund is administered under established governance structures designed to ensure transparency, accountability, and prudent management. Oversight is provided by the Fund Administration Committee, which reviews applications, monitors repayments, and ensures adherence to SRC directives.

All decisions relating to loan disbursement, policy reviews, and monitoring follow approved internal controls, including verification of eligibility, assessment of repayment capacity, and periodic reporting to Management and the Board.

There were no governance breaches reported during the period under review.

3. Management Discussion and Analysis (MD&A)

a) Opening Position

The outstanding staff loan balance for the Fund as at 1st July 2024 stood at Kshs. 79,509,838.08.

b) Participation and Loan Uptake

Since its inception, **22 staff members** have benefited from the Car and Mortgage Fund.

During the year under review:

- i) The total loan disbursement to the staff was **Kshs. 50,800,000.00**.
- ii) The total number of staff with mortgage loan facilities currently is 19.

c) Fund Growth and Repayments

By **30 June 2025**:

- i) Staff mortgage loan repayment amounted to Kshs. 8,663,572.18 in the year under review
- ii) The total loan outstanding balance was Kshs. 121,646,266.00 at the close of the year.
- iii) The cash available for new funding as at 30 June 2025 is Kshs. 78,353,074.00, demonstrating strong liquidity and sustainability of the Fund.

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

d) Compliance

The Fund continues to operate within SRC guidelines on loan ceilings, interest rates, repayment periods, security requirements, and internal control parameters.

4. Environmental and Sustainability Reporting

Although the Fund does not directly engage in environmental activities, its sustainability is achieved through:

- i) Prudent financial stewardship ensuring longevity of the facility.
- ii) Promotion of staff wellbeing through access to reliable housing and transport credit.
- iii) Compliance with national regulatory frameworks, contributing indirectly to social sustainability.

The Fund's growth trajectory and effective repayment culture strengthen its long-term sustainability.

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

8. CORPORATE GOVERNANCE STATEMENT

8.1 Introduction

The Board of Directors acknowledges the need to conduct the business and operations of the Board with integrity and in accordance with generally accepted corporate practice and internationally developed principles of corporate governance. The Board recognizes corporate governance as an essential element towards achieving the regulatory mandate provided in the Water Act 2016. The Board of Directors adheres to good corporate governance by embracing the following principles:

- i) Observation of high standards of ethical and moral behaviour.
- ii) Act in the best interests of WASREB.
- iii) Ensure fair staff remuneration and promotion
- iv) Promotion of legitimate interests of all stakeholders.
- v) Ensure that the organization acts as a good corporate citizen.

The Board of Directors will continue to focus their attention on maintaining the highest standards of corporate governance and business ethics in WASREB's operations.

8.2 Board Composition, Appointment and Size

The Board of Directors of WASREB, as provided under section 70(1) of the Water Act 2016, consists of the Chairman, four other members appointed by the Cabinet Secretary and the Chief Executive Officer. The Principal Secretary of the State Department of Water and Sanitation and the Principal Secretary of the National Treasury, or his representative, are members of the Board of Directors of WASREB by virtue of the provisions of the State Corporations Act.

The Chairman (Mr Job Chirchir, HSC) is non-executive. The Chairman's term and that of the other Board members is three years, renewable once for the same duration. The Cabinet Secretary appoints the Chief Executive Officer of the Board, on the Board's recommendations, for a term of three years, renewable once.

The appointment of Board members may be terminated in accordance with the provisions of the First Schedule of the Water Act, 2016, or by voluntary resignation.

8.3 Independence and Separation of Roles and Responsibilities

The Board members exercise independent judgment in discharging their duties. The Board sets the organisation's strategic plan, oversees the implementation of policies, evaluates performance, and reports to stakeholders.

The Chairman of the Board is primarily responsible for the Board's and its Committees' activities. The Chairman, in consultation with the Chief Executive Officer, sets the agenda for Board

WASREB Car Loan / Mortgage Fund

Annual Reports and Financial Statements For the year ended 30th June 2025.

meetings, chairs the meetings and ensures effective communication to stakeholders. The Chief Executive Officer is responsible for the day-to-day management of the WASREB, subject to the Board's direction.

8.4 Board Responsibilities

The Board's responsibility is to promote the organisation's long-term success. The Board provides leadership, strategic direction and exercises effective control of the organisation. The Board members assume collective responsibilities, though their duties are discharged through the Board or its Committees.

8.5 Board and Committee Meetings

The Mwongozo Code of Governance for State Corporations provides that Board meetings will be held at least four times a year, and that no more than four months shall lapse between the date of one meeting and the next. The meeting dates are agreed upon by Board members and set out in the Board Work Plan. Notices of the location and the timing of meetings are issued fourteen days before the meetings. The Work Plan is adjusted when deemed necessary by the Board.

The Committees conduct their business in accordance with the rules and procedures set by the Board. The matters deliberated by the Committees are consequently presented to the Board by the respective Chairman during the next Board meeting for adoption.

The Committees are designed to ensure the Board runs efficiently and effectively, and in a manner that embraces corporate governance. The Committees enable the Board to effectively discharge its responsibility by delving into issues that require greater attention than would be possible during regular Board meetings. The Board has three Committees: Technical, Corporate Services and Audit and Risk.

8.6 Corporate Services Committee

The Corporate Services Committee is responsible for ensuring sound overall financial reporting, establishing an internal system of controls, and overseeing business plans and budgets, procurement, ICT, public relations, administration, and staff affairs. During the year, the Committee members were Ms Irene Chebichi Cheruiyot (Chair), Mr Peter Ndunda Mutisya, Ms Rose Ondenge Nyakwana and Ms Catherine Nzioki.

8.7 Technical Committee

The Technical Committee's responsibilities are to provide technical and strategic direction to the Board and approve technical matters, including licensing, tariffs, enforcement measures, technical

WASREB Car Loan / Mortgage Fund

Annual Reports and Financial Statements For the year ended 30th June 2025.

reports and budgets. During the year, the Committee members were Arnold Wasilwa Wamalwa (Chair), Ms Rose Nyakwana, Rev. Dr Stephen M. Kanyaru and Mr Peter N. Mutisya.

8.8 Audit and Risk Committee

The responsibilities of the Audit and Risk Committee are to: review the financial information of the Board; monitor the effectiveness of management information and internal control systems; deliberate on significant findings arising from both internal and external audits; and review the overall risks facing WASREB. During the year, the Committee members were Rev. Dr Stephen Kanyaru (Chair), Mr Arnold W. Wasilwa, and Ms Catherine Nzioki.

8.9 Board Charter and Work Plan

The Board has formulated a Charter that defines the Board's role and responsibilities in executing its strategic oversight of the organisation. The board members prepare an annual Work Plan. The Plan sets out the specific activities Board members must undertake to fulfil their mandate.

8.10 Directors' Induction and Skills Development

The Board provides new directors with an effective induction programme to familiarize them with their responsibilities as Board members and with general principles of corporate governance. The programme also provides members with an orientation to the organisation, its strategic plan, financial statements, policies, risk management, compliance programmes, and the Code of Conduct and Ethics. The Board ensures that a competence needs assessment is carried out periodically and an Annual Development Plan is prepared to address identified gaps. The Board ensures that its members are up to date with continuous professional development through their respective professional bodies.

8.11 Board Effectiveness and Evaluation

The Board, its composition and performance evaluation are central to corporate governance. Further, Article 1.12 of Mwongozo requires Boards to undertake performance evaluation. In this regard, the Board, under the guidance of a representative of the State Corporation Advisory Committee (SCAC), conducts a Board performance evaluation.

The Board conducts an annual evaluation to appraise its performance. This evaluation is carried out in accordance with the Evaluation Tool. The Board evaluation provides an opportunity for Board members to identify strengths, collective skill gaps and individual areas of improvement. The Board also reviews the performance of each committee against the set Terms of Reference.

The Evaluation is undertaken at three levels: Peer Review, Self-evaluation, and Board evaluation. The results are analysed, and a mean score for each level is determined. Through this exercise, the

WASREB Car Loan / Mortgage Fund

Annual Reports and Financial Statements For the year ended 30th June 2025.

Board identifies areas of strength and weakness and is committed to addressing the challenges identified. SCAC conducted the Board performance evaluation for the FY 2023/24. The overall rating was 94%, which was a good performance for the Board.

8.12 Remuneration of the Board of Directors

The remuneration of the Chairman and the other Board members is determined by SCAC as provided in the State Corporations Act. The members are paid a taxable sitting allowance. The Chairperson is paid a monthly fee and honoraria. The Board members are entitled to daily subsistence allowances while attending official duties. The members are reimbursed for their transport expenses at the prevailing AA rates. The Board members are also provided with outpatient and inpatient medical and personal accident covers.

8.13 Ethical Leadership and Corporate Citizenship

The Board members are required to act in the best interests of the organisation and to uphold their fiduciary responsibilities and duty of care. This involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favouring the interests of WASREB over other interests. The Directors, upon appointment, are sensitised to the requirements of the Mwongozo Code of Governance and have expressly committed to adhere to it.

Both the Board members and employees of the WASREB are expected to act honestly and in good faith to create a culture built on the principles of integrity, accountability, and transparency. The Board has developed a Code of Conduct and Ethics to guide Directors and employees in the performance of their duties. All Board members and employees sign a declaration of interest form, indicating that they will disclose any interest that may conflict with the organisation's interests. The Board members declare their interest at every Board or Committee meeting. The Board members and employees declare their wealth status in accordance with the Public Service Commission's requirements. The organisation maintains a Register of Gifts in accordance with the requirements of the Conflict-of-Interest Act, 2025, and this register is continuously updated.

8.14 Compliance with the Law

The Board conducts its business affairs in compliance with all applicable laws, regulations, policies and accepted national and international standards. WASREB is in compliance with the Constitution, the Water Act 2016, the Leadership and Integrity Act, 2012, the Conflict-of-Interest Act 2025, the Public Procurement and Assets Disposals Act, 2015, the Public Finance Management Act, 2012, the Employment Act, among other legislation. The Board complies with the requirements of the

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

Mwongozo Code of Governance and has developed a Board Charter that is based on the Mwongozo principles of good governance.

8.15 Delegation of Responsibilities

The preparation of the Board's financial statements is a role delegated to management. These financial statements have been prepared in accordance with internationally accepted accounting principles based on appropriate accounting policies consistently applied and supported by reasonable judgment and estimates. Management ensures that adequate internal financial control systems are developed to provide reasonable certainty in respect of:

- i) The completeness and accuracy of accounting records.
- ii) The integrity and reliability of the Board's annual financial statements and
- iii) The safeguarding of the Board's assets

Responsibility for the integrity, reliability and objectivity of the WASREB's financial statements lies with the Board. External auditors are responsible for independently examining and expressing an opinion on the reasonableness of the financial statements.

8.16 Statement of Risk Management and Internal Control

The Board has recognized its responsibility to manage both internal and external risks as a key component of good corporate governance. It is committed to embedding risk management into the daily operations of the WASREB, from the setting of objectives and financial planning to achieve the set goals, through to departmental processes established to aid the Board's provision of services. It is believed that effective risk management will help the Board to achieve its corporate objectives and provide better services. WASREB has developed and is implementing an Institutional Risk Management Policy Framework (IRMPF).

8.17 Responsibility

Risk management is one of the most critical activities of WASREB. The Board, through the Audit and Risk Committee, has a responsibility for overseeing risk management within the organisation by ensuring that appropriate risk management strategies and policies are in place, and that processes established are adequate and effective. The Board defines the organisation's overall risk tolerance and ensures that sufficient tools and resources are in place to manage risks. The Board has assigned responsibility for risk management to the Chief Executive Officer; hence, management ensures that sound risk management processes are implemented and functioning effectively. The costs and resources employed in risk management are proportional to the obtainable benefits.

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

8.18 Internal Controls

Internal controls are designed to support the Board in achieving its objectives. The risks associated with achieving objectives need to be identified and evaluated to manage them. Thus, identification and assessment of risks is a prerequisite for internal control in WASREB. The continuity of operations is ensured by safeguarding critical functions and essential resources.

8.19 Number of scheduled meetings and attendance

The attendance at meetings during the year is summarised below:

3.1 Number of scheduled meetings and attendance

Board of Directors	Designation	Board Meeting Total Number of meetings (6)	Corporate Services Committee Total Number of Meetings (5)	Technical Services Committee Total Number of Meetings (6)	Audi and Risk Committee Total Number of meetings (...)
Mr Job Chirchir, HSC	Chairman	6/6	N/A	N/A	N/A
Rev. Dr Stephen M. Kanyaru	Member	6/6	N/A	6/6	4/4
Mr Peter N. Mutisya	Member	6/6	5/5	6/6	N/A
Mr Arnold W. Wasilwa	Member	5/6	N/A	6/6	4/4
Ms Irene C. Cheruiyot	Member	6/6	5/5	6/6	N/A
Mr Antony Mwirigi	Former Member- Alt. PS, the National Treasury	4/6	3/5	4/6	3/4
Ms. Catherine Nzioki	Member- Alt. PS The National Treasury	2/6	2/5	N/A	1/4
Eng. SAO Alima	Former Member-	3/6	3/5	3/6	N/A

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

Board of Directors	Designation	Board Meeting Total Number of meetings (6)	Corporate Services Committee Total Number of Meetings (5)	Technical Services Committee Total Number of Meetings (6)	Audi and Risk Committee Total Number of meetings (...)
	Alt. PS MWSI				
Ms Rose O. Nyakwana	Member- Alt. PS MWSI	2/6	2/5	2/6	N/A
Dr Julius Itunga	Former Ag. CEO	2/6	2/5	2/6	N/A
Mr Richard Cheruiyot	Acting Chief Executive Officer	4/6	3/5	4/6	N/A

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

9. MANAGEMENT DISCUSSION AND ANALYSIS

a) Opening Position

The opening cash and cash equivalent for the Fund as at 1st July 2024 stood at Kshs. 70.4Million

b) Participation and Loan Uptake

Since its inception, 22 staff members have benefited from the Car and Mortgage Fund. During the year under review:

- i) The total loan disbursement was Kshs. 50,800,000.00.
- ii) 19 staff members are currently enjoying the loan facilities.

Fund Growth and Repayments:

By 30 June 2025:

- i) Cumulative loan repayment amounted to Kshs. 8,663,572.18.
- ii) The Fund's outstanding loan balance was Kshs. 121,646,266.00.

The cash available for new funding as at 30 June 2025 is Kshs. 78,353,074.00, demonstrating strong liquidity and sustainability of the Fund. The Board is also planning to inject of Kshs. 100,000,000.00 to the fund this current financial year 2025-2026

a) Compliance

The Fund continues to operate within SRC guidelines on loan ceilings, interest rates, repayment periods, security requirements, and internal control parameters.

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Although the Fund does not directly engage in environmental activities, its sustainability is achieved through:

- i) Prudent financial stewardship ensuring longevity of the facility
- ii) Promotion of staff wellbeing through access to reliable housing and transport credit
- iii) Compliance with national regulatory frameworks, contributing indirectly to social sustainability

The Fund's growth trajectory and effective repayment culture strengthen its long-term sustainability.

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

11. REPORT OF THE FUND ADMINISTRATION COMMITTEE

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

Principal activities

- i) The principal activities of the Fund are *Strict adherence to SRC Circular No. SRC-023/12/2014*
- ii) *Verification of eligibility and repayment capacity*
- iii) *Accurate and timely update of loan schedules and recovery statements*
- iv) *Monitoring of staff exits, loan clearance, and security documentation*

Performance

The performance of the Fund for the year ended June 30, 2025, is set out on page 1 to 5

Trustees

The members of the Board of the *Administration Committee* who served during the year are shown on page vi

Auditors

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

By Order of the Board



.....
Chair of the Fund Administration Committee

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

12. STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Section 84(1) of the PFM Act, 2012 requires that, at the end of each financial year, The administrator of the fund shall prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which provide a true and fair view of the state of affairs of the Fund as of and for the end of the period. This responsibility includes:

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- iii) Designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Selecting and applying appropriate accounting policies; and
- v) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the period ended June 30, 2025, and of the Fund's financial position as at that date.

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


In preparing the financial statements, the Administrator has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of the going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.**

Approval of the financial statements

The Fund's financial statements were approved by the Board on 20th August 2025 and signed on its behalf by:


Name: Job Chirchir
Chairman of the Fund


Name: Richard Cheruiyot
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 WATER SERVICES REGULATORY BOARD (WASREB) CAR LOAN AND MORTGAGE LOAN FUND FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

The three parts of the report 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 Water Services Regulatory Board (WASREB) Car Loan and Mortgage Loan Fund set out on pages 1 to 18 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 Water Services Regulatory Board (WASREB) Car Loan and Mortgage Loan Fund as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis), Water Act, 2016 and comply with the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Water Services Regulatory Board (WASREB) Car Loan and Mortgage Loan Fund Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the Other Information set out on page iii to xxviii which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Chief Officer administering the Fund, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the fund administration committee, Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Fund Operating Without an Approved and Gazette Loan Scheme Regulations

During the audit of the Water Services Regulatory Board Car Loan and Mortgage Fund for the year under review, it was noted that the Fund was still operating Staff mortgage and Car loan scheme without the existence of approved and gazette loan scheme regulations. This is in contravention of regulatory and governance standards, which require that any staff loan scheme must have formalized, approved, and published regulations to guide its operation. Operating the loan scheme without formal regulations may expose the Fund to legal and compliance risks. It also increases the potential for inconsistent application of loan policies, which can result in disputes, lack of accountability, and possible financial mismanagement.

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

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, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund's, ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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


Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 December, 2025

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2025.

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Revenue from exchange transactions			
Interest income	1	4,858,675.82	2,841,038
Total revenue		4,858,675.82	2,841,038
Expenses			
Operating Expenses	2	4,858,675.82	2,841,038
Total expenses		4,858,675.82	2,841,038
Other gains/losses			
Surplus/(deficit) before tax		-	-
Taxation		-	-
Surplus/Deficit after Tax		-	-

(The notes set out on pages 13 to 15 form an integral part of these Financial Statements).

The Fund's financial statements were approved by the Board on 20th August 2025 and signed on its behalf by:



Name: Job Chirchir
Chairperson of the Fund



Name: Richard Cheruiyot
Fund Administrator



Name: David Leleito
Fund Accountant
ICPAK M/No 7983

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.
15. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025.

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	3	78,353,074	70,489,502
Receivables from exchange transactions	5	11,188,331	11,886,487
Total Current Assets		89,541,405	82,375,989
Non-current assets			
Long Term Loan Repayments Due over one year	5	110,457,935	67,623,351
Total assets		199,999,340	149,999,340
Liabilities			
Current Liabilities			
Non-Current Liabilities			
Total liabilities			
Net assets			-
Mortgage and Car loan revolving fund	6	199,999,340	149,999,340
Total net assets and liabilities		199,999,340	149,999,340

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

The Fund's financial statements were approved by the Board on 20th August 2025 and signed on its behalf by:



Name: Job Chirchir
Chairperson of the
Board/Fund



Name: Richard Cheruiyot
Fund Administrator



Name: David Leleito
Fund Accountant

ICPAK M/No 7983

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2025

	Revolving Fund
	Kshs
Balance as at 30 June 2021	99,999,340
Transfer from WASREB	
Surplus for the period	
Balance as at 30 June 2022	99,999,340
Transfer from WASREB	50,000,000
Surplus for the period	
Balance as at 30 June 2023	149,999,340
Transfer from WASREB	0
Surplus for the period	0
Balance as at 30 June 2024	149,999,340
Transfer from WASREB in the year	50,000,000
Surplus for the period	0
Balance as at 30 June 2025	199,999,340

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

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

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers to Revolving Fund	6	50,000,000	-
Interest income		-	-
Loan Repayments	7	8,663,572	8,023,349
Total receipts		58,663,572	8,023,349
Payments			
Loans Disbursed	4	50,800,000	32,592,000
Total payments		50,800,000	32,592,000
Net cash flow from operating activities		7,863,572	(24,568,651)
Net increase/(decrease) in cash and cash equivalents		7,863,572	(24,568,651)
Cash and cash equivalents at 1 July 2024		70,489,502	95,058,153
Cash and cash equivalents at 30 June 2025		78,353,074	70,489,502

WASREB Car Loan / Mortgage Fund

Annual Reports and Financial Statements For the year ended 30th June 2025.

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2024/2025					
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Transfers from other Parent Ministry/ SC/SAGA	-	-	-	-	-	
Interest income	4,858,676	-	4,858,676	4,858,676	-	100%
Other income	-	-	-	-	-	
Total Revenue	4,858,676	-	4,858,676	4,858,676	-	100%
Expenses						
Employee cost	-	-	-	-	-	
Use of goods and services	-	-	-	-	-	
Operating Expenses	4,858,676	-	4,858,676	4,858,676	-	100%
Total Expenditures	4,858,676	-	4,858,676	4,858,676	-	100%
Surplus for the period	-	-	-	-	-	
Capital Expenditure	-	-	-	-	-	

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Water Services Regulatory Board (WASREB) is established by and derives its authority and accountability from Water Act 2016. WASREB is wholly owned by the Government of Kenya and is domiciled in Kenya. WASREB's principal activity is to protect the interests and rights of consumers in the provision of water services.

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 WASREB'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 these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of WASREB.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act 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 but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>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.</p>

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

Standard	Effective date and impact:
	The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<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.
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.
IPSAS 46 Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. Clarifying transaction costs guidance to enhance consistency across IPSAS; Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i>

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

Standard	Effective date and impact:
	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.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IFRS 18 Presentation and Disclosure in Financial statements	<i>Applicable 1st January 2027</i> The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.
IFRS 19 Subsidiaries without Public Accountability	<i>Applicable 1st January 2027</i> IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

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.

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/25 was approved on 7th of July 2024. 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 Funds adopted for the presentation of the financial statements and the approved budget.

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

WASREB Car Loan / Mortgage Fund

Annual Reports and Financial Statements For the year ended 30th June 2025.

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 xx-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.

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

I. Financial assets

Initial recognition and measurement

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

Loans and receivables

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

II. Financial liabilities

Classification

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

a. 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.

b. 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.

c. Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements.

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

d. 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.

e. 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.

f. 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.

g. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call, and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya (*remove if not applicable*) and at various commercial banks at the end of the financial year.

h. Comparative figures

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

i. Events after the reporting period

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

j. Ultimate and Holding Fund

The Fund is established under Section 24 (4) PFM Act under the Department of xxx/ State Corporation. Its ultimate parent is the Government of Kenya.

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

k. Currency

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

III. 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.

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

IV. Financial Risk Management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks. The Fund's overall risk management program focuses on unpredictability of changes in the business environment and seeks to minimize 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.

WASREB Car Loan / Mortgage Fund

Annual Reports and Financial Statements For the year ended 30th June 2025.

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 Fund Administrative Committee. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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 company has recognized in the financial statement is considered adequate to cover any potentially irrecoverable amounts.

b) Liquidity risk

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

c) Market risk

The Staff Mortgage Committee 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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Staff Mortgage Committee.

The Staff Mortgage Committee is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

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

WASREB Car Loan / Mortgage Fund

Annual Reports and Financial Statements For the year ended 30th June 2025.

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.

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

Notes to the Financial Statements continued...

1. Interest income

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Interest Income from Mortgage Loans (3%)	4,858,676	2,841,038
Total Interest Income	4,858,676	2,841,038

2. Operating expenses

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Bank charges	-	-
Administrative costs	4,858,676	2,841,038
Total Operating Expenses	4,858,676	2,841,038

3. Cash and cash equivalents

Description	2024/2025	2023/2024
	Kshs.	Kshs.
NBK Mortgage Loan Account-01288032110302	78,353,074	70,489,501
Total Cash and Cash equivalents	78,353,074	70,489,501

4. Loans disbursed.

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Loan-Mortgage	50,800,000	32,592,000
Total	50,800,000	32,592,000

5. Receivables from Exchange transactions

Description	2024/2025	2023/2024
	Kshs	Kshs.
Current Receivables		
Mortgage Loan Receivables Due	11,188,331	11,886,487
Land Acquisition Loan Receivables Due	-	-
Total Current Receivables	11,188,331	11,886,487
Non- Current Receivables		
Long Term Loan Repayments Due over one year	110,457,935	67,623,351
Total Non- Current Receivables	110,457,935	67,623,351
Total Receivables from Staff Car Loan and Mortgage Fund	121,646,266	79,509,838

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

6. Revolving Fund

Description	Revolving Fund
	Kshs
Balance as at 30th June 2024	149,999,340
Transfer from WASREB in the year	50,000,000
Net Surplus (Interest earned)	-
Balance as at 30th June 2025	199,999,340

7. Loan Repayments

Description	2024/2025	2023/2024
Total Loan Repayment in the year	8,663,572	8,023,349

8. Interest income from the bank

The bank does not pay interest but utilizes the interest as service charge for facilitation and processes.

9. Related party balances

Nature of related party relationships

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

- i) WASREB
- ii) Key management
- iii) Staff Mortgage and Car Loan Committee.
- iv) National Bank of Kenya.

i. Transfers from related parties

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Transfers from related parties	-	-

ii. Key management remuneration

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Board of Trustees	-	-
Key Management Compensation	9,702,076	15,137,424
Total	9,702,076	15,137,424

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

1. Events after the Reporting Period

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

2. Currency

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

WASREB Car Loan / Mortgage Fund
Annual Reports and Financial Statements For the year ended 30th June 2025.

I. Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	The statement of financial position reflects cash and cash equivalents balance of Kshs.70,489,502 as at 30 June 2024. However, the balances were not supported by monthly bank reconciliations, cashbooks and board of survey to confirm the balances. Review of the bank statement indicated that the loan repayments had been credited up to march 2024. However, the deduction for the months of April 2024, May 2024 and June 2024 amounting to Kshs.2,579,769.00 had not been credited in the bank statement. And there was no reconciliation to explain variation.	The management has updated the cashbooks and done bank reconciliation for the fund. The amounts relate to staff loan deductions which had not been posted by the bank in the mortgage account however it has since been posted.	Resolved	30 th June 2025