

REPUBLIC OF KENYA



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REPORT

OF

DATE: 21 MAR 2024

Hon Naomi Wago, mp
Deputy Majority Whip
A. Shubuko

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2023**





WASREB
Water Services Regulatory Board



WATER SERVICES REGULATORY BOARD (WASREB)

CAR LOAN & MORTGAGE FUND

FOR THE YEAR ENDED 30 JUNE 2023

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

Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.

Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.

TABLE OF CONTENTS	PAGE
1. KEY ENTITY INFORMATION AND MANAGEMENT	3
2. THE BOARD OF DIRECTORS	8
3. MANAGEMENT TEAM.....	11
4. CHAIRMAN'S STATEMENT	14
5. REPORT OF THE CHIEF EXECUTIVE OFFICER	15
6. STATEMENT OF MANAGEMENT'S RESPONSIBILITY.....	16
7. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF WASREB CAR LOAN/MORTGAGE FUND	18
REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF WASREB CAR LOAN/MORTGAGE FUND	19
8. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30TH JUNE 2023.....	20
9. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023.....	21
10. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2023.....	22
11. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2023.....	23
12. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2023	24
13. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	25
14. NOTES TO THE FINANCIAL STATEMENTS.....	32

1. KEY ENTITY 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.

(b) Principal Activities

The mandate of the institution is to oversee the implementation of policies and strategies relating to provision of water and sewerage services. WASREB sets rules and enforces standards that guide the sector towards ensuring that consumers are protected and have access to efficient, adequate, affordable and sustainable services.

The principal activities of the Water Services Regulatory Board according to the Water Act 2016 are as follows: -

- (i) Determine and prescribe national standards for the provision of water services and asset development for water services providers;
- (ii) Evaluate and recommend water and sewerage tariffs to the county water services providers and approve the imposition of such tariffs in line with consumer protection standards;
- (iii) Set licence conditions and accredit water services providers;
- (iv) Monitor and regulate licensees and enforce licence conditions;
- (v) Develop a model memorandum and articles of association to be used by all water companies applying to be licensed by the regulatory board to operate as water services providers;
- (vi) Monitor compliance with standards including the design, construction, operation and maintenance of facilities for the provision of water services by the water works development bodies and the water services providers;
- (vii) Advise the cabinet secretary on the nature, extent and conditions of financial support to be accorded to water services providers for providing water services;
- (viii) Monitor progress in the implementation of the water strategy and make appropriate recommendations;
- (ix) Maintain a national database and information system on water services;

KEY ENTITY INFORMATION AND MANAGEMENT(CONTINUED)

Principal Activities (continued)

- (x) Develop guidelines on the establishment of consumer groups and facilitate their establishment;
- (xi) Inspect water works and water services to ensure that such works and services meet the prescribed standards.
- (xii) Report annually to the public on issues of water supply and sewerage services and the performance of relevant sectors and publish the reports in the gazette;
- (xiii) Make regulations on water services and asset development which shall include business, investment and financing plans in order to ensure efficient and effective water services and progressive realization of the right to water services;
- (xiv) Advise the cabinet secretary on any matter in connection with water services; and
- (xv) Make recommendation20s on how to provide basic water services to marginalised areas.

Vision

The Vision of the Board is “A proactive and dynamic water services regulator”.

Mission

To provide a regulatory environment that facilitates efficiency, effectiveness and equity in the provision of water services in line with the human right to water and sanitation.

Strategic Objectives

The Boards five objectives are as follows: -

- a. Enhance consumer and other stakeholders’ confidence in water services regulation
- b. Strengthen governance in water services provision,
- c. Ensure a financially sustainable and socially responsive water services sector.
- d. Enhance compliance with regulations.
- e. Strengthen institutional capacity.

(c) Key Management

The Board/s day-to-day management is under the following organs:

- Board of Directors
- Chief Executive Officer
- Management
- Staff

**Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.**

KEY ENTITY INFORMATION AND MANAGEMENT(CONTINUED)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30 June 2023 and who had direct fiduciary responsibility were:

S/no	Designation	Name
1.	Ag. Chief Executive Officer (from 16 December 2022)	Dr. Julius Kirimi Itunga
2.	Ag. Chief Executive Officer (up to 16 December 2022)	Joseph K. Keter 'ndc'(K)
3.	Director Corporate Services	Dr. Julius Kirimi Itunga
4.	Director Licensing, Standards and Advocacy (up to May 2023)	Eng. Peter Njaggah
5.	Ag. Director Licensing, Standards and Advocacy	Angela W. Kimani
6.	Director Monitoring and Enforcement	Richard Cheruiyot
7.	Manager Finance and Accounting	David Leleito Kibai
8.	Manager Supply Chain Management	Joyce Moturi

(e) Fiduciary Oversight Arrangements

The board has set up the following committees which meet under well-defined terms of reference set by the board. This is intended to facilitate efficient decision making of the board in discharging its duties and responsibilities.

(i) Corporate Services Committee

This Committee deals with strategic, financial, employment and administrative issues. Its responsibilities include; Performance contract negotiation; Reviewing of Annual Accounts; Reviewing Development and Recurrent Budgets; Recommendation of Board's Strategic Document, monitoring all human resources matters and monitoring the financial management of the corporation and matters of WASREB information, communication and media system and plans.

(ii) Technical Services Committee

There is a Technical Services Committee whose responsibilities include; Overseeing development and enforcement of regulations and laws; Approval of tariffs; Reviewing of water service standards and ensuring compliance; Approval of Service Provision

KEY ENTITY INFORMATION AND MANAGEMENT(CONTINUED)

Agreements; Recommending issuance of licenses to water service boards and making recommendations as regard setting and determination of fees, levies, premiums and other charges to be imposed for water services.

(iii) Audit and Risk Management Committee

As per the requirements of the Public Finance Management Act 2012, there is the audit and risk management committee. Its responsibilities include; examining and assessing the effectiveness of the internal control system; approving the Internal Audit programs; carry out special audits, verifying Boards assets and liabilities and receiving reports from the Internal Auditor and to adopt a pro- active risk-based approach in the internal audit system.

(f) WASREB Headquarters

P.O. Box 41621 - 00100
NHIF Building
Ngong Road
Nairobi, KENYA

(g) WASREB Contacts

TEL: +254 (0) 0202733561
Email: info@wasreb.go.ke
Website: www.wasreb.go.ke

(h) WASREB Bankers

1. National Bank of Kenya
Hill Branch
P.O. Box 45219-00100
NAIROBI, KENYA
2. Kenya Commercial Bank
Capital Hill-4025
P.O. Box 69695-00400
NAIROBI, KENYA
3. Co-operative Bank of Kenya
Upper hill Branch, Kuscco Centre
P.O. Box 30415-00100
NAIROBI, KENYA

Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.



(i) Independent Auditors

The 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

2. THE BOARD OF DIRECTORS



Ref.	Directors	Details
1.	 Mr. Job Kipkorir Chirchir	<p>He is an independent director appointed on 13th October 2023. Job K. Chirchir is an Human Resources Management professional and has worked in various institutions as a board member, most recently, as a Board Chairman Kenya Forest Services.</p> <p>He is serving the Board of Water Services Regulatory Board on a three (3) year term.</p>
2.	 Dr. Edward Kobuthi	<p>Dr.Kobuthi is an independent director appointed on 24th September 2020. He holds a PhD in Business Administration in Strategic Management, specializing in corporate governance from the University of Nairobi. He has a Masters Degree in Strategic Management and a Bachelor's degree in marketing and finance both from United States International University.</p> <p>His vast work experience spans from Project Manager at East African Breweries Limited, Airport Manager at Jomo Kenyatta International Airport, General Manager, Kenya Airways, CEO at AMREF's Meat Processing Plant in Turkana, Part Time Lecturer at KCA University, USIU, to Senior Lecturer at Africa International University. He currently runs EBN Creations Limited as a Safaricom Dealer. He retired from the board on 1st February 2023.</p>

**Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.**

THE BOARD OF DIRECTORS (continued)

3.	 <p>Ms. Gladys Wekesa Alternate Member PS Ministry of Water, Sanitation and Irrigation</p>	<p>Ms. Wekesa is the Director, Department of Transboundary Water Resources under the Ministry of Water, Sanitation, and Irrigation. She was appointed to the WASREB Board on 31st March 2020 as alternate director to the PS Ministry of Water, Sanitation & Irrigation.</p> <p>She holds a Master of Science Degree in Geology and a Bachelor of Science Degree in Geology from the University of Nairobi. She has held senior positions in the Ministry, among them member of the Nile Technical Committee on the Technical Advisory Committee, member of the Technical Committee of the African Ministers Council on Water (AMCOW), IGAD Technical Committee on water and the Mara River Basin MoU.</p>
4.	 <p>Mr. Godfrey N. Karanja Alternate CS, The National Treasury</p>	<p>Mr. Karanja is a Senior Economic Policy Analyst in Financial and Sectoral Affairs Department. He was appointed to WASREB Board on 30th September 2019 as alternate director to the PS National Treasury & Economic Planning. He holds a Master of Business Administration Degree (MBA) specializing in Strategic Management from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor of Economics Degree from Kenyatta University (KU). He has over 30 years' experience in economic and policy matters. He has held senior positions in the Ministry of Finance, among them, being the Head of Competition matters in the Coast region from 1998 to 2000. He is currently working at the National Treasury.</p>

THE BOARD OF DIRECTORS (continued)

5.	 <p>Dr. Julius K. Itunga</p>	<p>Dr. Julius K. Itunga assumed the office as the Acting Chief Executive Officer at the Water Services Regulatory Board (WASREB) on 16th December 2022. He is also the Director Corporate Services. He holds a Doctor of Philosophy (PhD) in Business Administration from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Master's in Business Administration and Bachelor of Commerce, Finance Option both from the Catholic University of Eastern Africa (CUEA). He is a Certified Public Accountant of Kenya (CPAK), Certified Public Secretary of Kenya (CPSK); a member of the Institute of Certified Public Accountant of Kenya (ICPAK) and Institute of Certified Public Secretaries of Kenya (ICPSK). Dr. Itunga has over 25 years of experience in public sector management having worked previously in senior positions in Kenya Posts and Telecommunications Corporation/Telkom Kenya, Agricultural Development Corporation and National Biosafety Authority. He also worked as an Associate Lecturer at the Kenya Methodist University and has published extensively in referenced journals.</p>
6.	 <p>Joseph K. Keter 'ndc'(K)</p>	<p>Joseph K. Keter 'ndc'(K) assumed the office as the Acting Chief Executive Officer at the Water Services Regulatory Board (WASREB) on 13th January, 2022. Mr. Keter is a holder of Master of Business Administration (Project Management) from Kenyatta University and a Bachelor of Arts in International Relations from United States International University of Africa. Prior to joining WASREB, he served as Secretary Administration in the Ministry of Water, Sanitation and Irrigation between 2017 and 2021. During the period, he coordinated the rolling out of three successive Rapid Results Initiatives (RRI) waves which led to completion of over 120 water, irrigation and sanitation projects. He also participated in the preparations of the successful Kenya Sanitation Conference held in October, 2019 at Kenyatta International Conference Centre. While at the Ministry, Mr. Keter was Alternate Director to Principal Secretary at Athi Water Works Development Agency. His tenure as Ag. CEO ended on the 16th of December 2022.</p>

**Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.**

3. MANAGEMENT TEAM

Water Services Regulatory Board re-organized its Organization Structure effective 1st June 2020 as follows:


To effectively carry out its functions and fulfil its strategic objectives and mandate, WASREB is structured into three (3) Directorates and five (5) Departments reporting directly to the CEO as shown below:

DIRECTORATES



1. Licensing, Standards and Advocacy
2. Monitoring and Enforcement
3. Corporate Services

DEPARTMENTS

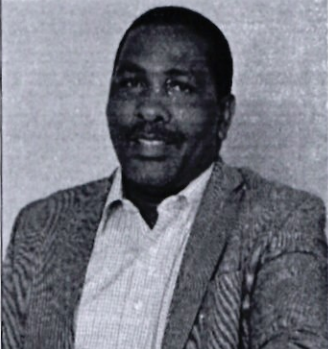

1. Corporation Secretary & Legal Services
2. Corporate Communication
3. Research, Planning and Quality Assurance
4. Supply Chain Management
5. Internal Audit

Reference	Management	Details
1.	 Dr. Julius K. Itunga	<p>Dr. Julius K. Itunga assumed the office as the Acting Chief Executive Officer at the Water Services Regulatory Board (WASREB) on 16th December, 2022. He holds a Doctor of Philosophy (PhD) in Business Administration from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Master in Business Administration and Bachelor of Commerce, Finance Option both from the Catholic University of Eastern Africa (CUEA). He is a Certified Public Accountant of Kenya (CPAK), Certified Public Secretary of Kenya (CPSK); a member of the Institute of Certified Public Accountant of Kenya (ICPAK) and Institute of Certified Public Secretaries of Kenya (ICPSK). Dr. Itunga has over 25 years of experience in public sector management having worked previously in senior positions</p>

**Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.**

		<p>in Kenya Posts and Telecommunications Corporation/Telkom Kenya, Agricultural Development Corporation and National Biosafety Authority. He also worked as an Associate Lecturer at the Kenya Methodist University and has published extensively in referenced journals.</p>
2.	 <p>Joseph K. Keter 'ndc'(K)</p>	<p>Joseph K. Keter 'ndc'(K) assumed the office as the Acting Chief Executive Officer at the Water Services Regulatory Board (WASREB) on 13th January, 2022. Mr. Keter is a holder of Master of Business Administration (Project Management) from Kenyatta University and a Bachelor of Arts in International Relations from United States International University of Africa. Prior to joining WASREB, he served as Secretary Administration in the Ministry of Water, Sanitation and Irrigation between 2017 and 2021. During the period, he coordinated the rolling out of three successive Rapid Results Initiatives (RRI) waves which led to completion of over 120 water, irrigation and sanitation projects. He also participated in the preparations of the successful Kenya Sanitation Conference held in October, 2019 at Kenyatta International Conference Centre. While at the Ministry, Mr. Keter was Alternate Director to Principal Secretary at Athi Water Works Development Agency. His tenure as Ag. CEO ended on the 16th of December 2022.</p>
3.	 <p>Eng. Peter Njaggah</p>	<p>Eng. Peter Njaggah is the Director Licensing, Standards and Advocacy. He holds a Bachelor of Science degree in Civil Engineering from the University of Nairobi and Master of Science degree in Environmental Engineering from the University of New Castle –Upon Tyne in UK.</p> <p>Eng. Njaggah has over 25 years' experience and knowledge in the water sector, having previously worked as a senior manager in several water utilities as the Managing Director of Western Water Services Company; as Head of Water and Wastewater departments in Central District Council, South East District Council and Ghanzi District Council- all in the Republic of</p>

**Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.**

		<p>Botswana, and also in the then Water and Sewerage Department- Nairobi City Council- Republic of Kenya.</p> <p>He is a Professional Engineer with the Engineers Board of Kenya, a Corporate Member of the Institution of Engineers of Kenya (I.E.K) and member of Institute of Waste Management of Southern Africa. He retired in May 2023.</p>
4.	 <p>Richard K. Cheruiyot</p>	<p>Richard Cheruiyot is the Director Monitoring and Enforcement. He holds a Bachelor of Science degree in Analytical Chemistry from the University of Nairobi. He is also a holder of two Masters 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>
5.	 <p>David Leleito Kibai</p>	<p>David Leleito Kibai is the Manager Finance & Accounts. He holds a B.Com (Finance) from Catholic University for Eastern Africa and an MBA (strategic management) from University of Nairobi. He is a Certified Public Accountant of Kenya, CPA (K). He has over 22 years' experience in Finance and Accounting. Mr Leleito is a member of the International Water Association (IWA).</p>

4. CHAIRMAN'S STATEMENT



The year saw WASREB holding close to 20 public consultation meetings for licensing and about 15 Tariff consultations of various Water Service Providers. Stakeholders comprised County Government, Water Works Development Agencies, Consumers, Business Communities and Religious Groups, while ensuring inclusion of minority groups.

Further, the Regulator held regional workshops with utilities and counties, aimed at building capacities of utility Managers and Boards of Directors, as well as county executives on tenets of good governance.

Turning to IMPACT 15, it has revealed a positive trend in water coverage, with an increase from 60% to 62% for piped water systems in regulated utilities. The report also reveals a positive trend in water coverage, with an increase from 60% to 62% for piped water systems in regulated utilities, highlights an overall improvement in drinking water quality across different size categories. On water quality, the national average was 95%. An improvement was noted in all the size categories. Utilities are obliged to comprehensively plan on water quality monitoring and management, both through developing annual sampling programs and formulation of water safety plans within the first year of licensing.

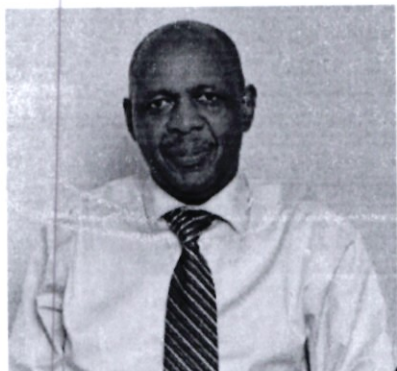
I wish to congratulate utilities that continue to do well and hope that the momentum that has been realized will be sustained within an environment of compliance.

WASREB commits to monitoring utilities with the sole purpose of improving services to citizens. However, collaboration between the Regulator, National government and County governments is desirable to realize this dream.

A handwritten signature in black ink, appearing to be 'Job Kipkorir Chirchir', written over a faint circular stamp or watermark.

**JOB KIPKORIR CHRCHIR
CHAIRMAN OF THE BOARD OF DIRECTORS**

5. REPORT OF THE CHIEF EXECUTIVE OFFICER



Regulation has pushed utilities to ensure that there is equity and non-discrimination in the provision of services, consumers have the correct information and are well informed on their rights and obligations. Under sector development, the gains have been realized in ring fencing of revenues and thus avoiding capital leakage and drain, enhancing and optimizing financing and increasing transparency. In all these areas great developments have been witnessed. On the current reporting of Impact 15, there also has been a marginal improvement in the hours of water supply, increasing from 16 to 17, improvement in revenue collection efficiency, rising from 94% to 95%, this indicator is crucial for sustainable water service operations. This report is meant to spur comparative competition in the sector, thus creating impetus for the institutions to improve their performance whilst encouraging accountability of stakeholders in the water sector to the public.

On Non-Revenue Water, it has remained at 45%. In financial terms, the sector lost slightly more than KShs. 11.2 Billion annually. The amount lost annually in terms of volume is 205 million cubic meters. In furtherance of these efforts, WASREB in collaboration with Ministry of Water, Sanitation and Irrigation launched Operation Linda Maji, Lipa Maji! to curb water theft making it available to citizen. The aim of the operation is to nab those undertaking criminal activities including illegal water connections and vandalism of water utilities and infrastructure in general.

This operation will continue until all illegal water connections are removed in order to allow genuine and legal connections to thrive and improve revenue generation to water utilities not only in Nairobi but across the entire country.

As we look to the future, our focus continues to be formalization of service provision through licensing of all WSPs. Over 35 utilities have submitted applications for licensing with 24 having been licensed, laying a foundation for better services with serious commitment and responsibility for customer satisfaction and driving the progressive realization of the right to water.

WASREB remains committed to enforcing high performance in the sector which cannot happen without support from all our stakeholders.


Dr. Julius K. Itunga

AG. CHIEF EXECUTIVE OFFICER

6. STATEMENT OF MANAGEMENT'S RESPONSIBILITY.

Section 81 of PFM Act, 2012 requires that, at the end of each financial year WASREB Staff Mortgage and Car Loans Committee shall prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

Staff Mortgage and Car Loans Committee is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the 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.

Staff Mortgage and Car Loans Committee accepts 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. Staff Mortgage and Car Loans Committee is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the period ended June 30, 2023, and of the Fund's financial position as at that date. Staff Mortgage and Car Loans Committee 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 Staff Mortgage and Car Loans Committee has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Committee to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.**

Approval of the financial statements

The Fund's financial statements were approved by the Board on 27th September 2023 and signed on its behalf by:



CPA DR. JULIUS ITUNGA

AG. CHIEF EXECUTIVE OFFICER

ICPAK NO 8541

DATE: 7/2/24



CPA DAVID LELEITO

MANAGER FINANCE & ACCOUNTS

ICPAK NO 7983

DATE: 7/2/24



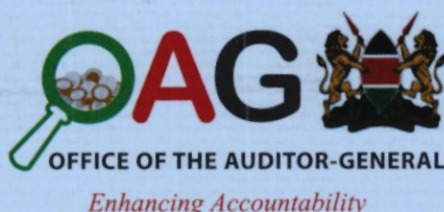
MR. JØB K. CHIRCHIR

CHAIRMAN

DATE: 7/2/24

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: 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 AND SERVICES REGULATORY BOARD CAR LOAN AND MORTGAGE FUND FOR THE YEAR ENDED 30 JUNE, 2023

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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 Car Loan and Mortgage Fund set out on pages 20 to 34, which comprise of the

statement of financial position, as at 30 June, 2023 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 Car Loan and Mortgage Fund as at 30 June, 2023 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 Legal Notice No.252 of 18 December, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Water Services Regulatory Board Car Loan and Mortgage 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. There were no key audit matters to report in the year under review

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in 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

Late Submission of Financial Statements

The financial statements of Water Services Regulatory Board Mortgage Loan Scheme for the year ended 30 June, 2023 were submitted on 18 December, 2023 and not 30 September, 2023 which was three (3) months after the stipulated deadline. This is contrary to Section 81(4)(a) of the Public Finance Management Act, 2012 which states

not later than three months after the end of each financial year, the Accounting Officer for the entity shall submit the entity's financial statements to the Auditor-General.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 4000. The Standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or 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 are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 March, 2024



Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.

8. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2023.

Description	Note	2022/23 Kshs.
Revenue from exchange transactions		
Interest income	1	1,563,064.54
Total revenue		1,563,064.54
Expenses		
3% Commission to the bank	2	1,563,064.54
Total expenses		1,563,064.54
Other gains/losses		
Surplus/(deficit) before tax		-
Taxation	3	-
Surplus/Deficit after Tax		-

(The notes set out on pages 25 to 34 form an integral part of these Financial Statements).

The Fund's financial statements were approved by the Board on 27th September 2023 and signed on its behalf by:



CPA DR. JULIUS ITUNGA
AG. CHIEF EXECUTIVE OFFICER
ICPAK NO 8541
DATE: 7/2/24



CPA DAVID LELEITO
MANAGER FINANCE & ACCOUNTS
ICPAK NO 7983
DATE: 7/2/24



MR. JOB K. CHIRCHIR
CHAIRMAN
DATE: 7/2/24

Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.

9. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023.

Description	Note	2022/23 Kshs.
Assets		
Current assets		
Cash and cash equivalents	4	95,058,153
Receivables from exchange transactions	6	11,796,190
Total Current Assets		106,854,343
Non-current assets		
Receivables from exchange transactions	6	43,144,997
Undrawn Funds	11	-
Interest Income Accrued		-
Total assets		149,999,340
Liabilities		
Current Liabilities		
Non-Current Liabilities		
Total liabilities		
Net assets		-
Mortgage and Car loan revolving fund	7	149,999,340
Accumulated surplus (<i>Reserves</i>)		-
Total net assets and liabilities		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 27th September 2023 and signed on its behalf by:



CPA DR. JULIUS ITUNGA

AG. CHIEF EXECUTIVE OFFICER

ICPAK NO 8541

DATE: 7/2/24



CPA DAVID LELEITO

MANAGER FINANCE & ACCOUNTS

ICPAK NO 7983

DATE: 7/2/24



MR. JOB K. CHIRCHIR

CHAIRMAN

DATE: 7/2/24

**Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.**

10. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Revolving Fund
	Kshs
Balance as at 30 June 2020	45,099,340
Transfer from WASREB	54,900,000
Surplus for the period	0
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

The Fund's financial statements were approved by the Board on 27th September 2023 and signed on its behalf by:



CPA DR. JULIUS ITUNGA
AG. CHIEF EXECUTIVE OFFICER
ICPAK NO 8541

DATE: 7/2/24



CPA DAVID LELEITO
MANAGER FINANCE & ACCOUNTS
ICPAK NO 7983

DATE: 7/2/24



MR. JOB K. CHIRCHIR
CHAIRMAN

DATE: 7/2/24

**Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.**

11. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2023

Description	Note	2022/23 Kshs.
Cash flows from operating activities		
Receipts		
Transfers from WASREB (Operational Account)	6	50,000,000
Interest income	1	-
Loan Repayments	7	6,471,357
Total receipts		56,471,357
Payments		
Loans Disbursed	4	18,682,102
Total payments		18,682,102
Net cash flow from operating activities		37,789,255
Net increase/(decrease) in cash and cash equivalents		37,789,255
Cash and cash equivalents at 1 July 2022		57,268,898
Cash and cash equivalents at 30 June 2023		95,058,153

The Fund's financial statements were approved by the Board on 27th September 2023 and signed on its behalf by:


CPA DR. JULIUS ITUNGA

AG. CHIEF EXECUTIVE OFFICER

ICPAK NO 8541

DATE: 7/12/24


CPA DAVID LELEITO

MANAGER FINANCE & ACCOUNTS

ICPAK NO 7983

DATE: 7/12/24


MR. JOB K. CHIRCHIR
CHAIRMAN

DATE: 7/12/24

Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.

12. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2016/2017 FY					
	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	1,563,065	-	1,563,065	-	-	
Other income	-	-	-	-	-	
Total Revenue	1,563,065	-	1,563,065	-	-	
Expenses						
Employee cost	-	-	-	-	-	
Use of goods and services	-	-	-	-	-	
Finance cost	1,563,065	-	1,563,065	-	-	
Expenditure	1,563,065	-	1,563,065	-	-	
Surplus for the period	-	-	-	-	-	
Capital Expenditure	-	-	-	-	-	

The Fund's financial statements were approved by the Board on 27th September 2023 and signed on its behalf by:


CPA DR. JULIUS ITUNGA

AG. CHIEF EXECUTIVE OFFICER
ICPAK NO 8541

DATE: 7/2/24


CPA DAVID LELEITO

MANAGER FINANCE & ACCOUNT
ICPAK NO 7983

DATE: 7/2/24


JOB CHIRCHIR

CHAIRMAN

DATE: 7/2/24

**Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.**

13. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

1. Statement of Compliance and Basis of Preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

2. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2023.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the Fund's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between the Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

**Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.**

Standard	Effective date and impact:
IPSAS 42: Social Benefits	Applicable: 1st January 2023. The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Fund; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Fund's financial performance, financial position, and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	Applicable 1st January 2023 <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. • Amendments to refer to the latest System of National Accounts (SNA 2008). • IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS. <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 st January 2023.

**Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.**

Standard	Effective date and impact
IPSAS 43	<p>Applicable 1st January 2025</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 cash flows of the Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>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:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

3. 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.

4. Budget information

The original budget for FY 2022/23 was approved on 7th of July 2022. 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.

5. Financial instruments

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.

**Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.**

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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.

6. Changes in accounting policies and estimates

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

7. Borrowing costs

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

8. Related parties

The Staff Mortgage and Car Loan Committee regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Staff Mortgage and Car Loan Committee members, Board of Directors, CEO and senior managers.

9. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and 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 Kenya commercial banks at the end of the financial year.

Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.

10. Events after the reporting period.

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

11. Currency

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

12. 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.

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.

Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.

c) Market risk

The Staff Mortgage and Loans 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 and Loans Committee.

The Staff Mortgage and Loans 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.

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, Staff Mortgage and Loans Committee has endeavored to bank with an institution that offer favorable interest rates.

Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.

14. NOTES TO THE FINANCIAL STATEMENTS

1. Interest income

Description	2022/23
	Kshs.
Interest Income from Mortgage Loans (3%)	1,563,064.54
Interest Income from Car Loans (3%)	-
Total Interest Income	1,563,064.54

2. Operating expenses

Description	2022/23
	Kshs.
Bank charges	-
3% Interest on Mortgage	1,563,064.54
3% interest on car loan	-
Total Operating Expenses	1,563,064.54

3. Taxation

Description	2022/23
	Kshs.
Tax Charged on Interest Income	-
Income Tax expense	-

4. Cash and cash equivalents

Description	2022/23
	Kshs.
NBK Car/ Mortgage Loan Account	95,058,153
Total Cash and Cash equivalents	95,058,153

5. Loans disbursed.

Description	FY 2022/23
Loan-car	-
Loan-Mortgage	-
Total	-

Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.

6. Receivables from Exchange transactions

Description	2022/23 Kshs.
Current Receivables	
Mortgage Loan Receivables Due	11,796,190
Car Loan Receivables Due	-
Land Acquisition Loan Receivables Due	-
Total Current Receivables	11,796,190
Non- Current Receivables	
Long Term Loan Repayments Due	43,144,997
Total Non- Current Receivables	43,144,997
Total Receivables From Staff Car Loan and Mortgage Scheme	54,941,187

7. Revolving Fund

Description	Revolving Fund Kshs
Balance as at 30th June 2020	45,099,340
Transfer from WASREB	54,900,000
Net Surplus (Interest earned)	-
Balance as at 30th June 2021	99,999,340
Transfer from WASREB	-
Net Surplus (Interest earned)	-
Balance as at 30th June 2022	99,999,340
Transfer from WASREB	50,000,000
Net Surplus (Interest earned)	-
Balance as at 30th June 2023	149,999,340

8. Loan Repayments

Description	FY2022/23
Loan Receivables 01.07.2022	42,730,442
Loan Disbursed	-
Total Loans	-
Loan Receivables 30.06.2023	54,941,187
Net loan repaid	-

Water Services Regulatory Board (WASREB) Car loan & Mortgage Fund
For the year ended 30 June 2023.

9. Interest income from the bank

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

10. Bank Charges.

Description	Bank Statements Kshs.
30 th June 2023-Car Loan	-
30 th June 2023 -Mortgage Loan	-
30 th June 2023-Land Acquisition Loan	-
Total	-

11. Undrawn Funds.

Undrawn funds remain the balances at the Escrow Bank Account currently Kshs. 95,058,153

12. Net cash flows from operating activities

	2022/23 Kshs.
Surplus/ (deficit) for the year before tax	50,000,000
Adjusted for:	
Interest income	-
Finance cost	-
Working capital adjustments	
Increase in receivables	(12,210,745)
Increase in payables	-
Net cash flow from operating activities	37,789,255

13. 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/scheme is related to the following entities:

1. WASREB
2. Key management
3. Staff Mortgage and Car Loan Committee.
4. National Bank of Kenya.