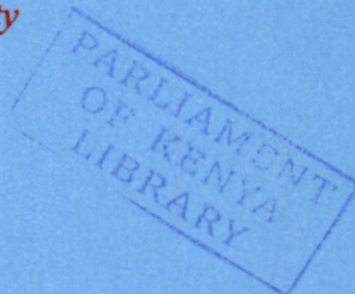


REPUBLIC OF KENYA



*Enhancing Accountability*



# REPORT

OF

**THE AUDITOR-GENERAL**

ON

**POLICYHOLDERS COMPENSATION FUND  
CAR AND MORTGAGE LOAN SCHEME**

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

NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 07 MAR 2024

*514/23*

*Hon Naomi Wago, MP  
Deputy Majority Whip  
A. Shubuko*



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

29 JAN 2024

RECEIVED



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# CAR AND MORTGAGE LOAN SCHEME

POLICYHOLDERS COMPENSATION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30<sup>TH</sup> JUNE 2023

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

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## **1.0 ABBREVIATIONS, ACRONYMS AND GLOSSARY OF TERMS**

### **A. Abbreviations And Acronyms**

PCF	Policyholders Compensation Fund
BoT	Board of Trustee
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MT	Managing Trustee
NT	National Treasury and Economic Planning
OAG	Office of the Auditor General
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SRC	Salaries and Remuneration Commission
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations

### **B. Glossary of Terms**

**Fiduciary management-** Members of management entrusted directly with the responsibility and trust for the organisation financial resources.

**Fiduciary management-** Members of management entrusted directly with the responsibility and trust for the organisation financial resources.

**Scheme -** Policyholders Compensation Fund Mortgage & Car loan schemes

**Fund -** Policyholders Compensation Fund

**Fund Administrator -** Managing Trustee/Chief Executive Officer

**Scheme Administrator -** Institution(s) appointed by the Fund to administer the scheme

## **2.0 KEY FUND INFORMATION AND MANAGEMENT**

### **a) Background information**

The PCF Staff mortgage and car loan scheme was established in line with the Salaries and Remuneration Commission Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17<sup>th</sup> December 2014, PCF Human Resource Policy & Procedures Manual (2021), PCF Staff Mortgage loan policy and PCF Staff Car loan policy and was operationalized in November 2022. The Scheme is wholly owned by Policyholders Compensation Fund and is domiciled in Kenya. The administration of the scheme has been outsourced to two financial institutions as follows:

- |                              |   |                      |
|------------------------------|---|----------------------|
| 1. Cooperative Bank of Kenya | - | Mortgage loan scheme |
| 2. Kenya Commercial Bank     | - | Car loan scheme      |

### **b) Principal Activities**

The Scheme covers the employees of the Fund and has the following objectives:

- i. Enhance PCF's ability to attract, motivate, satisfy and retain talent
- ii. Enhance welfare of the employees by enabling them to buy, build or renovate houses as well as acquire vehicles.
- iii. Enhance the Fund's staff access the mortgage and car loan facilities at concessionary rates.
- iv. Support the Governments agenda on affordable housing

The mortgage and car loan schemes are administered by Cooperative Bank and Kenya Commercial Bank respectively. There is an established scheme administration committee charged with the responsibility of ensuring loans from applicants are processed in accordance with laid down approved regulations documented in a memorandum of understanding between the Fund and the administrators. The scheme administration committee comprised of staff members as indicated in the table below:

### **c) Scheme Administration Committee**

<b>SN</b>	<b>Position</b>	<b>Name</b>
1	Chairperson	Mr. James Njogu
2	Committee Member	Mr. Moses Kiptoon
3	Committee Member	Mr. Bernard Rotich
4	Committee Member/Secretary	Ms. Hilda Sang/ Secretary

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Policyholders Compensation Fund  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023*

5	Committee Member /Scheme Accountant	Mr. Andrew Ngunjiri
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**d) Key Management**

SN	Position	Name
1	Chairperson	Mr. James Njogu
2	Committee Member	Mr. Moses Kiptoon
3	Committee Member	Mr. Bernard Rotich
4	Committee Member/Secretary	Ms. Hilda Sang
5	Committee Member /Scheme Accountant	Mr. Andrew Ngunjiri

**e) Fiduciary Oversight Arrangements**

*(Provide a high-level description of the key fiduciary oversight arrangements covering (say)):*

SN	Position	Name
1	Directorate Internal Audit	Mr. Martin Michael Kamau
2	Office of the Auditor General	Office of the Auditor General

**f) Registered Offices**

**Head office**

6<sup>th</sup> Floor, KWFT Centre,  
Kiambere/Masaba Road Junction, Upper  
Hill  
P.O. Box 24203 -00100  
Nairobi, Kenya

**g) Fund Contacts**

Telephone: 011 1121700/1/2/3  
Mobile: 794 582 700  
Email: info@pcf.go.ke  
Website: www.pcf.go.ke

**h) Fund Bankers**

Co-operative Bank of Kenya  
Upper Hill  
P.O Box 48231-00100  
Nairobi Kenya



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KCB Bank Limited  
Capitol Hill  
P.O. Box 30081-00100  
Nairobi, Kenya

**i) Independent Auditor**

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

**j) Principal Legal Adviser**

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

### **3.0 PCF CAR & MORTGAGE LOAN SCHEME ADMINISTRATION COMMITTEE**



The PCF staff Car & Mortgage loan Scheme Administration Committee was appointed by the Managing Trustee on 22nd December 2022 for a term of two (2) years with the following functions:

- i) Oversee the management of the Fund's mortgage and car loan schemes.
- ii) Negotiate with the Administrator (bank) and recommend to the Managing Trustee the interest rates applicable to idle monies in the scheme.
- iii) Monitor and evaluate the performance of the two schemes and prepare quarterly reports on the same to the Managing Trustee for decision making.
- iv) Cause to be kept all proper books and records of accounts of the car and mortgage loan schemes.
- v) Recommend to the Managing Trustee on any updates of the Fund's car and mortgage scheme policy in view of any policy gaps or improvements in line with any changes in Government Regulations, Guidelines and best practice.
- vi) Perform any other functions that are ancillary to the objects and purpose for which the subject schemes are established.

The Mortgage & Car loan administration Committee is composed of the following:

<b>SN</b>	<b>Name</b>	<b>Designation in the Fund</b>	<b>Position in Administration of the Scheme</b>
1.	Mr. James Njogu	Director, Legal Services	Chairperson
2.	Mr. Moses Kiptoon	Deputy Director, Insurance Services	Committee Member
3.	Mr. Bernard Rotich	Deputy Director, ICT	Committee Member
4.	Ms. Hilda Sang	Deputy Director, HR & Administration	Committee Member/Secretary
5.	Mr. Andrew Ngunjiri	Principal Investment Officer	Committee Member /Scheme Accountant

**4.0 SCHEMES KEY MANAGEMENT TEAM**

Name	
 <p data-bbox="328 981 632 1055">Mr. James Njogu Committee Chairman</p>	<p data-bbox="727 412 1420 972">CS James Njogu holds a Bachelor of Laws (LLB) Hons. Degree, a Post Graduate Diploma in Legal Practice from the Kenya School of Law, Master of Laws (LLM) in Women’s Law and Human Rights, Master of Laws (LLM) in International Corporate Governance &amp; Financial Regulation. Mr. Njogu is an Advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public as well as a registered Certified Public Secretary with the Institute of Certified Secretaries of Kenya. Further, he is a member of the Chartered Institute of Arbitrators in London and Kenya and the Institute of Directors (Kenya).</p>
 <p data-bbox="322 1720 622 1794">Mr. Moses Kiptoon Committee Member</p>	<p data-bbox="727 1084 1420 1563">Moses Kiptoon holds a Master’s degree in Actuarial Management from the City, University of London (UK) and a Bachelor’s degree in Actuarial Science from the University of Nairobi (Kenya). He is also an Associate of the Actuarial Society of Kenya. He is a past International Fellow of the National Association of Insurance Commissioners (USA) and has over 14 years of experience in the insurance industry. He is currently a Deputy Director, Insurance Services at Policyholders Compensation Fund.</p>

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 <p>Mr. Bernard Rotich Committee Member</p>	<p>Mr. Bernard Rotich holds a Master of Science in Information Science &amp; Technology, a Bachelor of Science in Applied Business Computing and a Higher Diploma in Integrated Management Information Systems. He is a member of the Computer Society of Kenya (CSK).</p>
 <p>Ms. Hilda Sang Committee Member/Secretary</p>	<p>Ms. Hilda Sang holds a Master of Science in Human Resource Management, a Bachelor of Arts in Community Development and a Higher Diploma in Human Resource Management. She is a member of the Institute of Human Resource Management (IHRM) and a Certified Human Resource Professional (CHRP -K).</p>
 <p>Mr. Andrew Ngunjiri Scheme Accountant</p>	<p>Mr. Andrew Ngunjiri holds an Msc Accounting and Financial Management (UK), with a major in Financial Markets and Investments, BBA(Accounting), Diploma in Project Management, and Purchasing and Supplies Management. He is a member of ICIFA, IIA, ICS, ICPAK.</p>

**5.0 CHAIRMAN'S REPORT**

On behalf of the Scheme Administration Committee, I am pleased to present the Annual Report and Financial Statements for the Scheme for the period ending 30<sup>th</sup> June 2023 as per the requirements of the PFM Regulations.

The scheme is established with the object of facilitating staff to access loans at concessionary rates thereby attracting, motivating and retaining talent, enabling them own decent houses in line with the Government's agenda on house affordable decent house ownership and acquire vehicles for personal use. The Scheme is governed by the Salaries and Remuneration Commission Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17<sup>th</sup> December 2014, PCF Human Resource Policy & Procedures Manual (2021), PCF Staff Mortgage loan policy and PCF Staff Car loan policy.

The scheme was operationalized in November 2022 with an initial seed capital of Kshs.101M and Kshs.27M for mortgage and car loan respectively. The scheme was topped up with an additional Kshs.50M and Kshs.5M for mortgage and car loan respectively in June 2023. This points to the success in performance of the scheme. There have been, however, few challenges in administration of the scheme specifically on the turn around time in advancing the mortgage loans to staff. This problem has been addressed by ensuring that a second administrator is onboarded in the FY 2023/2024.

As we progress into the future, the scheme is expected to be self-sustaining. Staff who have been advanced loans are expected to promptly pay back thus enabling others to enjoy the facilities. Further, unutilized monies in the deposit accounts shall continue to earn interest at rates to be negotiated with the administrator, in order to generate interest which shall be treated as income to the scheme.

The success of the scheme would not have been possible without the support of the Board of Trustees who ensured adequate financing of the scheme, the Managing Trustee and the administration committee for spending their valuable time in operationalization of the scheme, and the staff for fully participating in various training on utilization of the scheme and actual utilization. On behalf of the committee, I wish to thank all these stakeholders and look forward to continued support in the future.



James Njogu

**SCHEME ADMINISTRATION COMMITTEE CHAIRMAN**

## **6.0 REPORT OF THE SCHEME SECRETARY**

The scheme was established with the objective of facilitating staff to access loans at concessionary rates thereby attracting, motivating and retaining talent, enabling them own decent houses in line with the Government's agenda on house affordable decent house ownership and acquire vehicles for personal use.

The operationalization of the scheme took effect from November 2022. The Fund appointed the Cooperative Bank of Kenya and Kenya Commercial Bank as administrators for the PCF staff mortgage and car loan facilities respectively.

The administrators are responsible for among others, operating a designated account for the schemes, managing end to end processing of loans under the schemes on behalf of the Fund as well as and reporting to the scheme administration committee on a monthly basis. To ensure seamless operations and liaison between the administrator, the borrowers and the Fund, there is established an administration committee of the Fund that is responsible for among others overseeing the day-to-day management of the scheme, member education/sensitization, monitoring the performance of the scheme as well as advising the Managing Trustee/CEO on issues relating to the scheme.

During the period under review, the Scheme exhibited exemplary performance in terms of disbursements issued to staff from the initial seed capital of KES 151M and KES. 32M for mortgage and car loan scheme respectively. During the year, the Scheme facilitated processing of two car loan applications totalling KShs. 7,066,000 and four mortgage loan applications totalling KShs. 69,653,388.30. This represents an uptake percentage of 46% and 22% under the mortgage and car loan respectively.

To ensure the scheme is sustainable, all unutilized funds are invested by the administrator at a negotiated rate and interest thereof credited to the scheme as revenue. During the year under review, a total of KES 2,936,877.15 was earned as interest for the mortgage scheme while KES 699,798.60 was earned as interest under the car loan. Further, all principal amounts repaid by borrowers are channelled back to the scheme to enable other staff access the loan.

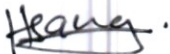
The Scheme is established and operates within stipulated government regulations and guidelines. The Fund ensures prudent financial management and reporting in line with Public Finance Management (PFM) Act 2012, Government financial regulations, 2015 and International Public Sector Accounting Standards (IPSAS). In this regard, PCF hereby

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presents the Financial Statements of the Staff Car & Mortgage Loan Scheme for the year ended 30th June 2023. The Financial statements presented comprise of; the Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Net Assets and Statement of Cash Flows.

On behalf of the Scheme Administration Committee, I sincerely thank the entire management team and staff for their support as we operationalize the scheme.



Hilda Sang

**SCHEME SECRETARY**

**7.0 STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting Officer to include in the financial statement, a statement of the national government Fund’s performance against predetermined objectives.

The Fund in its Strategic Plan 2020-2024 endeavours to strengthen institutional capacity through attracting, development, and retention of competent staff. The establishment and operationalization of the Staff Car & Mortgage Loan Scheme is a key achievement and boost towards enhanced staff welfare.

The table below provides the progress made by the Scheme;

<b>Key Result Area</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Institutional capacity	Attract, develop and retain competent staff	Successful loan applications	Loans processing and disbursement	Six out ten loan applications were processed



## **8.0 CORPORATE GOVERNANCE STATEMENT**

The PCF staff Car & Mortgage loan Scheme is a revolving fund established pursuant to the SRC circular number SRC/ADM/CIR/1/13 Vol.111 (128) dated 17<sup>th</sup> December 2014 and section 24 (4) (5) (6) (7) of the PFM Act 2012 and section 127 (10) (2) of the PFM Regulations, 2015. The purpose of the scheme is to provide car and mortgage loans as stipulated in the PCF Car and Mortgage loan policies.

The PCF Board of Trustees is responsible for the policy formulation and strategic oversight of the Fund. Specifically, and regarding the administration of the staff Car & Mortgage loan Scheme, the Board is responsible for approving the respective policies and funding in line with the existing laws and regulations.

The Managing Trustee who holds delegated authority to run the day-to-day operations of the Fund is responsible for the appointment of the Car & Mortgage loan administration Committee, giving the final authorization for loan applications, signing the contractual agreements between the Fund the Administrator, signing off the monthly check-off agreements and reviewing quarterly reports on the activities of the Scheme.

The administration committee oversees the management of the Fund's car and loan mortgage schemes, negotiates with the external Administrators (bank), Monitors the performance of the two schemes and prepares quarterly reports on the same for decision making. The committee is also responsible for reviewing the effectiveness of the Scheme's system of internal control which is designed to provide reasonable but not absolute assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records.

The Scheme is audited by the Auditor General.

## **9.0 MANAGEMENT DISCUSSION AND ANALYSIS**

The PCF staff Car & Mortgage loan Scheme was operationalized in November 2022 with initial seed capital of KShs. 27,000,000 for the Car loan scheme and KShs. 101,000,000 for the mortgage loan scheme. Staff sensitization forums were conducted by the Kenya Commercial Bank and Cooperative Bank who are administrators of the Car loan and mortgage scheme respectively.

During the period under review, ten members of staff submitted their applications, two being for car loans and eight for mortgage loans. A total of six applications were successful in the period under review, two being car loans four mortgage loans. The administration committee evaluated the loan uptake and recommended top up of deposits by PCF. An additional KShs. 5,000,000 and KShs. 50,000,000 was deposited to the car loan and mortgage scheme respectively.

Below is the summarized performance of the scheme:

	<b>Car loan</b>	<b>Mortgage loan</b>
Initial deposit from PCF	27,000,000	101,000,000
Deposit top-up from PCF	5,000,000	50,000,000
<b>Total inflows</b>	<b>32,000,000</b>	<b>151,000,000</b>
Loans issued	7,066,000	69,653,388.30
<b>Balance</b>	<b>24,934,000</b>	<b>81,346,611.70</b>

## **10.0 ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Fund engaged in environmental sustainability initiatives during the financial year in activities such as; contracting NEMA licensed waste management service provider for waste disposal, migration to EDRMS to reduce on printing and paper waste. The scheme borrows on these practices. In addition, during sensitization forums, staff are encouraged to purchase vehicles with less harmful effects on the environment as well as consider solar lighting for their homes.

## **11.0 REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE**

The PCF staff Car & Mortgage loan Scheme administration Committee submit their report together with the financial statements for the year ended June 30, 2023, which show the state of the Scheme's affairs.

### **a) Principal activities**

The principal activities of the Scheme are to issue car and mortgage loans to qualifying staff of PCF.

### **b) Performance**

The performance of the Fund for the year ended June 30, 2023, is set out in pages 1 to 40.

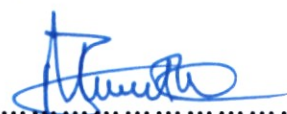
### **c) Trustees**

The members of the Scheme Administration Committee who served during the year are shown on page vii.

### **d) 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



.....  
James Njogu

**SCHEME ADMINISTRATION COMMITTEE CHAIRMAN**

## **12.0 STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023.

This responsibility includes:

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

The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

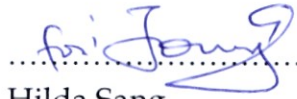
The Fund's financial statements were approved by the Board on 25/1/2024  
and signed on its behalf by:



.....

James Njogu

**Scheme Administration Committee  
Chairman**



.....

Hilda Sang

**Scheme Secretary**

# REPUBLIC OF KENYA

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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 POLICYHOLDERS COMPENSATION FUND CAR AND MORTGAGE LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2023

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### 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; and,
- 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 Policyholders Compensation Fund Car and Mortgage Loan Scheme set out on pages 1 to 16, which comprise the

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*Report of the Auditor-General on Policyholders Compensation Fund Car and Mortgage Loan Scheme for the year ended 30 June, 2023*

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 Policyholders Compensation Fund Car and Mortgage Loan Scheme 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 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 Policyholders Compensation Fund Car and Mortgage Scheme 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 judgment, 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, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAI) 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 of the Auditor-General on Policyholders Compensation Fund Car and Mortgage Loan Scheme for the year ended 30 June, 2023*



# 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.

## **Basis for Conclusion**

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 (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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Scheme'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 Scheme or to cease operations.

The 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, the 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 revenue reporting process, reviewing the effectiveness of how the 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 policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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 Scheme'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 Scheme 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 Scheme 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 control that are identified during the audit.

I also provide the 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

12 February, 2024

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*Car loan and Mortgage Scheme  
Policyholders Compensation Fund  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023*


**14.0 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
30TH JUNE 2023**

	Note	2022-2023
		Kshs.
<b>Revenue from exchange transactions</b>		
Interest income earned from deposits	19.6a	3,558,386
Interest income earned from loan disbursement	19.6b	78,290
<b>Total revenue</b>		<b>3,636,676</b>
<b>Expenses</b>		
Finance costs - Interest expensed as administration cost	19.7	(78,290)
<b>Total expenses</b>		<b>(78,290)</b>
<b>Other gains/losses</b>		
<b>Surplus/(deficit) before tax</b>		<b>3,558,386</b>
<b>Taxation</b>		<b>-</b>
<b>Surplus/ (Deficit) for the period</b>		<b>3,558,386</b>

*Note: During the previous financial year 2021/2022, PCF had not operationalized the schemes.*

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

The Fund financial statements were approved on 25/01/2024 and signed by:



James Njogu  
Scheme Administration  
Committee Chairman



Andrew Ngunjiri  
Scheme Accountant  
ICPAK No.7175



Hilda Sang  
Scheme Secretary

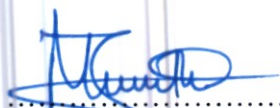
Car loan and Mortgage Scheme  
 Policyholders Compensation Fund  
 Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023

15.0 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

	Note	2022-2023 Kshs.
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	19.8	107,057,918
<b>Total Current Assets</b>		<b>107,057,918</b>
<b>Non-current assets</b>		
Receivables from exchange transactions	19.9	79,500,468
<b>Total Non-Current Assets</b>		<b>79,500,468</b>
<b>Total assets</b>		<b>186,558,386</b>
<b>Liabilities</b>		
Trade and other payables		-
<b>Total Current Liabilities</b>		<b>-</b>
<b>Total liabilities</b>		<b>-</b>
<b>Net assets</b>		<b>186,558,386</b>
Car loan revolving fund	19.5	32,000,000
Mortgage revolving fund	19.5	151,000,000
Accumulated surplus ( <i>Reserves</i> )		3,558,386
<b>Total net assets and liabilities</b>		<b>186,558,386</b>

Note: During the previous financial year 2021/2022, PCF had not operationalized the schemes.


The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 25/01/2024 and signed by:



James Njogu  
 Scheme Administration  
 Committee Chairman



Andrew Ngunjiri  
 Scheme Accountant  
 ICPAK No.7175



Hilda Sang  
 Scheme Secretary

**16.0 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2023**

	Mortgage Fund	Car Loan Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>Balance as at 1 July 2022</b>	-	-	-	-
Surplus/(deficit) for the period	-	-	3,558,386	3,558,386
Funds received during the year	151,000,000	32,000,000	-	183,000,000
Interest capitalized	-	-	-	0.00
Transfers	-	-	-	0.00
<b>As at 30 June 2023</b>	<b>151,000,000</b>	<b>32,000,000</b>	<b>3,558,386</b>	<b>186,558,386</b>

Note: During the previous financial year 2021/2022, PCF had not operationalized the schemes. The surplus amounts arise from interest on un-utilized funds.

The Fund financial statements were approved on 25/01/2024..... and signed by:



James Njogu  
Scheme Administration  
Committee Chairman



Andrew Ngunjiri  
Scheme Accountant  
ICPAK No.7175



Hilda Sang  
Scheme Secretary

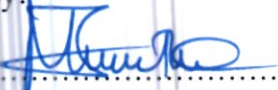
Car loan and Mortgage Scheme  
Policyholders Compensation Fund

Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023

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

	Note	FY 2022/2023
		Kshs.
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Interest income earned from loan disbursement	19.6b	78,290
Interest income earned from deposit	19.6c	777,306
<b>Total receipts</b>		<b>855,596</b>
<b>Payments</b>		
Finance cost	19.7	78,290
<b>Total payments</b>		<b>78,290</b>
<b>Net cash flow from operating activities</b>	19.10	<b>777,306</b>
<b>Cash flows from investing activities</b>		
Loan disbursements paid out	19.11	(76,719,388)
<b>Net cash flows used in investing activities</b>		<b>(76,719,388)</b>
<b>Cash flows from financing activities</b>		
Receipts into the mortgage revolving fund	19.5	151,000,000
Receipts into the car loan revolving fund	19.5	32,000,000
<b>Net cash flows used in financing activities</b>		<b>183,000,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>107,057,918</b>
Cash and cash equivalents at 1 July 2022		-
Cash and cash equivalents at 30 June 2023	19.7	107,057,918

The Fund financial statements were approved on 25/01/2024 and signed by:



James Njogu  
Scheme Administration  
Committee Chairman



Andrew Ngunjiri  
Scheme Accountant  
ICPAK No.7175



Hilda Sang  
Scheme Secretary



**18.0 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2023**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
<b>Revenue</b>						
Transfers from Parent Ministry/ SC/SAGA	128,000,000	55,000,000	183,000,000	183,000,000	0.00	100%
Interest income	0.00	0.00	0.00	855,596	(855,596)	
<b>Total Revenue</b>	<b>128,000,000</b>	<b>55,000,000</b>	<b>183,000,000</b>	<b>183,855,596</b>	<b>(855,596)</b>	
<b>Expenses</b>						
Finance cost	0.00	0.00	0.00	78,290	(78,290)	
<b>Expenditure</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>78,290</b>	<b>(78,290)</b>	
<b>Surplus for the period</b>	<b>128,000,000</b>	<b>55,000,000</b>	<b>183,000,000</b>	<b>183,777,306</b>	<b>(777,306)</b>	

The total budget and actual on comparable basis do not tie to the statement of financial performance totals due to differences in accounting basis. The statement of financial performance is presented under IPSAS accrual basis whereas the statement of comparison of budget is presented under IPSAS cash basis thus considering seed capital of Kshs. 183,000,000 as inflows for the period.

## 19.0 NOTES TO THE FINANCIAL STATEMENTS

### 19.1 General Information

PCF Staff Car/mortgage loan Scheme is established pursuant to the SRC circular SRC/ADM/CIR/1/13 Vol. III (128) of 17<sup>th</sup> December 2014 and derives its authority and accountability from PFM Act, 2012. The Scheme is wholly owned by the Government of Kenya and is domiciled in Kenya. The Scheme's principal activity is to provide car and mortgage loans to qualifying staff of PCF.

### 19.2 Statement of Compliance and Basis of Preparation

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Fund*. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### 19.3 Significant Accounting Policies

#### a. Revenue recognition

#### i) Revenue from non-exchange transactions

##### Transfers from other government entities

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

#### ii) Revenue from exchange transactions

#### Interest income

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

#### **b. Budget information**

The original budget for FY 2022/23 was KShs. 128,000,000 and was approved on 30<sup>th</sup> June 2022. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Scheme upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Scheme recorded additional appropriations of KShs. 55,000,000 on 2<sup>nd</sup> June of the FY 2022/2023 budget following approval by the National Treasury. The Scheme 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.

#### **c. Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### **I. Financial assets**

#### **Classification of financial assets**

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

#### **Subsequent measurement**

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

#### **Amortized cost**

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

#### **Fair value through net assets/ equity**

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

### **Fair value through surplus or deficit**

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

### **Trade and other receivables**

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

### **Impairment**

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

## **II. Financial liabilities**

### **Classification**

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

#### **d. 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.

#### **e. 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.

**f. Nature and purpose of reserves**

The Fund creates and maintains reserves in terms of specific requirements. (*Fund to state the reserves maintained and appropriate policies adopted*).

**g. 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.

**h. Foreign currency transactions**

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

**i. 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.

**j. Cash and cash equivalents**

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

**k. Comparative figures**

The Scheme was operationalized within the current financial year and thus there were no comparative figures.

#### **l. Events after the reporting period**

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

#### **m. 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.

#### **n. Currency**

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

### **19.4 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. (IPSAS 1.140.)

#### **b) Useful lives and residual values**

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

- i) The condition of the asset is based on the assessment of experts employed by the Fund

- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funding to replace the asset
- v) Changes in the market in relation to the asset

#### 19.5 Receipts into the revolving mortgage and car loan schemes

	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Staff Mortgage	151,000,000	0.00
Staff Car Loan	32,000,000	0.00
<b>Total</b>	<b>183,000,000</b>	<b>0.00</b>

#### 19.6 Interest income

Description	FY2022/23	FY2021/22
	Kshs.	Kshs.
<b>a) Interest income earned from deposits</b>		
Interest income earned from deposits with KCB (Car loan account)	621,509	0.00
Interest income earned from deposits with Cooperative Bank (Mortgage loan account)	155,797	0.00
Interest earned/receivable from Cooperative Bank (Mortgage loan account)	2,781,080	0.00
<b>Total income earned from deposits</b>	<b>3,558,386</b>	<b>0.00</b>
<b>b) Interest income earned from loan disbursement</b>		
Interest income earned from Car loan disbursement	78,290	0.00
<b>Total Interest Income</b>	<b>78,290</b>	<b>0.00</b>
<b>19.6 c Interest Income</b>		
Interest income earned from deposits with KCB (Car loan account)	621,509	0.00
Interest income earned from deposits with Cooperative Bank (Mortgage loan account)	155,797	0.00
<b>Total income earned from deposits (Cashflow Statement)</b>	<b>777,306</b>	<b>0.00</b>



### 19.7 Finance costs

Description	FY2022/23	FY2021/22
	Kshs.	Kshs.
Interest expensed as administration cost (KCB)	78,290	0.00
Interest on Bank Overdrafts	-	0.00
Interest on Loans from Banks	-	0.00
<b>Total</b>	<b>78,290</b>	<b>0.00</b>

### 19.8 Cash and cash equivalents

Description	FY2022/23	FY2021/22
	Kshs.	Kshs.
Car Loan account	5,622,509	0.00
Mortgage Account	81,502,409	0.00
Fixed Deposits Account	-	0.00
On - Call Deposits	19,933,000	0.00
Current Account	-	0.00
Others ( <i>Specify</i> )	-	0.00
<b>Total Cash and Cash equivalents</b>	<b>107,057,918</b>	<b>0.00</b>

### 19.9 Receivables from exchange transactions

Description	FY2022/23		FY2021/22	
	Kshs.		Kshs.	
<b>Current Receivables</b>				
Disbursed car loans - KCB	7,066,000		0.00	
Disbursed mortgage loans - Coop	69,653,388		0.00	
Interest earned/receivable from Cooperative Bank	2,781,080		0.00	
<b>Total Receivables</b>	<b>79,500,468</b>		<b>0.00</b>	
<b>Ageing analysis (receivable from exchange transactions)</b>	<b>FY2022/23</b>	<b>%of total</b>	<b>FY2021/22</b>	<b>%of total</b>
Less than 1 year	79,500,468	100%	0.00	%
Between 1-2 years	0.00	0%	0.00	%
Between 2-3 years	0.00	0%	0.00	%
Over 3 years	0.00	0%	0.00	%
<b>Total (tie to totals above)</b>	<b>79,500,468</b>	<b>100%</b>	<b>0.00</b>	<b>%</b>

#### 19.10 Net cash flows from operating activities

Description	FY2022/23
	Kshs.
Surplus/ (deficit) for the year before tax	3,558,386
<b>Adjusted for:</b>	
Depreciation	-
Amortisation	-
Gains/ losses on disposal of assets	-
Interest income	-
Finance cost	-
<b>Working capital adjustments</b>	
Increase in inventory	-
Increase in receivables	(2,781,080)
Increase in payables	-
<b>Net cash flow from operating activities</b>	<b>777,306</b>

#### 19.11 Loan Disbursement paid out

	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Loan disbursements paid out	76,719,388	0.00
<b>Total</b>	<b>76,719,388</b>	<b>0.00</b>

#### 19.12 Financial risk management

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Scheme's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Scheme does not hedge any risks and has in place policies to ensure that credit is only extended to staff who qualify as per the Fund's Car/mortgage loans policy. The Scheme's financial risk management objectives and policies are responsible for the development of detailed risk management policies (*subject to review and approval by the Audit and Risk Management Committee*) and for the day-to-day implementation of those policies. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk. The following are the major risks facing the schemes;

**a) 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.

**b) Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**19.13 Related party balances**

**Nature of related party relationships**

Entities and other parties related to the Scheme 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 majorly related to the PCF management and staffs.

**19.14 Events after the Reporting Period**

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

**19.15 Ultimate and Holding Entity**

The Entity is a Scheme under the sponsorship of Policyholders Compensation Fund.

**19.16 Currency**

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

**20.0 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)
None	None	None	N/A	N/A

Note: During the previous financial year 2021/2022, the PCF had not operationalized the two schemes; staff mortgage Fund and Staff Car loan scheme thus no prior year audit recommendations to report on.

Mr. Abudo Mamo

Ag. Managing Trustee/Fund Manager/Accounting Officer

Date... 25/1/2024 .....

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