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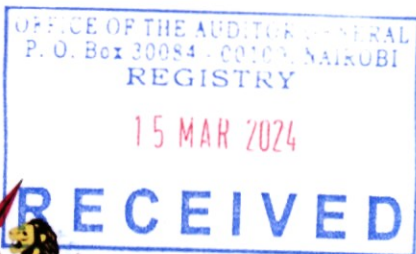
THE AUDITOR-GENERAL

ON

KENYA DEPOSIT INSURANCE CORPORATION

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





KENYA DEPOSIT INSURANCE CORPORATION

Annual Report and Financial Statements

for the Financial Year Ending June 30, 2023

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

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ACRONYMS AND GLOSSARY OF TERMS

IFRS	International Financial Reporting Standards
KDIC	Kenya Deposit Insurance Corporation
IADI	International Association of Deposit Insurers
CBK	Central Bank of Kenya
QMS	Quality Management System
ERM	Enterprise Risk Management
SP	Strategic Plan
IR	In Receivership
IL	In Liquidation
EDW	Electronic Data Warehouse
EDW-BI	Electronic Data Warehouse and Business Intelligence
EDRMS	Electronic Data and Records management System
KDI	Kenya Deposit Insurance
DIF	Deposit Insurance Fund
DPS	Differential Premium System
CAMEL	Capital Adequacy, Asset Quality, management, Earnings and Liquidity
FDIC	Federal Deposit Insurance Corporation
WHO	World Health Organization
KES	Kenya Shilling
ERM	Enterprise Risk Management
BCP	Business Continuity Plan
BCM	Business Continuity Management
PICFIT	Professionalism, Integrity, Customer Focus, Fairness, Innovativeness, and Teamwork
QMS	Quality Management System
SCV	Single Customer View
ATM	Automated Teller Machine
CSR	Corporate Social Responsibility
ISO	International Standard Organization
PFM Act	Public Finance Management Act
EACC	Ethics and Anti-Corruption Commission
CAJ	Commission on Administration of Justice
ICT	Information, Communication Technology

KEY ENTITY INFORMATION

Our journey

Deposit protection framework in Kenya's rich legacy spans over 37 years. In 1986, the Deposit Protection Fund Board (DPFB) was established under the Banking Act, CAP 488 Laws of Kenya. The National Treasury seeded an initial capital of KES 300 million to enable DPFB deliver on its mandate. The statutory mandate of the Board was to provide deposit protection to member institutions and restore confidence and stability in the financial sector.

The DPFB had the mandate of a pay-box plus, and was to provide deposit guarantee and bank liquidation functions only. However, challenges arose from the administration this framework which necessitated the Central Bank of Kenya (CBK) to appoint a taskforce in March 2006 to review the legislation governing DPFB's operations and recommend a legal framework aimed at expanding the mandate of DPFB, providing for its autonomy, and enhancing its corporate governance structure.

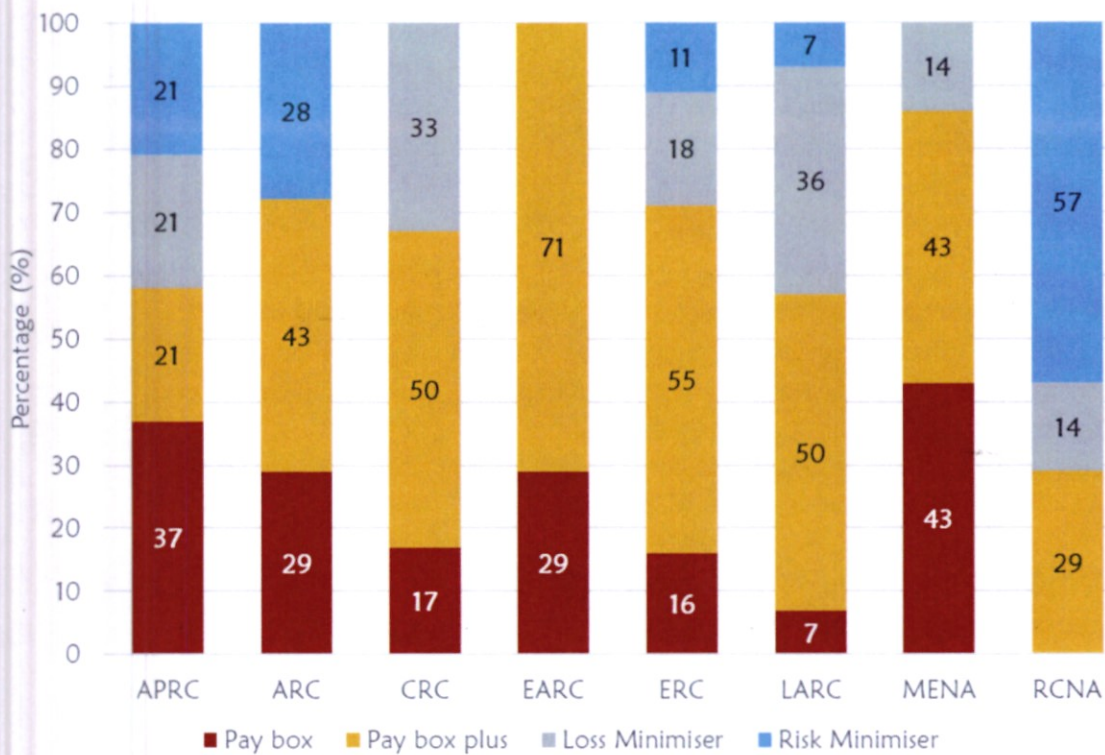
Consequently, the Kenya Deposit Insurance (KDI) Act No. 10 of 2012 was enacted in 2012, which transitioned DPFB to Kenya Deposit Insurance Corporation (KDIC). The Act became operational in July 2014 and welcomed a new dawn of deposit protection in Kenya, The Act enhanced the operational scope and mandate of KDIC from being a pay-box plus to a risk minimizer with powers of a resolution authority, thus aligning its operations to those of international best practices.

The journey has seen the growth of the Deposit Insurance Fund to Kes.187 billion as at June 30, 2023.

#	Powers & Mandate	Risk Minimizer	Loss- Minimizer	Pay-Box Plus	Pay Box
1	Re-imbursing Insured Depositors	✓	✓	✓	✓
2	Calculating and Raising Premiums	✓	✓	✓	✓
3	Role in handling Bank Failures	✓	✓	✓	
4	Risk Assessment	✓	✓		
5	Imposing Differential Premiums	✓	✓		
6	Risk Monitoring	✓	✓		
7	Off-site Examinations	✓			
8	On-site examination	✓			
9	Intervention in affairs of its member banks	✓			

Globally, the various Deposit Insurance Schemes are at different stages in terms of their mandates. As highlighted in the table below, KDIC (under ARC) is among the few Deposit Insurance Schemes globally carrying out the critical mandate of a Risk Minimizer.

Table 1: Deposit insurance mandates across various jurisdictions



Source: IADI Survey 2022

APRC - Asia-Pacific Regional Committee
CRC - Caribbean Regional Committee
ERC - Europe Regional Committee
MENA - Middle East and North Africa

ARC - Africa Regional Committee
EARC - Eurasia Regional Committee
LARC - Latin America Regional Committee
RCNA - North America Regional Committee


Principal Activities

The Corporation's Principal activities as mandated by the KDI Act is to:



Our Vision, Mission and Strategic Themes

VISION
To be a premier deposit Insurance scheme



MISSION
To promote public confidence in the financial system through deposit insurance, risk management and timely resolution.



Our Values



DIRECTORS

The Directors who served during the year ending 30th June 2023 were as follows;

- | | |
|-----------------------------------|--|
| 1 Ms. Carol Musyoka | Chairperson (Term ended 20th January, 2023) |
| 2 Mrs. Hannah W, Muriithi, EBS | Chairperson (Appointed 20th January 2023) |
| 3 Hon. Amb. Ukur Yatani, EGH | Cabinet Secretary, The National Treasury & Planning (Term ended 27th September 2022) |
| 4 Prof. Njuguna Ndung'u CBS | Cabinet Secretary, National Treasury & Economic Planning (Appointed 22nd September 2022) |
| 5 Mr. John Njera | Alternate to Cabinet Secretary, The National Treasury & Planning |
| 6 Hon. Paul Kariuki | Attorney General (Term ended November 2022) |
| 7 Hon. Justin B. N. Muturi E.G.H | Attorney General (Appointed November 2022) |
| 8 Mr. Mohamed Deiss Adow | Alternate to Attorney General |
| 9 Dr. Patrick Njoroge | Governor, Central Bank of Kenya (Term ended June 2023) |
| 10 Dr. Kamau Thugge EBS, MBS, CBS | Governor, Central Bank of Kenya (Appointed 19 th June 2023) |
| 11 Mr. Gerald Nyaoma | Alternate to CBK Governor (Term ended June 2023) |

12	Dr. Habil Olaka	Director, (C.E.O Kenya Bankers Association)
13	Mr. John Benson Maina	Director (Term ended 20th January 2023)
14	Ms. Anne Agimba	Director (Term ended 20th January 2023)
15	Mr. Robert Murimi	Director (Term ended 20th January 2023)
16	Mr. Raphael Karbuali Kosen	Director (Term ended 20th January 2023)
17	Ms. Melissa Ng'ania	Director (Appointed 20th January 2023)
18	Ms. Anne Rimbaine Lengereded	Director (Appointed 20th January 2023)
19	Mr. James Agembe Akali	Director (Appointed 20th January 2023)
20	Mr. Joseph Kipkemoi Ngetich	Director (Appointed 20th January 2023)
21	Mr. Mohamud A. Mohamud	Chief Executive Officer (Ex-officio) (Term ended 9th February 2023)
22	Mrs. Hellen Chepkwony Chief Executive Officer (Ex-officio)	(Appointed in acting capacity on 29th December 2022/substantive appointment on 23rd April 2023)

Corporation Secretary

Mrs. Eunice Kitche - Odour
P.O. Box 45983-00100
Nairobi

Registered Office and Corporate Headquarters:

Kenya Deposit Insurance Corporation
23rd Floor UAP Old Mutual Towers, Upper Hill
P.O. Box 45983 – 00100
Nairobi, Kenya

Corporate Contacts:

Telephone: +254 20 66770000, +254 709 043000
E-mail: customercare@kdic.go.ke
Website: www.kdic.go.ke

Corporate Banker:

Central Bank of Kenya
Central Bank of Kenya Building
Haile Selassie Avenue
P.O. Box 60000 – 00200
Nairobi, Kenya

Independent Auditors:

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

Principal Legal Advisers:

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112 – 00200
Nairobi, Kenya

THE BOARD OF DIRECTORS



Mrs. Hannah W, Muriithi, EBS
Chairperson

Mrs. Hannah Waitherero Muriithi, EBS is an astute and proactive legal mind with a profound background in law, management, and strategic leadership. She possesses a remarkable track record in various positions of responsibility, showcasing her exceptional abilities in governance, legal auditing, and managing Boards of Directors both in the private and public sectors.

As an ardent believer in good governance and accountability, Mrs. Muriithi's impeccable integrity sets her apart. Her dedication to ethical practices led her to become an accredited Governance and Legal Auditor, ensuring the highest standards of transparency and compliance in organizational processes.

Mrs. Muriithi's legal prowess particularly in emerging areas of law is unmatched. Her expertise in Commercial and Research Law has been instrumental in guiding organizations through complex legal challenges and facilitating strategic decision-making processes.

Her leadership acumen extends beyond the legal domain, as she is also proficient in strategic leadership at both executive and management levels. She possesses a keen eye for efficiency and effectiveness, enabling successful implementation of strategic plans.

Having experienced diverse environments in both the public and private sectors, Mrs. Muriithi is well-grounded acquiring in-depth understanding of government systems, objectives, and policies. Her persuasive negotiation skills and dynamic leadership make her an exceptional team player with a fast-learning curve, adapting swiftly to changing circumstances.

She is revered for her outstanding leadership skills, ensuring that deliverables are of exceptional quality and always on time. She has proven her talent as a change manager, successfully orchestrating organizational restructuring efforts that align with the organization's goals.

This dedication and commitment to duty has seen Mrs. Muriithi bestowed with positions of responsibility. She was the Founder Chairperson of the Board of Kenya National Highways Authority (KeNHA), where she spearheaded the operationalization of the organization from inception to become one of the revered parastatals in the Country. Further, she served as the Chairperson of the National Hospital Insurance Fund (NHIF) and the Agriculture, Fisheries, and Food Authority (AFFA).

Mrs. Muriithi's invaluable contributions and accomplishments have garnered recognition, thus receiving the prestigious Presidential Award of 'Order of the Elder of the Burning Spear' (EBS), for her role in the successful implementation of the upgraded Nairobi-Thika (A2) Superhighway.

Mrs. Muriithi is an active member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya, where she contributes her expertise to the legal and corporate governance communities.

She holds a Master's degree in Business Administration from Moi University, a Bachelor of Law (LLB. Hons.) from the University of Nairobi, and a Diploma in Law, Kenya School of Law. She is also a Certified Public Secretary of Kenya, an Accredited Governance and Legal Auditor, and serves as a Commissioner for Oaths and Notary Public.



Prof. Njuguna Ndung'u, CBS Cabinet Secretary, National Treasury & Economic Planning

Prof. Njuguna Ndung'u is the Cabinet Secretary, National Treasury & Economic Planning. He was appointed Cabinet Secretary by President William Samoei Ruto on September 27, 2022. Prior to the current appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an associate professor of economics at the University of Nairobi, Kenya and the immediate former Governor, Central Bank of Kenya.

Prof. Ndung'u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist at IDRC and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion, that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.





Dr. Kamau Thugge EBS, MBS, CBS
Governor, Central Bank of Kenya

Dr. Kamau Thugge C.B.S., is the tenth Governor of the Central Bank of Kenya (CBK), and has been in office since June 19, 2023.

Dr. Thugge joined CBK after a long and distinguished career in the international and Kenyan public service. He worked in the International Monetary Fund (IMF) in both policymaking and non-policymaking departments. These include the Policy Review and Development Department and the Trade Policy Division. In these roles, Dr. Thugge helped to design the Highly Indebted Poor Countries Initiative (HIPC) as well as other policy initiatives. He also worked on various Article IV missions. Dr. Thugge also served as Mission Chief to Botswana and Lesotho in the wake of the Global Financial Crisis.

Dr. Thugge has held various senior roles in Kenya, including as the Head of the Fiscal and Monetary Affairs Department at the National Treasury, as Economic Secretary and as Senior Economic Advisor. Dr. Thugge also served as Principal Secretary at the National Treasury, and lately as Senior Advisor to the President and Head of Fiscal and Budget Affairs. Dr. Thugge helped to design and implement various laws including the Public Finance Management Act, the Commission on Revenue Allocation Act, the Independent Officers (Appointment) Act, the Public Procurement and Disposal of Assets Act, and many more. In these roles, he also served on various boards including that of the Central Bank of Kenya, the Monetary Policy Advisory Committee (and later the

	<p>Monetary Policy Committee), the Kenya Revenue Authority and the Capital Markets Authority.</p> <p>The Governor holds a Bachelor's Degree from the Colorado College, and Master's and PhD Degrees in Economics from Johns Hopkins University in the United States.</p>
 <p>Hon. Justin B. N. Muturi E.G.H The Attorney General</p>	<p>Hon. Justin B. N. Muturi E.G.H is the Attorney General of the Republic of Kenya and has been in office since November 2022.</p> <p>Hon. Muturi joined the Office of the Attorney General with a distinguished career in public service and held several prominent leadership positions regionally and in Kenya. He is the immediate former Speaker of the National Assembly and Chair, Parliamentary Service Commission (PSC) for the period 2013-2022. During his tenure, he championed reforms in the administration of resources and efficiency of Committees of the House. He also issued key rulings and guidelines to the National Assembly to ensure full implementation of the constitutional mandate of the House.</p> <p>Hon. Muturi worked as the Chairperson of the Centre for Multi-Party Democracy during the period 2011 – 2013 and his role was instrumental in initiating reforms for the management of political parties in Kenya in the quest for promoting democracy.</p> <p>Hon. Muturi was a member of the National Assembly, Siakago Constituency, Embu County for the period</p>

	<p>1999 – 2007 and played an instrumental role in the Constitutional review process culminating in the adoption of the 2010 among other key achievements in the Parliament.</p> <p>Hon. Muturi served in the Judiciary for fifteen (15) years before retiring as Principal Magistrate at the Nairobi Law Courts. While holding this position, he served as the Chairperson of the Kenya Judges and Magistrates Association.</p> <p>Hon. Muturi has made significant contributions regionally where he held various leadership positions including the President of the Board of the African Parliamentarians Network Against Corruption (2018), and Chairperson of the Executive Committee of the Commonwealth Parliamentary Association (Africa Region) (2018).</p> <p>Mr. Muturi holds a Bachelor of Law (LLB. Hons.) from the University of Nairobi, and a Postgraduate Diploma in Law, Kenya School of Law.</p>
 <p>Mr. James Agembe Akali Director</p>	<p>Mr. James Akali is a distinguished Senior Finance and Operations expert with over 15 years of valuable expertise in the public and private sectors, including NGOs and projects funded by reputable organizations such as USAID, PEPFAR, Global Fund, and World Bank. He has a demonstrable track record of implementing industry best practices in accounting, finance, operations, and administration.</p> <p>Currently serving as the Finance and Administration Director at OGRA Foundation, Mr. Akali oversees various operational teams, including finance, grants, human resources, administration, procurement, logistics, security, and information technology.</p>

	<p>Mr. Akali is highly skilled in financial planning and budget management, contributing significantly to organizational goals. He is well-versed in implementation of financial policies and establishment of internal controls to ensure the proper utilization of resources as well as transparency.</p> <p>Throughout his career, Mr. Akali has managed USAID-funded contracts, demonstrating comprehensive knowledge of USAID regulations and compliance. He possesses strong problem-solving abilities and adapts quickly to changing circumstances, providing innovative solutions to complex issues. His ability to establish strong relationships with stakeholders enhances his effectiveness as a leader.</p> <p>He is a member of Chartered Institute of Public Accountants of Kenya (ICPAK) and currently pursuing a Ph.D. (Finance) and ACCA Certification.</p> <p>Mr. Akali who is currently pursuing his Ph.D in Finance, holds an MBA in Business Administration – (Finance) from Maseno University, a Bachelor’s degree in Business Administration (BBA-Finance) from Maseno University, a Diploma in Business Management as well as a Certificate in Project Management from Metropolitan School of Business and Management, United Kingdom.</p>
 <p>Ms. Melissa Ng'ania Director</p>	<p>Ms. Melissa Ng'ania is an outstanding legal professional with excellent personal competencies and an impressive career spanning over 10 years. She has been actively involved in various legal firms and boards, contributing her legal expertise to matters of public interest. Ms. Ng'ania is deeply devoted to community service and has served as the legal advisor to All Saints' Cathedral Nairobi since 2019, offering valuable guidance on legal matters impacting the Church.</p> <p>Ms. Ng'ania is also a dedicated trainer with the Red Cross Society, where she provides pro bono legal training on the rights of key populations and persons</p>

	<p>living with HIV and AIDS. As such, she has been involved in mentorship programs through the Law Society of Kenya, actively contributing to the development of young lawyers.</p> <p>As a member of the Environment and Land Court Bar Bench under the Law Society of Kenya, Ms. Ng'ania played a vital role in providing recommendations and guidelines on court proceedings during the Covid-19 pandemic.</p> <p>She is currently serving as the Managing Partner at Ng'ania and Company Advocates, a private legal practice based in Nairobi, Kenya.</p> <p>As a committed legal professional, Melissa is an active member of the Law Society of Kenya, LSK Court of Appeal Bar Bench and LSK Practice Standard & Ethics committee. Additionally, she holds a membership with the Chartered Institute of Arbitrators and is a certified mediator trained by the Mediation Training Institute.</p> <p>She is currently pursuing a Doctor of Philosophy (PhD) in Law at the University of Nairobi. Ms. Ng'ania holds a Master of Laws (LLM) with specialty in Law, Governance and Democracy from the University of Nairobi, a Bachelor of Laws (LLB) from Makerere University and a Post-Graduate Diploma from the Kenya School of Law.</p>
 <p>Mr. Joseph K. Ng'etich</p>	<p>Mr. Joseph Ng'etich is a dedicated and accomplished professional, with a passion for People Management and Human Resource (HR) Development. With a remarkable career spanning over two decades, Mr. Ng'etich has honed his expertise in various disciplines, including Performance Management, Leadership, Talent Development, Strategy, Planning, Business Growth, Change Management, and Procurement. His dedication to excellence is evident in his pursuit of higher education and continuous professional development.</p>

<p>Director</p>	<p>Currently engaged with Third-Eye Consulting Ltd as a Human Resource Management consultant, his invaluable insights and strategic thinking have contributed significantly to organizations seeking to optimize their HR practices and talent management. Mr. Ng’etich’s expertise has thus led to documented successful resolution of complex HR challenges in the institutions he has worked with.</p> <p>Throughout his career, Mr. Ng’etich has achieved several notable accomplishments, showcasing his leadership skills and problem-solving abilities. Specifically, Mr. Ng’etich played a pivotal role in developing the Risk Management Framework for the State Department of Social Services under the Ministry of Labour in 2021. He also served as a facilitator in Governance training for Kajiado county government and the County Assembly of Wajir in 2019 and 2020 respectively, contributing to the capacity building and talent development within these organizations.</p> <p>With strong interpersonal skills and a team-oriented approach, he is adept at getting the best out of available resources and fostering a motivated work environment. His attention to detail and strong communication skills enables him to execute projects with precision and effectiveness.</p> <p>Away from his consultancy work, Mr. Ng’etich holds various memberships in professional associations. These include the Institute of Human Resource Management (IHRM), the Kenya Institute of Management (KIM), and the Institute of Directors. He currently chairs the Kapsabet Nandi Water and Sewerage Company (KENAWASCO) making a positive impact on governance and administration.</p> <p>Mr Ng’etich boasts of an impressive academic background and is pursuing a Doctorate degree in Leadership and Organizational Development at United States International University-Africa (USIU-A).</p>
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	<p>Prior to this, he achieved a double concentration - Master of Business Administration degree in Strategic Management and Human Resources Management from United States International University (USIU). He also holds a Bachelor's degree in Business Administration from the esteemed University of Eastern Africa Baraton and a Higher Diploma in Human Resource Management from the prestigious Institute of Human Resource Management (IHRM).</p>
 <p>Ms. Anne Rimbaine Lengerded Director</p>	<p>Anne Lengerded is an accomplished professional with a bias in policy development and analysis as well as supplies chain management.</p> <p>Her impressive educational background, complemented by her professional qualifications, has been the driving force behind her exceptional career in her area of expertise. With her unwavering dedication to knowledge and growth, Ms. Lengerded continues to make immense contributions to various organizations and committees, leaving a lasting impact on Kenya's vital sectors.</p> <p>Ms. Lengerded is a member of the esteemed Chartered Institute of Purchasing Supplies (CIPS) and the Kenya Institute of Supplies Management (KISM), a clear testament to her commitment to staying abreast of industry best practices and continuous professional development.</p> <p>She holds a Master's degree in Public Policy and Analysis from Jomo Kenyatta University of Agriculture and Technology and a Bachelor of Arts degree in Commerce from Kenyatta university among her other academic qualifications.</p>



Dr. Habil Okunda Olaka
Director (Chief Executive Officer of
the Kenya Bankers Association)

Dr. Olaka was appointed as Chief Executive Officer of the Kenya Bankers Association (KBA) in October 2010. He is responsible for the strategic direction of the Association, covering industry advocacy, development, and sustainability. Previously he was the Director of Operations of the East African Development Bank (EADB) based in Kampala after serving as the Resident Manager in Kenya. He earlier served the Bank as the Head of Risk Management and as the Chief Internal Auditor.

Before joining the Bank, Dr. Olaka had been with Banque Indosuez (now Bank of Africa) as the Internal Auditor. He started his career at the PricewaterhouseCoopers, Nairobi in the Audit and Business Advisory Services Division. He sits on a number of boards representing the KBA. These are Kenya Deposit Insurance Corporation (KDIC), Higher Education Loans Board (HELB), National Research Fund (NRF), Federation of Kenya Employers (FKE), and the Anti-Money Laundering Advisory Board (AMLAB) as alternate to KBA Chairman. He is the National President of the Federation of Kenya Employers and the Chairman of the board of the Centre for Corporate Governance (CCG). He also sits on the board of the National Housing Corporation (NHC).

Dr. Olaka holds a Doctor of Business Administration from USIU-Africa, a First-Class Honours BSc degree in Electrical Engineering from the University of Nairobi, and an MBA in Finance from the Manchester Business School in the UK. His DBA dissertation was on the influence of strategic leadership on the implementation of strategy in the commercial banks in Kenya.

He is a member of the Institute of the Certified Public Accountants of Kenya (ICPAK). He is an alumnus of the Strathmore School of Accountancy, a Certified Executive Coach and has a good command of the French language.



Mrs. Hellen Chepkwony
Chief Executive Officer

Mrs. Hellen Chepchumba Chepkwony is an astute professional with a demonstrable progressive track record in strategic leadership and management, spanning over twenty years. She is a distinguished economist and risk management professional with extensive exposure in both the public and private sectors.

Mrs. Chepkwony's illustrious career has seen the University of Nairobi alumna gain tacit knowledge, which has been instrumental in the creation and management of highly productive teams.

She has thus achieved remarkable successes in her transformative agenda, striking a balance between cost reduction, efficiency and high productivity through the savvy implementation of process improvements.

As a passionate, and service-oriented thought leader, Mrs. Chepkwony has proven ability to direct and enhance operations across dynamic environments, combining exceptional skills with a proactive work ethic and commitment to achieve organizational success.

Mrs. Chepkwony has been instrumental in sector engagements, taking a lead role in the formulation of requisite financial policies through extensive research, immensely contributing to the entrenchment of Kenya's economic blue-print and engagement in regional trade, fostering financial stability and more fundamentally, the overall economic agenda of the country.

Specific highlights include her contribution to the Financial Sector Assessment Program with the International Monetary Fund, formulation of key frameworks that saw among others, KDIC's transition into a fully-fledged State Corporation and deposit insurer, resolution of problem banks as well as the upward review of the Corporation's coverage limit of Ksh. 500,000.

Having begun her career at the then Ministry of Finance, now The National Treasury and Economic Planning, Mrs. Chepkwony has served in various capacities including her

	<p>latest posting at the Central Bank of Kenya, prior to her appointment as KDIC's acting Chief Executive Officer.</p> <p>She holds M.A and B.A degrees in Economics, both from the University of Nairobi and is a member of the Institute of Risk Management.</p>
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Eunice Kitche-
Board Secretary & Director Legal
Services

Eunice Kitche-Oduor (Mrs) is a legal practitioner currently working with KDIC as the Corporation's Secretary and head of legal. She has practiced law for over 18 years, thus gaining hands-on experience and exposure in legal practice, leadership and management.

She has actively practiced litigation and conveyancing over the years. Before joining KDIC, Mrs. Oduor worked for 14 years as company secretary and head of legal in various state corporations. She has served in various capacities within government, boards and CEOs and in the process, accumulated a unique appreciation of government thinking and direction in the boards of State Corporations.

Eunice holds a Bachelor of laws degree (LLB), from the University of Nairobi, a diploma in law from the Kenya School of Law and a Masters of Business Administration in Strategic Management from Maseno University. She is also an advocate of the High Court of Kenya, a Certified Public Secretary CPS (K) and a member of Institute of Certified Secretaries in Kenya (ICS) in good standing.

SENIOR MANAGEMENT TEAM



Hellen Chepkwony
Chief Executive Officer

Mrs. Hellen Chepchumba Chepkwony is an astute professional with a demonstrable progressive track record in strategic leadership and management, spanning over twenty years. She is a distinguished economist and risk management professional with extensive exposure in both the public and private sectors.

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	<p>Having begun her career at the then Ministry of Finance, now The National Treasury and Economic Planning, Mrs. Chepkwony has served in various capacities including her latest posting at the Central Bank of Kenya, prior to her appointment as KDIC's acting Chief Executive Officer.</p> <p>She holds M.A and B.A degrees in Economics, both from the University of Nairobi and is a member of the Institute of Risk Management.</p>
 <p>Paul Manga Director, Risk & Examination</p>	<p>Mr. Paul Manga heads the Directorate of Risk and Examination. He has 15 years of experience in the banking sector having worked with both local and international institutions. As a finance and risk professional, Mr. Manga has worked for seven years in the departments of Finance & Accounts, Treasury Operations and Market Risk functions at the Standard Chartered Bank, during which he made significant contribution to the institution's overall growth. In addition, Mr. Manga was a Senior Market Risk Analyst and Regional Business Manager (EA) at the Kenya Commercial Bank – Group Treasury, for a period of 8 years</p> <p>He holds a BSc degree in Agriculture Engineering; MBA (Finance Option); Post Graduate Diploma in Business Management; Certified Investment and Finance Analyst-CIFA (K); ACI Dealing and ACI Operation for Treasury. He is a member of the Institute of Certified Investment and Finance Analyst (ICIFA)</p>
	<p>Mr. David Irungu heads the Directorate of Resolutions. He oversees the resolution process of the 18 institutions in liquidation and 1 bank in receivership.</p> <p>Mr Irungu has a wealth of experience in strategy formulation and implementation, fundraising for debt and equity, business growth and development, sales and relationship management, Compliance and risk</p>



David Irungu
Director, Resolutions

management, budgeting, financial planning and performance monitoring. He is the former Chief Executive Officer at KEY Micro Finance Bank Ltd. He also served as the Senior Business Growth & Development Manager- Supreme Banking at the Equity Bank (K) Limited – Operations Division. Mr. Irungu holds a Master of Science degree in Finance and Investments from Kenya Methodist University (KEMU), a Bachelor of Commerce (finance option) from the University of Nairobi and is a Certified Public accountant C.P.A (K) and PRINCE II practitioner.




Robert Mbarani Ingasira;
Director, Corporate Services

Mr. Robert Mbarani heads the Directorate of Corporate Services. With a career spanning over 20 years, Mr Mbarani has gained immense experience in Finance, Accounting, Human Resource and project management, having worked with various organizations in the Public Sector.

As the head of Corporate Services function, Mr. Mbarani offers strategic leadership to the Finance, Human Resource, Communications and Information Technology divisions of the Corporation. He holds an MBA in Finance from Moi University and a Bachelor of Arts (Mathematics and Economics) from the University of Nairobi.

In addition, Mr. Mbarani holds a higher Diploma in Human Resource Management. He is a member of the Institute of Human Resource Management (IHRM) as well as Institute of Certified Accountants of Kenya (ICPAK).

	<p>Mr. Mbarani has successfully attended various management courses on Corporate Governance, Risk Management and Strategic Management.</p>
 <p>Eunice Kitche-Oduor Board Secretary & Director Legal Services</p>	<p>Eunice Kitche-Oduor (Mrs) is a legal practitioner currently working with KDIC as the Corporation's Secretary and head of legal. She has practiced law for over 18 years, thus gaining hands-on experience and exposure in legal practice, leadership and management.</p> <p>She has actively practiced litigation and conveyancing for four years. Before joining KDIC, Mrs. Oduor worked for 14 years as company secretary and head of legal in various state corporations. She has served in various capacities within government, boards and CEOs and in the process, accumulated a unique appreciation of government thinking and direction in the boards of State Corporations.</p> <p>Eunice holds a Bachelor of laws degree (LLB), from the University of Nairobi, a diploma in law from the Kenya School of Law and a Masters of Business Administration in Strategic Management from Maseno University. She is also an advocate of the High Court of Kenya, a Certified Public Secretary CPS (K) and a member of Institute of Certified Secretaries in Kenya (ICS) in good standing.</p>



Mary Kiragu
Director, Internal Audit

Mary Kiragu is a credible and a distinguished Professional with over 15 years of experience in Internal Auditing, Compliance and Risk Management drawn from both public and private sector organizations.

As an Audit and a Risk Professional, Mary has been instrumental in establishing Risk Management Functions in various organizations and implementing risk-based audits that has strengthened internal controls to distinguished levels.

As the Head of Internal Audit at KDIC, Mary provides independent and objective assurance to the Board and Management on the effectiveness of internal controls, governance and risk management processes. Additionally, Mary provides advisory services at KDIC, geared towards to adding value and improving risk management and control processes implemented.

Mary holds an MBA in Finance from Daystar University and a Bachelor of Education degree (Accounting and Economics) from the University of Nairobi. She is Certified Public Accountant, Certified Information Systems Auditor and a Certified Risk Analyst.

She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Internal Auditors (IIA) and Information Systems Audit and Control Association (ISACA).

REPORT OF THE CHAIRPERSON

Dear Stakeholders,

I am pleased to present to you the Annual Report, on behalf of the Board of Directors and management.

Kenya Deposit Insurance Corporation (KDIC) made significant milestones in the financial year despite heightened global uncertainties, volatile financial markets, weaker growth outlook, persistent inflationary pressures, geopolitical tensions, and lingering effects of the COVID-19 pandemic.

Globally, the economic outlook was clouded by a number of risks, with disruptions in the global supply chain caused by war in Ukraine further contributing to inflation and slower growth. During the year in review, inflation rates hit multi-decade highs in many countries, and Central Banks across the globe raised interest rates in an effort to slow it down. This led to slower economic growth, as higher interest rates made it more expensive for businesses to borrow money and invest.

In Kenya, the economic growth rate, remained in line with country's long-term growth trajectory. This was on the backdrop of difficult global financial conditions, shocks to the price of fuel and food, and a historic drought that had an impact on the economy, particularly in the second half of 2022. As of June 2023, Kenya's overall inflation rate remained at 7.9%. This was an increase compared to the previous year, primarily due to the aforementioned factors.

The recent turmoil in the financial markets has sparked debates about the function of deposit insurance and the suitability of deposit coverage levels. The failures of Silicon Valley Bank and Signature Bank in March 2023 particularly exposed how banks globally are vulnerable to quick and widespread deposit withdrawals. This is exacerbated by the adoption of digital transaction systems and the highly concentrated depositor structures across the globe, with Kenya being no different.

In order to promote public confidence in the banking system, the Corporation strengthened its offsite surveillance system in accordance with our strategic focus. Additionally, the Corporation established programs for crisis preparedness, contingency planning and increased stakeholder

consultations and collaboration in order to work together to protect depositor interests. The year also saw three financial institutions in liquidation making dividend payouts to depositors and a further three declaring payments, and this goes a long way in establishing our footprint as a model Deposit Insurer, not only within the region but globally.

As we look back at the 2018 to 2023 Strategic Plan cycle, we are proud to report that we have achieved many of the ambitious goals we set for the organization. This strategic plan served as a roadmap for growth, innovation, and impact.

While we celebrate our successes, we also acknowledge the challenges we faced along the way. The strategic plan cycle was not without its obstacles, vulnerabilities in the global economic systems exacerbated by the COVID-19 pandemic resulted in slowed growth. However, these challenges have taught us resilience, adaptability, and the importance of agility in an ever-evolving world.

As we conclude this strategic plan cycle, we are eager to embark on the next phase of our journey. Our commitment to excellence remains unwavering, and we are in the process of shaping a new strategic plan that will guide us through the coming years.

The Board of Directors was reconstituted during the period under review, in the third quarter of the financial year 2022–2023, which resulted in the appointment of five (5) independent board members. This facilitated the Corporation's activities geared toward achieving its mandate. During the year, Board of Directors were engaged in various capacity building initiatives, key among them being induction and training on business continuity planning and enterprise risk management. Additionally, the Board approved various policies that aligned towards achievement of the strategic goals.

I wish to appreciate the exiting Board members who have been the guiding force behind strategic decision-making, providing invaluable insights, governance, and wisdom throughout their tenure. Their tireless efforts in setting the direction for the organization, ensuring compliance, and fostering a culture of transparency have been instrumental to the Corporation's successes.

Further I wish to extend my warmest appreciation to the outgoing and founding CEO of KDIC, Mr. Mohamud A. Mohamud who has been an exemplary leader, steering the ship through both

calm waters and storms. His vision, leadership, and tireless dedication have been central to the achievements over the years. Under his guidance, we were able to achieve significant milestones i.e., increased deposit cover limit, risk-based premium assessment for member institutions and even global recognition as the best deposit insurance in 2016.

In closing, I extend my heartfelt gratitude to the Board, management, staff and all stakeholders who have been instrumental in our journey so far. Your unwavering support and dedication have been the driving force behind our achievements.

As we turn the page to a new strategic plan cycle, we do so with optimism, determination, and a steadfast commitment to delivering value and making a positive impact.

Safer. Stronger. Together.



Mrs. Hannah W. Muriithi, EBS

Chairperson of the Board of Directors

REPORT OF THE CHIEF EXECUTIVE OFFICER

It is with pleasure that I present the Kenya Deposit Insurance Corporation Annual Report and Financial Statement for the period ended June 2023. The report highlights the performance of the Corporation and the impact of the activities implemented in the period under review, towards promoting sustainable development.

Operating environment

The country's financial sector has remained sound and stable in the period under review, due to sufficient capital and liquidity buffers, coordinated policy reforms and measures, and robust regulatory oversight.

The banking sector remained sound and stable despite several challenges, and most notably the persistent rise in inflation globally and across the region driven by various factors both in the internal and external environments. During the year, the sector saw an increase in total assets from Kes. 6.1 trillion in June 2022 to Kes. 7.1 trillion in June 2023. The mix of assets changed with investments in government securities declining from 29% in June 2022 to 27% in June 2023 of total assets. Consequently, loans and advances increased slightly from Kes. 3.2 trillion in June 2022 to Kes. 3.6 trillion in June 2023. The deposit liability increased from Kes. 4.6 trillion in June 2022 to Kes. 5.2 trillion in the year under review. The growth reflected the banking industry's efforts in mobilizing additional deposits to enhance the liquidity position.

Strategic wins

The year under review marked the retirement of the Corporation's 2018 – 2023 Strategic Plan whose implementation formed the foundation that steered the Corporation towards the vision of becoming a premier deposit insurance scheme.

On the **Deposit Insurance** focus area, the Corporation maintained a deposit insurance coverage limit of Kes. 500,000. Subsequently, insured deposits increased from Kes. 744 billion in June 2022 to Kes. 788 billion in June 2023.

In the period under review, the Corporation collected premium assessment income of Kes. 7.3 billion which was an increase from Kes. 6.8 billion in the previous year. The premium assessment

was based on the risk-based premium model which classifies member institutions into five premium categories based on the CAMEL rating. Additionally, the Corporation earned investment income of Kes. 20 billion during the year, an increase of Kes. 3.9 billion from the previous year. The increase was mainly due to growth in the investment portfolio as a result of increased premium revenue. This therefore resulted to growth of the fund from Kes. 160 billion in June 2022 to Kes. 187 billion in June 2023.

Secondly, on **risk management** pillar, the Corporation enhanced its early detection efforts through risk profiling of member institutions. The surveillance is in line with the mandate of providing incentives for sound risk management to member institutions. The Corporation continued to implement the CAMEL rating framework for member institutions. Additionally, there was enhanced information sharing with member institutions. During the period, the Corporation embarked on stakeholder engagements for the review of the risk based premium model and CAMEL rating model.

To enhance **prompt resolution**, the Corporation continues to manage 19 institutions in liquidation and has enhanced its efforts towards asset tracing, preservation and realization. The Corporation implemented alternative dispute resolution methods which have resulted to increased loan recoveries. Further, during the year, the Corporation made payments to depositors of five failed member institutions, amounting to Kes. Kes. 698 million. During the year, the rollout of the Mobile payments application saw positive feedback from customers who previously paid outstanding debts by visiting their banks or through the CBK branches.

On **Stakeholder engagement**, and in order to promote public confidence in the financial sector, the Corporation recognizes the need for partnership and collaboration with stakeholders. Additionally, we value feedback from our stakeholders and engage expressively with them. During the year under review, the corporation hosted various stakeholder engagements that formed the basis for present and future successes.

The Corporation conducted a Public Awareness survey, Customer Satisfaction and Brand Audit survey whose recommendations are in the implementation stage. The Corporation also continues to adhere to and monitor commitments in its Citizens Service Delivery Charter.

Organizational capacity

Lastly, on the **organizational capacity pillar**, the Corporation engaged in a culture change program, aimed at achieving our desire to build a sustainability and performance culture amongst our employees. Additionally, the Corporation maintained a staff retention rate of 96.6% with a gender diversity mix of 67% male and 33% female employees. The Corporation also continued to entrench the performance management system to monitor the achievement of objectives and align all resources to the achievement of the strategic plan. The Corporation further continued to enhance skills and knowledge of employees through various capacity building initiatives.

The Corporation continues to invest in technology, noting the increasing reliance on digital technology as well as cyber security threats globally. The Corporation employed various strategies towards enhancing information security. During the year, we conducted a Data protection Impact Assessment and provided capacity building programs to staff on data protection with a view to protect privacy rights. A cyber security audit and penetration test of the systems was conducted to identify security weaknesses and enhance system reliability with opportunities for future improvement identified.

The Corporation continues to implement various quality management systems, as well as the enterprise risk management system with a view to enhance efficiency and satisfaction of stakeholders.

The Corporation also implemented the Government of Kenya Performance Contract commitments cycle for the year. These initiatives are aligned to the Corporation's Strategic Plan, and the Government Agenda, and specifically the Public Policy Objective of depositor protection and promoting financial stability.

In conclusion, we are dedicated to stepping up efforts to raise environmental preservation awareness and instil a sustainability culture among staff members and other stakeholders as this is crucial in the achievement of our strategic objectives. The Corporation partnered with various stakeholders in efforts to enhance its participation in the increase forest cover in line with government priority. Additionally, during the year, the Corporation engaged in various corporate social responsibility programs. Going forward, the Corporation will continue to align resources

towards supporting people, processes and systems with a view to work towards achievement of strategic goals.

As I welcome you to study this report, I wish to express sincere gratitude to the Corporation's Board, management and staff for their commitment and dedication that are well evident in the outlined achievements. Additionally, I appreciate all stakeholders, specifically member institutions, who continue to play a critical role towards the achievement of the strategic goals.

The subsequent sections of this report highlight the performance of the Corporation in the financial year ended June 2023.

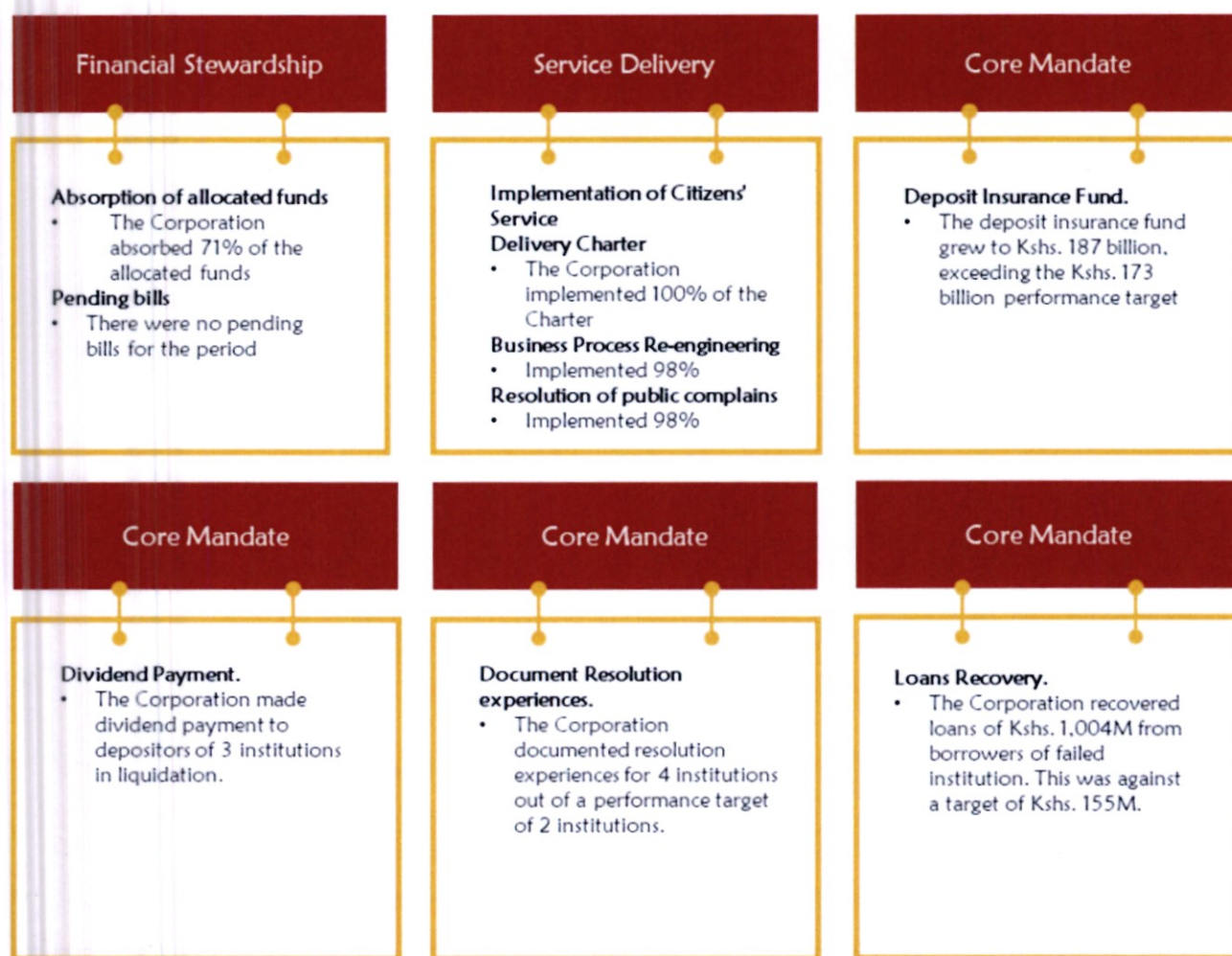


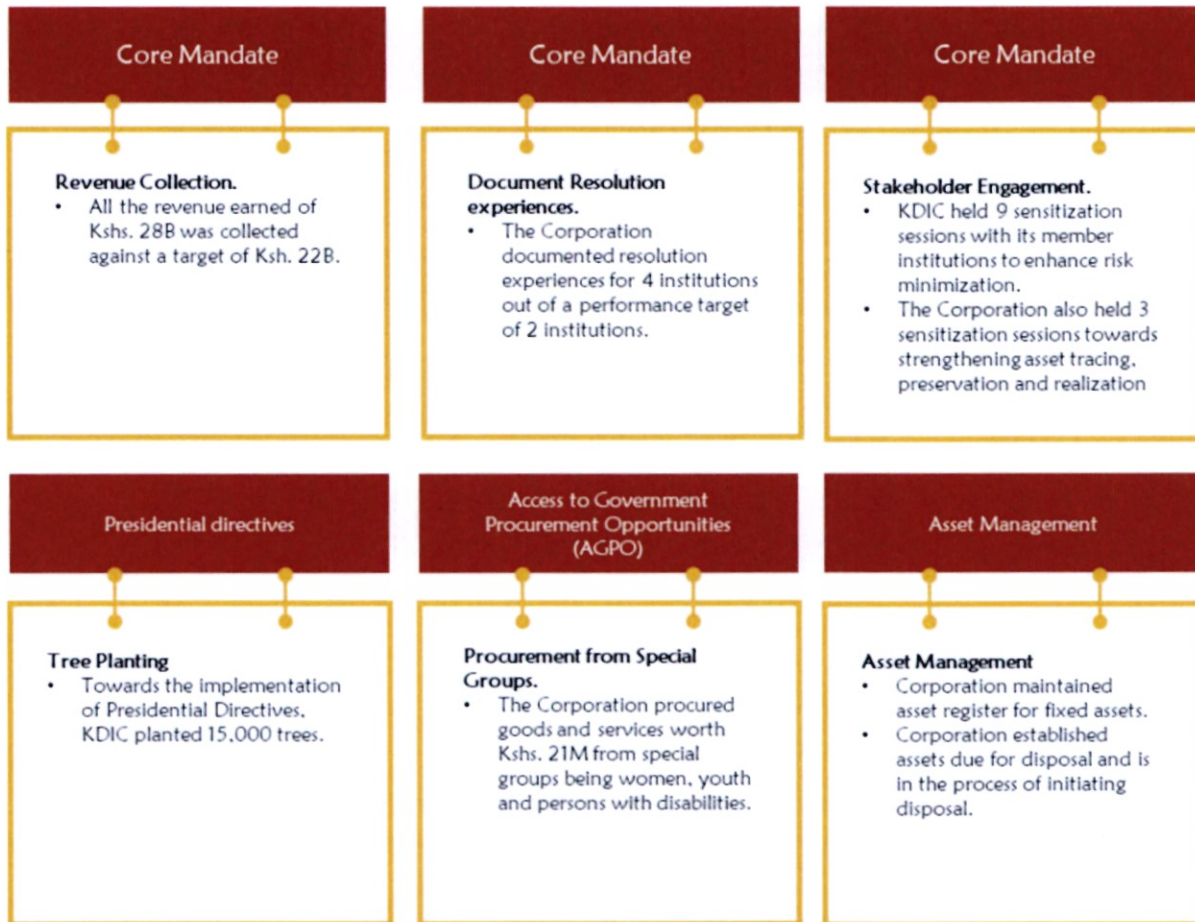
Hellen Chepkwony

Chief Executive Officer

GOVERNMENT PERFORMANCE CONTRACT

The Government uses performance contracting as its key commitment for results management in its endeavor to improve service delivery in the public service. The Corporation's Board of Directors signed a performance contract with the Government through the Ministry of National Treasury and Planning for the financial year 2022/2023. The following highlight a summary of the Corporation's Performance Contract achievements;



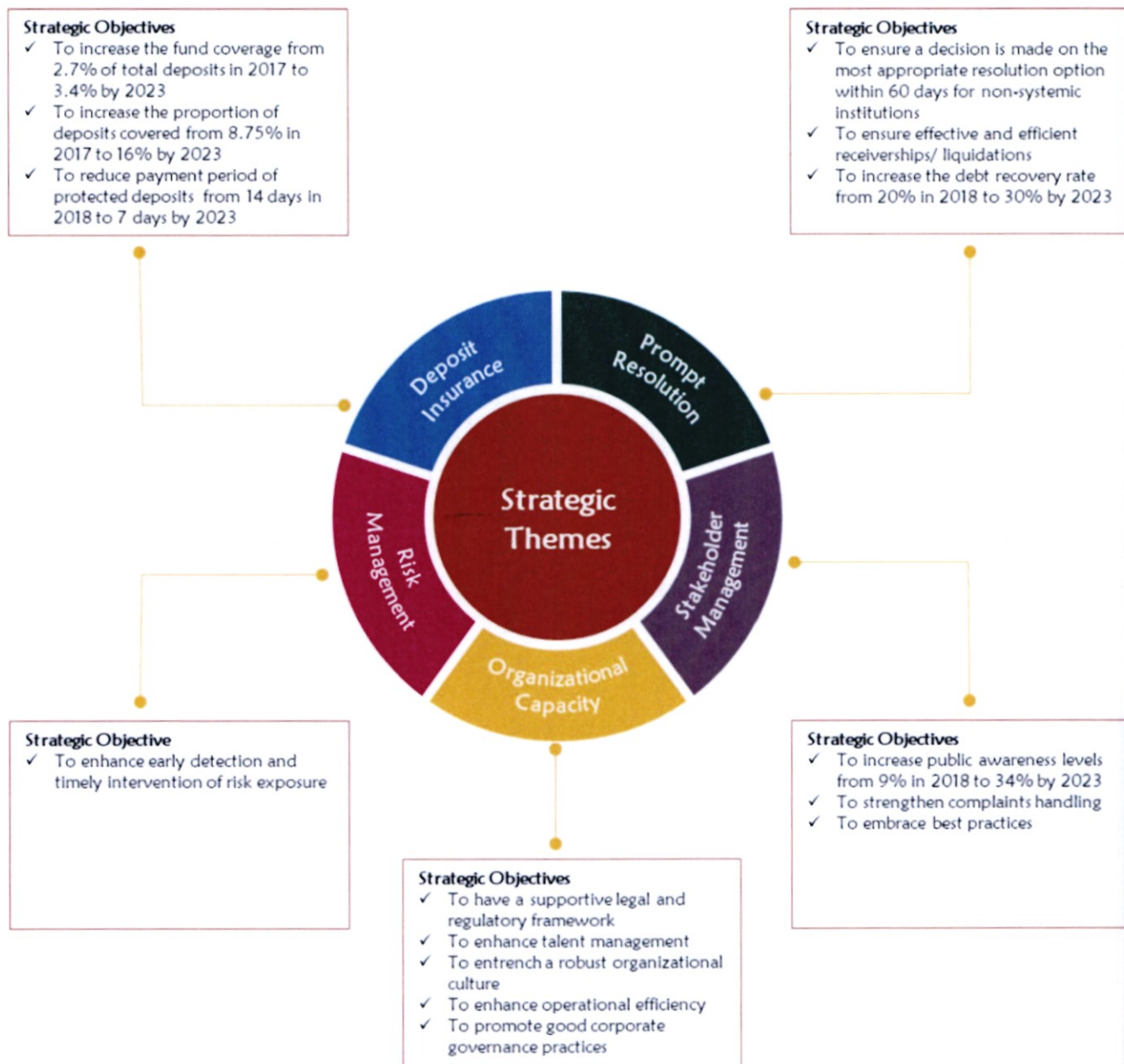


STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The Corporation's performance objectives are defined in its Strategic Plan (2018 - 2023). Further, as a government agency, KDIC signs annual Performance Contract with the parent ministry, The National Treasury and Economic Planning.

The Strategy currently being implemented has five thematic areas namely; Risk Management, Deposit insurance, Prompt Resolution, Stakeholder management and Organizational capacity. These remained key focus areas during the year under review.

Strategic Pillars and Themes;



The Corporation’s Strategic Plan is broken down to annual work plans that define the initiatives for the plan’s coverage period. During the implementation of the strategic plan through the annual work plans, the Corporation further defines its Performance Contract for a year of operation and this contract is signed by the Corporation and The National Treasury and

Planning. Throughout the corporate performance management process that starts with strategic planning to performance contracting, the Corporation incorporates the requirements of various government directives issued from time to time.

The highlights of the Corporation's Performance Contracting status are highlighted below.

Achievement of strategic objectives

Strategic Pillar	Objective	KPI	Activities	Achievements
Risk Management	Enhance early detection and timely intervention of risk exposure	Implement an early detection and intervention framework	Review and implement a risk assessment framework (CAMEL)	Implemented
			Implement early detection and intervention framework	Conducted offsite surveillance on 53 member institutions. We also conducted capacity building on Crisis Preparedness and Contingency Planning and prompt resolution.
			Stakeholder engagement on sound risk management	The Corporation conducted 4 stakeholder engagement sessions covering all our member institutions during the year.
Deposit Insurance	Achieve a coverage ratio of 23.25% by 2023	Increase in coverage ratio	Collect the deposit insurance premium (Kes.7.2B).	The Corporation assessed and collected Kes. 7.4B.
			Prudent investment of Funds - Income (Kes.15.3B)	The Corporation's prudently invested monies from the fund to maximize return while managing liquidity. This led to a revenue of Kes.20.4B against a target of Kes.15.3B.
Stakeholder Management	Increase public awareness levels from 9% in 2018 to 40% in 2023	Increase public awareness index	Conduct a targeted public awareness campaign	The Corporation conducted a public awareness campaign in collaboration with print, electronic and digital media aimed at sensitizing the public on KDIC mandate as well as enhancing confidence on safe-banking

Strategic Pillar	Objective	KPI	Activities	Achievements
			Develop and disseminate IEC Material	The Corporation distributed IEC material to members of the public during the year. These were KDIC branded merchandise to encourage the public to take up formal banking.
Prompt Resolution	Increase the debt recovery rate from 20% in 2018 to 30% by 2023	Debt recovery growth rate	Recover loans of Kes. 150M.	The Corporation was able to recover debts from failed banking institutions of Kes. 503M.
			Implement convenient loan repayment options	The Corporation implemented and is currently running mobile application that has enabled debtors of institutions in liquidation to conveniently pay their debts through e-citizen.
			Increase the number of loan repayment methods	
Organizational capacity	Enhance absorption rate (Allocated funds)	Budget utilization	Implementation of approved establishment	The Corporation's staff compliment is at 37% of its approved staff establishment.
			Develop and disseminate IEC Material	The Corporation distributed IEC material to members of the public during the year. These were KDIC branded merchandise to encourage the public to take up formal banking.

CORPORATE GOVERNANCE STATEMENT

The Corporation has incorporated a corporate governance framework which defines its systems, processes and policy structure that enhances its efficiency and accountability in decision making on issues that affects its mandate, operations and key stakeholders. This framework ensures that the Corporation employs ethical decision-making processes in relation to the Board, Management, staff and key stakeholders of the Corporation.

The Corporation upholds the principles of governance for sound governance enshrined in the Constitution 2010. The Board applies good governance practices in compliance with the, *Mwongozo Code*, which is the Code of Governance for State Corporations, the Kenya Deposit Insurance Act, No. 10 of 2012 and the State Corporations Act No. 11 of 1986, Public Finance Management Act No. 18 of 2012, international best practices amongst other laws key in the administration of State Corporations.

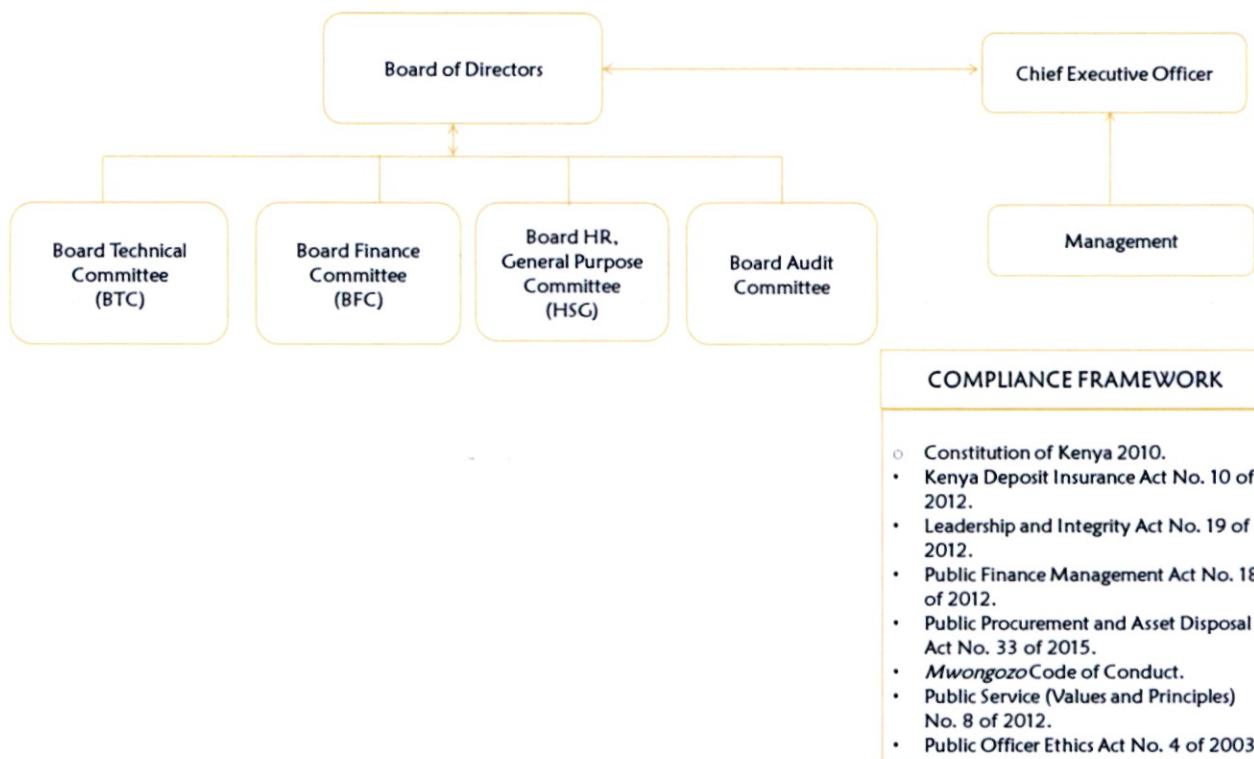
The Board adheres to the governance principles incorporated in the Board Charter. The Board members are committed in upholding high standards of ethical and moral behaviour, action in best interest of the Corporation, recognition of the legitimate interests of all stakeholders and good corporate citizenship.

The Board has developed the necessary policies, processes, systems and procedures that continue to guide operations of the Corporation. The Board undertakes periodic reviews of the policies and its governance practices to take into account statutory developments, best practices in corporate governance and the prevailing practices to achieve the mandate of the Corporation.

The Corporation is committed in ensuring that the Board is trained on specific governance related courses to empower them with high standards and practices in corporate governance. The Corporation conducts induction for every new member of the Board. The Board steers the implementation of the Governance Audit findings as par the *Mwongozo Code*.

Governance Structure and Framework

According to the Corporation’s Charter and the requirements set forth under the *Mwongozo Code*, the Corporation has adopted the following governance structure: -



Composition of the Board of Directors

The Board comprises of ten members including the Chairperson and the Chief Executive Officer who sits as an ex-officio member. The Members of the Board are drawn from diverse professional backgrounds of which five are independent members. The non-executive Directors are expected to have a clear understanding of the strategy of the Corporation as well as knowledge of deposit

insurance. During the year under review, the Board had 5 independent members including the Board Chairperson.

In facilitating sustainability, the Board, through the SCAC conducts regular review the skills, knowledge, experience and diversity represented on the Board, against the skills and experience needed to deliver the strategy of the Corporation and continues to make efforts on diversifying the skill set.

The Corporation's Board membership structure is set under the Kenya Deposit Insurance Act No. 10 of 2012 including the qualifications and skill set of the Board Members. The membership is represented as follows:



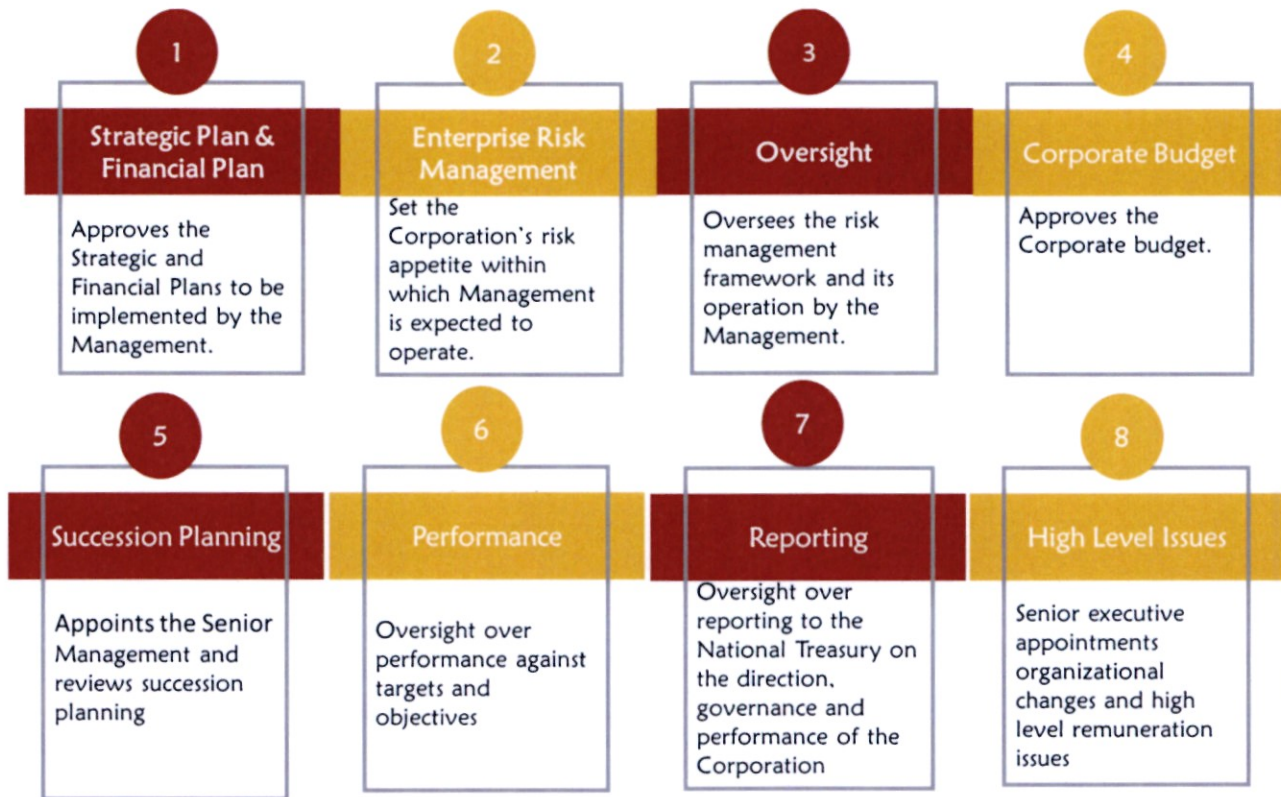
The Board composition is driven by the following principles: -

- The Composition complies with the Constitution of Kenya and applicable legislation.
- The Board must comprise of a majority of independent directors.

- The Board should consist of directors with a broad range of skills, experience and expertise from a diverse range of background with at least one member with expertise in financial management and accounting.
- The members of the Board can act independently.
- The Chairperson of the Board must be an independent director.

Role of the Board

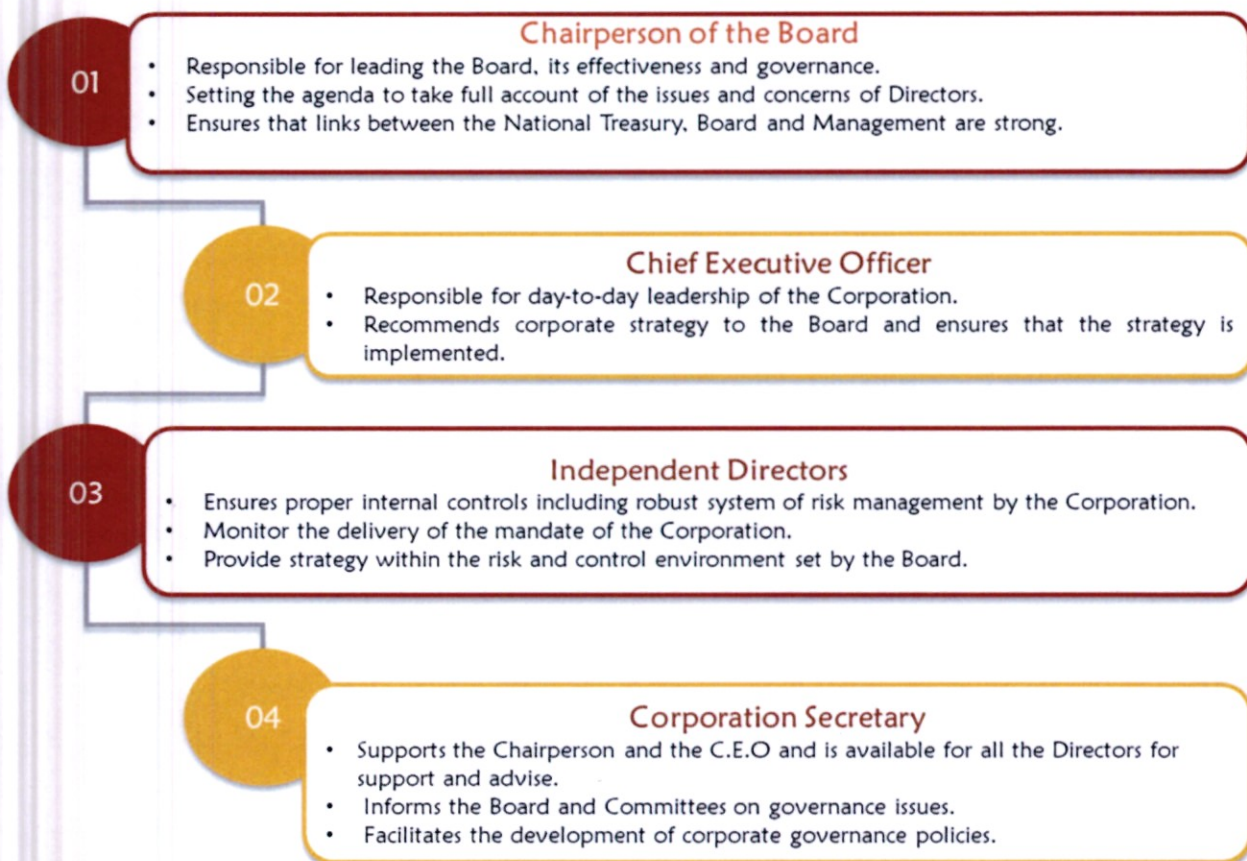
The Board Charter approved and periodically reviewed ensures that the Board undertakes its mandate within the parameters of the law because it clearly defines the roles and responsibilities of the members as summarized below;



Separation of Roles and Responsibilities

The roles of the Chairperson, Independent Director, Chief Executive Officer and the Corporation Secretary are distinct from each other and ensures that no single person dominates in decision-making but rather their roles complement it each other in steering the Corporation in achieving its statutory mandate.

Figure 5: Roles and Responsibilities



Effectiveness of the Board

The effectiveness of the Board is defined by the corporate governance tools set in the Board Charter and the *Mwongozo* Code of Governance. The governance parameters defining the Corporation's Board effectiveness are summarized below;



Authority and Delegation

The Board Charter sets out the authority and matters reserved for determination and approval by the Board and those to be performed by the Committees and the Management. These include decisions concerning strategy and long-term objectives of the Corporation, financial planning and financial budgets, significant contracts and various statutory and regulatory approvals.

Matters related to the approval of the remuneration policy, resource management, risk management framework and risk appetite are also Board reserve matters. To assist it in discharging these responsibilities, the Board has established Board Committees to give detailed consideration to key issues.

Independence of the Board

The Kenya Deposit Insurance Act No. 10 of 2012 requires that the Corporation should have at least five independent Board members appointed by the Cabinet Secretary based on their professional experience in banking, finance, insurance, commerce, law, accountancy or economics. Accordingly, the Board members are considered to be independent when they are separated from the Management, and are not conflicted to the extent of interfering with the management of the affairs of the Corporation, or any other members capacity to act independently on issues that are in the best interest of the Corporation.

Access to Information and Independent Advice

The Board is entitled to seek any information it requires from any employee or from any other source. Procedures are in place, through the Board Chairperson and the Corporation Secretary, enabling the Directors to have access, at reasonable times, to all relevant corporate information and to Senior Management, to assist them in the discharge of their duties and responsibilities and to enable them to take informed decisions.

The Directors in discharging their mandate, are also entitled to obtain independent legal, accounting or other professional advice at the Corporation's expense. The Board may conduct or direct any investigation to fulfil its responsibilities and can retain, at the Corporation's expense, any legal, accounting or other services that it considers necessary from time to time to fulfil its duties. Directors are expected to strictly adhere to the provisions of the statute applicable to the use and confidentiality of information.

Conflict of Interest

The Board of Directors of the Corporation must avoid any situation which might give rise to a conflict between their personal interest and that of the Corporation. The Directors are each responsible to notify the Chairman and the Corporation Secretary of any actual or potential conflict of interest situations as soon as they arise.

All members of the Board are required to register any areas of conflict of interest on first appointment to the Board and subsequently at the commencement of every Board meeting. The Corporation maintains a conflict-of-interest register that is regularly reviewed by the Board.

Any Director with a material personal interest in any matter being considered during any Board or Committee meeting will not vote on the matter or be present when the matter is being discussed and considered. During the year 2022/2023, except for the directorship held by the Cabinet Secretary, National Treasury, the Attorney General and the Governor Central Bank of

Kenya, CEO, Kenya Banker's Association all other Directors of the Corporation were considered independent. No incidences of material conflict of interest were identified for any of the independent Directors.

Board Succession Planning

The Board considers the succession planning of the Corporation as a key governance parameter. The appointment of independent Directors is undertaken by the Cabinet Secretary (National Treasury) in line with the KDI Act and other applicable laws. In making the appointment, the Cabinet Secretary considers skills, knowledge and experience of the applicants.

The key terms and conditions of a Director's appointment are documented in a letter of appointment. The KDI Act stipulates that independent Board Members are expected to serve a term of three years, renewable once. To ensure that there is continuity, the appointments of the Board Members is conducted in a manner which ensures that the terms of the independent Board Members do not end at the same time. The Corporation promptly notifies the Cabinet Secretary of any vacancy in the Board.

The Corporation trained the Board Members on business continuity planning which includes succession planning to ensure that the Members are appraised on current trends to support the Corporation. The Corporation is keen on implementing staggered recruitment and termination of the independent Board members to ensure continuity of the business of the Corporation.

Board Induction and Training

All newly appointed Board members participate in an induction program. The induction program includes a series of meetings with other Directors, the Chief Executive Officer and the Senior Management to enable new Directors familiarise themselves with the business of the Corporation.

The Chairperson regularly reviews the professional development needs of each Director. The program of continuing education ensures that the Board is kept up to date with developments in deposit insurance both locally and globally. It includes sessions with State Corporations Advisory Committee in the areas of general corporate governance and also in Corporation's core mandate.

The Board during the Financial Year 2022/2023 undertook education sessions touching on deposit insurance, risk management and corporate governance.

Gender Diversity

The Board upholds gender diversity enshrined under the Constitution 2010 which requires that the Corporation implement the two-third gender rule. The Board gender parity is represented as follows;



Governance Audit and Compliance Audit

The *Mwongozo* Code of Governance mandates the Board in State Corporations to undertake annual governance audit.

The Corporation, under the guidance of the Board has established implementation tools for the findings of governance audit and has since established a mechanism to address the gaps identified. The Corporation undertakes an annual self-assessment of its level of compliance with the *Mwongozo* Code of Governance. The results are reviewed and corrective action is taken.

The Corporation is implementing the recommendations of the legal compliance audit to ensure compliance with all applicable laws and identify any new gaps that may pose a risk to the operations of the Corporation.

Board Evaluation

The Board has in place a procedure for assessment of its performance and that of the Board Committees, individual Directors and the Corporation Secretary annually not only as a measure of their performance, but also to comply with the *Mwongozo Code of Governance*.

The State Corporations Advisory Committee (SCAC) evaluated the Board's performance and documented areas of improvement for implementation in the Financial Year 2023/2024.

Board Committees

The Board, in order to undertake its mandate effectively and efficiently, has four committees, which exercises delegated authority to facilitate the Board in achieving its functions. The membership of the Committees is drawn from the range of skills across the Board and shared responsibilities.

For technical committees such as the Board Audit Committee, the Board ensures that at least one member has a background in accounting or expertise in finance and is a member of good standing with the Institute of Certified Public Accountants of Kenya.

MEMBERSHIP AND FUNCTIONS OF THE BOARD COMMITTEES

COMMITTEE	MEMBERS OF THE COMMITTEE	TERMS OF REFERENCE
The Board Technical Committee (BTC)	i. Ms. Anne Agimba (Chairperson) (Term Ended 20th January 2023) ii. Mr. James Akali (Chairperson) (Appointed 20th January 2023)	The Committee supports the Board in meeting the key mandate of the Corporation under the Kenya Deposit Insurance Corporation. The responsibilities of the Committee are summarized below;

	<ul style="list-style-type: none"> iii. Dr. Habil Olaka (C.E.O Kenya Bankers Association) iv. Mr. Mohamed Adow (Alternate to the Attorney General) v. Governor CBK vi. Mr. Mohamud Ahmed Mohamud – C.E.O (Term Ended 9th February 2023) vii. Mrs. Hellen Chepkwony – C.E.O (Appointed 23rd April 2023) viii. Ms. Melissa Ngania (Appointed 20th January 2023) ix. Mr. Robert Murimi (Term Ended 20th January 2023) 	<ul style="list-style-type: none"> i. The Committee make recommendation to the Board on the following core mandate of the Corporation; <ul style="list-style-type: none"> ✓ Resolution. ✓ Risk & Examination. ii. The Committee receives management reports/status updates on inspection, and management recommendations on prompt corrective actions for member institutions and provide their input before presentation to the Board. iii. The Committee considers and reviews reports from the receiver manager on the receivership process of institutions under - receivership before presentation to the Board. iv. The Committee reviews the status reports of Institutions in receivership and in liquidation prepared by the Management before recommending them to the full Board for relevant action.
<p>FINANCE COMMITTEE (BFC)</p>	<ul style="list-style-type: none"> i. Dr. Habil Olaka (Chairperson) ii. Mr. Mohamed Adow (Alternate to the Attorney General) iii. Mr. John Njera (Alternate to the CS, National Treasury and Economic Planning) 	<p>The Committee plays an oversight role on the finance and procurement in the Corporation and reports to the Board. Key responsibilities of the Committee are summarised below;</p> <ul style="list-style-type: none"> i. The Committee considers and make recommendation on policies documents relating to the following for Board approval: - <ul style="list-style-type: none"> ✓ Finance ✓ Procurement

	<p>iv. Mr. Mohamud Ahmed Mohamud – C.E.O (Term Ended 9th February 2023)</p> <p>v. Mrs. Hellen Chepkwony – C.E.O (Appointed 23rd April 2023)</p> <p>vi. Mr. Robert Murimi (Term Ended 20th January 2023)</p> <p>vii. Mr. Joseph K. Ngetich (Appointed 20th January 2023)</p>	<p>ii. The Committee reviews and make recommendation to the Board on the following reports: -</p> <ul style="list-style-type: none"> ✓ Budgets and procurement plans. ✓ Annual accounts and thereafter submit to the Office of the Auditor General (OAG). The Committee has a duty to ensure that the accounts with supporting documentation are submitted to the OAG within three (3) months after the end of the financial year. ✓ Quarterly financial and Performance Contract reports. <p>iii. The Committee ensures compliance with Kenya Deposit Insurance Corporation Act, State Corporations Act, Financial Management Act 2012, Public Procurement and Asset Disposal Act 2015, Public Audit Act and other related legislation.</p> <p>iv. The Committee participates in the drafting, negotiation, vetting and evaluation of the Corporations Performance Contract.</p> <p>v. The Committee monitors and evaluates the GOK/KDIC Annual Performance Contract.</p>
<p>BOARD HR, STRATEGY & GENERAL-PURPOSE COMMITTEE (BHSGPC)</p>	<p>i. Ms. Anne Agimba – Chairperson (Term Ended 20th January 2023)</p>	<p>The mandate of the Committee oversees Human Resorce function and the strategy function in the Corporation and reports to the Board on the same. This Committee undertakes the following summarized responsibilities;</p>

	<ul style="list-style-type: none"> ii. Joseph K, Ngetich – Chairperson (Appointed 20th January 2023) iii. Mr. Mohamed Adow (Alternate to the Attorney General) iv. Mr. John Njera (Alternate to the CS, National Treasury and Economic Planning) v. Mr. John B. Maina (Term Ended 20th June 2023) vi. Mr. Mohamud Ahmed Mohamud – C.E.O (Term Ended 9th February 2023) vii. Mrs. Hellen Chepkwony - C.E.O (Appointed 23rd April 2023) viii. Raphael Karbuali Kosen (Term Ended 20th January 2023) ix. Ms. Anne Lengerded (Appointed 20th January 2023) 	<p>Human resource</p> <ul style="list-style-type: none"> i. The Committee ensures compliance with employment laws. ii. The Committee receives and considers Management reports on staff matters such as disciplinary cases, staff exits, recruitments, promotion, job evaluation, training, career progression salary reviews and other related matters. iii. The Committee reviews the monitoring and evaluation plan and tool for the effective implementation of the plans and continuous improvement of the corporation’s performance management system. iv. The Committee ensures compliance with the various National workplace policies such as Gender & Equality, Persons with Disability, Alcohol and drug abuse, HIV/AIDS, and National Cohesion and Integration etc. <p>Strategy</p> <ul style="list-style-type: none"> v. The Committee guides the Board on the Corporation’s strategic direction including the short, medium and long term plans of the corporation. vi. The Committee guide’s the Management and Board on the development of and periodic review of the Strategic plan.
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BOARD AUDIT COMMITTEE (BAC)	i.	Ms. Anne Lengerded (Appointed 20th January 2023)	<p>The Committee provides oversight on the Corporation's risk management, governance and internal controls in accordance with the approved Board Audit Committee Charter. The Committee undertakes the following key activities;</p> <ul style="list-style-type: none"> i. Risk management and internal controls. ii. Financial reporting and disclosure matters. iii. External auditor oversight responsibilities. iv. Internal audit oversight responsibilities. <p>The Committee comprises of six (6) members with diverse skills and expertise in public policy, economics and finance. Two members of the Committee are Advocates with considerable legal skills. The other four members have considerable skills in public policy development, finance, economic and administration of public bodies.</p>
	ii.	Mr. John Njera (Alternate to the CS, National Treasury and Economic Planning)	
	iii.	Governor CBK	
	iv.	Ms. Anne Agimba (Term Ended 20th January 2023)	
	v.	Mr. Mohamed Adow (Alternate to the Attorney General)	
	vi.	Mr. John B. Maina (Term Ended 20th January 2023)	
	vii.	Mr. Raphael Karbuali Kosen (Term Ended 20th January 2023)	
	viii.	Ms. Melissa N'gania (Appointed 20th January 2023)	
	ix.	Mr. James Akali (Appointed 20th January 2023)	

Meetings of the Board and the Committees of the Board

The Board has in place an Annual Work Plan and Almanac that sets out the Board activities in every financial year. The Board meets at least once every quarter, and additionally, when

necessary. The Annual Work Plan and Almanac are prepared at the beginning of the financial year and the Board papers and agenda are circulated in advance of each meeting.

During the year ending 30th June, 2023, the Board held a total of eleven meetings and various Committee sittings. The increase in the number of the meetings was necessitated by the transition in the office of the Chief Executive Officer and appointment of new Board members. The meetings undertaken by the Board and its Committees in compliance with the requirements of *Mwongozo Code* are shown in the table below:-

BOARD DIRECTOR	BOARD MEETINGS	BOARD TECHNICAL COMMITTEE (BTC),	BOARD FINANCE COMMITTEE (BFC)	BOARD HR, STRATEGY & GENERAL-PURPOSE COMMITTEE (BHSGPC).	BOARD AUDIT COMMITTEE (BAC),
Ms. Carol Musyoka (Chairperson) (Term Ended 20 th January, 2023)	6	N/A	N/A	N/A	N/A
Mrs. Hannah W, Muriithi, EBS (Chairperson) (Appointed 20 th January 2023)	4	N/A	N/A	N/A	N/A
Mr. John Njera Alternate to the CS, National Treasury and Economic Planning	10	N/A	7	3	4
Mr. Mohamed Adow Alternate to the Attorney General	11	4	8	7	1

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Dr. Patrick Njoroge Governor CBK (Term Ended June 2023)	5	N/A	N/A	N/A	N/A
Dr. Habil Olaka CEO Kenya Bankers Association	10	3	5	N/A	N/A
Ms. Anne Agimba (Term Ended 20th January 2023)	6	1	N/A	4	3
Mr. John B. Maina (Term Ended 20th January 2023)	5	N/A	N/A	3	3
Mr. Robert Murimi (Term Ended 20th January 2023)	1	1	2	N/A	N/A
Mr. Raphael Karbuali Kosen (Term Ended 20th January 2023)	5	N/A	N/A	1	2
Mr. Gerald Nyaoma (Alternate To CBK Governor) (Term Ended June 2023)	2	1	N/A	N/A	3

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Ms. Melissa Ng'ania (Appointed 20 th January 2023)	5	2	N/A	N/A	1
Ms. Anne Rimbaine Lengerded (Appointed 20 th January 2023)	5	N/A	N/A	4	2
Mr. James Agembe Akali (Appointed 20 th January 2023)	5	2	N/A	N/A	2
Mr. Joseph Kipkemoi Ngetich (Appointed 20 th January 2023)	6	N/A	4	4	N/A
Mr. Mohamud A. Mohamud C.E.O (Term Ended 9 th February 2023)	3	1	3	4	N/A
Mrs. Hellen Chepkwony C.E.O (Appointed In Acting Capacity On 29 th december 2023/Substantive Appointment On 23 rd April 2023)	3	2	5	5	N/A

* N/A - not a member of the committee.

Risk Management Framework

The Corporation, being a key player in the financial sector, is faced with a myriad of challenges in its operations and the effective management of risk is a fundamental enabler of its Strategic Plan. The strategy employed for the management of risks is aimed at ensuring protection of depositors of member institutions and enabling sustained performance.

The Corporation is committed to having risk management policies, processes and practices that support a high standard of governance. This enables management to undertake prudent risk-taking activities. The Board oversees the risk management strategy and framework taking into account the risk appetite, requirements of the Kenya Deposit Insurance Act No. 10 of 2012 and strategic and mandate of the Corporation.

The Corporation has adopted a 'three lines of defense' model for risk management. The overarching principle of the model is that the risk management capability must be embedded within the business to be effective. The Corporation undertakes continuous training and awareness on the enterprise management framework as a safeguard for risk management.

The framework act as the foundation for effective risk management across KDIC. The Risk Management Framework covers all systems, structures, policies, processes and people that identify, measure, evaluate, monitor, report and control or mitigate both internal and external sources of material risk. The Risk Management Framework is regularly reviewed in light of emerging risks arising from the changing business environment, better practice approaches and regulatory expectations.

Policies and Standard Operation Procedures

The Corporation has in place policies that capture not only our legal obligations, but also the reasonable expectations of the stakeholders, including customers. These policies apply to all employees and Directors of KDIC, and anyone working on the Corporation's behalf, including

contractors and consultants. The Corporation adopts zero tolerance to all forms of corruption, bribery and unethical business practices.

Ethical Conduct

The Corporation's Code of Ethical Conduct adopts the ethical standards under the Constitution and applicable standards for public officers. It covers a range of areas including personal conduct, integrity, honesty, transparency, accountability, fairness and prevention of corruption. It emphasizes the importance of making the right decisions and behaving in a manner that builds respect and trust in the organization. The Code sets out clear behavioral requirements and consequences where these are not met. The Corporation has in place a number of policies and practices to promote a culture of compliance, honesty and ethical behavior.

Board Remuneration

The remuneration of the Board is guided by SCAC and the applicable laws. The Chairperson is paid a monthly honorarium as stipulated in the letter of appointment. Board members are paid a sitting allowance that is based on the number of meetings attended. The Board members are reimbursed any expenses incurred in line of duty including mileage.

Membership to Professional Bodies

The Corporation's Board of Directors are members of diverse professional associations. The Corporation ensures that its directors are equipped with sufficient knowledge by undertaking relevant training on their development and certified courses from relevant professional bodies recognized in Kenya.

Compliance with IADI Core Principles for Effective Deposit Insurance Systems

The International Association of Deposit Insurers is the umbrella body that promotes guidance and international cooperation on deposit insurance, globally. KDIC is one of the inaugural members of the association which was founded in 2002, and has a current membership of 86

deposit insurers. The IADI Core principles (16 in number) for effective deposit insurers are developed for adoption by jurisdictions considering the adoption or reform of their deposit insurance systems.

The Corporation continuously aligns its operations and legal framework to the guidance of these principles, and was voted the best deposit insurer in the world, in 2016.

Core Principles for Effective Deposit Insurance Systems



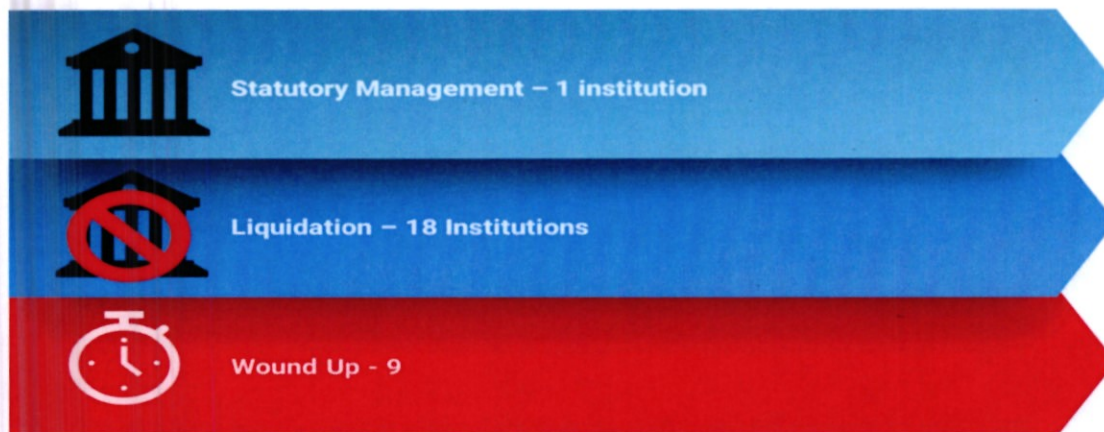
The Corporation is compliant with a number of the IADI Core Principles of Deposit Insurance. The Corporation has thirteen (13) core principles that are fully compliant, two (2) principles that are partially compliant and one (1) principle that is not applicable in undertaking its core mandate.

MANAGEMENT DISCUSSION AND ANALYSIS

PROMPT RESOLUTION OF FAILED BANKS AND MICROFINANCE BANKS

As the sole resolution authority in the country, Kenya Deposit Insurance Corporation (KDIC), continues to carry out its mandate of taking over problem banks, liquidating and subsequently winding them up as guided by the KDI Act 2012.

Table 1: Number of Institutions under statutory management, liquidation and wound up

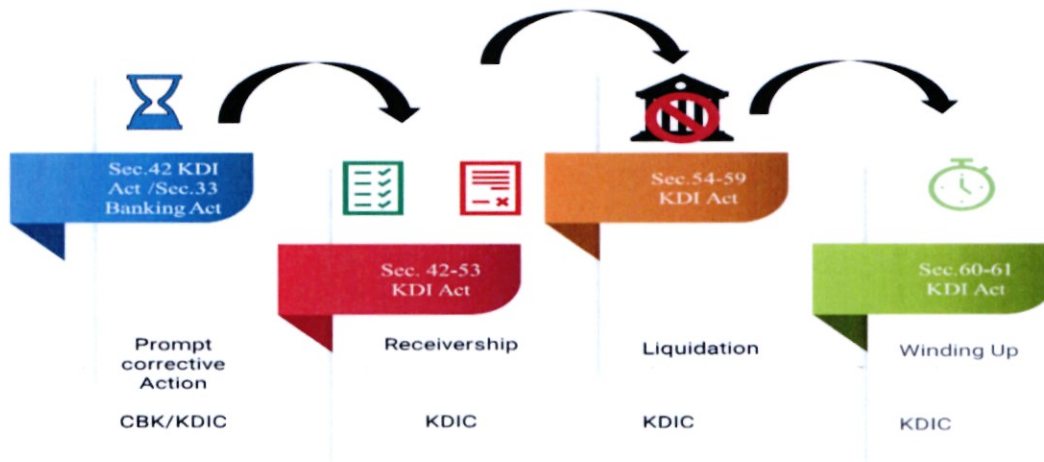


Resolution Process

KDIC has been designated as the sole and exclusive receiver of any financial institution that has been placed under receivership by the Central Bank of Kenya. KDIC looks into ways to resolve the bank, but if that doesn't work, it advises CBK to liquidate the remaining institution. Should liquidation, however, prove to be economically unviable, KDIC will request an order from the High Court to wind up the institution in accordance with KDI Act 2012.

KDIC works to ensure that the resolution process is carried out in an effective and efficient manner as it carries out this mandate. The diagram below illustrates the resolution process of a financial institution;

Figure i: The resolution process



1. Receivership

KDIC's mission to preserve the stability and integrity of the Kenyan banking system includes the receivership process as a crucial component. It makes sure that depositors' money is protected and that failing institutions are resolved in an orderly fashion with the least possible disruption to the larger financial system. To protect the interests of depositors and the general public, the KDIC has established procedures and guidelines for carrying out receiverships in line with the KDI Act.

2. Liquidation

Bank liquidation refers to the process through which a bank or financial institution is closed down and its assets and liabilities are effectively managed, often due to insolvency or other severe financial distress. The primary goal of bank liquidation is to protect the interests of depositors, creditors, and the stability of the financial system. Liquidation is last option in the resolution

process where the depositors are promptly paid their insured deposits. Subsequently, the depositors are paid dividend pay-outs from funds realised from loan repayments and realization of assets.

During the financial year, one of the large depositors of Imperial Bank Limited (IL) filed several suits challenging the liquidation process. However, this was successfully contested by the Corporation hence paving way for the payment of protected deposits.

There are currently eighteen (18) institutions in liquidation, and the following milestones were achieved during the year in review:



Initiatives implemented during the year

To ensure timely resolution of the institutions in liquidation, the Corporation implemented several initiatives as illustrated in the diagram below:



a. Payment of protected deposits

The Corporation, having been appointed as Liquidator of two financial institutions i.e., Chase Bank Ltd (IL) and Imperial Bank (IL), continued making payment of protected deposits in line with section 33 of the KDI Act, 2012.

Depositors of Chase Bank Ltd (IL) and Charterhouse Bank (IL) became the first beneficiaries of the enhanced protected payment of Kes. 500,000 per depositor.

By the end of the financial year 2022/2023, Kes. 635,741,420 had been paid out to claimants leading to full compensation of up to 177 depositors of Chase bank Ltd (IL). By partnering with SBM Bank, we were able to achieve a high claim rate by depositors 60.43% of the insured funds being paid out against an exposure of Kes.1.043 billion.

In spite of the legal challenges, Imperial Bank Ltd (IL) was also able to make protected payments of Kes.42.5 million as at 30th June 2023 and the process is still ongoing.

Payment of protected deposits instills confidence in the financial system, safeguards the savings of depositors and promotes economic stability by preventing bank runs and ensures that individuals and businesses can trust their banks. This encourages financial stability and general growth of the economy.

b. Digitization of Critical Records and Rolling Out of the Mobile App

In line with the Government's digitization program that aims to modernize public services, enhance efficiency, and promote transparency by leveraging digital technologies, thereby driving economic growth and improving the overall quality of life for its citizens, KDIC was able to digitize most of its critical records. This will go a long way in ensuring timely and efficient service delivery to the public. Through digitization these records are easily accessed and restored in case of a disaster in line with the business continuity plan.

During the year, the rollout of the Mobile app saw positive feedback from customers who previously had to pay outstanding debts by physically visiting their banks or through the CBK branches. The mobile App has made it easier for customers to access their statements on a real time basis. It is envisaged that future payment of dividends and communication to customers will be via the mobile app to increase the reach.

c. Formulation and Implementation of the ADR Policy

Alternative Dispute Resolution (ADR) is crucial as it provides a cost-effective and efficient means for resolving conflicts and disputes outside of traditional court litigation, fostering timely resolutions, reducing legal burdens, and promoting better relationships among parties involved. During the period in review, the Corporation formulated and implemented a robust ADR policy. This has resulted in amicably settling matters out of court hence resulting in enhanced debt recovery (up from Kes.984.2 million the previous financial year to Kes.1,004 million) in a cost-effective manner.

Status update for the 19 Institutions in Liquidation



Charterhouse bank limited (IL) was placed in liquidation in May 2021. However, payment of protected depositors was stopped by a court order that is still in force. As at liquidation, the institution held Kshs. 2.9 billion in deposits.



Imperial bank limited (IL) was placed in liquidation in December 2021. However, a depositor moved to court temporarily stopping the payment of protected deposits. The Corporation estimates a pay out of Kshs. 2 billion in protected deposits.



Daima bank limited (IL) was placed in liquidation in June 2005. As at liquidation, the institution held Kshs.680 million in total deposits and Ksh. 802 million in total loans. The institution has recovered Ksh. 493 million of the loans and paid out Kshs.306 million to depositors. The institution has declared the 6th dividend to depositors & creditors.



Dubai bank limited (IL) was placed in liquidation in August 2015. As at liquidation, the institution held Kshs. 4.4 billion in total loans and Kshs.1.3 billion in total deposits. The institution has recovered Kshs.308.4 million of the loans and paid out Kshs.133.4 million to depositors and creditors. During the year, the institution declared and made dividend payouts to its depositors and creditors.



Chase bank limited (IL) was placed in receivership in April 2016 and subsequently placed in liquidation in April 2021. As at liquidation, the institution held Kshs. 24 billion in total loans of which Kshs. 1 billion has since been recovered. As at the date of this report a total of Kshs.635.7 M has been paid to depositors.



Ari Bank Corporation Limited (IL) was placed in liquidation in December 1997. Total loans as at liquidation were Kshs.637 million of which Kshs.147.6 million has been recovered by June 2023. Total deposits as at liquidation were Kshs.295.4 million of which Kshs.57.8 million had been paid by June 2023.



Prudential bank limited (IL) was placed in liquidation in May 2000. Total loans as at liquidation were Kshs.1,257 million of which Kshs.85.74 million has been recovered by June 2023. As at liquidation, the institution held Kshs.598.4 million in total deposits. Of the amount, Kshs.203.66 million has been paid to depositors and creditors as at June 2023.



Reliance bank limited (IL) was placed in liquidation in September 2000. As at liquidation, the institution held Kshs.969 million in total deposits and Kshs.775 million in total loans. As at June 2023, the institution had made loan recoveries totaling Kshs.225 million and payout to depositors of Kshs.192 million.



Postbank Credit limited (IL) was placed under liquidation in May 1993. As at liquidation, the bank had Ksh. 3.32 billion in deposits, and loan advances totaling to Ksh. 3.6 billion. As at June 2023 the bank had paid depositors 15 dividend payouts totaling Kshs. 1.5 billion. As at June 2023 the institution has been able to make loan recoveries of Kes.2.02 billion.



Trade Bank Limited (IL) was placed in liquidation in August 1993. Deposits as at liquidation were Kshs. 1.67 billion of which Ksh. 754 million has been paid out to depositors and creditors. Total loans as at liquidation were Kshs. 3.95 billion and total recoveries as at June 2023 amount to Kshs.824 million. The institution has declared the 2nd dividend to depositors & creditors.



Middle Africa Finance Company Limited (IL) was placed in liquidation in August 1993. As at liquidation, the bank had Kshs. 860 million in deposits and loan advances totaling to Kshs. 1.22 billion. As at June 2023 the bank had payments to depositors & creditors of Kshs. 30 million. As at June 2023 the institution has been able to make loan recoveries of Kes. 78.4 million.



Pan-African Bank Limited (IL) was placed in liquidation in August 1994. As at liquidation, the bank had total loans of Kshs.1.4 billion of which Kshs.141.4 million had been recovered as at June 2023. Total deposits as at liquidation stood at Kshs.2,922 million with payouts amounting to Kshs.1,649 million.



Thabiti Finance Company Limited (IL) was placed in liquidation in December 1994. As at liquidation, the institution had total loans of Kshs.905 million and total deposits of Kshs.899 million. Loan recoveries as at June 2023 were Kshs.128.4 million. The institution has declared the 3rd dividend to depositors & creditors.



Meridian Biao Bank Limited (IL) was placed in liquidation in April 1996. Total deposits as at liquidation were Kshs.793 million against Kshs.224 million in total loans. Payments to depositors as at June 2023 amount to Kshs.377.45 million while loan recoveries were Kshs. 103 million.



Kenya Finance Bank Limited (IL) was placed in liquidation in October 1996. As at liquidation, the institution had Kshs. 2,329 million in total loans and Ksh. 1.951 million in total deposits of which Kshs.525.4 has been paid. As at June 2023, the institution had made loan recoveries of Kshs. 537 million. During the year, the institution declared and made dividend payouts to its depositors and creditors.

3. Winding up

The resolution process ends with winding up, which implies that there will be no further recovery and that liquidation is thus finished. As of June 30, 2023, KDIC had successfully closed nine (9) institutions.

List of wound-up Institutions:

No.	Institution	Liquidation Date	Date Wound up
1	Allied Credit Ltd International Finance	20-Aug-93	06-Nov-07
2	Ltd	16-Apr-93	06-Nov-07
3	Trade Finance Ltd	18-Aug-93	23-Sep-08
4	Diners Finance Co. Ltd	20-Aug-93	07-Nov-08
5	Nairobi Finance Ltd Inter-Africa Credit	20-Aug-93	16-Aug-10
6	Finance Ltd	31-Jan-93	07-Sep-12

7	Central Finance Ltd	19-May-93	07-Sep-12
8	Heritage Bank Ltd	13-Sep-96	22-Nov-14
	Fortune Finance Co.		
9	Ltd	14-Sep-00	15-Feb-19

Challenges faced in asset tracing and realization

Despite successes in the resolution process, the Corporation encountered a number of difficulties, including:

- **Legal Challenges:** Liquidations often involve legal challenges, including disputes with creditors, shareholders, or other parties. Resolving these disputes can be time-consuming and costly.
- **Asset Preservation:** Maintaining the condition of assets during the liquidation process is crucial to ensure they can be sold at their highest value. This may require ongoing maintenance and management. Inadequate documentation of borrowers' information
- **Employee Concerns:** Managing the transition and potential job losses for employees of the institution in liquidation is a sensitive and challenging aspect of the process.
- **Loans which were unsecured / uncollateralized**
- **Asset Recovery Delays:** Liquidations can take an extended period, and delays in asset realization can lead to diminishing values and increased costs. That Corporation kept using debt restructuring methods that took into account the debtor's financial situation and ability to repay their debts to the Institutions that were in the process of liquidation.

Despite this, the Corporation persisted in amicably engaging stakeholders and the judiciary in order to make sure that any outstanding problems were resolved in depositors' and creditors' best interests. As we continue to resolve these institutions, the Corporation encourages communication between the various stakeholders.

RISK AND EXAMINATION

Deposit Insurance and Fund Management

The Corporation manages the Deposit Insurance Fund whose membership is mandatory for all deposit-taking institutions licensed and regulated by the Central Bank of Kenya under the Banking Act and the Microfinance Act.

Accounts covered ratio

The total number of accounts increased marginally with 200,000 accounts closing at 72.2 million accounts in June 2022. Fully covered accounts increased to 71.5 million

99%

3.59%

Total deposit to fund ratio

The ratio, used to track the target fund, closed at 3.59% in June 2023 an increase from 3.43% in June 2022. The ratio assists in assessing the sufficiency of the fund to cover deposits.

Total Deposits

The deposit liability increased from Kes. 4.6 trillion in June 2022 to Kes. 5.2 trillion in the year under review. The growth reflected the industry efforts in mobilizing more deposits in support of enhancing liquidity position.

5.2 Tn

187 Bn.

Fund Balance

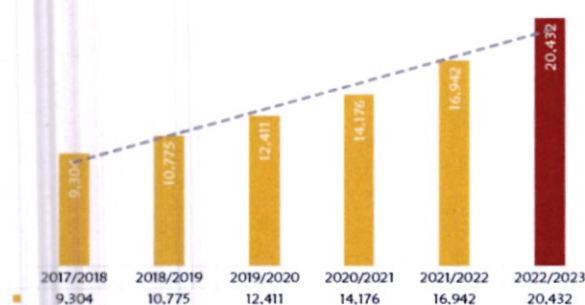
The fund balance increased from Kes. 160 billion in June 2022 to Kes 187 billion in June 2023. The growth of the fund is attributed to increase in premium income from Kes. 6.8 billion in June 2022 to Kes. 7.35 billion in the period under review. Additionally, investment income grew from Kes. 16.8 billion in June 2023 to Kes. 20.4 billion. The fund ensures availability of funds to reimburse depositors in the event of a member failure.

788 Bn.

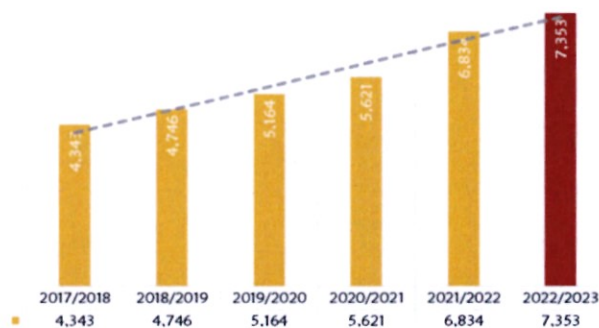
Insured Deposits

Insured deposits to Kes. 788 billion from Kes. 744 billion in June 2023. The small increase compared to the huge growth in total deposits is due to growth in large deposits.

Trend of investment income (millions)



Trend of assessment income (millions)



Investment income was Kes. 20 billion for the year, an increase of Kes. 3.9 billion from the previous fiscal year. The increase was mainly due to growth in the investment portfolio as a result of increased premium revenue.

In the period under review, assessment income was Kes 7.3 billion an increase from 7.8 in the period ended June 2022. Premium assessment was based on the risk based premium model which classifies member institutions into five premium categories based on CAMEL rating.

Deposit Insurance Highlights



Member Institutions Highlights

The banking sector saw an increase in total assets from Kes. 6.1 trillion in June 2022 to Kes. 7.1 trillion in June 2023. The mix of assets changed with investments in government securities declining with from 29% in June 2022 to 27% in June 2023 of total assets. Consequently, loans and advances increased slightly as a proportion of total assets. Despite the growth in overall assets, microfinance banks assets contracted from Kes. 71 billion in June 2022 to Kes. 68 billion.

During the year, the Corporation enhanced its early detection efforts through risk profiling of member institutions. The surveillance is in line with the mandate of providing incentive for sound

risk management to member institutions. These efforts have taken significant partnership and collaboration with member institutions and financial safety net players. The impact of this is to ensure that the industry is stable and ensure adequate preparedness in the event of a distress hence guaranteeing resilience.



Capital Adequacy

The capital adequacy for the industry remained above the minimum regulatory requirement of 10.5% with a reasonable buffer. Microfinance banks improved their adequacy ratios which is an indication of the fruits of the continued capital fundraising efforts.

Asset Quality

Asset quality estimated by net-NPL ratio remained at 7% for the industry, however, microfinance banks NPL ratio increased from 17.87% in June 2022 to 18.85% in June 2023.




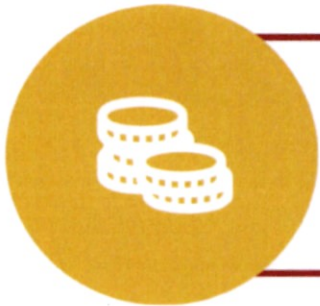
Management

Management ratio which is estimated using the cost to income ratio, a proxy of efficiency, declined with cost absorption of 62% in June 2023 from 58% in June 2022.

Earnings

Earnings measured by profit before tax to total assets as at June 2023 declined to 1.68% from 1.89% in June 2022. The decline is as a result of decline in earnings by commercial banks and losses by microfinance banks.





Liquidity

Liquidity ratio for the industry declined from 58% as at June 2022 to 55% in June 2023. This is attributed to decline in liquidity for microfinance banks from 98% in June 2022 to 64% in June 2023 due to continuous utilization of fundraised capital.

Our Strategic Wins

During the period under review, the Corporation also carried out various activities that facilitate the efficiency and provision of reliable deposit insurance. The activities were based on the desire to emulate best practice and capacity building with a view to promote financial stability.



Our Human Capital

The Corporation is privy to the fact that every workplace thrives on the satisfaction of the



employees and considers its human capital as an important and integral part of all its operations. In this regard the Corporation has put in place various employee welfare and management strategies to ensure that all employees are happy, healthy, safe, and productive. The human resource development strategies include training, employee wellness, employee appreciation, competitive salaries, and

career promotion. The Corporation also maintains comprehensive Human Resource Policies that guide all Human Resource processes. The policies are aligned with the Constitution of Kenya 2010, Labour Laws, Public Service Commission Guidelines and other related regulations.

1. Staff Statistics

During the year under review, KDIC's staff compliment was seventy-seven (87), spread across five Directorates of Resolution, Risk & Examination, Corporate Services, Legal and Internal Audit. The staff number include thirteen (13) senior management staff on contract, forty-four (44) staff on

Permanent and Pensionable terms, five (5) staff on secondment from the Central Bank of Kenya and twenty five (25) students on internship and attachment were engaged at varied periods.

2. Talent attraction and retention

The Corporation has ensured that its staff recruitment is anchored on its policies and guidelines thus ensuring acquisition of the right talent and skills. Using various robust employee retention strategies that included strong



leadership, frequent feedback, recognition, opportunities for advancement, competitive compensation packages, and a good work/life balance the Corporation had an impressive staff retention rate of 96.6%.

3. Diversity, Inclusivity and cohesion

The Corporation is committed to being an equal opportunity employer is committed to promote equity and foster equality at the place of work. The Corporation has a commitment to diversity and inclusivity in its workforce. It's recruitment strategy focuses on providing work opportunities for marginalized groups to ensure that our staff composition reflects all communities, gender, age groups and persons with disability.

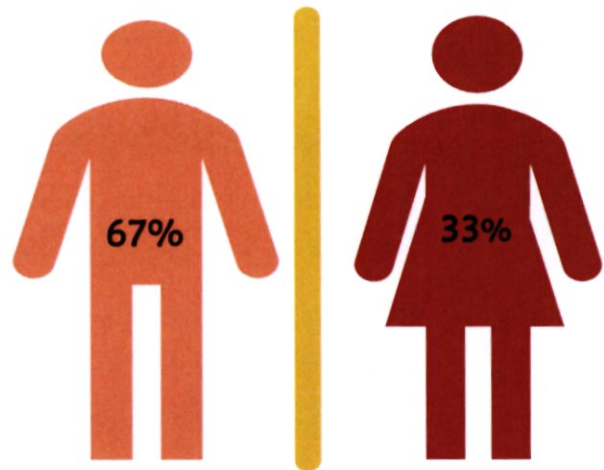


Staff Cohesion and organizational culture the Corporation

endeavours to create a harmonious and cohesive working environment. It recognizes that Culture affects how people experience an organization and sets expectations on how people behave and work together, and how well they function as a team. In this way, culture can break down the boundaries between siloed teams, guide decision-making, and improve overall workflow. During

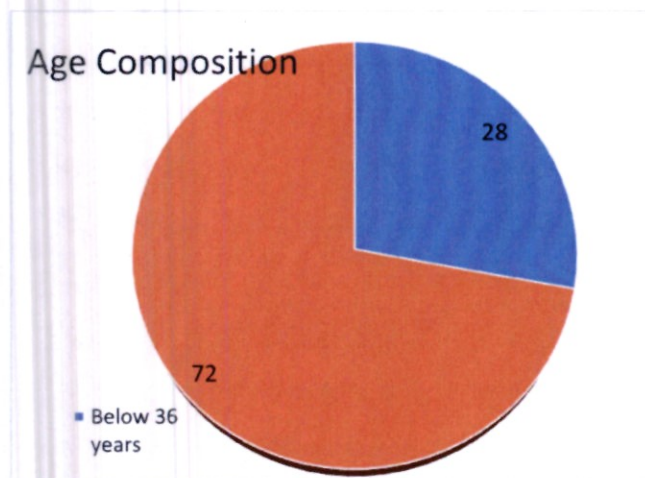
the year, KDIC undertook a culture change program which included a culture survey whose findings and recommendations are being implemented.

Gender Diversity The Corporation recognizes that ending all forms of gender discrimination is key to economic growth and development as per the Sustainable Development Goal 5. It is thus committed to the legal requirement on gender inclusivity and through targeted recruitment it has attained a gender composition of 67% male and 33% female employees.



Disability Mainstreaming The Corporation is progressively implementing the legal requirement for employment of at least 5% persons living with disability. Currently 3% of its workforce comprises of 3% PWDs PWDs.

Youth Empowerment Kenya Government's Youth Policy aims at ensuring that youth issues are reflected in all sectors of national development and emphasizes affirmative action for the youth as a strategy of participation and empowerment. The Corporation, through deliberate recruitment strategies has ensured that a substantial part of its employees comprise of youth. The youth composition of the Corporation staff currently stands at 29%. Additionally, to support youth development and empowerment KDIC engaged 12 students



on internship and attachment programs.

Ethnic and Regional Diversity The Corporation is determined to ensure all people an opportunity to participate in activities including decision making in line with the National Values and Principles

of Governance. In this regard it has ensured diversity of its workforce by deliberately focused on providing opportunities to marginalized groups to ensure that its workforce reflects all the communities within the country. Opportunities are availed to each employee to enable them develop to their full potential irrespective of their race, ethnicity, gender, marital status, age, disability, religious belief and personal political affiliation.

4. Staff Training and Development



The Corporation aspires to build its employees' strengths and capabilities through learning and development based on its strategic objectives. It has therefore invested in employee learning and development to build and enhance technical and leadership competencies while supporting employees to attain their career goals and aspirations. In line with the Human Resource Development Policy of the Public Service Commission of Kenya all the employees of the

Corporation were taken through the Public Service Commission minimum requirement of 40 hours program for training and development with a view to equipping them with skills and enhancing their productivity. The skills development program by the Corporation is based on a training need analysis conducted at the beginning of the financial year and skills/performance gap assessment based on employee feedback from annual performance assessment. This has given our employees the opportunity to upskill attain higher productivity since employees are able to execute their tasks with excellence. The Corporation has a fully functional training room and resource centre that facilitates learning and development. It also continues to encourage the use of online learning platforms that offers training content and services with 100% cloud access, anytime, anywhere.

Staff at the Corporation were engaged in various training programs.

Technical Trainings; The Corporation facilitated 44 staff members to undertake various trainings aimed at addressing technical skills required to improve their area of engagement.

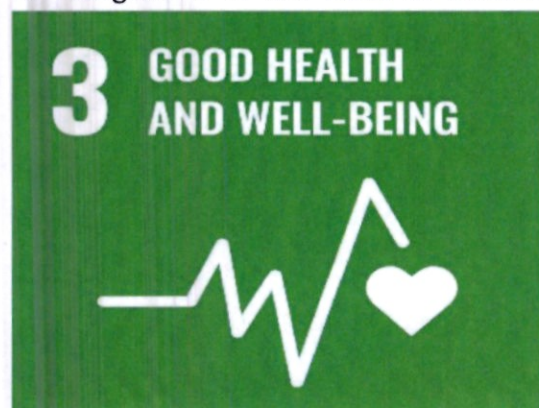
Continuous Professional Development; The Corporation's 36 employees were facilitated to attend programs aimed at enhancing their professional development with their respective Professional Bodies. These bodies included ICPAK, IHRM, LSK among others.

Corporate Trainings; The Corporation undertook two major corporate trainings for all its staff. These trainings were carried out by the Risk & Examination Department on Crisis Management and Bank Resolution Simulation and by the Human Resource and Administration Department on Staff Productivity Measurement.

Committee Trainings; In order to ensure proper functioning of its various committees, the Corporation facilitated their trainings. As a result, ten (10) committees were facilitated for trainings during the year.

5. Employee Wellness

In recognition of the need to achieve Sustainable Development Goal number 3 on Health



coverage the Corporation believes that the health and wellness of its employees is of paramount importance not only for optimum performance but also for individual employee wellbeing. KDIC endeavors to create an environment where the organization cares for its employees and individual employees care for each other and work towards achieving the success of the organization. KDIC is implementing the provisions of

the Occupational Safety and Health Act (2007) by promoting safety in all its operational and work environments. To improve safety culture, KDIC has put in place an Environmental Sustainability, Occupational Safety and Health Committee which has conducted training and staff sensitization on occupational safety and health.

The Corporation has ensured that the employees have adequate work space, furniture, tools and equipment's to facilitate effective and efficient service delivery at its UAP/Old Mutual Tower offices and Godown premises. KDIC also maintains a robust staff medical, Group life and Group Personal Accident Insurance Schemes. To ensure employee's physical wellness, the Corporation procured gym facilities where its staff can undertake physical exercises and sporting activities. The Corporation has operationalized and domesticated the Health Government Guidelines of 2018, for securing a breastfeeding- friendly working environment. This has been implemented through internal policies and measures. Areas of focus include provision of three (3) months paid maternity leave for female employees and two (2) weeks paternity leave for male employees, work life balance through flexible working arrangements such as flexi time and working from home for new mothers.

6. Performance Management

KDIC has adopted a performance management system based on the Balanced Score Card



approach which is key in monitoring employee performance at all levels where quarterly Staff Performance Appraisals are conducted. The Corporation continues to implement a culture of high performance where talent is well managed and rewarded. The performance results indicate that 1.67% of the staff attained exceptional performance, 46.67% attained very good performance and 48.33% attained

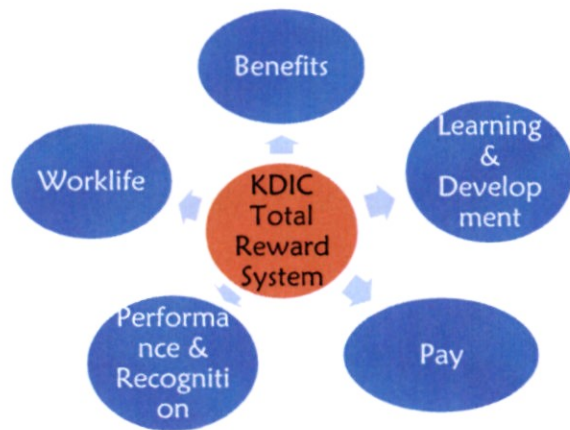
good rating in their performance. The Corporation attained an average staff performance score of 86.56 which is rated Good.

7. Employee Remuneration and Reward In recognition of the Sustainable Development Goal 10,



the Corporation strives to remunerate its employees in a manner that supports the achievement of its mandate whilst attracting and retaining requisite skills and motivating high levels of performance. The remuneration policies adopted by the Corporation ensures fairness across diversity lines eliminating gender pay gaps and facilitating equal pay for equal work. This

enables us to compete effectively in the labour market and to recruit and retain high calibre employees. This also ensures that remuneration is managed in an affordable and sustainable manner. Corporation’s remuneration strategies have been developed in line with the guidelines provided by the Salaries Remuneration Commission and The National Treasury. KDIC adopts a



The
and

total rewards system with both financial and non-financial aspects being considered.

viii) Career Mobility and Succession Management

Through Career Planning process the Corporation enables its employees to select the goals of his work life and finds ways to reach the goals. The Corporation has also adopted Succession Planning processes in order to spot and develop the employees, that can occupy the key positions in the organization, when they become vacant. The Corporation maintains a Career Framework and progression guidelines that maps out how its employees can progress in the careers and clearly stipulate the various requirements for career growth. The framework defines, attracts, motivates, and facilitates retention of critical skills required its operations. The corporation also endeavours to identify succession gaps and the potential talent required to fill the same. The gaps identified are then remedied through the development and career progression of our employees. Staff

development initiatives have been put in place to create a cohort of qualified staff who are able to undertake new roles or additional responsibilities.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Joint Sustainability Statement from the Chairperson and CEO

The Corporation places great importance on sustainability as delivers on its mandate to minimize risk, insure deposits and resolve trouble banks. KDIC acknowledges that the realization of climate-related risks could have adverse effects on the Deposit Insurance Fund and infrastructure. It could also disrupt the functioning and resilience of banks and the overall financial system, hindering the Corporation's ability to respond to bank failures promptly.

At KDIC, we are dedicated to actively participating in the pursuit of sustainability as an integral part of our daily operations while fulfilling our mission. Sustainability has become an inherent part of our fundamental values and strategic foundations, fostering accountability and continuous monitoring. Furthermore, it is reflected in our reporting, aligning with the UN Sustainable Development Goals (SDG), IADI Core Principles, and various local and global standards emphasizing Environmental, Social, and Governance (ESG) commitments.



Mrs. Hannah W. Muriithi, EBS
Chairperson of the Board of Directors



Hellen Chepkwony
Chief Executive Officer

Procurement Opportunities

In KDIC, Procurement is guided by the by the following values and principles of the Constitution and relevant legislation—principles of integrity under the Leadership and Integrity Act, 2012; promotion of local industry, sustainable development and protection of the environment; and promotion of citizen contractors. The Corporation is also guided by the Public Procurement and Asset Disposal Act, 2015.



The Corporation has been carrying out its procurement activities in accordance with the above-mentioned principles in a manner that allows maximum participation by the youth, women and people living with disability. During the period under review, the Corporations procurement



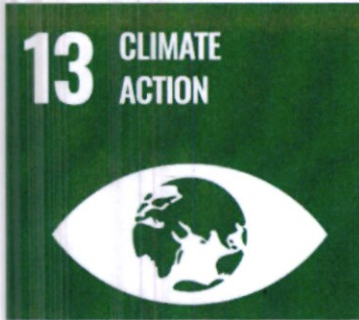
budget including ongoing projects was Kes. 239M. The Corporation had set aside Kes. 22M for the Access to Government Procurement Opportunities (AGPO) program. The Corporation managed to award tenders valued at Kes. 21M to AGPO which was 96% of the target.



The Corporation is required to reserve 2% of the 30% of Procurement Budget Reserved AGPOS for PWDs. The target for the year was Kes. 0.4M and the actual achievement was Kes. 0.7M.



Corporate Social Responsibility



The Corporation is committed to the implementation of Sustainable Development Goal 13 that is towards limiting and adopting to climate change. In line with the goal's mission to "Take urgent action to combat climate change and its impacts", KDIC regularly allocates time and resources to various activities aligned to environmental conservation.

KDIC Plants 5,000 at Kieni Forests

In December 2022, the corporation partnered with Nature Kenya, Africa's oldest environmental Society in planting 5,000 trees at Kieni Forest as part of the Corporation's Corporate Social Responsibility (CSR) objectives.

KDIC Contributes to the 15 billion Tree Growing Campaign

The Corporation partnered with the National Environment Trust Fund (NETFUND) in its initiative to rehabilitate 400 hectares of the Kessup forest block at Kaptagat. KDIC supported the planting of 10,000 trees in the forest block.



Our Board Chair Mrs. Hannah W. Muriithi, EBS, plants a tree at Kessup during the initiative supported by KDIC among other sponsors.

Our tree planting initiatives during the year are a continuation of the environmental conservation agenda which has seen the Corporation plant 25,000 trees to date, in various counties and in partnership with various stakeholders.

KDIC remains committed to the global call and agenda for urgent action, to combat climate change and its devastating impact.



KDIC is also committed to the Sustainable Development Goal 3 of Good Health and Well-Being's mission to "Ensure healthy lives and promote well-being for all at all ages". Towards this goal, the Corporation continued its support to Mbagathi Level 5 hospital by procuring 6 Intensive Care Unit beds and associated linen. This is in addition to medical equipment support provided to Mbagathi in prior years.





KDIC CEO Mrs. Hellen Chepkwony hands over ICU beds to Dr. Nicholas Tinega of Mbagathi District Hospital.

In its efforts to make a meaningful contribution to the Sustainable Development Goal Initiatives mentioned above, the Corporation encounters obstacles such as constrained budget allocations, delayed budget approval, protracted procurement procedures, and a shortage of human resources. Nevertheless, the Corporation remains steadfast in its commitment to finding solutions to these challenges and ensuring its support for the SDGs.

REPORT OF THE DIRECTORS

The Directors of the Kenya Deposit Insurance Corporation submit their report together with the audited financial statements for the year ended 30th June 2023 which show the state of the Corporation's affairs.

Principal activities

The Corporation is established and administered under the Kenya Deposit Insurance Act, 2012. The Corporation commenced operations on 1 July 2016, with a transition period of two years, to 30th June 2018. The objectives of the Corporation are to provide deposit insurance scheme for depositors of member institutions, monitor the soundness of institutions through analysis, and undertake problem bank resolution through receivership, liquidation and winding up of collapsed bank institutions in accordance with the KDI Act, 2012.

Results

The financial results of the Corporation for the year ended 30th June 2023 are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 1.

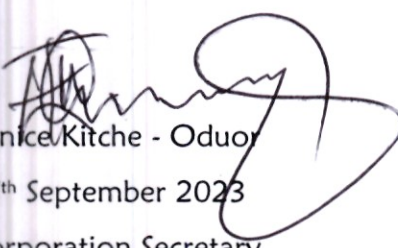
Directors

The members of the Board of Directors who served during the year were appointed as guided by Section 7 (1) of the Kenya Deposit Insurance Act, 2012. The Directors who served during the period are shown on page 4 of this report.

Auditors

The Auditor General is responsible for the statutory audit of the Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended 30th June 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board.



Eunice Kitche - Oduor
27th September 2023
Corporation Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 19 of Kenya Deposit Insurance Act, 2012 require the Directors to prepare financial statements in respect of the Corporation, which give a true and fair view of the state of affairs of the Corporation at the end of the financial year/period and the operating results of the Corporation for that year/period.

The Directors are also required to ensure that the Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Corporation. The Directors are also responsible for safeguarding the assets of the Corporation.

The Directors are responsible for the preparation and presentation of the Corporation's financial statements, which give a true and fair view of the state of affairs of the Corporation for and as at the end of the financial year (period) ended on June 30, 2022. 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 Corporation;
- (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 Corporation;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

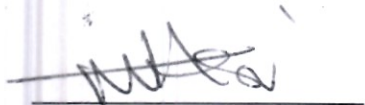
The Directors responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and Section 19 of Kenya Deposit Insurance Act, 2012

The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of Corporation's transactions during the financial year ended June 30, 2023, and of the Corporation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Corporation, which have been relied upon in the preparation of the Corporation's financial statements as well as the adequacy of the systems of internal financial control.

Having assessed the Corporation's ability to continue as a going concern, nothing has come to the attention of the Directors to indicate that the Corporation 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 Corporation's financial statements were approved by the Board on 27th September 2023 and signed on the Board's behalf by:



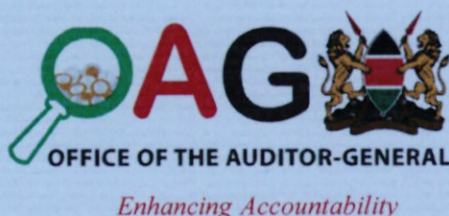
Mrs. Hannah W. Muriithi, EBS
Chairperson of the Board of Directors



Hellen Chepkwony
Chief Executive Officer

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 KENYA DEPOSIT INSURANCE CORPORATION 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 Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the 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 Kenya Deposit Insurance Corporation set out on pages 1 to 39, which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual performance 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 Kenya Deposit Insurance Corporation as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Deposit Insurance Act, 2012 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,230,321,000 and Kshs.808,101,000 respectively, resulting to an under-funding of Kshs.422,220,000, or 34% of the budget. Similarly, the Corporation expended Kshs.808,101,000 against an approved budget of Kshs.1,230,321,000, resulting to an under-expenditure of Kshs.422,220,000, or 34% of the budget.

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

My opinion is not modified in respect of this matter.

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, 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 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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 control, risk management and overall governance.

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

The Board of Directors is responsible for overseeing the Corporation'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 overall 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 control 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 control would not necessarily disclose all matters in the internal control 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 control 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 Corporation'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 Management.
- Conclude on the appropriateness of 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 Corporation'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 Corporation to cease to continue to sustain 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 Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

22 March, 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2023

	Note	2023 Kes '000	2022 Kes '000 Restated*
REVENUE			
Assessment income		-	-
Investment income		-	-
Transfer from DIF	7	789,423	686,702
Other Income		-	-
		<u>789,423</u>	<u>686,702</u>
		=====	=====
EXPENSES			
Staff costs	8	320,034	293,260 (R)
Administration and establishment expenses	9	255,626	198,927 (R)
Finance Cost	10	7,395	7,032
Board Expenses	11	24,118	12,824 (R)
Depreciation and Amortisation	12,13, 14,15	182,249	174,659
		<u>789,423</u>	<u>686,702</u>
		=====	=====
SURPLUS FOR THE YEAR BEFORE TAXATION		0	0
Taxation	1(e)	0	0
SURPLUS FOR THE YEAR AFTER TAXATION		<u>0</u>	<u>0</u>
Other comprehensive income		0	0
TOTAL COMPREHENSIVE INCOME		<u>0</u>	<u>0</u>
		=====	=====

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

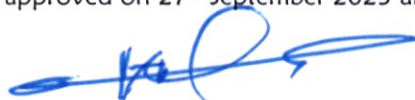
	Note	2023 Kes '000	2022 Kes '000 Restated*
ASSETS			
Non-current assets			
Property and equipment	12	496,543	624,898
Intangible assets	13	37,659	16,634
Prepaid operating lease rentals	14	75,898	77,629
Right of Use of asset	15	45,178	99,392
		655,278	818,553
Current assets			
Receivables and prepayments	16	43,712	49,342
Inventories	17	1,776	1,814
Cash and bank balances	18	74,485	27,989
		119,973	79,145
TOTAL ASSETS		775,252	897,699
RESERVE AND LIABILITIES			
Accumulated Reserve		430,169	526,083 [®]
Current liabilities			
Payables and accruals	19	307,477	279,796 [®]
Lease Liability	20	37,606	51,162
		345,083	330,958
Non-Current Liabilities			
Lease Liability	20	-	40,658
		-	40,658
TOTAL RESERVE AND LIABILITIES		775,252	897,699

[®] in the financial year 2021 2022 FY refers restated balances. Refer to Note 23 of the financial statements for details.

The financial statements were approved on 27th September 2023 and signed on its behalf by:



Chief Executive Officer
Hellen Chepkwony



Ag. Head of Finance
Nelson Nyongesa ICPAK M/NO: 3481



Chairperson of the Board of Directors
Mrs. Hannah W. Muriithi, EBS

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

	2023 Net Assets Kes '000	2022 Net Assets Kes '000 Restated*
As at 1st July	526,083	140,274,181 [®]
Revaluation Reserve	9,390	157,111
Transfer of accumulated Fund balance to Deposit Insurance Fund	-105,304	-139,156,841 [®]
Transfer of accumulated Surplus to Staff Loan Scheme	-	-748,368
Surplus for the year	-	-
	<hr/>	<hr/>
As at 30 June	430,169 =====	526,083 =====

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 Kes '000	2022 Kes '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		-	-
<i>Adjustment for:</i>			
Depreciation of property and equipment	12&15	171,757	167,896
Amortisation of software	13	8,762	6,665
Amortisation of prepaid operating lease rentals	14	1,731	98
Interest Expense	10	7,395	7,032
Revaluation gain	12	-9,390	-
<i>Changes in working capital:</i>			
Receivables and prepayments	16	5,630	72,309
Inventory	17	37	2,140
Lease Liability'	20	-13,555	-
Payables and accruals	19	-27,681	-108,602
		<hr/>	<hr/>
Net cash generated from operating activities		144,685	147,539
		=====	=====
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal on lease	20	-54,214	-54,576
Interest paid on lease	10	-7,395	-7,032
		<hr/>	<hr/>
Net cash generated from financing activities		-61,609	-61,609
		=====	=====
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	-	-	-
Purchase of property and equipment	12	-36,581	-113,840
		<hr/>	<hr/>
Net cash (used in)/generated from investment activities		-36,581	-113,840
		=====	=====
Net (decrease)/increase in cash and cash equivalents		46,496	-27,909
CASH AND CASH EQUIVALENTS AT 1 JULY 2022		27,989	55,898
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 30 JUNE 2023	18	74,485	27,989
		=====	=====

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

NOTE	Revenue	2022/2023 BUDGET Kes'000	ADJST Kes'000	FINAL BUDGET Kes'000	ACTUAL INCOME/ EXPENDITURE Kes'000	PERFORMANCE DIFFERENCE IN Kes'000	% UTILIZATION
25(I)	Transfer from DIF	1,230,321	-	1,230,321	808,101	422,220	66%
	Total Revenues	1,230,321	-	1,230,321	808,101	422,220	
	Expenditure						
25(II)	Compensation of Employees	461,289	-	461,289	320,034	141,255	69%
25(III)	Goods and Services	420,090	-	420,090	270,531	149,559	64%
25(IV)	Office Rent and Parking fees	90,000	-	90,000	16,609	73,391	18%
25(V)	Depreciation/Amortisation	228,443	-	228,443	182,249	46,193	80%
25(VI)	Capital Budget	30,500	-	30,500	18,679	11,821	61%
	Total expenditures	1,230,321	-	1,230,321	808,101	422,220	66%
	Net Surplus	-	-	-	-	-	
		=====	=====	=====	=====	=====	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Deposit Insurance Corporation is established by and derives its authority and accountability from Kenya Deposit Insurance (KDI) Act 2012. This is a wholly owned by the Government of Kenya and is domiciled in Kenya. The Corporation's principal activity is to provide deposit insurance scheme to customers of member institutions.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements are prepared on a going concern basis.

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, financial instruments at fair value and impaired assets at their estimated recoverable amounts. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

The financial statements have been prepared on accrual basis.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation rounded to the nearest thousand (Kes'000).

The financial statements have been prepared in accordance with the Public Finance Management Act,2012, the Kenya Deposit Insurance Act,2012, the State Corporation's Act (Cap.446) and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2023

IAS 8- Accounting Policies, Errors, and Estimates

The amendment, applicable to annual periods beginning on or after 1 January 2023 introduces a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

IAS 1 — Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023.

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

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted

Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)

The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss. The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.

The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

iii) Early adoption of standards

The Corporation did not early – adopt any new or amended standards in year 2022/2023.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

The Corporation accrues its income through financing by the Deposit Insurance Fund equivalent to its expenditure for the year.

b) Property ,Plant and equipment

(i) Recognition and measurement

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment as follows:

Long-term leasehold land	<i>over the lease period</i>
Buildings	2.00%
Computer equipment	33.33%
ICT equipment	20.00%
Office equipment, furniture and fittings	20.00%
Motor vehicles	25.00%

Intangible assets (Software) 25.00%

Depreciation methods, useful lives and residual values are reassessed and adjusted, if appropriate, at each reporting date. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recognized in profit or loss in the year in which they arise.

c) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Corporation does not have any internally generated intangible assets.

d) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a

leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Corporation has leased office space and the right of use of the asset have recognized an asset with subsequent depreciation over the period of the lease.

f) Inventory

Inventory comprises of stationery and other consumables. Inventories are stated at the lower of cost or net realizable value. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated total costs.

g) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These 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. Bad debts are written off after all efforts at recovery have been exhausted.

h) Taxation

The Corporation's income is not subject to corporation tax as it has been granted exemption by the statute(Section 72 of KDI Act). Therefore, no provision for current tax or deferred tax is made in the financial statements.

i) 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. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances.

j) Retirement Benefit Obligation

Employee entitlements are recognized when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date. The Corporation's employees are eligible for retirement benefits under a defined contribution plan. The defined contribution plan is funded by the Corporation as the sponsor. The Corporation recognizes contributions to the fund in the profit and loss account in the year to which they relate. The Corporation also contributes to a statutory defined contribution Pension Scheme, the National Social Security Fund (NSSF). The Corporation's contributions are also charged to the profit or loss in the year to which they relate. The Corporation has no obligation once the contributions have been paid.

k) Rounding off Difference

The Corporation in preparation of the financial statements has rounded off its figures to the nearest thousand.

l) Financial assets and liabilities

(i) Recognition

The Corporation's receivables are measured at amortised cost.

(ii) Classification

The Corporation classifies its financial assets in the receivables category. The Corporation classifies its financial liabilities as measured at amortised cost. Management determines the classification of its investments at initial recognition.

(iii) Other financial liabilities

Other financial liabilities are measured at amortised cost. These include other payables and amounts due to related companies.

(iv) Identification and measurement of impairment of financial assets

At each reporting date the Corporation assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the carrying amount.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

(v) Derecognition

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Corporation enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the statement of financial position.

(vi) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a Corporation of similar transactions such as in the Corporation's trading activity.

(vii) Fair value of financial assets and liabilities

Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability respectively in an orderly transaction between market participants at the measurement date.

m) Impairment for non-financial assets

The carrying amounts of the Corporation's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset Corporation that generates cash flows that largely are independent from other assets and Corporations. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (Corporation of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

n) Related parties

In the normal course of business, the Corporation has entered into transactions with related parties. The related party transactions are at arm's length.

o) Grants

Other grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Corporation will comply with the conditions. The grants are amortized at the rate of 20% per annum on a reducing balance over a useful life of 5 years. The Corporation's grant was amortized in the last financial year. No grant was received in the year.

p) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

q) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date. Provisions made include provisions for leave, gratuity, audit fees, bad debts

r) Budget information

The budget for FY 2022-2023 was approved on 24th June 2022. However, the KDIC's budget was rationalized vide The National Treasury Circular Ref; E51/02/'H' (19) date 7th November 2022. Further, reinstatement of the budget was approved vide approval letter dated 11th May 2023. The Corporation's budget is prepared on a different basis to 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 at the beginning of the period on assumptions and projections for costs that

have not been incurred. 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.

s) Translation of foreign currencies

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS 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. The Corporation based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

- The condition of the asset
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6. RISK MANAGEMENT

Structure and reporting

The Board of Directors are responsible for the overall risk management approach and for approving the risk management policy and strategies. There are other organs that monitor the assessment and management of risks within the Corporation including;

Board Audit Committee

The Audit Committee assists the Board in the fulfilment of its oversight responsibilities. The Committee guides and monitors the implementation of controls by the Corporation.

Internal Audit and Risk Management Unit

Internal audit department provides objective assurance and insight on the effectiveness and efficiency of risk management, internal control and governance processes in the Corporation. This is achieved by assessing the governance structures/practices in place, implementation of the Enterprise risk management framework and the level of compliance with the Kenya Deposit Insurance Act, documented policies and procedures and government guidelines issued from time to time.

Functionally, Internal Audit reports to the

Board of Directors through the Board Audit Committee and administratively to the Chief Executive Officer. This dual reporting structure ensures that the independence and objectivity of the function is guaranteed.

The corporation conducts risk assessment on regular basis which informs the internal audit plan. The identification and management of risk is a continuous process linked to the achievement of the corporation's objectives. Risk based audits are carried out by the Internal audit department and reports on internal control and risk forwarded to the Board of Directors through the Board Audit Committee.

Having implemented Team Mate Software, the Corporation has enhanced its efficiency in the internal audit process through documentation of various reports and tracking of progress of audits.

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables and cash and bank balances. The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Corporation establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Corporations of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

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	2023 Shs'000	2022 Shs'000
Bank and cash balances	74,485	27,989
Receivables	43,712	49,342
	<hr/>	<hr/>
	118,197	77,331
	=====	=====
The aging of receivables at the reporting date was:		
Not past due	-	-
Past due 0 – 30 days	8,464	8,464
Past due 31 – 90 days	10,499	10,499
Past due above 90 days	24,749	30,379
	<hr/>	<hr/>
	43,712	49,342
	=====	=====

(b) Currency risk

The Corporation operates wholly within Kenya and its assets and liabilities are reported in the local currency. It does not transact in foreign currencies.

(c) Liquidity risk management

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations arising from its financial liabilities. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. In the course of its operations, the Corporation has sundry receivables. Simultaneously it carries current liabilities in form of sundry payables and accruals. The entity matches its current assets to the current liabilities falling due to mitigate the risk of low liquidity.

The Corporation's financial liabilities amount to Kes. 313 million (2022 - Kes. 385 million) and are all short term. The financial liabilities relate to payables arising from amounts owed to vendors from supply of goods and services. To meet its obligations, KDIC is funded by the Deposit Insurance Fund in cases of insufficient liquidity.

RISK MANAGEMENT (Continued)

c. Fair Value

The fair value of financial assets and liabilities is the same as the carrying amounts as shown in the statement of financial position:

	Other financial liability KShs '000	Loans and receivables KShs '000	Held to maturity KShs '000	Total carrying value KShs '000	Fair value KShs '000
2023					
Financial assets					
Cash and bank balances	-	74,485	-	74,485	74,485
Receivables	-	43,712	-	43,712	43,712
	-	118,197	-	118,197	118,197
Financial liabilities					
Amounts due to related parties	-	-	-	-	-
Lease Liability	37,606	-	-	-	37,606
Payables and accruals	307,477	-	-	307,477	307,477
	345,083	-	-	307,477	345,083
2022					
Financial assets					
Cash and bank balances	-	27,989	-	27,989	27,989
Receivables	-	49,342	-	49,342	49,342
	-	77,331	-	77,331	77,331
Financial liabilities					
Amounts due to related parties	-	-	-	-	-
Lease Liability	91,820	-	-	-	91,820
Payables and accruals	279,796	-	-	279,796	279,796
	371,616	-	-	279,796	371,616

(a) Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Property and equipment

Critical estimates are made by the management in determining depreciation rates for property and equipment. The rates used are set out in the accounting policy for property and equipment.

(ii) Impairment of receivables

The Corporation reviews its receivables' portfolio regularly to assess the likelihood of impairment. This requires an estimation of the amounts that are irrecoverable especially debts incurred by institutions under liquidation.

(b) Critical judgements in applying the entity's accounting policies

In the process of applying the Corporation's accounting policies, management has made judgements in determining whether assets are impaired.

7 TRANSFER FROM DEPOSIT INSURANCE FUND (DIF)

The Corporation draws its income to fund operational expenditure from the Deposit Insurance fund. The amounts drawn from the fund are guided by the approved annual budgetary allocations. Kenya Deposit Insurance Fund funded recurrent expenditure for the year ended 30th June 2023 of Kes.789M compared to Kes.700M due to implementation of the budgeted activities. The income drawn from the DIF for the year to meet KDIC's recurrent expenditure is as follows;

	2023 KShs'000	2022 KShs'000 Restated*
Transfer from DIF	789,423	686,702
	<hr/>	<hr/>
Total	789,423	686,702
	<hr/> <hr/>	<hr/> <hr/>

Additionally, Capital expenditure of Kes.18M has been funded by Deposit Insurance Fund as reflected in the Statement of Budget. The increase in expenditure is attributable to implementation of approved activities.

8 STAFF COSTS

	2023 KShs'000	2022 KShs'000 Restated*
Staff salaries	268,885	252,936 ®
Gratuity	20,837	21,551
Medical Expenses	28,690	17,029
Subscriptions	1,622	1,744
	<hr/>	<hr/>
	320,034	293,260
	<hr/> <hr/>	<hr/> <hr/>

Staff costs increased during the period due to on boarding of staff in January 2023 and annual increment as per provisions of employment contracts.

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Medical expenses increased in line with increased staff establishment. Club Subscriptions decreased due to end of contract term for the Chief Executive Officer thus the subscription fees were not renewed.

Gratuity expenses increased due to annual increments which were effected on basic pay as per provisions on the contracts for annual increments.

9 ADMINISTRATION AND ESTABLISHMENT EXPENSES

	2023 KShs'000	2022 KShs'000 Restated*
Auditors' remuneration	1,500	1,500
Occupancy costs	16,609	16,210
Training Expenses	38,150	37,286 (R)
Workplace committees	189	118
Consultancy expenses	13,330	12,388 (R)
Telephone and Postage	1,296	1,359
Printing costs	10,537	6,341 (R)
Provision for debts	59	1,185
Staff Welfare	10,396	8,660 (R)
General Office maintenance	3,006	5,373 (R)
Utilities-Electricity, Water & Security Services	9,504	6,665
Motor vehicle running expenses	3,185	5,753 (R)
Core Mandate Activities	62,129	30,429
Travel & Accommodation	21,545	14,176
Land rent & rates	1,579	-
Assets insurance expenses	1,617	5,087
Publicity Expenses	9,127	17,527 (R)
ICT Maintenance expenses	51,868	26,883 (R)
Research Expenses	-	1,985
	255,626	198,927
	255,626	198,927

Consultancy expenses are largely Corporation's engagement of services of Strategy planning consultancy (Ksh.4.9M) for its strategic plan lapsing June 2023. Other Consultancy relates to Enterprise Resource Management consultancy and recruitment consultancy services.

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Core mandate activities relate to activities for Resolution and Risk minimization mandate as the key pillars for KDIC's strategic plan (2018-2023). During the year the Corporation continued with its activities geared towards promoting public confidence through stakeholder engagement. The Deposit Insurance week as one of the key activities for promoting public confidence at Kes.30M.

10 Finance Costs

	2023 Kes'000	2022 Kes'000
Interest expense on office lease	7,395	7,032
	<hr/>	<hr/>
	7,395	7,032
	<hr/> <hr/>	<hr/> <hr/>

Interest expense is an accounting expense on the recognition of the currently leased office space as a right-of-use asset.

11 BOARD EXPENSES

	2023 KShs'000	2022 KShs'000 Restated*
Fees to Directors	7,731	3,582
Other Directors' Expenses	16,387	9,242 [®]
	<hr/>	<hr/>
	24,118	12,824
	<hr/> <hr/>	<hr/> <hr/>

Board expenses increased in the year 2022/2023 as for a part of 2021/2022, the Corporation did not have a fully constituted board.

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12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Furniture & Fittings	Computers	ICT Equipment	Office & Kitchen Equipment	Work in Progress	Total
COST	Kshs.'000'							
At 1st July 2021	19,224	41,603	216,070	69,146	193,379	29,490	266,049	834,961
Additions	-	-	25,303	1,928	85,460	1,148	-	113,840
Revaluation	82,013	-	-	-	-	-	-	82,013
Adjustment	-	1.12	-	-	-	-	1,455	1,454
At 30th June 2022	101,237	41,602	241,373	71,074	278,839	30,639	264,594	1,029,357
At 1st July 2022	101,237	41,602	241,373	71,074	278,839	30,639	264,594	1,029,357
Additions	-	-	526	5,305	-	999	-	6,831
Revaluation	-	9,390	-	-	-	-	-	9,390
Adjustment	-	-	-	-	-	-	(27,032)	27,032
At 30th June 2023	101,237	50,992	241,899	76,379	278,839	31,638	237,562	1,018,546
DEPRECIATION								
At 1st July 2021	7,194	30,610	74,529	29,551	120,153	24,019	-	286,056
Charge for the year	235	6,103	55,011	10,085	40,590	1,596	-	113,621
Adjustment	-	0	4,782	-	-	-	-	4,782
Disposals	-	-	-	-	-	-	-	-
At 30th June 2022	7,429	36,714	134,322	39,636	160,743	25,615	-	404,459
At 1st July 2022	7,429	36,714	134,322	39,636	160,743	25,615	-	404,459
Charge for the year	2,365	3,375	54,813	10,992	44,158	1,840	-	117,543
Adjustment	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At 30th June 2023	9,794	40,088	189,136	50,628	204,901	27,455	-	522,002
NET BOOK VALUES								
At 30th June 2022	93,807	4,888	107,051	31,438	118,097	5,024	264,594	624,898
At 30th June 2023	91,442	10,904	52,763	25,751	73,939	4,183	237,562	496,543

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The additions during the year of Kes. 6.8 M mainly comprises of the capitalization of laptops acquired during the year for staff.

The Corporation in its effort to down to reflect fair value of its assets revalued its motor vehicles during the year by Kes.9.4M. The motor vehicles had been fully depreciated.

The work in progress balance was of Kes.235M is largely comprised of Electronic Document and Record Management System (EDRMS), and Enterprise Resource Planning System that the Corporation is in the process of implementing. The systems will support the achievement of efficiency in its operations through timely processing of information.

The adjustment of Kes.29M to Work in progress relates to capitalization of digital mobile application, E-Board and Security and Incident Management System (SIEM) during the financial year.

13 INTANGIBLE ASSETS

Intangible assets held by the Corporation are Computer Software. During the year additions to intangible assets include; digital mobile application upgrade, E-Board and Security and Incident Management System (SIEM)

COST	Kes'000
At 1st July 2021	142,315
Additions	-
At 30th June 2022	142,315
At 1st July 2022	142,315
Additions	29,786
At 30th June 2023	172,100
AMORTIZATION	
At 1st July 2021	119,016

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Charge for the Year	6,665
At 30th June 2022	125,681
At 1st July 2022	125,681
Charge for the Year	8,762
At 30th June 2023	134,442
Net Book Value	
At 30th June 2022	16,634
At 30th June 2023	37,658

14 PREPAID OPERATING LEASE RENTALS

The Corporation owns a parcel of land on which there is a go down. The land is leasehold and is depreciated over the term of the 75-year lease that lapses in 2047. The land was revalued in the last financial year.

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COST	Kshs.'000
At 1st July 2021	4,522
Additions	-
Revaluation	75,100
At 30th June 2022	79,621
At 1st July 2022	79,621
Additions	-
Revaluation	-
At 30th June 2023	79,621
AMORTIZATION	
At 1st July 2021	1,894
Charge for the Year	98
At 30th June 2022	1,992
At 1st July 2022	1,992
Charge for the Year	1,731
At 30th June 2023	3,723
NET BOOK VALUES	
At 30th June 2022	77,630
At 30th June 2023	75,899

15 RIGHT OF USE OF ASSET

The Corporation has a 5.5 years lease for its office premises at the UAP Old-Mutual Tower. The lease lapses in lapses in April 2024. In line with IFRS 16 Leases, we have recognised the leased office space as a non-current asset and made corresponding commitments on the lease liabilities.

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	Buildings - Office Lease	Total(Kshs.' 000)
COST		
At 1st July 2021	262,034	262,034
Additions	-	-
Revaluation		
Adjustment		
At 30th June 2022	262,034	262,034
At 1st July 2022	262,034	262,034
Additions	-	-
Revaluation	-	-
Adjustment	-	-
At 30th June 2023	262,034	262,034
DEPRECIATION		
At 1st July 2021	108,366	108,366
Charge for the year	54,276	54,276
Adjustment		
Disposals		-
At 30th June 2022	162,642	162,642
At 1st July 2022	162,642	162,642
Charge for the year	54,214	54,214
Adjustment	-	-
Disposals		-
At 30th June 2023	216,856	216,856
NET BOOK VALUES		
At 30th June 2022	99,392	99,392
At 30th June 2023	45,178	45,178

16 RECEIVABLES & PREPAYMENTS

	2023 Shs'000	2022 Shs'000
Prepayments & Deposits	529	529
Other Receivables	45,180	50,751
Less: Provision for Bad Debts	-1,997	-1,938
	<u>43,712</u>	<u>49,342</u>

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Prepayments & Deposits are made for credit facilities to facilitate access to services by the Corporation particularly fuel and motor vehicle maintenance.

Other Receivables largely comprise of billings to institutions in receivership which are under the management of KDIC. These relate to the reimbursement of expenses that KDIC incurs on behalf of the institutions such as staff costs and operational expenses. Further, the KDI Act, 2012, allows the Corporation to advance funds to an institution under the Corporation's management and such advances are accounted for as receivables.

17 INVENTORIES

Inventories comprise of stationery and other general office consumables

	2023 Shs'000	2022 Shs'000
Inventories	1,776	1,814
	<hr/>	<hr/>

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash in hand and cash at bank as follows:

	2023 Shs'000	2022 Shs'000
KDIC's Corporation Transaction Account	74,485	27,989
Cash in hand	-	-
	<hr/>	<hr/>
	74,485	27,989
	<hr/>	<hr/>

19 TRADE PAYABLES & ACCRUALS

	2023 Shs'000	2022 Shs'000 Restated*
Provision for Staff Leave Days	5,106	6,256
Provision for Gratuity	65,184	69,332
Provision for audit fees	1,500	1,500
Sundry payables and accruals	235,687	202,709 [®]
	<hr/>	<hr/>
	307,477	279,796
	<hr/> <hr/>	<hr/> <hr/>

The provision for gratuity at Kes.65M represents gratuity payable to staff on contract terms. The decrease from Kes.69M is due to provision for gratuity paid during the year for end of contract terms for staff.

Sundry payables and accruals are trade payables that were outstanding as at the reporting date. The decrease is due to settlement of obligations for services and goods rendered during the year.

20 LEASE (OFFICE SPACE)

The Corporation has a 5.5 years lease for its office premises at the UAP Old-Mutual Tower. The lease lapses in lapses in April 2024. In line with the newly adopted IFRS 16 Leases, we have recognised the leased office space as a non-current asset and made corresponding commitments on the lease as liabilities.

	2023 Kes'000	2022 Kes'000
Total lease commitments	91,820	146,396
Less: Lease Liability	(54,214)	(54,576)
	<hr/>	<hr/>
Total Lease Liability	37,606	91,820
	<hr/> <hr/>	<hr/> <hr/>

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Payable within one year	37,606	51,162
Payable after one year	<u>-</u>	<u>40,658</u>
	<u>37,606</u>	<u>91,820</u>

21 RETIREMENT BENEFIT OBLIGATION

The Corporation's employees who are engaged on a permanent and pensionable basis are eligible for retirement benefits under a defined contribution plan. The defined contribution plan is funded by the Corporation as the sponsor at a rate of 20% and employee 10% of basic pay. The Corporation recognizes contributions to the fund in the profit and loss account in the year to which they relate. The Corporation also contributes to a statutory defined contribution Pension Scheme, the National Social Security Fund (NSSF)

	2023 Shs'000	2022 Shs'000
Employee Contribution (Defined Contribution Plan)	8,274	6,303
Employer Contribution (Defined Contribution Plan)	16,549	12,605
NSSF-Statutory Deduction	<u>542</u>	<u>249</u>
	<u>25,366</u>	<u>19,157</u>

The increase in retirement benefit obligation is as a result of lapse of probation period for new staff during the year.

22 RELATED PARTY TRANSACTIONS

	2023 Shs'000	2022 Shs'000 Restated*
Directors' emoluments and senior management remuneration		
Fees to Directors	7,731	3,582
Other Directors' Expenses	16,387	9,242 [®]

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Remuneration to senior management	58,504	52,236
.-Cash and balances held with Central Bank of Kenya	74,485	27,989
	157,107	93,049
	157,107	93,049

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Until 2014, the Deposit Insurance mandate of the Corporation was being performed by the Deposit Protection Fund, a department of the Central Bank of Kenya. Thus, all Cash and bank balances have been classified as related party transactions.

23 RESTATEMENTS

Some figures from 2021/2022 have been restated and marked ®. The restatement relates to the previously charged expenses that were eventually reversed due to various reasons. Such include incomplete delivery by suppliers.

24 REVALUATION RESERVE

The revaluation reserve for the year relates to motor vehicles that were revalued during the year. Prior year adjustment relates to adjustment of Creditor balances for local purchase orders that were committed but not supplied.

25 EXPLANATION OF PERFORMANCE ON THE STATEMENT OF BUDGET & ACTUAL COMPARISON

The total approved corporate budget for the year under review was Kes. 1,230 M being Kes. 1,199M for recurrent budget and Kes. 30.5M for capital expenditure. The gross budget utilization was Kes. 808M or 66%.

- I. The Corporation's operations are fully funded by the income generated Deposit Insurance Fund. This funding is guided by the approved budgetary allocations annually. Despite the approvals, the Corporation exercise prudence in management of financial resources by drawing from the fund on a need basis. During the year, the Corporation was financed Kes.789M for operational expenditure and Kes.19 M for capital expenditure.
- II. The Corporation had an approved budget of Kes. 320M for compensation to employees compared to Kes.461M, a utilization of 69%. Some of the employees planned for were to be recruited during the financial year. However, the on boarding of staff was delayed, awaiting approval of revised Human Resource Instruments.
- III. The Corporation budgeted for Kes. 420M for goods and services of which Kes. 270M or 64% was utilized. The low utilization is attributed to rationalization of the budget during the financial year.
- IV. The Rent and Parking fees was budgeted at Kes. 90M compared to the actual of Kes.78M. This is a utilization of 87%. The variance is due to provision for review of rent as provided for in the lease agreement that was not effected during the year. On the financial statements, the rental expense is presented as Kes. 17M due to the application of *IFRS 16: Leases*.

- V. The Depreciation & amortization at Kes.182M was below budget due to ICT systems that had been planned for commissioning early in the financial year but the implementation of the respective projects delayed. The acquisition of Enterprise Resource Planning (ERP) and EDRMS are in its final stages of implementation
- VI. Capital expenditure for the year was Kes. 19M, representing a utilization of 61% against a budget of Kes.31M. The expenditure is largely on purchase of additional laptops and motor vehicle.

APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR 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	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Nil	Nil	Nil	Nil	Nil	Nil



Hellen Chepkwony

Chief Executive Officer