

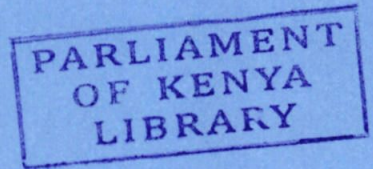
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF




THE AUDITOR-GENERAL

ON

**STAFF MORTGAGE AND CAR LOAN SCHEME –
KENYA DEPOSIT INSURANCE CORPORATION**

**FOR THE YEAR ENDED
30 JUNE, 2024**

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	29 APR 2025
	DAY: Tuesday
TABLED BY:	Hon. Julius Melly, MP on behalf of LOM
CLERK-AT THE-TABLE:	Benson Inzoga



KENYA DEPOSIT INSURANCE CORPORATION

Annual Report and Financial Statements for Staff Mortgage & Car Loan Scheme

for the Financial Year Ending June 30, 2024

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

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ACRONYMS AND GLOSSARY OF TERMS

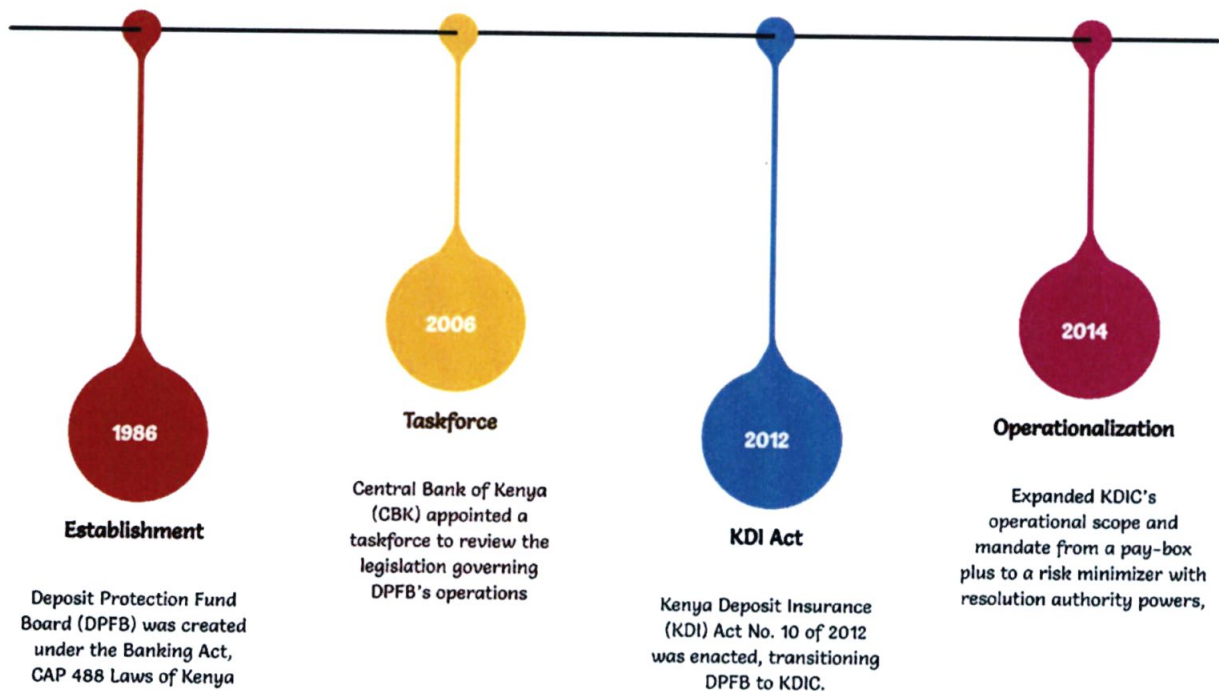
IFRS	International Financial Reporting Standards
KDIC	Kenya Deposit Insurance Corporation
KDI	Kenya Deposit Insurance
DIF	Deposit Insurance Fund
KES	Kenya Shilling
PITICA	Professionalism, Integrity, Customer Focus, , Innovativeness, and Accountability
QMS	Quality Management System
CSR	Corporate Social Responsibility
PFM Act	Public Finance Management Act
ICT	Information, Communication Technology

KEY ENTITY INFORMATION

Background Information

The Kenya Deposit Insurance Corporation (KDIC) was established under the Kenya Deposit Insurance Act, Cap 487C. As a State Corporation and the country's Resolution Authority, KDIC manages the Deposit Insurance Fund and handles the receivership, liquidation and winding-up of any failing member institutions. It plays a crucial role in promoting financial system stability by minimizing risks within the banking sector.

Kenya's deposit protection framework has a rich history spanning over 38 years. In 1986, the Deposit Protection Fund Board (DPFB) was created under the Banking Act, CAP 488 Laws of Kenya, with an initial capital of Kes. 300 million provided by the National Treasury. The Board's mandate was to offer deposit protection to customers of member institutions and restore confidence and stability in the financial sector.



Initially, the DPFB functioned as a pay-box plus, focusing solely on deposit guarantees and bank liquidation. However, challenges in administering this framework led the Central Bank of Kenya (CBK) to appoint a taskforce in March 2006. This taskforce reviewed the

legislation governing DPFB's operations and recommended a new legal framework to expand its mandate, ensure its autonomy, and enhance its corporate governance structure.

As a result, the Kenya Deposit Insurance (KDI) Act No. 10 of 2012 was enacted, transitioning DPFB to KDIC. The Act became operational in July 2014, marking a new era of deposit protection in Kenya. It expanded KDIC's operational scope and mandate from a pay-box plus to a risk minimizer with resolution authority powers, aligning its operations with international best practices.

To support the Corporation in achieving its primary mandates of Deposit Insurance, Risk Minimization and Resolution of problem banks, the Corporation designed a program to improve talent management, aimed at attracting and retaining skilled personnel to bolster service delivery. One of the key initiatives designed to attract and retain talent was the establishment of Staff Mortgage and Car Loan Scheme to facilitate staff in getting housing facilities and mobility in line with government policy.

KDIC set up the scheme in with the Salaries and Remuneration Commission circular SRC/023/12/2014 of 17th December 2014, and Public Service Car Loan and Mortgage schemes guidelines on the management and operation of such schemes. The Corporation developed a policy to guide the loans management that was approved by KDIC Board and National Treasury to operationalise the scheme. Further, the Corporation sought budgetary approval of KES 747M from the National Treasury to operationalize the scheme, which approval was granted in the financial year 2018 - 2019. This is therefore the sixth (6th) year of the schemes operations.

DIRECTORS

The Directors who served during the year ending 30th June 2024 were as follows;

- | | |
|-----------------------------------|--|
| 1. Mrs. Hannah W, Muriithi, EBS | Chairperson (Appointed 20 th January 2023) |
| 2. Prof. Njuguna Ndung'u CBS | Cabinet Secretary, National Treasury & Economic Planning (Appointed 22 nd September 2022) |
| 3. Mr. John Njera | Alternate to Cabinet Secretary, The National Treasury & Planning |
| 4. Hon. Justin B. N. Muturi E.G.H | Attorney General (Appointed November 2022) |
| 5. Mr. Mohamed Deiss Adow | Alternate to Attorney General |
| 6. Dr. Kamau Thugge EBS, MBS, CBS | Governor, Central Bank of Kenya (Appointed 19 th June 2023) |
| 7. Mr. Kennedy Abuga | Alternate to CBK Governor |
| 8. Dr. Habil Olaka | Director representing the Kenya Bankers Association |
| 9. Ms. Melissa Ng'ania | Director (Appointed 20 th January 2023) |
| 10. Ms. Anne Rimbaine Lengereded | Director (Appointed 20 th January 2023) |
| 11. Mr. James Agembe Akali | Director (Appointed 20 th January 2023) |
| 12. Mr. Joseph Kipkemoi Ngetich | Director (Appointed 20 th January 2023) |
| 13. Mrs. Hellen Chepkwony | Chief Executive Officer (Appointed 23 rd 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

The Board of Directors has the overall oversight responsibility of the Staff Mortgage and Car Loan Scheme. As detailed in the section on corporate governance, this responsibility is administered through various committees of the Board that have specific roles. The Board of Directors during the financial year ending were;



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.

	<p>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).</p> <p>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.</p> <p>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.</p> <p>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.</p>
 <p>Prof. Njuguna Ndung’u, CBS Cabinet Secretary, National Treasury & Economic Planning</p>	<p>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.</p> <p>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</p>

	<p>Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from University 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.</p>
 <p>Dr. Kamau Thugge EBS, MBS, CBS Governor, Central Bank of Kenya</p>	<p>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.</p> <p>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.</p> <p>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 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 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</p>

	<p>(2018), and Chairperson of the Executive Committee of the Commonwealth Parliamentary Association (Africa Region) (201</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 PhD. (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 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. 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 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</p>



Mr. Joseph K. Ng'etich
Director

Management, and Procurement.

His dedication to excellence is evident in his pursuit of higher education and continuous professional development.

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.



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.


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.

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.

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).

Prior to this, he achieved a double concentration -Master of Business Administration degree in Strategic Management and Human Resources Management from United States International

	<p>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>
 <p>Dr. Habil Okunda Olaka Director (Chief Executive Officer of the Kenya Bankers Association)</p>	<p>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.</p> <p>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),</p>

	<p>National Research Fund (NRF), Federation of Kenya Employers (FKE), and the Anti-Money Laundering Advisory Board (AMLAR) 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).</p> <p>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.</p> <p>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.</p>
 <p>Mrs. Hellen Chepkwony Chief Executive Officer</p>	<p>Mrs. Hellen 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>

	<p>fundamentally, the overall economic agenda of the country.</p> <p>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.</p> <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>Eunice Kitche- 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 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.</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>

SENIOR MANAGEMENT TEAM

The key management personnel who held office during the financial year ended 30 June 2024 and who had direct fiduciary responsibility over the loan scheme were:



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.

	<p>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>David Irungu Director, Resolutions</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 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.</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>
 <p>Mary Kiragu Director, Internal Audit</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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).</p>

FIDUCIARY MANAGEMENT

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

SNO	Designation	Name
1	Chief Executive Officer	Hellen Chepkwony
2	Head of Corporate Services (up to 14 th September 2023)	Robert Mbarani
3	Head of Finance (up to 14 th September 2023)	Mogeni Ong'era
4	Acting Head of Finance from 15 th September 2023	Nelson Nyongesa
5	Head of Procurement	Stephen Kienjeku

STAFF LOANS COMMITTEE

The Staff Mortgage and Car Loans Scheme is administered by the Staff Loans Committee in line with the Mortgage and Car Loan Policy. The committee comprises of 8 staff members selected from within the Corporation and appointed by the Chief Executive Officer. The membership of the committee is as follows:

1. Robert Mbarani, Director Corporate Services -Chair (Up to 13th September 2023)
2. Mohamed Doo, Deputy Director Human Resources and Administration -Secretary (Up to 13th September 2023)
3. Eunice Kitche, Director Legal Services and Board Secretary - Member
4. Lawrence Shoona, Deputy Director Strategy and Compliance - Member
5. Stephen Kienjeku, Principal Officer Procurement - Member
6. Mogeni Ong' era, Deputy Director Finance – Member (Up to 13th September 2023)
7. Nelson Nyongesa, Deputy Director Risk and Surveillance -Member
8. Dorcas Wanjala, Principal Officer Resolution – Member

The terms of reference of the committee are to:

- i. Receive, process and approve loans in accordance with the existing terms and conditions of borrowing and sanction the disbursement of the loans.
- ii. Oversee the management of the fund.

- iii. Monitor and evaluate the performance of the fund.
- iv. Recommend the investment of any surplus funds not immediately required in government securities for the purposes of realizing the objects and purpose for which the fund is established.
- v. Cause to be kept all proper books and records of account of the income, expenditure, assets and liabilities of the fund.
- vi. Receive any gifts, donations, grants or endowments made to the fund.
- vii. Consider and recommend approval for the financial statements to the officer administering the fund.
- viii. Recommend to the Chief Executive Officer for KDIC Board approval on any updates of the KDIC Staff Mortgage and Car Loan Policies in view of any policy or gaps or improvements in line with any changes in government regulations, guidelines and best practice.
- ix. May issue guidelines with the consent and approval of the Chief Executive Officer to ensure smooth loan processing in line with the set approved regulations and rules.
- x. Develop Terms of Reference for service providers/panel of professionals including but not limited to Lawyers, Valuers, Quantity Surveyors, Architects and any other necessary for the smooth running of this scheme. and upon their recruitment carry out periodical appraisal of their performance.

REPORT OF THE CHAIRPERSON

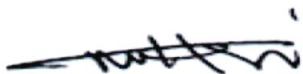
Dear Stakeholders,

On behalf of the Board of Directors and Management, I am pleased to present to you the Annual Report and Financial Statements of the Staff Mortgage and Car Loans Scheme for the year ended 30th June 2024.

To effectively execute its mandate and realise its vision, KDIC endeavours to attract, retain and motivate its top talent. In pursue of this, and its commitment towards continuously improving the welfare of its staff, KDIC has implemented Staff Mortgage and Car Loan Scheme aimed at improving the staff welfare. The Scheme is implemented in line with Salaries and Remuneration Commission Guidelines, Staff Mortgage and Car Loan Policies and guidelines at KDIC.

KDIC would like to appreciate the support of The National Treasury which approved the seed capital of Kes 747 million to establish the Staff House Mortgage and Car Loan Scheme. Through such a scheme, the staff of KDIC are able to access loan facilities to acquire housing and transport facilitation so as to effectively support implementation Government's Bottom-Up economic model and support the agenda on Housing and Settlement.

As the Corporation embarks on her new strategic cycle, we reiterate our unwavering commitment towards attracting and retaining talent for excellence as espoused in Key Result areas on Organizational Capacity of our Strategic Plan. Finally, the Corporation is would like to extend appreciation to the Board, management, staff and all the stakeholders who have continued to guide and support the Corporation in the achievement of its mandate and strategic objectives.



Mrs. Hannah W. Muriithi, EBS

Chairperson

KDIC Board of Directors

REPORT OF THE CHIEF EXECUTIVE OFFICER

It is with pleasure that I present the KDIC's Staff Mortgage and Car Loans Scheme Annual report and financial statements for the period ended June 2024. The Financial Statements presented comprise of the Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Net Assets, Statement of Cash Flow and Statement of Comparison of Budget and Actual Performance. The report highlights the performance of the Scheme and the impact of the activities with a view to promote organizational capacity development.

Mortgage and Car Loan Scheme Governance

KDIC ensures prudent financial management and reporting in line with Public Finance Management Act (PFMA) 2012, Public Financial Regulations, 2015 and International Public Sector Accounting Standards (IPSAS). As a result, the administration of the scheme has been efficient and effective in meeting the intended objective. The Staff Mortgage and Car Loan Scheme Committee is charged with the implementation and administration of the scheme in liaison with various external professional service providers contracted by the Corporation to facilitate and ensure that the Corporation interest in the properties and assets is registered and safeguarded. The Committee meets regularly to consider and process loans applications. Further, the Corporation put in place measures to improve the management and governance of the scheme through the establishment of a separate bank account to manage the scheme's finances that has since been operationalised.

Mortgage and Car Loan performance

The Year 2023 - 2024 marks the third year since the first loan disbursement in March 2020 under this Mortgage and Loan Scheme. The Scheme has continued to be an integral part of the Corporations strategies geared towards creating an enabling work environment. The Scheme has been beneficial to staff and has enhanced staff welfare. During the period under review, 9 staff mortgage application of KES 83.7 Million and 3 car loans Application of KES 7.8 million were processed.

There has been an increase in the uptake of the mortgage and car loan as the Corporation continues to institute measures and support mechanisms for optimal uptake of the staff loans. Some of the measures instituted in the recent past have included equity release, construction loan among others.

As we embark in the implementation of the strategic plan for the period 2023 – 2028, we remain steadfast in our commitment to attract, acquire and retain talent as we implement initiatives that will boost the morale and motivation of the staff. The Corporation will continuously strive to increase the utilisation rate of the Fund by the staff members through evaluating the barriers, challenges or bottlenecks that may hamper the uptake of loan facilities while working on incentives to make the scheme more attractive to the staff members.

Appreciation

KDIC looks into the future as we embark on the implementation of the new strategic cycle, the Board and Management joins hands in the implementation of the people agenda.

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 achievements of the Scheme. Additionally, I appreciate all stakeholders, specifically staff, who played a critical role towards the achievement of the Mortgage and Loan Scheme strategic goals.



Hellen Chepkwony (Mrs.)

Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the framework of systems, policies and processes by which the Corporation operates and through which members of the Board, management team and employees are empowered and held accountable for making decisions that affect its mandate, operations, depositors and stakeholders.

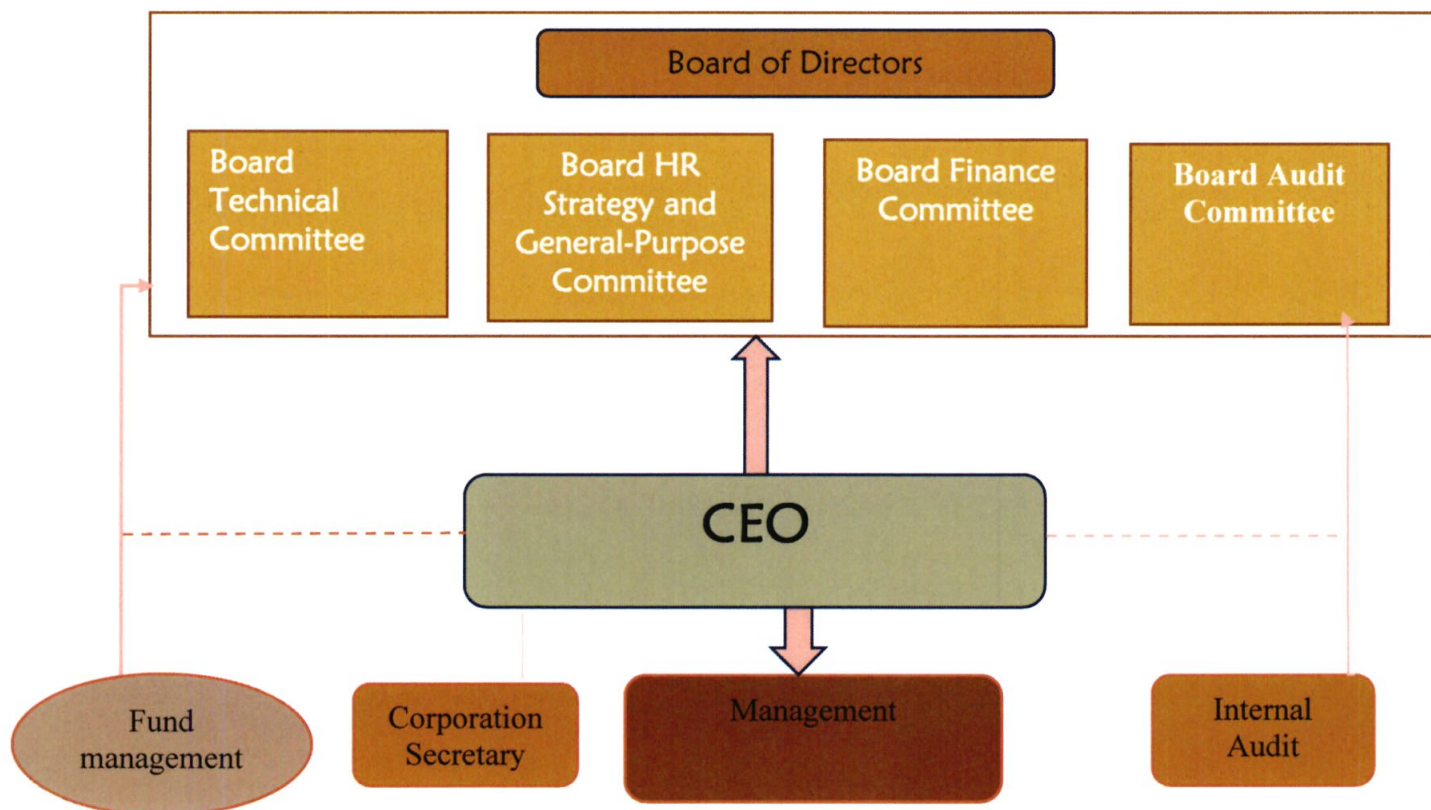
The Board has in place a Board Charter that defines governance principles that the Board adheres to. Board members are committed to acting in the best interest of the Corporation, upholding the high standards of ethical and moral behaviour, recognition of the legitimate interests of all stakeholders.

The Board has approved implementation of policies, processes, systems and procedures that continue to guide operations of the Corporation. Through periodic reviews, the Board ensures that these policies and applicable governance practices take into account statutory developments and best practices in corporate governance.

In adopting the best practices that foster corporate governance and sustainable development, the Corporation has embraced the use of Quality Management Systems and Enterprise Risk Management System as part of its processes.

Governance Structure and Framework

The Kenya Deposit Insurance Act CAP 487C, the *Mwongozo Code of Corporate Governance* and the Corporation’s Board Charter has adopted the following governance structure: -



Statement of Compliance

In implementing Corporate Governance, the Corporation is guided by the principles of governance enshrined in the Constitution 2010, *Mwongozo Code of Governance*, which is the Code of Governance for State Corporations, the Kenya Deposit Insurance Act, CAP 487C and the State Corporations Act CAP 446, Public Finance Management Act CAP 412A, amongst other laws key in the administration of State Corporations and international best practices.



Composition of the Board of Directors

The Constitution of KDIC’s Board is governed by the provisions of Section 7 of the Kenya Deposit Insurance Act, CAP 487C which provides that the Board shall comprise 10 members including the Non-executive Chairperson and the Chief Executive Officer, who sits as an ex-officio member. During the year under review, the board to the Corporation was fully constituted.

Section 7 CAP487C

A non-executive chairperson

The Cabinet Secretary - National Treasury

The Attorney-General

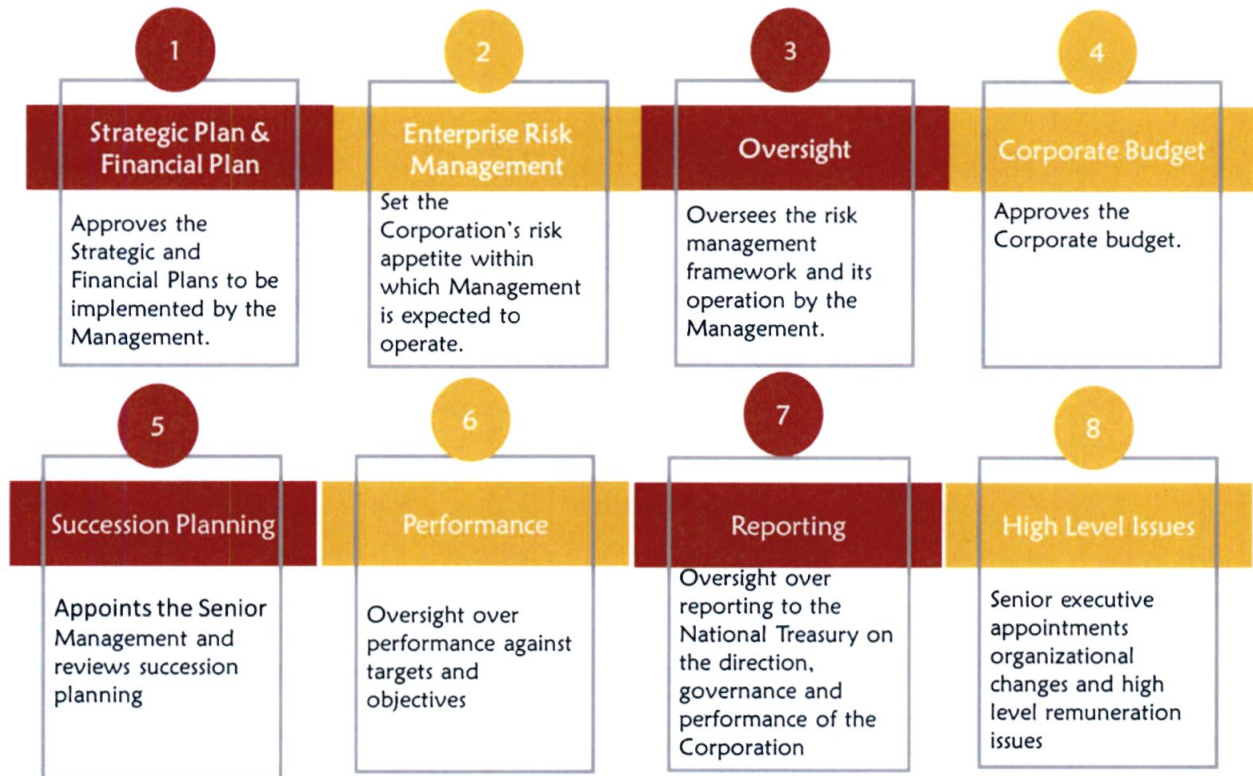
The Governor - Central Bank of Kenya

The Chief Executive Officer - Kenya Bankers Association

Five members (independent) appointed by the Cabinet Secretary

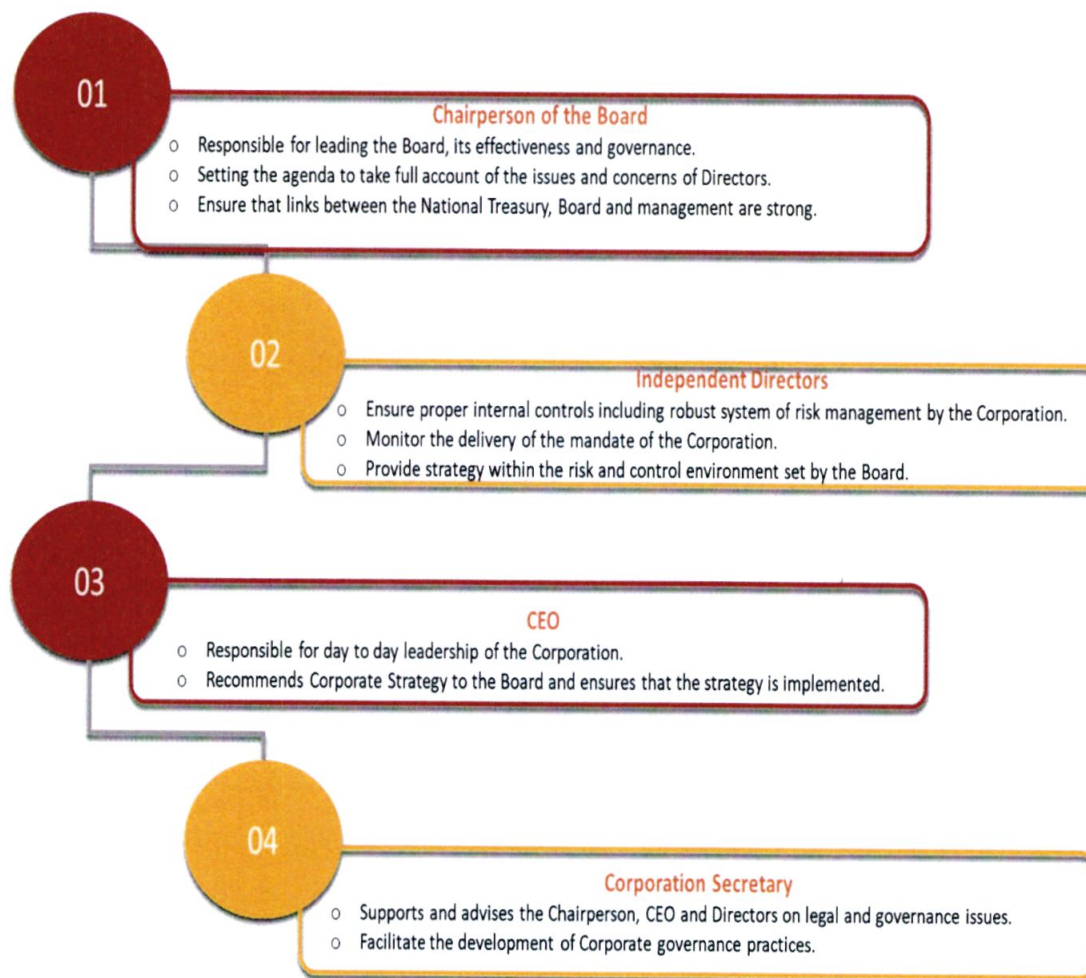
Role of the Board

The Board Charter defines the roles and responsibilities of the members as summarized below;



Separation of Roles and Responsibilities

The roles of the Chairperson, Independent Directors, Chief Executive Officer and the Corporation Secretary are distinct from each other and are performed by different individuals. In decision-making, the roles complement each other in facilitating the achievement of the Corporation's mandate.



Effectiveness of the Board

The governance parameters defining the Corporation’s Board effectiveness are summarized below;

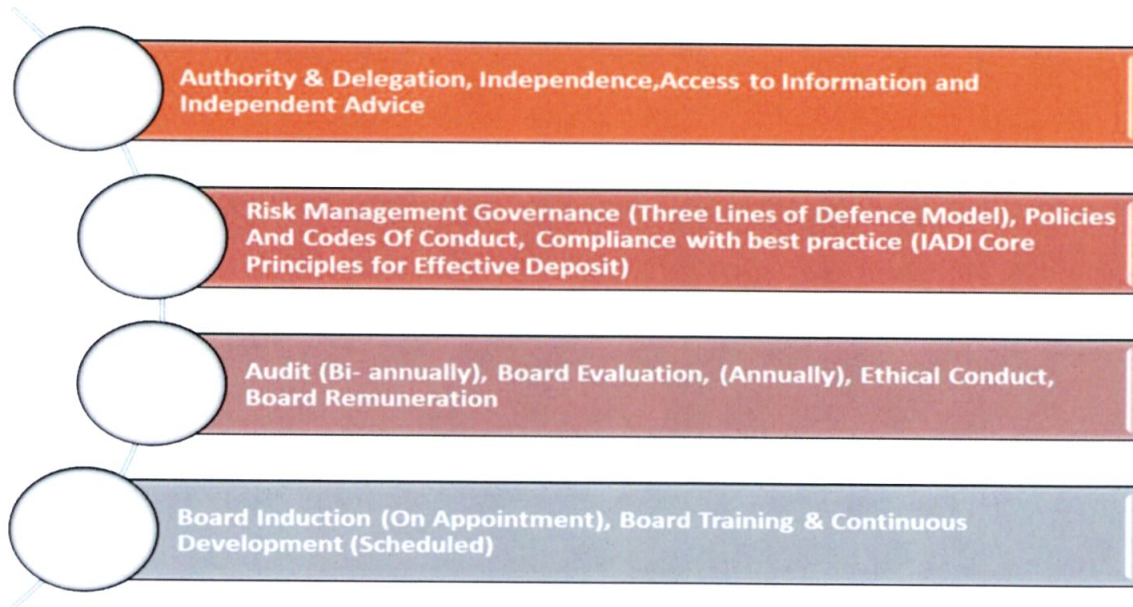


Authority and Delegation

The Board Charter sets out the authority and matters reserved for determination and approval by the Board its 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 reserved for the Board and are considered through the relevant Board Committees.

The effectiveness of the board is achieved through implementation of the principles shown as highlighted below



Independence of the Board

Mwongozo Code of Governance defines independence to mean that Board members, including those nominated by stakeholders, should recognize that they owe their duties to the organization and not their nominating stakeholder. The Kenya Deposit Insurance Act CAP 487C 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, during the year under review, the constitution of the Board included five independent Board Members.

During the year under review, except for the directorship held by the Cabinet Secretary, National Treasury, the Attorney General, the Governor Central Bank of Kenya and CEO, Kenya Bankers Association all other Directors of the Corporation were considered independent.

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 and Declaration 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 the interests of the Corporation. The Directors are individually responsible of 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. Additionally, declaration of interest is a standing agenda for all Board and Committee meetings. The Corporation maintains a conflict-of-interest register that is regularly reviewed and updated 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. No incidences of conflict of interest were declared by any of the 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, CAP 487C and other applicable laws.

The key terms and conditions of a Director's appointment are documented in a letter of appointment. The KDI Act stipulates that independent Directors are expected to serve a

term of three years, renewable once. The Corporation promptly notifies the Cabinet Secretary of any vacancy in the Board.

Board Capacity Development

Induction

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.

Board development programmes

The Board development programme developed in line with results and recommendations of the annual Board Evaluation. In order to facilitate the Board effectively discharge its mandate, the Chairperson in consultation with the relevant Board Committee regularly reviews the professional development needs of each Director and recommendations are made on how best to address gaps.

The Board during the year under review implemented development programs touching on Deposit Insurance, Risk Management, Corporate Governance, Audit & Risk oversight for Public Sector Boards and Strategic leadership.

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;



Legal and Governance Audit

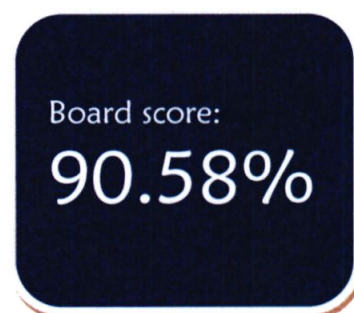
The Legal and Compliance Audit is undertaken to ascertain the level of adherence to applicable laws and establish compliance with statutory, regulatory and policy requirements. The Board, through the relevant Board Committee, monitors

implementation of the legal and governance audit recommendations to ensure closure of the findings and promote compliance with applicable laws and policies.

At the close of the year under review, following the findings of the June 2022 legal and governance audit, the Corporation had closed 87.92% of the identified gaps, with the outstanding issues on track to be closed in the coming Financial Year.

Board Evaluation

The Board annually undertakes an evaluation of its performance and that of the Board Committees, individual Directors and the Corporation Secretary. The State Corporations Advisory Committee (SCAC) evaluated the Board's performance in the first quarter of the year under review where it is observed that the Board obtained a score of 4.52 representing 90.58%.



Board Committees






The Board, during the year under review, had in place four standing committees and an Ad hoc Committee with specific delegated mandates. The membership of the Committees is drawn from the range of skills across the Board and shared responsibilities.

The committee membership is as illustrated below;

Board Technical Committee (BTC),	Board Finance Committee (BFC)	Board HR, Strategy & General-Purpose Committee (BHSGPC).	Board Audit Committee (BAC),	Board Ad hoc - Committee, Establishment of the KDI Academy
Mr. Joesph Ng'etich (Chairperson)	Dr. Habil Olaka (Chairperson)	Mr. James Akali (Chairperson)	Ms. Anne Lengerded (Chairperson)	Ms. Melissa Ng'ania (Chairperson)
Mr. Mohamed Adow	Mr. Mohamed Adow	Mr. Joesph Ng'etich	Ms. Melissa Ng'ania	Mr. Joesph Ng'etich
Dr. Habil Olaka	Mr. John Njera	Mr. Mohamed Adow	Mr. John Njera	Dr. Habil Olaka
Ms. Melissa Ng'ania	Mr. Joesph Ng'etich	Ms. Anne Lengerded	Mr. Mohamed Adow	Mr. Mohamed Adow
Mr. Kennedy Abuga	Mrs. Hellen Chepkwony	Mrs. Hellen Chepkwony	Mr. James Akali	Mrs. Hellen Chepkwony
Mr. James Akali				
Mrs. Hellen				

Chepkwony			
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Committee Functions and Chairpersons

<p>The committee considers issues relating to the core functions of the Corporation, that is:</p> <ul style="list-style-type: none"> •Resolution. •Deposit Insurance & Bank Surveillance. <p>Board Technical Committee (BTC) Mr. Joseph K. Ng'etich (Chairperson)</p> 	<p>The Committee considers issues relating to Board development programme, Human Resource, Strategy, ICT, Risk and Compliance in the Corporation</p> <p>Board HR Strategy General Purpose Committee (BHSGPC) Mr. James Akali (Chairperson)</p> 	<p>The Committee consider issues relating to Finance, Procurement and Performance Contracting in the Corporation</p> <p>Board Finance Committee (BFC) Dr. Habil Olaka (Chairperson)</p> 
<p>•The Committee considers all issues relating to the Internal Audit Function within the Corporation.</p> <p>Board Audit Committee (BAC) Ms. Anne Lengended (Chairperson)</p> 	<p>•The Ad-hoc committee was set up to facilitate establishment a Deposit Insurance Academy whose primary mandate will be to build capacity on deposit Insurance and related areas.</p> <p>Board Ad-hoc Committee Ms. Melissa Ng'ania (Chairperson)</p> 	

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 under review, the Board held a total of nine meetings and various Committee sittings as 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),	Board Ad hoc - Committee, Establishment of the KDI Academy
Mrs. Hannah W. Muriithi, EBS (Chairperson)	8	N/A	N/A	N/A	N/A	N/A
Mr. John Njera	7	N/A	5	2	3	N/A
Mr. Mohamed Adow	9	3	4	6	N/A	4
Mr. Kennedy Abuga	4	2	N/A	N/A	2	N/A
Dr. Habil Olaka	6	4	3	N/A	N/A	4
Mr. Joesph Ng'etich	9	4	4	6	2	4
Mr. James Akali	9	4	N/A	3	5	N/A
Mr. Anne Lengerded	9	N/A	N/A	6	5	N/A
Ms. Melissa Ng'ania	9	4	N/A	N/A	4	4
Mrs. Hellen Chepkwony (CEO KDIC)	9	4	3	6	N/A	2

* 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 CAP 487C 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 receives a monthly honorarium while Board members are paid sitting allowances based on the number of meetings attended and are reimbursed any expenses incurred in the line of duty including mileage.

Membership to Professional Bodies

The Corporation’s Board of Directors are members of diverse professional associations and the Corporation ensures that its directors remain in good standing through continuous professional development training provided by the relevant professional bodies.

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

The Kenya Deposit Insurance Corporation is established by the KDI Act, 2012 is a State Corporation and operates within various statutes and government directives. The Salaries and Remuneration Commission via circular SRC/023/12/2014 of 17th December 2014 established a Car Loan and Mortgage schemes for the public services and issued guidelines on the management and operation of such schemes. KDIC sought budgetary approval from the National Treasury to operationalize the scheme and an approval of Kes. 747M was granted for the financial year 2018/2019. The scheme has since been established and has been operational. In addition to the guidelines issued by the Salaries and Remuneration Commission, the Corporation has developed Staff Policy on Mortgage Loan Scheme and the Staff Policy on Car Loan Scheme.

The Corporation continued to support the implementation of the staff Mortgage and Car Loan Scheme. A total of nine (9) Mortgage loan applications of Kshs. 83.68M and three (3) Car loans of Ksh.7.82M were processed during the year 2023/2024. Thus, a total loan valued at KES 91.49 was advanced during the period.

The summary of the loans processed during the year under reporting.

Type of Loan	No. of Loan applications 2023/2024 FY	No. of Loans Approved 2023/2024 FY	No. of Loan applications Processed	Amount Processed (Kshs.)
Mortgage	9	9	9	83,680,000.00
Car Loan	3	3	3	7,815,442.00
Total	9	9	8	91,495,442.00

The Corporation has processed forty-five (45) loan applications amounting to KES 298 million. Of the 45 loans, nine (9) loans of KES 29.9M have been fully paid. The detailed tabulation of the status of loan disbursements as at 30th June 2024 is summarised below;

Kenya Deposit Insurance Corporation – Staff Mortgage & Car Loan
Annual Reports and Financial Statements for the year ended June 30, 2024

Type of Loan	Total No. of Loan applications processed as at 30th June 2024	Total No. of Loans fully paid as at 30th June 2024	Total Amount Processed (Kshs.)	Total Loanees as at 30th June 2024	Total Loan outstanding as at 30th June 2024(Kshs.)
Mortgage	30	2	269,087,594	28	230,001,603
Car Loan	15	7	29,194,942	8	9,397,396
Total	45	9	298,282,536	36	239,398,998.48

The Corporation continued to support the implementation of the staff Mortgage and Car Loan Scheme. Interest earned on loans advanced was Kes. 6.2M for the year ended 30th June 2024, as compared to KES 4.2 M in the last year, an increase of 47.6%.

During the last 3years of operations, the funds of the Scheme were held by the Deposit Insurance Fund. The amount attributable to the Mortgage Scheme of Kshs.522M held by DIF have been recognized in these financial statements as a receivable and in the Deposit Insurance Fund statement as a payable. Following the approval of the National Treasury, the Corporation operationalised a separate account to manage the funds of the Scheme.

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 2024 which show the state of the Staff Mortgage and Car Loan Scheme'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 objective of the Staff Mortgage and Car Loan Scheme is to process and disburse loans for acquisition of residential houses for staff, equity release and acquisition of cars for private use.

Results

The financial results of the Scheme for the year ended 30th June 2024 are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 1 of the financial statements.

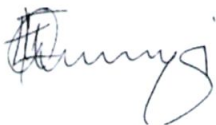
Directors

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 iv of this report.

Auditors

The Auditor General is responsible for the statutory audit of the Staff Mortgage and Car Loan scheme in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended 30th June 2024. Section 23 of the Public Audit Act, 2015 empowers the Auditor General to appoint an auditor to audit the financial statements of any government entity on his behalf.

By Order of the Board.



Eunice Kitche - Oduor
30th September 2024
Corporation Secretary

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

The Board of Directors at KDIC ensure that the scheme keeps proper accounting records which disclose with reasonable accuracy the financial position of the Scheme. The Directors are also responsible for safeguarding the assets of the Scheme.

The Board of KDIC is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of schemes at the end of the financial year ended on June 30, 2024. 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 Scheme;
- (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 Scheme;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

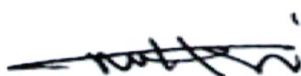
The Directors accept responsibility for the Scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012.

The Directors are of the opinion that the Scheme's financial statements give a true and fair view of the state of Scheme's transactions during the financial year ended June 30, 2024, and of the Scheme's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control.

Having assessed the Scheme's ability to continue as a going concern, nothing has come to the attention of the Directors to indicate that Staff Mortgage and Car loan scheme 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 Staff Mortgage and Car Loan Scheme's financial statements were approved by the Board on 30th September 2024 and signed on the Board's behalf by:



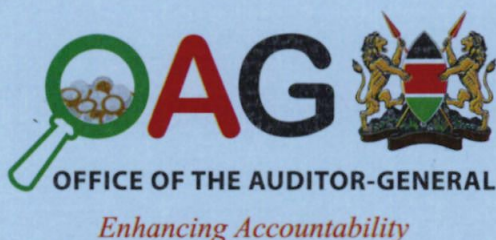
Mrs. Hannah W. Muriithi, EBS
Chairperson of the Board of Directors



Hellen Chepkwony (Mrs.)
Chief Executive Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STAFF MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2024 - KENYA DEPOSIT INSURANCE CORPORATION

PREAMBLE

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

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

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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 Staff Mortgage and Car Loan Scheme - Kenya Deposit Insurance Corporation set out on pages 1 to 22, which comprise

Report of the Auditor-General on Staff Mortgage and Car Loan Scheme for the year ended 30 June, 2024 – Kenya Deposit Insurance Corporation

of the statement of financial position as at 30 June, 2024, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Staff Mortgage and Car Loan Scheme – Kenya Deposit Insurance Corporation as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kenya Deposit Insurance Act, 2012.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

The Management is responsible for the Other Information set out on page ii to xlii which comprise of Key Entity Information, Report of the Chairperson, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Report of Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 Scheme's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.


Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 December, 2024

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2024

	Note	2024 KShs'000	2023 KShs'000
REVENUE			
Interest on loans	6	6,198	4,194
Loan application fees	6	10	7
		<u>6,208</u>	<u>4,201</u>
		=====	=====
EXPENSES			
	7	-	-
		<u>-</u>	<u>-</u>
		=====	=====
SURPLUS FOR THE YEAR BEFORE TAXATION		6,208	4,201
Taxation	1(e)	-	-
		<u>-</u>	<u>-</u>
SURPLUS FOR THE YEAR AFTER TAXATION		<u>6,208</u>	<u>4,201</u>
Other comprehensive income		-	-
		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>6,208</u>	<u>4,201</u>
		=====	=====

Kenya Deposit Insurance Corporation – Staff Mortgage and Car Loan Scheme
Annual Report and Financial Statements for the year ended June 30, 2024

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note	2024 KShs'000	2023 KShs'000
ASSETS			
Non-current assets			
Staff Loans Receivable from staff	8	222,893	147,543
		<u>222,893</u>	<u>147,543</u>
Current assets			
Staff Loans Receivable from staff	8	16,506	17,352
Staff Loans Receivable from DIF	9	522,914	591,210
		<u>539,419</u>	<u>608,562</u>
TOTAL ASSETS		<u>762,313</u>	<u>756,105</u>
		=====	=====
FUND BALANCE AND LIABILITIES			
Fund balance			
		762,313	756,105
Current liabilities			
		-	-
Non-Current Liabilities			
		-	-
TOTAL FUND BALANCE AND LIABILITIES		<u>762,313</u>	<u>756,105</u>
		=====	=====

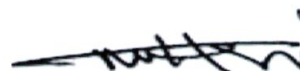
The financial statements were approved on 30th September 2024 and signed on its behalf by:



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

Kenya Deposit Insurance Corporation – Staff Mortgage and Car Loan Scheme
Annual Report and Financial Statements for the year ended June 30, 2024

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2024

	2024	2023
	Kshs'000	Kshs'000
As at 1st July	756,105	751,905
(Transfer of Accumulated reserve from Deposit Insurance Fund)		
Surplus for the year	6,208	4,201
	<hr/>	<hr/>
As at 30 June	762,313	756,105
	=====	=====

Kenya Deposit Insurance Corporation – Staff Mortgage and Car Loan Scheme
Annual Report and Financial Statements for the year ended June 30, 2024

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 KShs'000	KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		6,208	4,201
<i>Adjustment for:</i>			
<i>Changes in working capital:</i>			
Staff Loans Receivables	8	-239,399	-164,895
Staff Loans Receivable from DIF		-522,914	-591,210
		<hr/>	<hr/>
Net cash generated from operating activities		-756,105	-751,904
		=====	=====
CASH FLOWS FROM FINANCING ACTIVITIES			
		-	-
		<hr/>	<hr/>
Increase in the value of scheme received from DIF	8	-	-
Net cash generated from financing activities		-	-
		=====	=====
CASH FLOWS FROM INVESTING ACTIVITIES			
Staff loan scheme held by DIF	8	756,105	751,904
		<hr/>	<hr/>
Net cash (used in)/generated from investment activities		756,105	751,904
		=====	=====
Net (decrease)/increase in cash and cash equivalents		-	-
CASH AND CASH EQUIVALENTS AT 1 JULY 2023			
		-	-
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 30 JUNE 2024			
		-	-
		=====	=====

Kenya Deposit Insurance Corporation – Staff Mortgage and Car Loan Scheme
Annual Report and Financial Statements for the year ended June 30, 2024

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024

Note	Revenue	2023/2024 BUDGET	ADJST	FINAL BUDGET	ACTUAL INCOME/ EXPENDITURE	PERFORMANCE DIFFERENCE IN KSHS.	% UTILIZATION
10	Interest Income	4,000,000	-	4,000,000	6,207,825	2,207,825	100.00%
Total Revenues		4,000,000	-	4,000,000	6,207,825	2,207,825	
10	Expenditure Administration Expense	-	-	-	-	-	-
Total expenditures		-	-	-	-	-	
Net Surplus		4,000,000		4,000,000	6,207,825	2,207,825	
		=====		=====	=====	=====	

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Staff Mortgage and Car Loan Scheme is established by Kenya Deposit Insurance Corporation and derives its authority and accountability from Kenya Deposit Insurance (KDI) Act 2012. The Scheme is wholly owned by KDIC and is domiciled in Kenya. The Scheme's principal activity is to process and disburse staff mortgage and Car Loans.

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 Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

The financial statements have been prepared on accrual basis. However, the cashflow has been prepared on cash basis .

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Scheme 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 Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. APPLICATION OF NEW AND REVISED STANDARDS

i) **Relevant new standards and amendments to published standards effective for the year ended 30 June 2024**

There are no new standards effective in the FY.

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.**

IPSAS 43-Leases

The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Scheme. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. The Scheme has not entered into any lease contracts.

IPSAS 44- Non- Current Assets Held for Sale and Discontinued Operations

The Standard requires that assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial

position and the results of discontinued operations to be presented separately in the statement of financial performance.

ii) **Early adoption of standards**

The Scheme did not early – adopt any new or amended standards in year 2023/2024.

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**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period. Interest income is recognized in the profit or loss for all interest on staff mortgage and car loans advanced at an interest rate of 3% per annum.

b) **Budget Information**

The Scheme'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.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of comparison of budget and actual financial performance presented together with these financial statements.

c) Translation of foreign currencies

No foreign currency transactions were carried out during the year.

d) 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 for the staff mortgage and car Loan Scheme

e) Rounding off Difference

The Staff Mortgage and Car Loan Scheme in preparation of the financial statements has rounded off its figures to the nearest thousand.

f) Financial assets and liabilities

(i) Initial recognition and measurement

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

financial assets at initial recognition. The assets are primarily loans issued to staff through the scheme.

(ii) Loans and receivables

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

(iii) Impairment of financial assets

The scheme assesses at each reporting date whether there is objective evidence that a financial asset or a Fund of financial assets is impaired. Management then follows the procedure required by Regulation 145 of the PFM Act. A financial asset of the Fund is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the Fund that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors of the Fund are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

(iv) Classification

The Scheme classifies its financial assets in the receivables category. The classification of its financial liabilities as measured at amortised cost.

(v) Other financial liabilities

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

(vi) Identification and measurement of impairment of financial assets

At each reporting date the Scheme 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.

(vii) Derecognition

The Scheme 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 Scheme is recognized as a separate asset or liability.

The Scheme 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.

g) Impairment for non-financial assets

The carrying amounts of the Scheme'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 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.

h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise bank balances.

i) Property ,Plant and equipment, Intangible assets

The Staff Mortgage and Car Loan Scheme operations are carried out by the Corporation that has acquired items of property plant and equipment (PPE) thus no PPE owned by the Scheme.

j) 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.

k) 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.

l) 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, 2024.

m) Comparative figures

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

5. 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.

To enhance efficiency in internal audit process, the Corporation rolled out the use of Team Mate to align all documentation and tracking of issues on one platform in November 2020.

(a) Credit risk

Credit risk is the risk of financial loss to the Scheme if a staff fails to meet its contractual obligations, and arises principally from the Staff Loan Scheme receivables.

The Scheme's exposure to credit risk is influenced mainly by the individual characteristics of each staff on exiting from the Corporation.

(b) Currency risk

The Scheme 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 Staff Loan Scheme will encounter difficulty in meeting obligations on advancement of approved mortgages and car loans. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its arising liabilities when due. In the course of its operations, the Scheme operationalized a separate bank account to finance its operations.

The Scheme's financial assets amount to Kes. 239Mn (2023 - Kes. 165Mn). The increase in financial assets has been occasioned by additional loans advanced during the year. The Scheme has no financial liabilities.

Kenya Deposit Insurance Corporation – Staff Mortgage and Car Loan Scheme
Annual Report and Financial Statements for the year ended June 30, 2024

	Other financial liability KShs '000	Loans and receivables KShs '000	Held to maturity KShs '000	Total carrying value KShs '000	Fair value KShs '000
2024					
Financial assets					
Staff Loans receivable	-	239,399	-	239,399	239,399
	-	239,399	-	239,399	239,399
Financial liabilities					
Payables and accruals	-	-	-	-	-
	-	-	-	-	-
2023					
Financial assets					
Staff Loans receivable	-	164,895	-	164,895	164,895
	-	164,895	-	164,895	164,895
Financial liabilities					
Payables and accruals	-	-	-	-	-
	-	-	-	-	-

(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.

(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 of the Scheme are impaired.

6 Interest on Loans

The staff Loans Scheme has an approved allocation of Kes.747M as a revolving Scheme for staff mortgage and car loans as per the approved policy guidelines. Staff loans advanced are charged an interest rate of 3% over the tenure of the loan. During the year under review, total interest on staff loans is as follows;

	2024 KShs'000	2023 KShs'000
Interest on loans	6,198	4,194
Loan Application fees	<u>10</u>	<u>7</u>
	<u>6,208</u>	<u>4,201</u>

Additionally, on application of the mortgage or car loans, staff pay Kes.1,000 as application fees.

7. Expenses

The Staff Loan Scheme has no expenses since all operations are carried out within KDIC.

8. Staff Loans

The Scheme advanced staff loans as follows;

	2024 Kshs'000	2023 Kshs'000
Staff Loans Receivable as at 1st July	164,895	125,403
Staff loans advanced	91,495	60,025
Less: Repayments	-16,991	-20,533
	<hr/>	<hr/>
Staff Loans Receivable as at 30th June	239,399	164,895
	<hr/> <hr/>	<hr/> <hr/>
Comprised of:		
Receivable within 1 year	16,506	17,352
Receivable after 1 year	222,893	147,543
	<hr/>	<hr/>
Total staff Loans Receivable	239,399	164,895
	<hr/> <hr/>	<hr/> <hr/>

9. Staff Loan Scheme Receivable from KDIC's DIF

The Deposit Insurance Fund owes Kes.522M out of total approval of Kes.747M after disbursement of loans on behalf of the staff loan Scheme. The balance receivable by the Scheme is as follows;

	2024 Kshs'000	2023 Kshs'000
Staff loans Fund Balance as at 1st July	756,105	751,904
Interest Received by KDIC for the year	6,208	4,201
Staff loans advanced as at 30th June	-239,399	-164,895
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Staff Loans Receivable as at 30th June	522,914	591,210
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The Staff Loans receivable of Kes.522M relates to amounts accumulated through the Deposit Insurance Scheme (DIF). The Staff Mortgage and Car Loan Scheme was approved but all disbursements and repayments are done through the DIF.

The Staff Mortgage and Car Loans Scheme had not budgeted administrative expenses since the scheme is managed by the Corporation.

10. Interest Income

The loans issued to staff are issued at an interest as guided by the Salaries and Remuneration Commission. The Corporation budgeted for interest income of Kshs. 4,000,000 against which it earned Kshs. 6,208,000 reflecting an overperformance of Kshs. 2,208,000.

11. Issued and Processed Staff Loans

Since the first loan issuance in March 2020, the scheme has issued 45 loans of Kes. 298 million and six (9) have been fully repaid. The tabulation indicates the status of all loan disbursements as at 30th June 2024.

Type of Loan	Total No. of Loan applications processed as at 30th June 2024	Total No. of Loans fully paid as at 30th June 2024	Total Amount Processed (Kshs.)	Total Loanees as at 30th June 2024	Total Loan outstanding as at 30th June 2024(Kshs.)
Mortgage	30	2	269,087,594	28	230,001,603
Car Loan	15	7	29,194,942	8	9,397,396
Total	45	9	298,282,536	36	239,398,998.48

The Corporation continued to support the implementation of the staff Mortgage and Car Loan Scheme. Interest earned on loans advanced was Kes. 6.2M for the year ended 30th June 2024.

The Corporation continued to support the implementation of the staff Mortgage and Car Loan Scheme. A total of nine (9) Mortgage loan applications of Kshs. 84M were

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processed during the year 2023/2024 and 3 car loan applications were processed and disbursed.

The funds held by the Deposit Insurance Fund attributable to the Mortgage Scheme of Kshs. 522 M have been recognized in these financial statements as a receivable and in the Deposit Insurance Fund statement as a payable.

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



Chief Executive Officer

Hellen Chepkwony (Mrs.)