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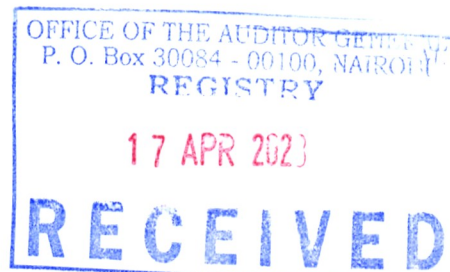
STAFF MORTGAGE AND CAR LOAN SCHEME

**FOR THE YEAR ENDED
30 JUNE, 2022**

**KENYA DEPOSIT INSURANCE
CORPORATION**



THE NATIONAL ASSEMBLY PAPERS L A I D	
DATE: 02 MAY 2023	DAY: Tuesday
TABLED BY:	Hon. Kimani Ichung'uah (Leader of the Majority Party)
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KENYA DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR STAFF MORTGAGE & CAR LOAN SCHEME

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2022

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

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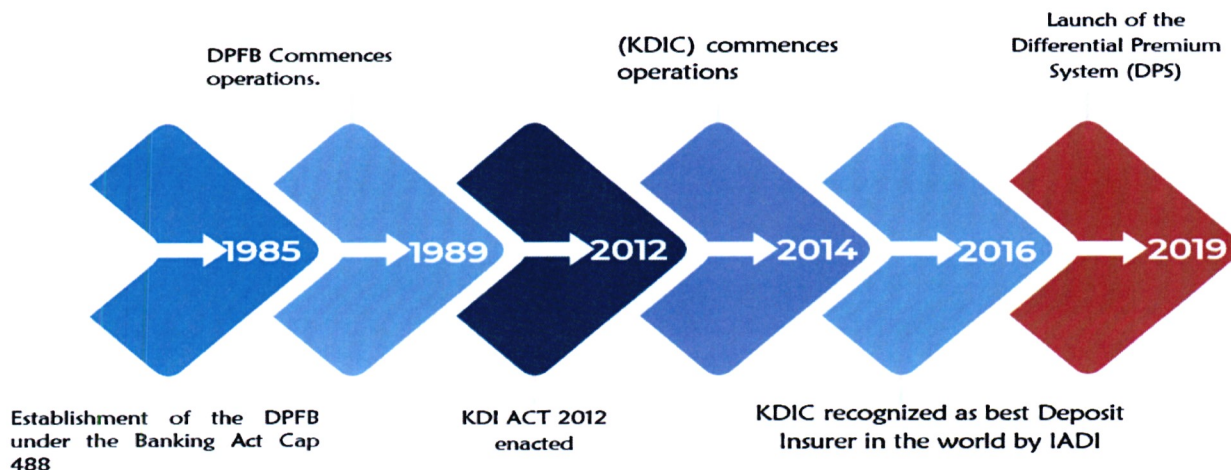
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KEY SCHEME INFORMATION

Our journey

The Corporation's rich legacy spans over 37 years. KDIC evolved from the Deposit Protection Scheme Board established in 1985 through the Banking Act, to an autonomous state corporation governed by the Kenya Deposit Insurance Act of 2012. The journey has seen the growth of the Deposit Insurance Scheme from Kshs. 300 million seed capital granted by the Ministry of Finance in 1989, to Ksh.160Bn as at June 30, 2022. This has been possible through the support of the government, safety net players, the banking sector and the diligence of the Board of Directors, management and staff.

KDIC as a State Corporation operates within various statutes and government directives as issued from time to time. The Salaries and Remuneration Commission circular SRC/023/12/2014 of 17th December 2014 established a Car Loan and Mortgage schemes for the public services and guidelines on how the schemes shall be run. KDIC implemented the provisions of the circular and thus the established The Staff Mortgage & Car Loan Scheme. The revolving Scheme is wholly owned by Kenya Deposit Insurance Corporation and is domiciled in Kenya.

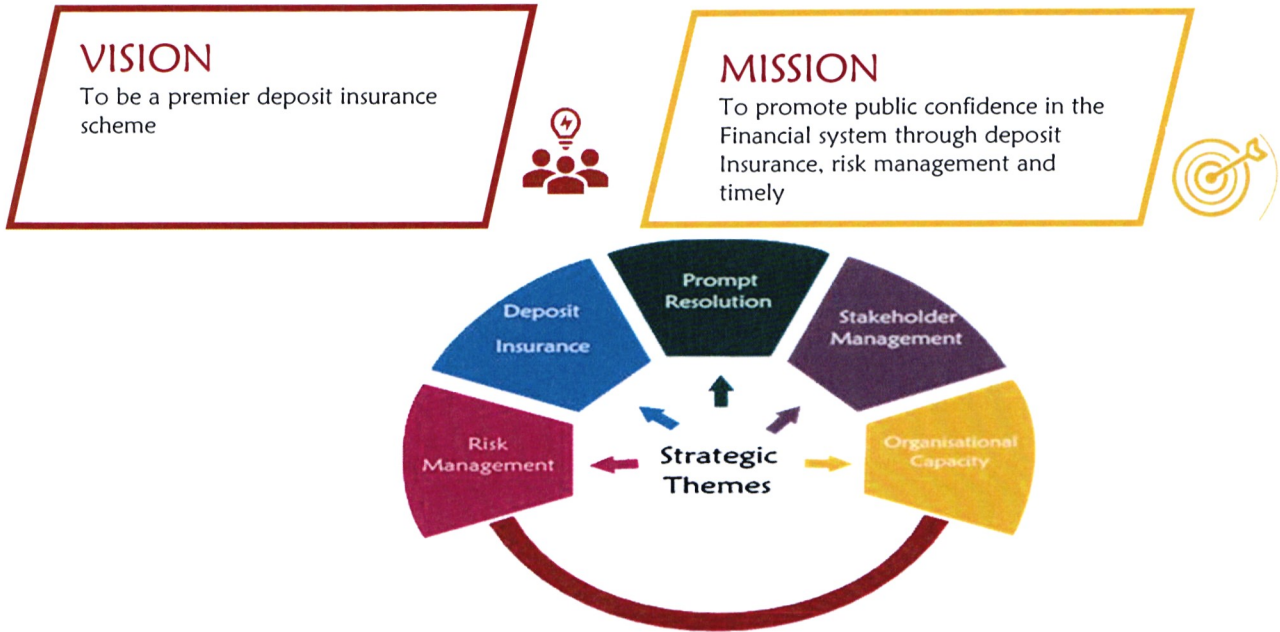


Principal Activities

The principal activity of the Scheme is to disburse Mortgage and Car Loans to staff of Kenya Deposit Insurance Corporation. The Scheme is administered by the staff Loans Committee of KDIC appointed by management and charged with the responsibility of processing loans and disbursement of loans from applicants in accordance with approved policy and regulations. The Corporation is responsible for the day-to-day operations.

Our Vision, Mission and Strategic Themes

The Scheme is managed by the Kenya Deposit Insurance Corporation and hence its vision, mission and operating values are anchored on the Corporation’s corporate strategy.



Our Values

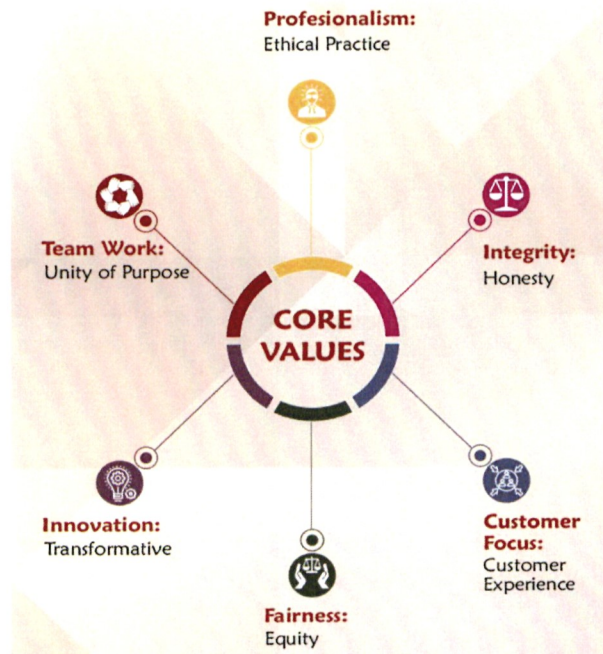


Figure 2: Core Values

DIRECTORS

The Directors who served during the quarter ending 30th June 2022 were as follows;

1. Ms. Carol Musyoka - Chairperson (Appointed 6th October 2021)
2. Hon. Amb. Ukur Yatani, EGH - Cabinet Secretary, The National Treasury & Planning
3. Dr. Patrick Njoroge - Governor, Central Bank of Kenya
4. Dr. Habil Olaka - Director
5. Hon. Paul Kariuki - Attorney General
6. Mr. John Benson Maina - Director (Re -Appointed 6th October 2021)
7. Ms. Anne Agimba - Director (Appointed 6th October 2021)
8. Mr. John Njera - Alternate to Cabinet Secretary, The National Treasury & Planning
9. Mr. Mohamed Deiss Adow - Alternate to Attorney General
10. Mr. Joshua Mutisya Musyoka - Director (Appointed 6th October 2021)
11. Mr. Mohamud A. Mohamud - Chief Executive Officer (Ex-officio)
12. Mr. Arthur Karagu - Representative, Inspectorate of State Corporations

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



CAROL MUSYOKA
CHAIRPERSON, BOARD OF DIRECTORS

Carol Musyoka has several years of financial leadership experience. She has extensive deal origination, negotiation, structuring and execution experience, having been involved in several landmark corporate finance transactions in Kenya. Her executive management and board experience includes her role as the Corporate Director, Barclays Bank of Kenya as well as the Executive Director and Chief Operating Officer of K-Rep Bank, Kenya's first micro finance institution.

Carol has had considerable credit risk and corporate banking experience and training over her banking career, at both Barclays and Citibank. She currently sits as a non-executive director on the boards of East Africa Breweries Ltd where she chairs the Board Numeration and Remuneration Committee as well as the Board Investment Committee and British American Tobacco Ltd all of which are Nairobi Stock Exchange listed companies. She also chairs the Board of Kenya Deposit Insurance Corporation and is a non-executive director in the government investment company ICDC.

She has previously served on, and retired from the Boards of at least 15 private, public and Not for Profit organizations including BOC Gases, Business Registration Services where she chaired the Board, Competition Authority of Kenya where she chaired the Board Human Resources Committee, Institute of Economic Affairs, the national carrier, Kenya Airways, Opportunity Kenya and

the African Legal Support Facility of the African Development Bank.

Carol currently provides bespoke training solutions to a number of multinational and locally owned companies in the region on Leadership and Corporate Governance. She has also been a co-facilitator on Fast Forward, a local leadership development program that provides “Leadership Unusual” insights to Chief Executive Officers and C-Suite Management of leading Kenyan companies (www.sunwords.com). For the last nine years, Carol has also been the Academic Director for the corporate governance programs at Strathmore University Business School.

On an international level, Carol is part of the Durham, North Carolina based Duke Corporate Education (www.dukece.com) faculty and is involved in providing leadership deliveries for some of their global clients. Carol has also provided strategic leadership training to clients of CapitalPlus Exchange, a Chicago based organization that provides peer-learning events to small business banking financial institutions in Africa and Asia (www.capplusexchange.org).

Her skills in breaking down complex financial events and contextualizing the same to local situations have been well received and are a constant feature of her weekly Monday articles in Kenya’s leading business newspaper, the Business Daily.

Carol is a holder of a Bachelor of Law degree from the



**CABINET SECRETARY,
THE NATIONAL TREASURY,**

University of Nairobi and a Master of Law degree from Cornell University, USA. Carol, a recipient of the 2010 Eisenhower Fellowship for International Leadership, lives in Nairobi, Kenya.

Hon. Ambassador Ukur Kanacho Yatani is the Cabinet Secretary, National Treasury & Planning Ministry. Prior to the current appointment, Hon. Yatani served as Cabinet Secretary for Labour and Social Protection. CS Yatani has rich experience in public administration, politics, diplomacy and governance, acquired from working in various sectors of the Public Sector since joining the Civil Service in 1992.

Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and, chair of African Group of Ambassadors among others.

During the period 2006-2007 while serving Member of Parliament for North Horr constituency, CS Yatani also

	<p>served as an Assistant minister for Science and Technology. He served as a pioneer Governor of Marsabit County between 2013 and 2018, the largest County in the Republic of Kenya.</p> <p>Between 1992—2015, he served in different positions in Kenya’s Public Administration including a District Commissioner, where he sharpened his management and administrative skills. He has a Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, acquired in 2005; and a Bachelor of Arts in Economics, Egerton University, Kenya, earned in 1991.</p>
 <p>JUSTICE PAUL KIHARA KARIUKI; ATTORNEY GENERAL OF THE REPUBLIC OF KENYA.</p>	<p>Justice Paul Kihara Kariuki is currently the Attorney General of the Republic of Kenya and the immediate former President of the Court of Appeal. He began his career in law after being admitted to the bar in 1978, soon after completing his post-graduate diploma in law at the Kenya School of Law, Nairobi. Consequently, Justice Kariuki has worked with several legal establishments including Ndungu Njoroge and Kwach Advocates, and Hamilton Harrison and Mathews Advocates in Nairobi.</p> <p>In 2003, Justice Kariuki was appointed to the position of Principal and Chief Executive Officer of the Kenya School of Law. Later the same year, he was appointed Judge of the High Court where he served in both the civil and commercial divisions of the Court for several years.</p>

Between 2009 and 2013, Justice Kariuki served as the first director at the Judicial Training Institute, where he was instrumental in establishing all the operational systems for the technical arm of the judiciary incorporating professional development for all judges, magistrates and all cadres of the paralegal staff at the Judiciary.

Upon his appointment to the Court of Appeal in 2013, Justice Kariuki immensely contributed to the decentralization of the Court of Appeal to Malindi, Kisumu and Nyeri counties. He also directed the development of the blueprint ten-point strategy for the transformation of the court, culminating in the Court of Appeal Bill and the Strategic Plan for the Court of Appeal in Kenya. Justice Kariuki has served as Chancellor or Honorary Legal Advisor for The Anglican Church of Kenya, Member of the Kenya Anti-Corruption Authority Advisory Board and as chair of Thomas Barnado House and Rotary International. He is an esteemed member of the Law Society of Kenya, Commonwealth Lawyers Association and the International Bar Association.

He has deep interests in gardening, classical music, theater and drama, playing squash and cricket.



**DR. PATRICK NJOROGE;
THE GOVERNOR
CENTRAL BANK OF KENYA**

Dr. Patrick Njoroge is the Central Bank Governor following his appointment in June 2015. Dr. Njoroge holds a PhD in Economics from Yale University, USA, as well as masters and bachelor's degrees in Economics, both from the University of Nairobi.

Prior to joining the Central Bank, Dr. Njoroge worked for 20 years with the International Monetary Scheme (IMF), in Washington, D.C., USA. He served in various capacities among them; the advisor to the IMF Deputy Managing Director, Deputy Division Chief in the IMF's Finance Department and IMF Mission Chief for the Commonwealth of Dominica.

In addition, Dr. Njoroge worked as an economist at the Ministry of Finance and as a planning officer at the Ministry of Planning here in Kenya. Professionally, Dr. Njoroge has a keen interest in Macroeconomics, Economic Policy, International Finance, Development Economics, Econometrics and Monetary Policy.



**DR.HABIL OKUNDA OLAKA
DIRECTOR**

Dr. Habil Olaka is the Chief Executive Officer of the Kenya Bankers Association, following his appointment in 2010. He previously worked with the East African Development Bank (EADB), serving in different capacities among them; Director of Operations, Resident Manager-Kenya, Manager-Risk and Control, Chief and Internal Auditor. In addition, Dr. Olaka also worked with Banque Indosuez (now Bank of Africa) where he served as the Internal Auditor having started his career at Price Waterhouse Coopers, Nairobi.

He holds a First-Class Honours (BSc) degree in Electrical Engineering from the University of Nairobi, MBA in Finance from Manchester Business School in the UK and a Doctorate degree in Business Administration from USIU-A.

Besides the Kenya Deposit Insurance Corporation, Dr. Olaka sits on a number of other boards, among them; the Higher Education Loans Board, Kenya School of Monetary Studies, Federation of Kenya Employers, Centre for Corporate Governance, Boards of Trustees of the National Research Scheme and the Butere ACK Diocese.

He is a member of the Institute of the Certified Public Accountants (CPA) Kenya and the Chartered Financial Analyst (CFA) Institute.



MR. JOHN BENSON .M. MAINA
DIRECTOR

Mr. John Benson Maina holds a Bachelor of arts (Econ.) Honours and MA (Econ.) degrees, both from the University of Nairobi. He began his career as an economist at then, Ministry of Finance, currently National Treasury. He later joined Central Bank of Kenya, where he worked in Research, Bank Supervision and External Payments and Reserves Management Departments.

Mr. Maina has extensive experience in central banking, particularly, in areas of regulation and restructuring of banks undergoing financial challenges. He coordinated the financial sector study, which formed the basis for reforms in the banking sector, including liquidation of

insolvent banking institutions during the first major banking crisis in the country. He was involved in strengthening the onsite supervision system and offsite reporting system to improve surveillance over the banking sector. In addition, Mr. Maina supervised the execution of Central Bank of Kenya foreign exchange reserves, involving investment of surplus foreign exchange reserves offshore.

The onset of the aforementioned banking crisis prompted the establishment of Deposit Protection Scheme Board (DPFB) - now Kenya Deposit Insurance Corporation-to revive the waning public confidence in the banking sector. Mr. Maina was one of the officers involved in setting up the DPF, after being attached to the Federal Deposit Insurance Corporation in USA for training in bank resolution.



**ANNE AGIMBA;
DIRECTOR**

Ms. Anne Agimba holds a Bachelor of Law degree from The University of Nairobi, Post Graduate diploma from Kenya School of Law and an Advocate of the High Court of Kenya. In her practice, She has specialised in areas of Commercial and Conveyancing Law, Intellectual Property Law, Banking, Insurance & Financial Services Law, Securities Documentation, Insolvency Law, Labour Law, Landlord & Tenant Law, Company & Co-operative Societies Law, Trust Law and Succession Law and Policy Formulation, Legislative drafting and Education

Ms. Agimba as a Senior Partner at Agimba & Associates, Advocates, Heads the Corporate, Commercial and

Conveyancing Law Department.

She routinely advises Local and International Banks, Financial Institutions, Pension Schemes, Insurance Companies, Non-Governmental Organizations, Charitable Foundations, Trust Companies, both on formations of appropriate structures (trusts, foundations, companies, partnerships, LLPs), policy and regulatory support, contracts, taxation, debt recovery, legal research, Intellectually Property Rights, Employment Rights and lease/property issues.



**MR. MOHAMUD A. MOHAMUD;
CHIEF EXECUTIVE OFFICER**


Mr. Mohamud Ahmed Mohamud is the substantive Chief Executive Officer of the Kenya Deposit Insurance Corporation (KDIC). He is an astute, forthright and accomplished financial professional with keen insights and experience in deposit insurance.

Having risen through the ranks at Central Bank of Kenya, Mr. Mohamud is credited with a number of achievements since his appointment at the helm of the nascent Corporation in 2017. As such, he has proactively been involved in deposit insurance activities that have put his name on the world map thus becoming one of the international assessors on compliance with the best practices in deposit insurance.

In addition, he has locally spearheaded major milestones such as the upward review of deposit coverage limit, implementation of Risk-based Premium model and major public awareness campaigns and stakeholder management, geared towards entrenching the concept of deposit insurance in Kenya.

Mr. Mohamud has thus assessed many jurisdictions including Nigeria, Tanzania, India, Trinidad and Tobago, Poland, Switzerland and Sweden. Further, as an expert in resolution of failed banks, Mr. Mohamud has extensively facilitated international conferences on deposit insurance.

It is perhaps due to this rich grounding, legacy, contribution and recognition that Mr. Mohamud added yet another feather to his cap, when he was unanimously endorsed as

	<p>the new Chairman and President of the African Regional Committee (ARC) of the International Association of Deposit Insurers (IADI).</p> <p>The election saw Mr. Mohamud, who also chairs IADI Member Relations Committee, becoming the first Kenyan in history to chair the regional body, ARC-IADI.</p> <p>Besides his extensive training in leadership as well as deposit insurance, Mr. Mohamud holds a Bachelor’s degree in Economics from the University of Nairobi and an MBA in Strategic Management from Moi university, a tremendous achievement for the man with a humble beginning in the County of Samburu.</p>
 <p>MRS. EUNICE KITCHE-ODUOR; DEPUTY GENERAL MANAGER, BOARD SECRETARY & HEAD OF LEGAL</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</p>

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Annual Reports and Financial Statements for the year ended June 30, 2022

	<p>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>
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SENIOR MANAGEMENT TEAM




**MR. MOHAMUD AHMED MOHAMUD;
CHIEF EXECUTIVE OFFICER**

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	<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</p>

**MR. PAUL MANGA;
GENERAL MANAGER,
RISK & EXAMINATION**

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

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)



**MR. DAVID IRUNGU;
GENERAL MANAGER,
RESOLUTIONS**

Mr. David Irungu heads the Directorate of Resolutions. He oversees the resolution process of the 18 institutions in liquidation and 1 bank in receivership.

Mr Irungu has a wealth of knowledge in Fund raising 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

	<p>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 11 practitioner.</p>
 <p>MR. ROBERT INGASIRA MBARANI: GENERAL MANAGER, CORPORATE SERVICES</p>	<p>Mr. Robert Mbarani heads the Directorate of Corporate Services. With a career spanning over 20 years, Mr Mbarani has gained immense experience in Finance, Accounting, Human Resource and project management, having worked with various organizations in the Public Sector.</p> <p>As the head of Corporate Services function, Mr. Mbarani offers strategic leadership to the Finance, Human Resource, Communications and Information Technology divisions of the Corporation. He holds an MBA in Finance from Moi University and a Bachelor of Arts (Mathematics and Economics) from the University of Nairobi.</p> <p>In addition, Mr. Mbarani holds a higher Diploma in Human Resource Management. He is a member of the Institute of Human Resource Management (IHRM) as well as Institute of Certified Accountants of Kenya (ICPAK).</p> <p>Mr. Mbarani has successfully attended various management courses on Corporate Governance, Risk Management and Strategic Management.</p>



**MRS. EUNICE KITCHE-ODUOR; DEPUTY
GENERAL MANAGER, BOARD SECRETARY
& HEAD OF LEGAL**

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

She has actively practiced litigation and conveyancing 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.

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 and a certified Public Secretary CPS (K)

CHAIRPERSON'S STATEMENT

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 2022.

The last 12 months were extraordinary, especially with the country preparing for the General Elections as the financial sector continued to recover from the effects of the COVID-19 Pandemic. This notwithstanding, Kenya's financial services sector, alongside other sectors of the economy have shown considerable resilience against the global and political challenges faced.

The Kenyan financial sector reported growth under the period in review specifically on the macroeconomic environment and banking sector performance. Subsequently, the Corporation leveraged on this recovery for development, and to realize its mandate, general public policy and improve on performance.

Macroeconomic Environment

According to the World Bank's June 2022 Report, the global economy is projected to grow at a slower rate of 2.9% in 2022. This is largely driven by a projected 3.4% slow growth in emerging markets and developing economies, coupled with a 2.6% deceleration in advanced economies. The slow growth has been driven by rising energy prices, less favorable financial conditions, and supply chain disruptions, all of which have been exacerbated by the war in Ukraine.

Macroeconomic Highlights



During the period under review, Overall inflation increased to 7.9% in June 2022 from 6.3% in June 2021. The increase was majorly due to increases in food and energy prices. The increase in global commodity prices and supply chain disruptions resulted in the Monetary Policy Committee tightening

The monetary policy in order to further anchor inflation expectations by raising the Central Bank Rate (CBR) to 7.5% in May 2022.

Banking Sector Performance

The banking sector remained stable within the period under review with total assets of KES. 6.3 trillion in June 2022 an increase from 5.7 trillion in June 2021. Loans and advances increased by 16% from KES. 2.76 trillion in June 2021 to KES. 3.19 trillion in June 2022. Total deposits increased by 8% from KES. 4.27 trillion in June 2021 to KES. 4.68 trillion in June 2022. The growth was attributed to the mobilization of deposits through agency banking and mobile phone platforms.

Banking Sector

Total Deposits	No. of Accounts	Insured Deposits
4.6 trillion	72 million	744 billion

The sector recorded a strong performance in the period under review mainly due to continued recovery from the COVID-19 pandemic.

Strategic Analysis

The Corporation's resilience and commitment towards its key mandate was seen in its continued strive towards implementation of the Strategic Plan 2018-2023 and key objectives for the year, in alignment to the Kenya Development Agenda towards economic growth and establishment of a vibrant and globally competitive financial sector.

In line with this strategic focus, the Corporation enhanced its offsite surveillance mechanism to safeguard the Deposit Insurance Scheme and promote confidence in the banking system. Further, the Corporation instituted contingency planning and crisis preparedness programs, and enhanced consultations with stakeholders for collaboration in safeguarding depositor interests.

As the custodian of the country's Deposit Insurance Scheme, the Corporation continued to manage the Deposit Insurance Scheme prudently, as guided by the KDIC Investment Policy; to ensure viability, robustness and adequacy of the Scheme in the unlikely event of bank failure.

Further, the Corporation made pay-outs of protected deposits to depositors of Chase Bank Ltd (IL) and Charterhouse Bank Ltd (IL), which were placed in liquidation in the period under review. Besides, KDIC, being the country's Resolution Authority, continued to manage institutions in liquidation, by tracing, preserving and realising assets for the benefit of depositors and creditors of those banks.

In line with our strategic objective of partnering and collaborating with key stakeholders, the Corporation conducted various stakeholder consultative forums in pursuit of common goals. These forums, contributed towards the achievement of critical milestones in the period under review. Such engagements heralded strengthened partnerships with member institutions on public awareness and information sharing, corporation with banks for prompt payment of deposits to customers of Imperial Bank Ltd (IR) as well as Chase Bank Ltd (IL).

In the realisation of our strategic theme on organisational capacity, the Corporation recognises that the Kenyan people are the most valuable resource. Consequently, various capacity building programs were implemented in the period under review. Most of these programs were aligned to deposit insurance, prompt resolution and contingency planning.

Beyond the implementation of our core objectives, we have continuously become aware of our impact on the environment and community. In this regard, the Corporation has implemented various initiatives towards preserving our ecosystem, and also played a part in enhancing the country's healthcare system. KDIC remains devoted to its Corporate Social Responsibility commitments in support of Vision 2030.

The Board

During the period under review, the Board of Directors was reconstituted in the 2nd Quarter of the financial year 2021/2022 which led to the appointment of 4 independent Board Directors, including the Chairperson. This facilitated the Corporation's activities geared at achieving its mandate noting that the previous financial year, 2020/2021, came to an end with the Corporation's Board not being fully constituted. As a milestone, the reconstituted board has the benefit of having two female Directors up from the previous board that was graced by a one female Director.

Future Outlook

Going forward, the Corporation remains steadfast in its resolve to be a premier deposit insurance scheme. To achieve this dream, we will pursue digitization of our operations and processes, to remain aligned with global changes. Further, we are seeking to review the Deposit Insurance legal framework to enhance the efficacy of the Corporation's mandate. In line with the Risk Minimization objective, we look forward to the entrenchment and benefits of Differential Premium System. Additionally, we plan to enhance various capacities within the organisation, and pursue best practice in Deposit Insurance.

Additionally, in compliance with *Mwongozo - The Code of Governance for State Corporations*, the Corporation intends to implement the findings of the Legal & Corporate Governance Audit, conducted in the just concluded financial year. The Corporation was evaluated and found to have an overall ranking of "Good". This is the highest ranking, which denotes that KDIC has demonstrated good practice in the majority of the compliance areas. Implementation of the findings will facilitate improving the Corporation's general compliance thereby facilitating it realize its vision within a culture of good corporate governance and compliance.

Acknowledgements

In conclusion, may I express my sincere gratitude to my fellow Board Members, for their personal commitment and service to the people of Kenya during this period. Similarly, on my behalf and that of the Board of Directors, I commend the Chief Executive Officer, Management and Staff of the

**Kenya Deposit Insurance Corporation – Staff Mortgage & Car Loan Scheme
Annual Reports and Financial Statements for the year ended June 30, 2022**

Corporation for their invaluable support and selfless service towards the achievement of its milestones this far.

Lastly, I acknowledge the robust partnership and contribution of our member Institutions. This collaborative partnership, that is guided by our parent ministry, The National Treasury and Planning, has continued to foster financial stability in Kenya's banking system. We look forward to deepening this engagement for public good.

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

REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Annual Report and Financial Statements for the 2021/2022 financial year.

General Overview

KDIC continued to focus on post COVID-19 recovery in the year under review, by upscaling operations to ensure that the Corporation delivers on the Strategic Plan and GOK Performance Contracting commitments. The key areas of focus in the year under review included growth of the Deposit Insurance Scheme, payment of protected deposits and dividend pay-outs to depositors of failed banks, collection of outstanding loans, enhancing organizational capacity and improvement of the Information and Communication technology (ICT) infrastructure.

Operating Environment

The banking sector remained resilient in the year under review, recording improved performance indicators all-around. Banks continued to align their operating models in response to changes in the environment, resulting to an increased adoption of digitalization, improved capital adequacy ratios, and acquisition of small banking entities to ensure their sustainability.

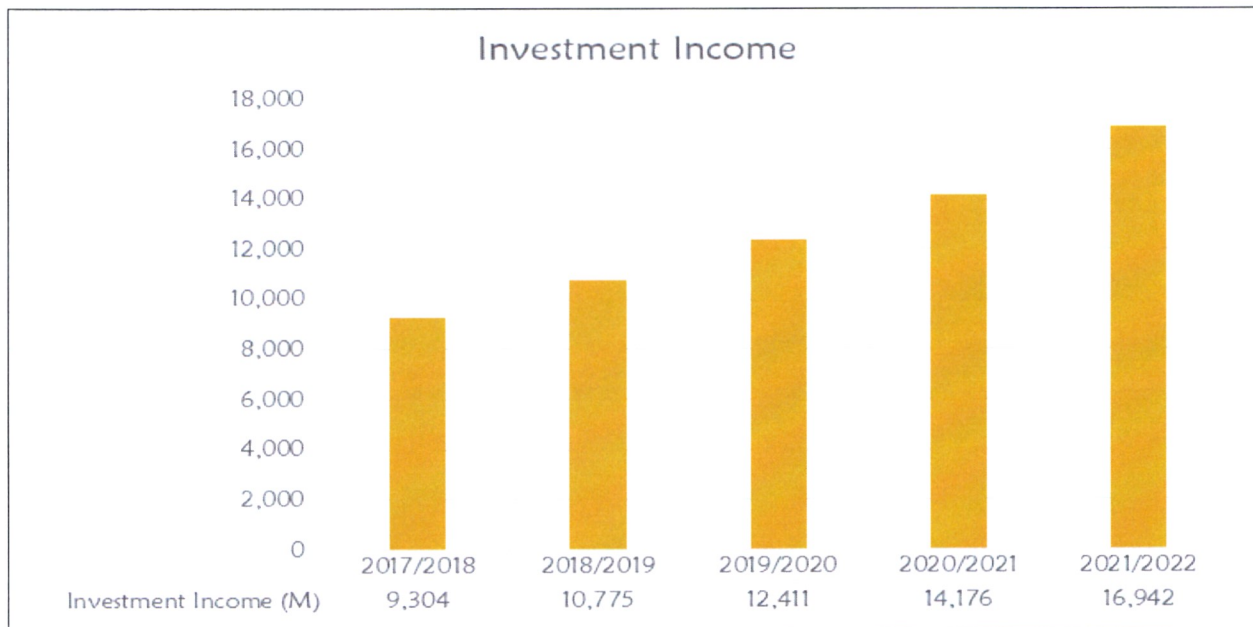
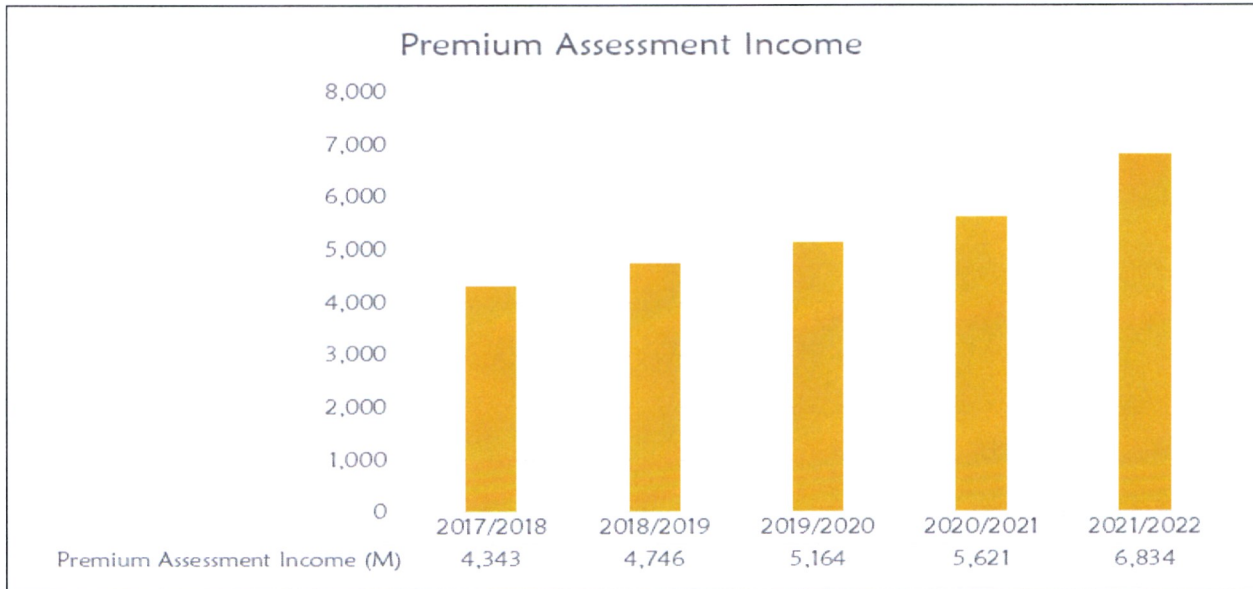
There was a remarkable increase in deposits to Ksh. 4.6 trillion, compared to Ksh. 3.8 trillion in the previous reporting period, while insured deposits increased to Ksh. 744 billion compared to Ksh. 645 billion recorded last year. Additional details of other performance indicators are given in subsequent sections of this report.

Financial Performance

Despite the economic challenges and uncertainties caused by the global pandemic, the Deposit Insurance Scheme continued to grow recording a 14% increase from Ksh. 140 B recorded in the previous year, to Ksh. 160B. The premium assessed also recorded an increase as a result of growth in total deposits held by banks and the implementation of the risk-based premium assessment model.

Kenya Deposit Insurance Corporation – Staff Mortgage & Car Loan Scheme
Annual Reports and Financial Statements for the year ended June 30, 2022

The Corporation's investment income also increased by 19%, from the Kshs 14B recorded in the previous year to Kshs. 16.9B. The graphs below represent the trend in investment income and premium income over the years:



I am pleased to state that in addition to our stellar financial performance, KDIC was awarded the Financial Reporting Award (FiRe Award) after emerging first runners up in the International Financial

Reporting Standards (IFRS) - State Corporations Category for the 2019 / 2020 Annual Report and Financial Statements.

Risk Management

The Corporation implemented the Risk-Based Premium Assessment Model in July 2021, after the one-year implementation moratorium given on account of the Covid-19 pandemic. While this model resulted to increased contributions by Member Institutions, the Scheme's fundamental objective of Differential Premium Systems is to provide an incentive to banks, to minimize risks, and this in turn protects deposits.

Further, KDIC continued to enhance relations with member institutions, who remain the key stakeholder in the achievement of the deposit protection and financial stability objectives. During the period under review, the Corporation held forums with bank representatives to discuss various thematic areas, including feedback on the Risk-Based Premium Assessment model, implementation of the Electronic Data Warehouse system and data submission requirements.

Organizational Capacity

KDIC continues to ensure that inclusion, equity and professionalism define the working environment. This has been achieved by continuously training staff on deposit insurance, crisis management, bank resolution simulation and other key support function topics. In the year under review, various capacity building programs were conducted internally within the Corporation.

In the quest to becoming a Premier Deposit Insurer – KDIC conducted three capacity building seminars for various partners. KDIC held a Regional Crisis Preparedness and Bank Resolution Simulation conference for Deposit Insurers and Central Banks in Africa. This training forum attracted 42 participants from 12 countries, setting a precedent for conducting future programs. A similar program was conducted for officers of the National Treasury, to foster partnership and build capacity for prompt bank resolution. The Corporation was also engaged by the Policyholders Compensation Scheme (PCF), to share knowledge on management of the Scheme, risk minimization and resolution practices.

Further, KDIC continued to embrace best standards in its operations through the maintenance of the Enterprise Risk Management and Business Continuity Management system and ISO Quality Management Systems. The Corporation also embarked on a journey to transform its Information and Communication Technology (ICT) ecosystem, through the implementation of the Electronic Data Warehouse and Business Intelligence (EDW-BI) system, Electronic Document and Records Management System (EDRMS), as well as the upgrade of the Enterprise Resource Planning (ERP) system. On the same note, CIO Africa awarded the Corporation the Gold Award as first runners up for the implementation of Enterprise Resource Planning (ERP) systems in the Public Sector category.

Indeed, the staff of the Corporation remain the most valued resource, even as they implement the organisation's strategy and programs. In the year under review, KDIC enhanced its Performance Management System by implementing the Balanced Score Card (BSC) Methodology. This approach is expected to entrench the performance driven culture that KDIC prides itself in, while providing incentives for exceptional performance.

Deposit Insurance and Prompt Resolution

The Corporation continues to manage the Deposit Insurance Scheme, together with the assets of 19* banks in liquidation in the interest of depositors.

During the period under review, Ksh. 565 million of protected deposits was paid to 58% of depositors of Chase Bank Ltd (IL). Charterhouse Bank (IL) also commenced payment of the protected deposits after its Liquidation was assented to by the Central Bank of Kenya. As at June 30, 2022 Ksh. 14.25 million had been paid out in protected deposits, but the same was stalled as a result of a court injunction. The Corporation collected Ksh. 984 million in outstanding debt, compared to Ksh. 500 million collected in the previous period.

Further, the Corporation continued to consolidate the operations of Imperial Bank Ltd (IL), which was placed in Liquidation on December 8, 2021. As at the end of the financial year, the Liquidation Agent closed an additional three (3) branches out of the remaining nine (9) branches.

Future Outlook

Indeed, the Management and staff remain committed to delivering on the Corporation's mandate, in the interest of depositors and to foster financial stability. We have continued to align our strategies, programs and operations to international best practise, to ensure that the country's deposit insurance system remains viable and resilient.

Looking into the future, the Corporation intends to develop the 2024 -2028 Strategic Plan, to succeed the current 2018 – 2023 Strategic Plan. Further, the Corporation continues the review of the Kenya Deposit Insurance Act of 2012 – which began in March 2021, with the aim of ensuring identified gaps are resolved for the seamless implementation of our mandate. Other identified initiatives include the documentation of Resolution Plans, also known as Living Wills by banks to support prompt resolution, implementation of the whistle blowing policy to support risk minimization in banks, and leveraging on technology and existing stakeholder relations to increase public awareness.

The Corporation remains cognisant of risks that are emerging in the Financial Services environment, and how these impact Member Institutions, the Deposit Insurance Scheme, and the Corporation's sustainability. Firstly, whereas the rapid digitization of financial and communication technologies portends a great opportunity for improved service delivery, access and efficiency – the dynamic operating environment poses cyber security risks to financial institutions. KDIC is also aware of the impact of movement of deposits from physical branches to digital platforms, on its prompt resolution goal.

Secondly, following the issuance of Guidance on Climate-Related Risk Management by the Central Bank of Kenya, to banks, it is expected that operations, governance and reporting structures will change to entrench compliance.

Appreciation

Indeed, this has been a year when KDIC has achieved great milestones, and this has been possible due to the support of various stakeholders. My sincere gratitude goes to our member institutions, consisting of all commercial banks and micro-finance banks operating in the country, for the growing partnership and collaboration in risk minimization and data sharing. I also wish to most sincerely

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thank the Board of Directors for their commitment and guidance during the year in review. On the same note, I recognize the diligence, dedication and teamwork of the management and staff and their selfless contribution to the Corporation's agenda.

I also thank our parent ministry, The National Treasury and Planning for the support and cordial relationship we continue to enjoy. KDIC has also benefited greatly from the growing partnership with various government agencies and financial services regulators, and we remain eternally grateful.

It is my hope that we will all continue working together, in the interest of depositors, and to foster financial stability.

Hellen Chepkwony
Ag. Chief Executive Officer

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

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

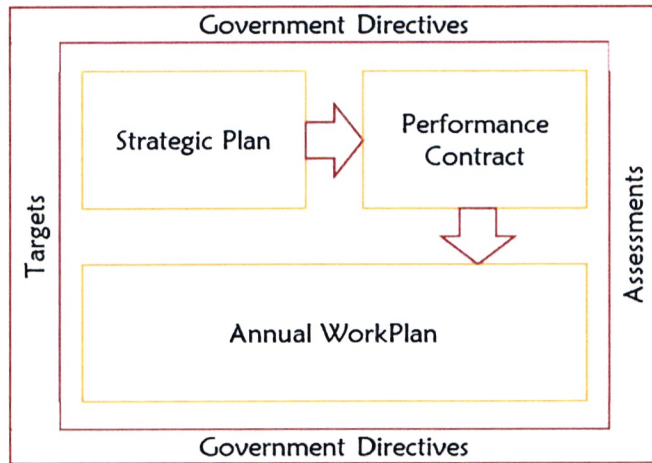
The Strategy currently being implemented has five thematic areas namely; Risk Management, Deposit insurance, Prompt Resolution, Stakeholder management and Organizational capacity. These remained key focus areas during the year under review.

Strategic Pillars and Themes;



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



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

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

Achievement of strategic objectives

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Strategic Pillar	Objective	KPI	Activities	Achievements
Risk Management	Enhance early detection and timely intervention of risk exposure	Implement an early detection and intervention framework	Review and implement a risk assessment framework (CAMEL)	Implemented
			Implement early detection and intervention framework	Conducted offsite surveillance on 53 member institutions. We also conducted capacity building on Crisis Preparedness and Contingency Planning and prompt resolution.
			Stakeholder engagement on sound risk management	The Corporation conducted 9 stakeholder engagement sessions covering all our member institutions during the year
Deposit Insurance	Achieve a coverage ratio of 23.25% by 2023	Increase in coverage ratio	Collect the deposit insurance premium (Kshs.6.8B)	The Corporation assessed and collected Kshs. 6.8B.
			Prudent investment of Funds - Income (Kshs.13.6B)	The Corporation's prudently invested monies from the fund to maximize return while managing liquidity. This led to a revenue of Kshs.14.5B against a target of Kshs.13.6B.
Stakeholder Management	Increase public awareness levels from 9% in 2018 to 40% in 2023	Increase public awareness index	Conduct a targeted public awareness campaign	The Corporation conducted a public awareness campaign in collaboration with print, electronic and digital media aimed at sensitizing the public on KDIC mandate as well as enhancing confidence on safe-banking
			Develop and disseminate IEC Material	The Corporation distributed IEC material to members of the public during the year. These were KDIC branded merchandise to encourage the public to take up formal banking

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Strategic Pillar	Objective	KPI	Activities	Achievements
Prompt Resolution	Increase the debt recovery rate from 20% in 2018 to 30% by 2023	Debt recovery growth rate	Adopt alternative dispute resolution methods	The Corporation employed Alternative Dispute Resolution methods in debt recovery for institutions in liquidation.
			Implement convenient loan repayment options	The Corporation is in the process of implementing a mobile application that shall enable debtors of institutions in liquidation to pay their debts through e-citizen.
			Increase the number of loan repayment methods	
Organizational capacity	Enhance absorption rate (Allocated funds)	Budget utilization	Implementation of approved establishment	The Corporation's staff compliment is at 31% of its approved staff establishment.
			Develop and disseminate IEC Material	The Corporation distributed IEC material to members of the public during the year. These were KDIC branded merchandise to encourage the public to take up formal banking

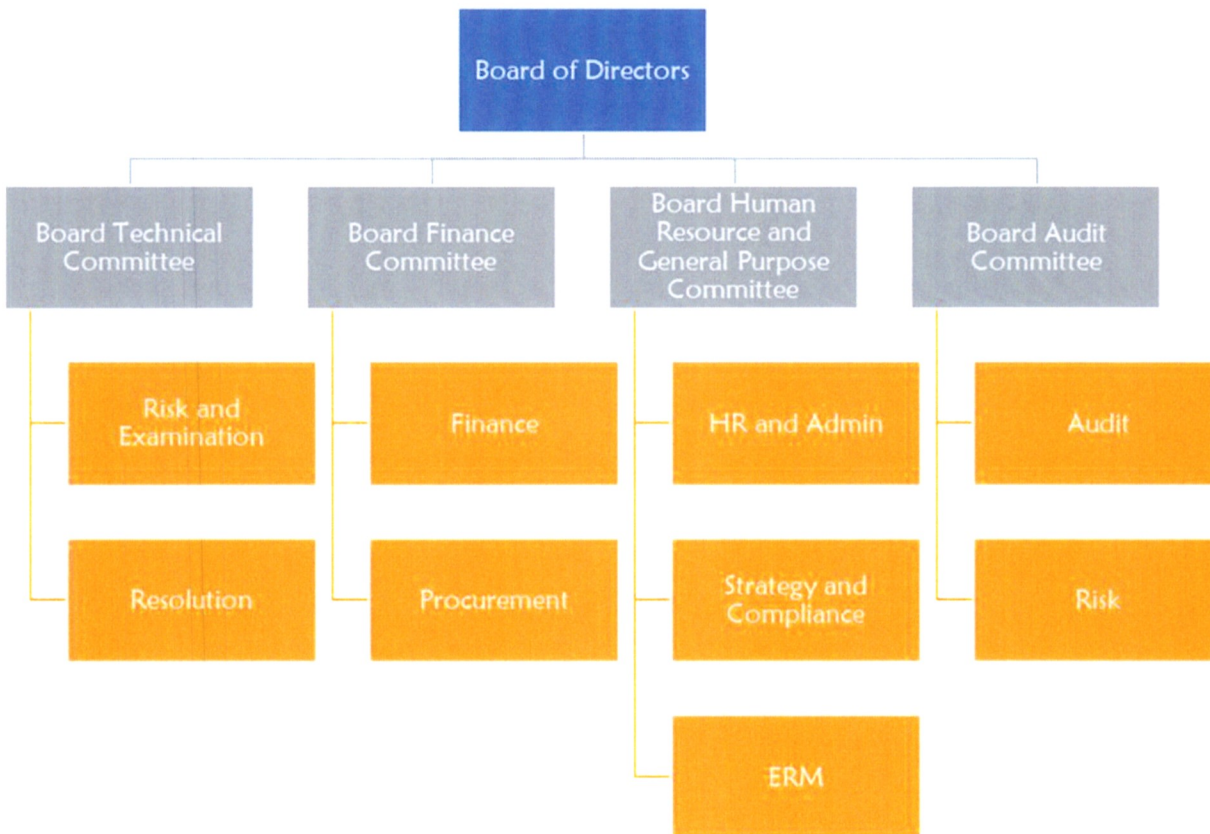
CORPORATE GOVERNANCE STATEMENT

The Board of Directors ensure that corporate governance is adhered to in the operations of the Corporation through development of various policies, processes, systems and procedures. Through compliance with the Constitution of Kenya, *Mwongozo*, which is the Code of Governance for State Corporations, the KDI Act, 2012 and all applicable legislations, the Corporation continues to embrace good corporate governance practices.

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

Governance Structure

According to the KDI Act 2012, “*Mwongozo*”, and the Board Charter KDIC has adopted the following governance structure: -



Statutes



- Constitution Of Kenya
- Kenya Deposit Insurance Act, No.10 Of 2012
- Banking Act Cap 488
- Micro Finance Act No. 19 Of 2006
- Land Act No. 6 Of 2012
- Sectional Properties Act
- Land Registration Act No. 3 Of 2012
- Movable Property Securities Act No. 13 Of 2017
- Public Finance Management Act No. 18 Of 2012
- Public Procurement And Asset Disposal Act No. 33 Of 2015
- Leadership & Integrity Act No. 19 Of 2012
- Occupational Safety & Health Act No. 15 Of 2007

Best Practice

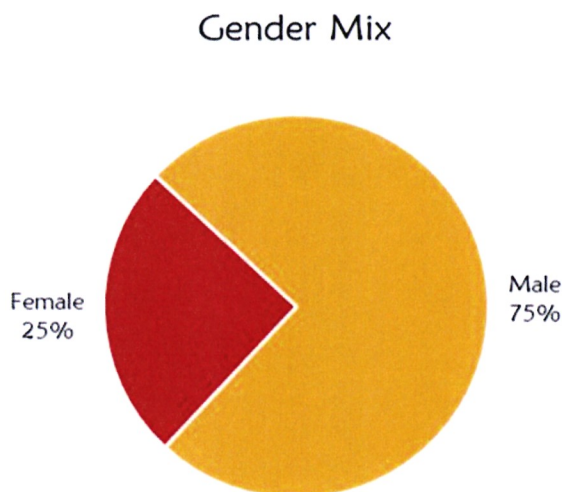


- Government Circulars
- Mwongozo Code Of Conduct For State Corporations
- IADI Core Principles For Effective Deposit Insurance Systems
- FSB Key Attributes

Board of Directors

The Constitution of KDIC’s Board is governed by the provisions of Section 7 of the Kenya Deposit Insurance Act, 2012. The Act provides that the Board shall comprise 10 members including the Chairperson and the Chief Executive Officer. During the year under review, the board to the Corporation was reconstituted through the appointment of the Chairperson and 3 other members making the total number of directors 10.

The Gender distribution of the board for the year under review is as shown in the table below where there were 6 Male directors and 2 female directors. This excludes the two alternate directors and the representative from the Inspectorate of State Corporations.



Board Committees

The Board, in order to undertake its mandate effectively and efficiently, has four committees, which have its delegated authority. The Board endeavours to make the best use of the range of skills across the Board and share responsibility. Each Board Committee has in place a Charter that defines its oversight mandate.

Membership to Board Committees

Board Technical Committee (BTC)	Board Finance Committee (BFC)	Board HR, Strategy & General-Purpose Committee (HSGPC)	Board Audit Committee (BAC)
Ms. Anne Agimba (Chairperson)	Dr. Habil Olaka (Chairperson)	Ms. Anne Agimba (Chairperson)	Mr. John B. Maina (Chairperson)
Dr. Habil Olaka	Mr. Mohamed Adow	Mr. Mohamed Adow	Mr. John Njera
Mr. Mohamed Adow	Mr. John Njera	Mr. John Njera	Dr. Patrick Njoroge
Dr. Patrick Njoroge CEO, KDIC	CEO, KDIC	Mr. John B. Maina CEO, KDIC	Ms. Anne Agimba

Board Committee Functions

COMMITTEE	TERMS OF REFERENCE
Board Technical Committee (BTC)	<p>To consider and recommend policy documents relating to the following for Board approval: -</p> <ul style="list-style-type: none"> ✓ Resolution. ✓ Risk & Examination.
Board Finance Committee (BFC)	<p>(i) To consider and recommend policy documents relating to the following for Board approval: -</p> <ul style="list-style-type: none"> ✓ Finance ✓ Procurement <p>(ii) To review and recommend to the Board the following reports: -</p> <ul style="list-style-type: none"> ✓ Budgets and procurement plans ✓ Annual accounts and thereafter submit to the Office of the Auditor General (OAG). The Committee has a duty to ensure that the accounts with supporting documentation are submitted to the OAG within three (3) months after the end of the financial year. ✓ Quarterly financial and Performance Contract reports.
Board HR, Strategy & General-Purpose Committee (BHSGPC)	<p>Human resource</p> <p>(i) To consider and make recommendations to the board on the matters touching on Human Resource Management and compliance with relevant HR legislation, policies and procedures</p> <p>Strategy</p>

	<ul style="list-style-type: none"> (ii) Guide the Board on the development and implementation of the Strategic Plan. (iii) Provide oversight on matters relating to the Business Continuity Plan (BCP) <p>Risk</p> <ul style="list-style-type: none"> (iv) To guide and make recommendations to the board on the Corporation’s implementation of the Enterprise Risk Framework and recommend the same to the Board for approval. (v) To guide and recommend to the board on the appropriate risk appetite and tolerance statements.
<p>Board Audit Committee (BAC)</p>	<ul style="list-style-type: none"> (i) Risk management and internal controls. (ii) Financial reporting and disclosure matters. (iii) External auditor oversight responsibilities. (iv) Internal audit oversight responsibilities.

Board Meetings

The Board has in place an annual work plan and Almanac that sets out the Board activities in a year. The Board meets at least once every quarter, and additionally, when necessary. The annual work plan and calendar are prepared at the beginning of the year and the board papers and agenda are circulated in advance of each meeting. During the year ending 30th June, 2022, the Board held a total of five board meetings and various committee sittings in compliance with the requirements of *Mwongozo* as shown in the table below:-

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Board Director	Board Meetings	Board Technical Committee (BTC),	Board Finance Committee (BFC)	Board HR, Strategy & General-Purpose Committee (BHSGPC).	Board Audit Committee (BAC),
Carol Musyoka (Chairperson)	5	N/A	N/A	N/A	N/A
Mr. John Njera	4	N/A	4	2	3
Mr. Mohamed Adow	4	4	4	2	N/A
Dr. Patrick Njoroge	3	2	N/A	N/A	2
Dr. Habil Olaka	5	3	4	N/A	N/A
Ms. Anne Agimba	5	4	N/A	4	2
Mr. John B. Maina	5	N/A	N/A	3	3
Dr. Nur Nassir Abdi	-	-	-	-	-
Mr. Joseph Musyimi	1	-	-	-	-
CEO KDIC	5	4	4	3	N/A

Role of the Board

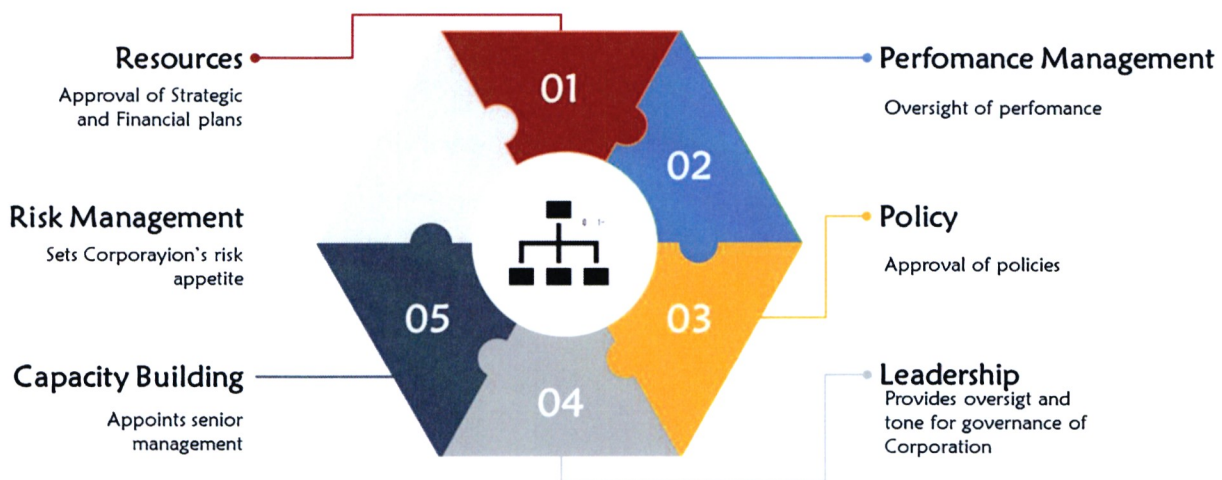
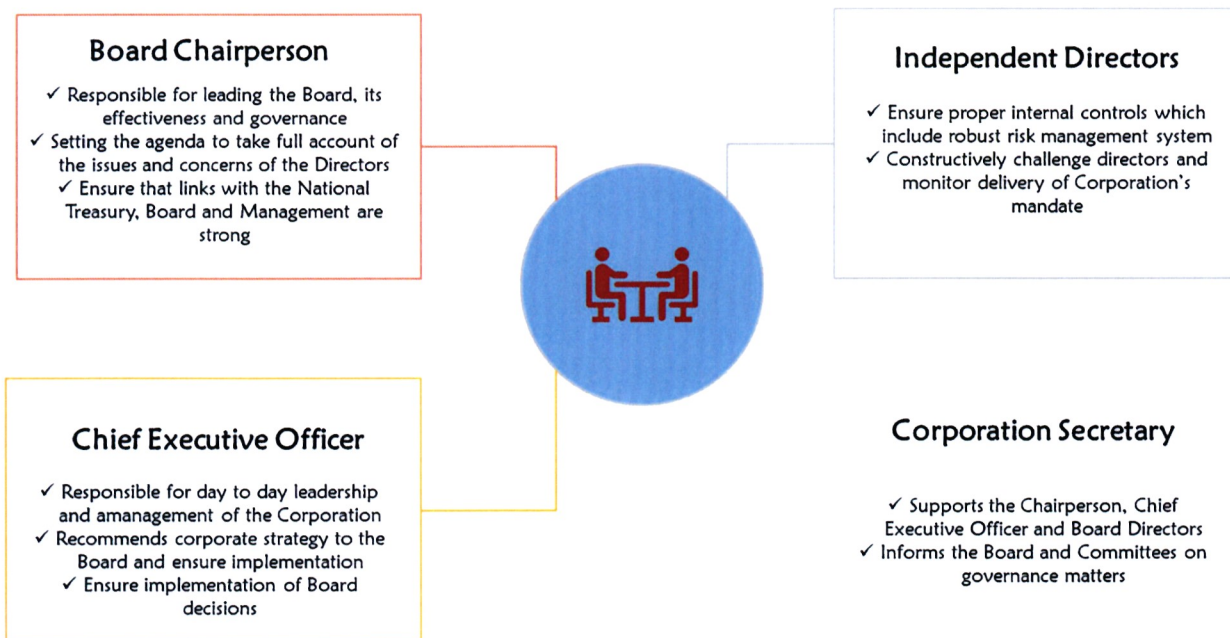


Figure 4: Role of the Board

Separation of Roles and Responsibilities

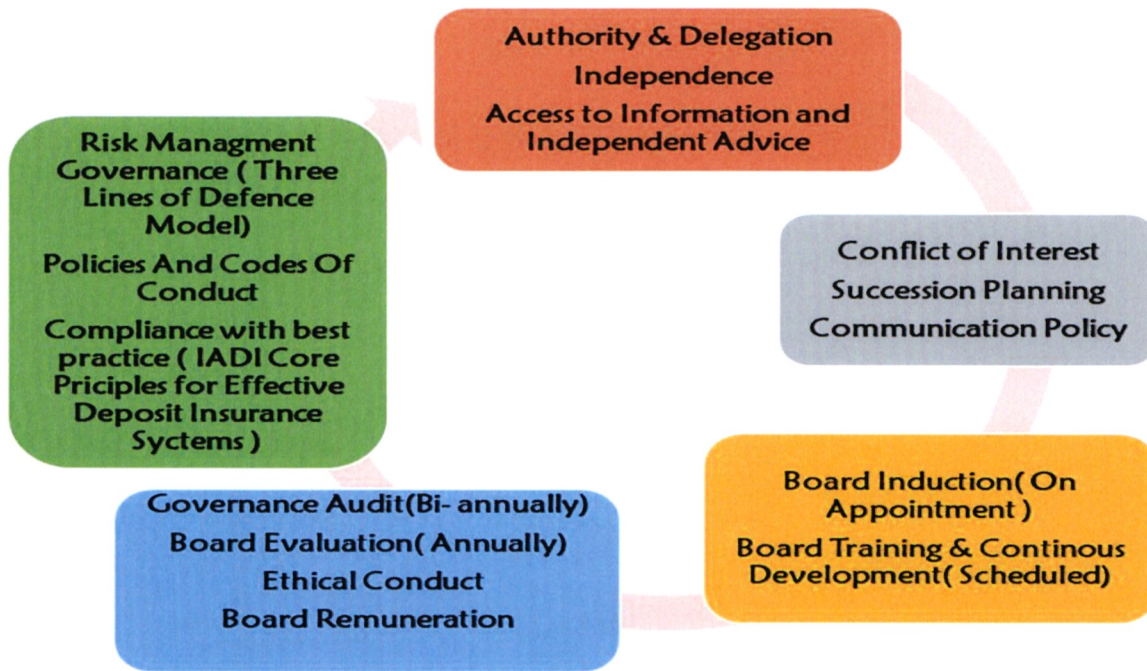
The roles of the Chairperson, Independent Director, Chief Executive Officer and Corporation Secretary are distinct from each other and are performed by different people.

Figure 5: Roles and Responsibilities



BOARD EFFECTIVENESS

The effectiveness of the board is achieved through implementation of the principles shown in the chart below



Delegation of Authority

The Board Charter sets out the authority and matters reserved for determination and approval by the Board and those to be performed by the Committees and Management.

In exercising its mandate, the board has delegated to its committees the authority to consider all management proposals prior to the proposals being tabled before the Board. Board committee chairpersons are then tasked with the responsibility of presenting the committee decisions to the full board for consideration.

The decisions of the board are communicated to management through the Corporation Secretary, who is also tasked by the board with the duty of updating the board on the implementation status.

During the year under review, the board in compliance with good governance and in compliance with the KDI Act, 2012 delegated the function of day-to-day management of the affairs of the Corporation to the CEO.

Independence of the Board

The KDI Act provides that a majority of its directors should be independent. Accordingly, the Board members are considered to be independent when they are separated from management, and are not conflicted to the extent of interfering with the management of the affairs of KDIC, or any other members' capacity to act independently on issues that are in the best interest of the Corporation.

Access to Information and Independent Advice

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

The Directors 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 observe the provisions of the statutes applicable to the use and confidentiality of information.

Conflict of Interest

The Directors are each responsible to notify the Chairperson and the Corporation Secretary of any actual or potential conflict of interest situations as soon as they arise.

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

Any Director with a material personal interest in any matter being considered during any Board or committee meeting will not vote on the matter or be present when the matter is being discussed and considered. During the year 2021/2022, except for the directorship held by the Permanent Secretary, National Treasury, the Attorney General and the Governor Central Bank of Kenya, CEO, Kenya Banker's Association all other directors of the Corporation were considered independent. No incidences of material conflict of interest were identified for any of the independent Directors.

Succession Planning

The appointment of independent directors is undertaken by the Cabinet Secretary (National Treasury) in line with the KDI Act and other applicable laws.

The independent board members, as noted in the Gazette Notice appointing them, are expected to serve a term of three years. To ensure that there is continuity, the appointments of the board members is conducted in a manner which ensures that the terms of the independent board members do not end at the same time. The Corporation promptly notifies the Cabinet Secretary of any vacancy in the Board.

Communication Policy

The board adopts top down and bottom-up approach to communication. The board receives board papers, using the E-board platform for efficiency, from management through the Corporation Secretary. Board resolutions on their part are communicated to management through the Corporation Secretary.

Externally, the board has delegated to the CEO the mandate of being the official spokesperson of the Corporation.

Board Induction and Training

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

The Board during the 2021/2022 financial year conducted induction sessions for the newly appointed Board Directors to familiarise them with the operations of the Corporation. In order to keep the Members up to date with the latest developments in board operations, the Board had an opportunity, in March 2022, to be trained on the Role of the Public Sector Board of Governance, Role of the board in Public Procurement and KDIC's crisis preparedness and bank Resolution Framework. Further training through the "*Boards that lead programme*" and Public Sector Advanced Leadership programme was undertaken in May and June 2022 respectively.

Governance Audit

The *Mwongozo* Code of Conduct provides that State Corporations are required to undertake periodic governance audits after every two years.

During the period under review, the Corporation, under the guidance of the Board conducted a legal and governance audit. The Corporation was evaluated and found to have an overall ranking of "Good". This is the highest ranking, which denotes that KDIC has demonstrated good practice in the majority of the compliance areas. Implementation of the findings will facilitate improving the Corporation's general compliance thereby facilitating it realize its vision within a culture of good corporate governance and compliance.

Board Evaluation

The Board has in place a procedure for assessment of its performance and that of the Board Committees and individual directors annually not only as a measure of their performance, but also to comply with the *Mwongozo* code of corporate governance. During the financial year under review, the State Corporations Advisory Committee (SCAC) evaluated the Board's performance and documented areas of improvement for implementation in the Financial Year 2022/2023.

The areas of improvement identified have been used to facilitate the development of the training needs of the board of directors. For instance, training on '*Finance for non-finance members*' has been identified as an area for improvement for board members that lack a finance background.

Risk Management Governance

Risk is an inherent part of the KDIC's business and the effective management of risk is a Scheme amental enabler of our strategic plan. The strategy for managing risk is aimed towards depositor protection and enabling sustained performance.

This is achieved through the Risk Management Framework of the Corporation. The Corporation is exposed to both financial and non-financial risks and 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 KDI Act 2012 and strategic and mandate of the Corporation.

This includes setting and reviewing the risk appetite, monitoring the effectiveness of the risk management framework and making changes to it.

Risk Management Framework

KDIC's risk management function oversees a Risk Management Framework to allow KDIC identify, measure and manage risks within a Board-approved risk appetite.

The KDIC's risk management is based on the 'three lines of defense' model. The first line of defence for the Corporation is facilitated by the management and staff who are responsible for identifying and managing risks as they conduct their functions. The Second line of defence is through implementation of policies, procedure and frameworks that facilitate compliance and enable review to confirm adequacy of controls. The third line of defence, is conducted by the Internal Audit team, which facilitates quality assurance and makes their findings to the Board through the Board Audit Committee.

Policies and Codes of Conduct

KDIC maintains and has in place policies and codes of conduct that capture not only our legal obligations, but also the reasonable expectations of our stakeholders, including customers. These policies apply to all employees and Directors of KDIC, and to 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

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

Board Remuneration

The remuneration of the Board is guided by SCAC and the applicable laws. The Chairperson is paid a monthly honorarium as stipulated in her letter of appointment. Board members are paid a sitting allowance that is based on the number of meetings attended.

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.

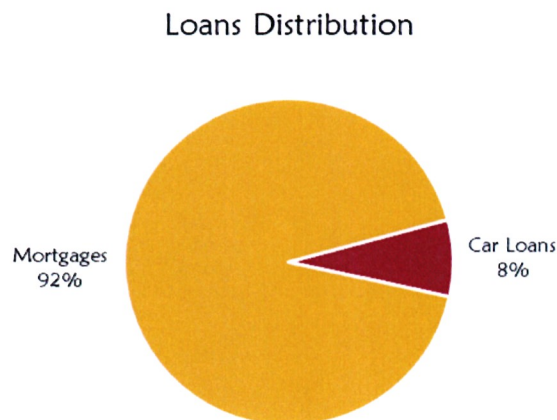
The Corporation continuously aligns its operations and legal framework to the guidance of these principles, and was voted the best deposit insurer in the world, in 2016.

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 how the schemes shall be run. KDIC sought budgetary approval from the National Treasury to operationalize the scheme and an approval of Kshs 747M was granted for the financial year 2019/2020. The scheme has since been established and has been operational.

Secondary 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. Since the first loan issuance in March 2020, the scheme has issued 26 loans of Kshs. 146.8 million to staff and two have been fully repaid.

As at June 2022, the outstanding loan amount receivable from staff was Kshs. 125.4 million with Kshs. 9.5 million being car loans and Kshs 115.9 million being mortgages. During the year, the scheme issued out loans of Kshs. 44.1 million. The collections for the year were Kshs. 19.1 million with 16.1 million being through scheduled payments and Kshs. 3 million being lumpsum payments.



The scheme does not have a dedicated bank account and its Schemes are comingled with those of the Deposit Insurance Scheme thus disbursements and receipts are managed by the Corporation. The Schemes held by the Deposit Insurance Scheme attributable to Scheme (Kshs. 625 million) have been

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recognized in these financial statements as a receivable and in the Deposit Insurance Scheme statement as a payable. The process to open a dedicated account for the staff loans Scheme is ongoing and is expected to be finalized within the financial year 2022/2023.

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 2022 which show the state of the Staff Mortgage and Car Loan Scheme affairs.

Principal activities

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

Results

The financial results of the Staff Mortgage and Car Loan Scheme for the year ended 30th June 2022 are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 54.

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 6 of this report.

Auditors

The Auditor General is responsible for the statutory audit of the Corporation in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended 30th

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June 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

Approval of Financial Statements

The financial statements were approved on.....

By Order of the Board.



Eunice Kitche - Oduor
30th September 2022
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 Scheme established by Kenya Deposit Insurance Act 2012 shall prepare financial statements for the Scheme in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board. In the absence of the Administrator of the Staff Mortgage and Car Loan Scheme, the Corporation's Board of Directors is charged with this responsibility.

The Directors are also required to 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 Directors are responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 responsibility for the Corporation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Section 19 of Kenya Deposit Insurance Act, 2012

The Directors are of the opinion that the Scheme's financial statements give a true and fair view of the state of Scheme's transactions during the financial year ended June 30, 2022, and of the Scheme's

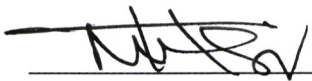
Kenya Deposit Insurance Corporation – Staff Mortgage & Car Loan Scheme
Annual Reports and Financial Statements for the year ended June 30, 2022

financial position as at that date. The Directors further confirm the completeness of the accounts; records maintained for the Corporation, 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.

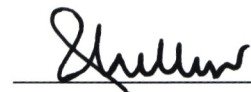
Nothing has come to the attention of the Directors to indicate that the Scheme will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Scheme's financial statements were approved by the Board on 30th September 2022 and signed on the Board's behalf by:



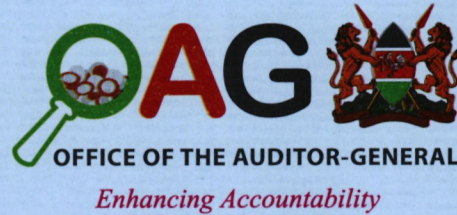
Hannah W. Muriithi, EBS
Chairperson of the Board of Directors



Hellen Chepkwony
Chief Executive Officer

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON STAFF MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2022 - KENYA DEPOSIT INSURANCE CORPORATION

PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Staff Mortgage and Car Loan Scheme set out on pages 1 to 22, which comprise of the statement of financial

Report of the Auditor-General on Staff Mortgage and Car Loan Scheme for the year ended 30 June, 2022 - Kenya Deposit Insurance Corporation

position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows, the 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 presents fairly, in all material respects, the financial position of the Staff Mortgage and Car Loan Scheme as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

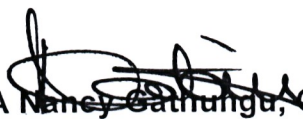
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Scheme to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 March, 2023

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2022

	Note	2022 KShs'000
REVENUE		
Interest on loans	6	3,530
Loan application fees	6	<u>7</u>
		3,537
		=====
EXPENSES	7	-
		<u>-</u>
		=====
SURPLUS FOR THE YEAR BEFORE TAXATION		3,537
Taxation	1(e)	<u>-</u>
SURPLUS FOR THE YEAR AFTER TAXATION		<u>3,537</u>
Other comprehensive income		<u>0</u>
TOTAL COMPREHENSIVE INCOME		<u>3,537</u>
		=====

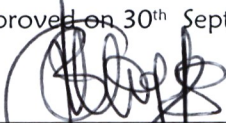
Separate financial statements of the Staff Mortgage & Car Loan Scheme are being prepared for the first time. As such, there are no comparative figures in these financial statements.

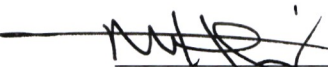
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2022 KShs'000
ASSETS		
Non-current assets		
Staff Loans Receivable from staff	8	108,543
		<hr/> 108,543
Current assets		
Staff Loans Receivable from staff	8	16,860
Staff Loans Receivable from DIF	9	626,501
		<hr/> 643,361
TOTAL ASSETS		<hr/> 751,905
SCHEME BALANCE AND LIABILITIES		
Scheme balance		751,905
Current liabilities		
		<hr/> -
Non-Current Liabilities		
		<hr/> -
TOTAL SCHEME BALANCE AND LIABILITIES		<hr/> 751,905

The financial statements were approved on 30th September 2022 and signed on its behalf by:


Ag. Chief Executive Officer
Hellen Chepkwony


Head of Finance
Mogeni Ong'era ICPAK M/NO: 19116


Chairperson of the Board of Directors
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, 2022

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	2022
	Kshs'000
As at 1st July (Transfer from Kenya Deposit Insurance Corporation)	748,368
Surplus for the year	3,537
	<hr style="width: 100%;"/>
As at 30 June	751,905
	=====

The Staff Mortgage & Car Loan Scheme started reporting independently from KDIC during the year ended 30th June 2022. The opening balances have been transferred from KDIC to the Staff Mortgage & Car Loan Scheme.

Kenya Deposit Insurance Corporation – Staff Mortgage and Car Loan Scheme
Annual Report and Financial Statements for the year ended June 30, 2022

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 KShs'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year		3,537
<i>Adjustment for:</i>		
<i>Changes in working capital:</i>		
Increase in Staff Loans Receivable	8	(125,403)
Increase in Staff Loan funds Receivable from DIF	9	(626,501)

Net cash generated from operating activities		(748,368)
		=====
CASH FLOWS FROM FINANCING ACTIVITIES		
		-

Increase in the value of scheme received from DIF	8	
Net cash generated from financing activities		0
		=====
CASH FLOWS FROM INVESTING ACTIVITIES		
Staff loan scheme held by DIF	9	748,368

Net cash (used in)/generated from investment activities		748,368
		=====
Net (decrease)/increase in cash and cash equivalents		0
CASH AND CASH EQUIVALENTS AT 1 JULY 2021		
		-

CASH AND CASH EQUIVALENTS AT 30 JUNE 2022		0
		=====

Kenya Deposit Insurance Corporation – Staff Mortgage and Car Loan Scheme
Annual Report and Financial Statements for the year ended June 30, 2022

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	2021/2022 BUDGET	ADJST	FINAL BUDGET	ACTUAL INCOME/ EXPENDITURE	PERFORMANCE DIFFERENCE IN KSHS.	% UTILIZATIO N	
NOT E							
10	Revenue						
	Interest Income	3,440,000	-	3,440,000	3,536,708	96,708	100.00%
	Total Revenues	3,440,000	-	3,440,000	3,536,708	96,708	
	Expenditure						
10	Admin Expenses	-	-	-	-	-	
	Total expenditures	-	-	-	-	-	
	Net Surplus	3,440,000		3,440,000	3,536,708	96,708	
		=====		=====	=====	=====	

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.

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 (Kshs'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 2022**

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

ii) **Relevant New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022**

IPSAS 41-Financial Instruments

The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of a Fund's future cash flows.

IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

- i. Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;
- ii. Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and
- iii. Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between a Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

The Schemes financial assets mainly relate to loans disbursed to staff and are recovered through check off from the payroll ,thus its application assessment of the amounts, timing and uncertainty is not expected to affect the scheme.

IPSAS 42-Social Benefits

The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:

- (a) The nature of such social benefits provided by the Fund;
- (b) The key features of the operation of those social benefit schemes; and
- (c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.

The directors have assessed the impact of this standard and have found that it will lead to additional disclosures when effected in the financial year ending 30th June 2023.

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 2021/2022.

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 transaction 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

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, 2022.

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.

n) 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, 2022.

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 will operate a separate bank account to finance its operations.

The Scheme's financial assets amount to Kshs. 125 Mn (2021 - Kshs. 96Mn). The increase in financial assets has been occasioned by additional loans advanced during the year. The Scheme has no financial liabilities.

(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 Kshs.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;

	2022 KShs'000
Interest on loans	3,530
Loan Application fees	<u>7</u>
	<u>3,537</u>

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

Interest Income received for the year ended 30th June 2021 is reported under Kenya Deposit Insurance Corporation Financial Statements.

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;

	2022 Kshs'000
Staff Loans Receivable as at 1st July	96,913
Staff loans advanced	44,070
Less: Repayments	(15,580)
	<hr/>
Staff Loans Receivable as at 30th June	125,403
	<hr/> <hr/>
Comprised of:	
Receivable within 1 year	16,860
Receivable after 1 year	108,543
	<hr/>
Total staff Loans Receivable	125,403
	<hr/> <hr/>

9. Staff Loan Scheme Receivable from KDIC

The Corporation owes Kshs.625M out of total approval of Kshs.747M after disbursement of loans on behalf of the staff loan Scheme. The balance receivable by the Scheme is as follows;

	2022 Kshs'000
Staff loans as at 1st July	748,368
Interest Received by KDIC	3,537
Staff loans advanced as at 30th June	(125,403)
	<hr/>
Staff Loans Receivable as at 30th June	626,501
	<hr/> <hr/>

Kenya Deposit Insurance Corporation – Staff Mortgage & Car Loan
Annual Reports and Financial Statements for the year ended June 30, 2022

The Staff Loans receivable of Kshs.626M 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, thus over the years the movement of amount receivable is as follows;

	2021 Kshs'000
As at 1st July -Staff Loans Scheme	747,015
Interest Received by KDIC	1,353
	—————
As at 30 June 2021	748,368 =====

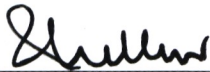
The Staff Mortgage and Car Loans Scheme had not budgeted administrative expenses since the scheme is managed by the Corporation.

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 (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)
Nil	Nil	Nil	Nil	Nil	Nil



Ag. Chief Executive Officer

Hellen Chepkwony