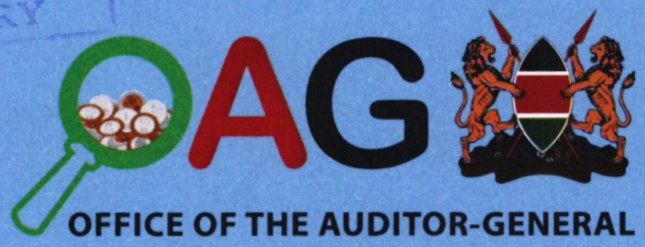



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Enhancing Accountability



	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 OCT 2024	DAY: Tuesday
REPORT TABLED BY:	Hon. Owen Bayo, MP Deputy leader of Majority Party
OF CUT AT THE TABLE!	A. Shibusko

THE AUDITOR-GENERAL

ON

INSURANCE REGULATORY AUTHORITY

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



Insurance
Regulatory
Authority
Harambee kwa Taifa

IRA

INSURANCE REGULATORY AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2024

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

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KEY AUTHORITY INFORMATION

(a) Background information

The Authority is a State Corporation established under the Insurance Act Cap 487 Laws of Kenya. The mandate of the Authority is to regulate, supervise and promote the development of the insurance industry while protecting the interests of insurance beneficiaries.

(b) Principal Activities

The principal activities of the Authority as set out in Section 3A of the Insurance Act are regulation, supervision, and development of the insurance industry in Kenya.

Core Values: The Authority is guided by the following standards of behaviour and culture. The acronym for these core values is aptly coined as 2I-ACT:

- Integrity
- Innovative
- Accountable
- Customer focus
- Team work

Vision “An effective regulator of an inclusive and globally competitive Insurance Industry.”

Mission “To promote development and stability of the insurance industry, and to protect insurance beneficiaries through effective regulation and supervision.”

In line with the 2023-2027 strategic plan, the Key Result Areas and enabling strategic objectives to drive the strategy are identified. These strategic priorities are the key policy areas informing budget formulation and program implementation. The key result areas are:

- i. Resilient Insurance Industry
- ii. Strengthened Institutional Capacity
- iii. Customer Centricity
- iv. Transformed Insurance Market
- v. Sustainable Insurance Industry

(c) Key Management

The Authority is headed by a Chief Executive Officer who is also the Commissioner of Insurance as set out in Section 3E of the Insurance Act. Subject to the directions of the Board of Directors, the Chief Executive Officer is responsible for the day-to-day management of the affairs of the Authority with support from a key team of senior management.

(d) Fiduciary Management

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

No.	Designation	Name
1.	Commissioner of Insurance and Chief Executive Officer	Mr. Godfrey Kiptum
2.	Director, Supervision	Mr. Kalai Musee
3.	Corporation Secretary and Director Legal Services	FCS Diana Sawe
4.	Director Research, Innovation, Policy, and Strategy	Mr. Robert Kuloba
5.	Director, Corporate Services	CPA Esther Musyoki
6.	Director, Market Conduct	Ms. Anne Chelagat
7.	Director, Internal Audit	CPA Joan Kirika
8.	Senior Manager, Supply Chain Management	Mr. Felix Chelimo
9.	Senior Manager, Finance	CPA Paul Mbici Wangai
10.	Senior Manager, Human Resource Management	Ms. Evelyn Iseren Oroni

(e) Fiduciary Oversight Arrangements

Section 3 B of the Insurance Act establishes the Board of Directors that is charged with fiduciary oversight of the Authority. In the discharge of its functions, the Board has put in place the following Committees:

- i. Technical, Research and Compliance Committee
- ii. Finance and Administration Committee
- iii. Human Resource Committee
- iv. Audit, Risk Management and Corporate Governance Committee

Further, the Insurance Act empowers the Board of Directors to delegate to any Committee of the Board the exercise of any of the powers or performance of the Authority's functions. Adhoc Committees may be established by resolution of the Board for purposes of executing any assignment.

(f) Physical Address

Insurance Regulatory Authority
Zep- Re Place Longonot Road
Upper Hill
P.O Box 43505 – 00100
Nairobi, Kenya

(g) Contacts

Tel: (254)-020-4996000, Mobile: 0719 047000
Fax: (254) -020- 2710126
Email: commins@ira.go.ke
Website: <https://www.ira.go.ke>

(h) Bankers

National Bank of Kenya
Harambee Avenue Branch
P.O Box 72866- 00200
Tel 2828000
Nairobi, Kenya

NCBA Bank
Upper hill Branch
P.O Box 44599-00100
Nairobi, Kenya
Tel 4948000

KCB Ltd
Capitol Hill Branch
P.O Box 48400-00100
Nairobi, Kenya
Tel. 3270000

Co-operative Bank of Kenya Ltd
Upper hill Branch
P. O Box 48231-00100
Nairobi, Kenya
Tel. 2735092

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

THE BOARD OF DIRECTORS



Moses Njenga Chege Chairman
Msc, BA, CPA(K),
Date of Birth: 2nd October, 1974

Moses Njenga Chege was appointed chair in September 2023

He brings to the board over 25 years' post-graduation working experience. He is a Certified Public Accountant and holds a Bachelor of Arts in Economics from University of Nairobi and Master of Science in Management from USIU.

He is an experienced senior executive with extensive knowledge in financial management, strategy execution, fostering innovation and risk identification.

He has deep insights on the role of leadership in driving culture and values. He is passionate about promoting and upholding highest standards of governance, integrity, and probity.



**Mr. Godfrey Kiptum, MBS
Commissioner of Insurance &
Chief Executive Officer**
MPPM, MBA, BA, CII, FLMI,
Dip.HRM
Date of Birth: 5th August, 1970

Mr. Kiptum is the Commissioner of Insurance & Chief Executive Officer. Prior to his appointment, he was the Authority's Chief Manager for Human Capital and Administration- a position he held for 10 years and implemented various Human Resource Systems and Processes.

He sits on the Boards of the Retirement Benefits Authority and Policyholders Compensation Fund. He is also a Trustee of the Insurance Training and Education Trust and a member of the Executive Committee of the International Association of Insurance Supervisors.



**Mr. Kennedy Ogendi Ondieki
Member**
MBA, BA, CPA(K), CPS
Date of Birth: 1st February, 1967

Mr. Ondieki is an Alternate Director representing The National Treasury and Economic planning in the Board. He is the Director of Investments, in charge of Government Investments and Public Enterprises. He is responsible for developing strategic objectives and policies relating to the overall fiscal/financial oversight and management of state corporations.

Mr. Ondieki has a long-cherished career in the public service spanning over 25 years. He sits on the Finance & Administration; and the Audit, Risk Management & Corporate Governance Committees of the Board.



Mr. Charles Machira
Member
 MSC, BSC,
Date of Birth: 1968

Mr. Charles Machira is the Chief Executive Officer of the Retirement Benefits Authority, effective 1st March, 2022. Prior to his appointment as CEO, Mr. Machira was the Chief Manager, Supervision at the Authority.

He has over 20 years' experience in the insurance and pension sectors and has represented the Authority as the Managing Trustee of the Policy Holders Compensation Fund.

Mr. Machira serves in the Technical Research and Compliance; and Human Resource Committees of the Board.



FCPA Wyckliffe M. Shamiah
Member
 MBA, BA, CPA(K)
Date of Birth: 3rd September, 1969

FCPA Shamiah is the Chief Executive of the Capital Markets Authority.

He was previously the Director of Market Operations. He also sits on the Financial Stability Board Regional Group of Sub-Sahara and is the Chairman of the Market Supervision and Risk Management sub-committee of the East African Securities Regulators Forum.

FCPA Shamiah serves in the Technical, Research & Compliance and Audit, Risk Management & Corporate Governance Committees of the Board.



Mr. Matu Mugo
Member
 MBA, B. Com, CPA(K)
Date of Birth: 26th November, 1972

Mr. Mugo is the Assistant Director of Banking Supervision at the Central Bank of Kenya (CBK). He represents the Governor of the CBK on the Board. At the Bank, he leads teams responsible for the review and development of policies to promote safe, affordable, and inclusive financial services.

He has been involved in the development of legal and regulatory frameworks for sharia compliant banking, microfinance, digital financial services, credit information sharing and agency banking.

Mr. Mugo serves in the Technical, Research & Compliance and Finance & Administration Committees of the Board.



Ms. Mercy W. Kiana
Member

*MBA, BCom (Insurance), ACII,
ACIarb*

Date of Birth: 26th October, 1963

Ms. Kiana was appointed to the Board on 6th October 2021. Her career in insurance started in 1987 and she has acquired immense professional experience in diverse facets of insurance business having worked in underwriting and claims.

She is a member of the Executive Council of the Insurance Institute of Kenya, a Certified Professional Mediator and is the immediate former Chairperson of the Staff Retirement Benefit Scheme of the Presbyterian Church of East Africa. Ms. Kiana has undertaken various professional, management and leadership courses in various institutions including Advanced Management Program at Strathmore Business School.

She chairs Technical, Research & Compliance Committee and is a member Audit, Risk Management & Corporate Governance Committees of the Board.



Mr. Ambrose Makanga Ngari,
OGW
Member

MBA, BA, CPA(K)

Date of Birth: 12th May 1967

Mr. Ngari was appointed to the Board effective 19th May, 2023.

He is a banker with over twenty-five years of experience in the banking sector, including leadership roles at renowned institutions such as Equity Bank Kenya Limited and Equity Sacco Society Limited. Currently, he is the General Manager of Equity Bank Kenya Limited with skills in risk management, strategy development, financial analysis, and customer management.

In recognition of his contributions to the banking industry and commitment to excellence, Mr. Ngari was honoured with the prestigious Order of the Grand Warrior of Kenya (OGW) award by former President Mwai Kibaki in 2012.

He chairs Finance & Administration Committee and is a member Human Resource Committee of the Board.



Mr. Joel K. Chemiron
Member

MA, B.Ed.

Date of birth: 22nd December 1963

Mr. Chemiron was appointed to the Board effective 19th May, 2023.

He is an accomplished economist currently studying for Doctor of Philosophy in Economics at Egerton University. He has taught in the Department of Economics, Egerton University as a lecturer for over 25 years with specialization in Microeconomics and Macroeconomics. He has also taught in the School of Business and Economics at Moi University.

Previously, Mr. Chemiron worked in Kenya Railways Corporation (KRC), taught in various high schools in Kenya and served as a director in both Agricultural Development Corporation (ADC) and the Industrial Development Bank - Capital (IDB-C) Limited. He has also served and chaired Boards of Management of various high schools in Kenya.

Mr. Chemiron has served the community in various capacities in Nandi Farmers SACCO Society Limited and Sireet Out growers Empowerment and Producer Company.

He chairs Audit, Risk Management & Corporate Governance Committee and is a member Human Resource Committee of the Board.



Ms. Immaculate K. Shamala
Member

BA (Development studies)

Date of Birth: 22nd June 1978

Ms. Shamala was appointed to the Board effective 19th May, 2023. She is a Development Practitioner and has worked in different non-governmental organisations, on Women, and Leadership Programme, in ACORD, Catholic Justice and Peace Commission.

She is a founder member of Trans Nzoia Women Leaders Organisation and is currently a consultant on gender and governance, mainstreaming rights-based approach in development, monitoring, evaluation and learning, peacebuilding and conflict management, partnerships, and community development.

Ms. Shamala has been a trainer for Centre for Multi-party Democracy Kenya, FIDA Kenya, Action Aid, Lutheran World Federation-Kakuma, Viagroforestry and Justice and Peace Centre. She is also a board member of various schools and NGO organisations, a media analyst on governance, gender, rights, a motivational speaker, and a member of Civil Society Network.

She chairs the Human Resource Committee and is a member of the Audit, Risk Management & Corporate Governance Committee.



Mohamed Hashi
BA (Mass Communication)
Date of Birth: 1st January 1989

Mr. Hashi was appointed to the Board effective 19th May, 2023. He is a youth leader, politician, activist and a mobilizer. He holds a bachelor's degree in communications from Jomo Kenyatta University of Agriculture and Technology.

He has over 15 years of work experience in the private sector overseeing corporate communications, marketing and logistics. He has served as Chairman of a Community Based Organisation and is currently serving the community in various capacities. He has an eye for good governance and system-based approaches in business.

He is a member of the Finance and Administration and the Human Resource Committees of the Board.



FCS. Diana Sawe Tanui
**Corporation Secretary and
Director Legal Services**
LLB, Dip (KSL), CPS, FCI Arb
Date of Birth: 5th October, 1982

FCS. Diana Sawe is the Corporation Secretary and Director Legal services at the Insurance Regulatory Authority (IRA). She previously worked as the Authority's Senior Legal Officer.

She is a Certified Public Secretary, an Advocate of the High Court of Kenya, an Arbitrator, a trained Governance Auditor, Commissioner for Oaths and Notary Public.

MANAGEMENT TEAM

The key management personnel who held office during the period ended 30 June, 2024 were;

<p>Commissioner of Insurance & Chief Executive Officer</p>  <p><i>Mr. Godfrey Kiptum</i> MPPM, MBA, BA, CII, FLMI, Dip. HRM</p>	<p>Director Research, Innovation, Policy, and Strategy</p>  <p><i>Mr. Robert Kuloba</i> MA, BA</p>	<p>Director, Market Conduct</p>  <p><i>Ms. Anne Chelagat</i> MBA, BCom, AIIK, ACII</p>
<p>Corporation Secretary and Director Legal Services</p>  <p><i>FCS Diana Sawe Tanui</i> LLB, Dip (KSL), CPS(K), FCI Arb</p>	<p>Director, Supervision</p>  <p><i>Mr. Kalai Musee</i> MSc, BCom, FIIK, FCII, ACI Arb</p>	<p>Director, Internal Audit</p>  <p><i>CPA Joan Kirika</i> MBA, BCom, CPA(K), CISA, CIA, CRMA</p>
<p>Director, Corporate Services</p>  <p><i>CPA Esther Musyoki</i> MBA, BCom, CPA(K)</p>	<p>Senior Manager, Supply Chain Management</p>  <p><i>Mr. Felix Chelimo</i> MBA, BA, MCIPS</p>	<p>Senior Manager, Actuarial and Data Analytics</p>  <p><i>Mr. Titus Osero</i> MSc, BSc, PgDip, DIPCI, ATASK</p>

<p>Senior Manager, Intermediaries</p>  <p><i>Ms. Jacqueline Nanyama</i> <i>MSc (Insurance & Risk Mngt), BCom, FCII, FAIIK</i></p>	<p>Senior Manager, Prudential Supervision</p>  <p><i>Ms. Mary Nkoimu</i> <i>BA, MCOM, ACII, AIIK, ACSI</i></p>	<p>Senior Manager, Consumer Education</p>  <p><i>Ms. Teresa Mburu</i> <i>BCom, MBA, CPA(K), FA, ACII, AIIK</i></p>
<p>Senior Manager, Consumer Protection</p>  <p><i>Ms. Monica Thirima</i> <i>MBA, BSc, LLB, ACII, IIK, CIArb</i></p>	<p>Senior Manager, ICT</p>  <p><i>Mr. Eric Kisilu</i> <i>MBA, BSc, CISM</i></p>	<p>Manager, Administration</p>  <p><i>Mr. Ahmed Ismail</i> <i>MBA, BA, Dip. HRM</i></p>
<p>Senior Manager, Finance</p>  <p><i>CPA Paul Wangai</i> <i>MBA, BCom, CPA(K), FA</i></p>	<p>Senior Manager, Human Resource Management</p>  <p><i>Ms. Evelyn Oroni</i> <i>MBA, BSc, CHRP, HND</i></p>	<p>Ag. Senior Manager, Licensing and Enforcement</p>  <p><i>Mr. Wilson Wachira</i> <i>BSc, MCom, Dip. Actuarial Science, FLMI</i></p>

CHAIRMAN STATEMENT

On behalf of the Board of Directors, it gives me great pleasure to report on the performance of the Insurance Regulatory Authority (IRA) for the year ended 30th June 2024.

In a bid to promote a fair, safe and stable insurance industry, the Board of Directors worked diligently to foster a vibrant insurance market that met the evolving needs of our nation. Moreover, the Board also worked towards ensuring a robust and responsive policy and regulatory framework, enhancing supervision of industry.

IRA continues to chart a path towards becoming an effective regulator of a globally competitive insurance industry, in line with our aspirations.

Industry Outlook

During the year under review, Kenya's insurance sector continued to be a leader in the region and within the continent, bolstered by strong regulatory frameworks and collective efforts in ensuring compliance with the set standards.

The 2023 Annual Insurance Industry report captures a comprehensive analysis of our dynamic and resilient insurance sector, providing a holistic view of the achievements, challenges, and future prospects of the industry. The overall industry outlook beckons a positive resurgence in Kenya's insurance sector against a backdrop of unprecedented challenges which include famine, inflation and the war in Ukraine.

In addition, Kenya continues to augment its position as the most viable insurance market hub in East Africa. In 2023, Kenya played host to regional and international conferences which included Continental Re's 8th CEO Summit, the 8th Eastern and Southern Regional Conference on Inclusive Insurance, the International Association of Insurance Supervisors Sub Saharan Africa Regional Seminar and the Bimalab Africa Insurtech Summit. Insurance leaders came together to share invaluable knowledge related to the industry. As a thought leader, IRA played key roles in the ensuing discussions which included the role of technology in the insurance sector, inclusive insurance and regulatory matters.

Corporate Governance

In FY 2023/24, the Board discharged its mandate by providing the requisite oversight and leadership. Key decisions were made during the period including approval of the Authority's Strategic Plan 2023-2027, the revised Risk Management Policy Framework and the updated Risk Appetite Statement. The Board of Directors also granted approval for the licensing of new microinsurance businesses in Kenya to facilitate financial inclusion.

In a bid to enhance its capacity to deliver on its mandate, the Board participated in various, well selected capacity development programmes. These training sessions focused on diverse topics including effective corporate governance, leadership in uncertain times and technical aspects of public sector performance management.

Stakeholder Engagement

IRA recognizes the value in stakeholder partnerships as we execute our mandate. Subsequently, it is through stakeholders' support, who included National Treasury & Economic Planning and insurance industry players, that we successfully developed the National Insurance Policy.

Future Outlook

The adoption of Environmental, Social and Governance (ESG) Principles by the insurance sector will be key for sustainable insurance. Some companies have already incorporated the principles in their operations to mitigate the effects of climate change. ESG principles will lead to sustainable business and will ensure that insurance business is carried out responsibly.

Acknowledgement

I would like to thank the Cabinet Secretary and the Principal Secretary of the National Treasury and Economic Planning and the insurance industry players for their confidence in IRA. Gratitude also goes to the Board of Directors for their unwavering support throughout the year.

Lastly, I would like to thank the Commissioner of Insurance and the Authority's Chief Executive Officer, Management and all members of staff, for their dedicated efforts and the achievement of stellar results in the execution of our mandate.



MOSES NJENGA CHEGE
CHAIRMAN

REPORT OF THE CHIEF EXECUTIVE OFFICER

I am delighted to present the Annual Report and Financial Statements of Insurance Regulatory Authority, (IRA) for the year ended 30th June 2024. The report is an account of the Authority's operations for the FY 2023/2024 as it continually strives to achieve its mandate to regulate, supervise and to promote the development of the insurance industry as guided by the Insurance Act Cap 487 of the Laws of Kenya.

Global Outlook

Insurance plays a pivotal role in the growth of economies world over, and the catalytic effect of insurance in the financial services sector cannot be understated. In the year under review, the insurance industry remained vibrant and was on an upward trajectory.

The total global direct premium written increased by 6.1% in 2023, from USD 6.8 trillion in 2022 to USD 7.2 trillion. This accounted for 7% of the world's GDP underlining the significant role insurance plays in supporting the global economy. (Swiss Re Sigma 3/2024).

General insurance premium grew by 3.9% in 2023, a notable improvement from 0.8% growth in 2022, from USD 3.99 trillion in 2022 to USD 4.29 trillion in 2023. The growth was in excess of the previous 10-year average of 3.4%. The global long-term insurance premiums (life insurance) also increased by 7.6% in 2023, from USD 2.78 trillion in 2023 to USD 2.88 trillion in 2023.

Regional

Africa reported a premium of USD 63.6 billion accounting for 0.9% of the world insurance premium, a decrease of 5.6% from USD 67.32 billion in 2022. General insurance premium recorded a decrease of 5.4%, from USD 21.7 billion in 2022 to 20.59 billion. The long-term insurance premium in Africa similarly decreased by 5.7%, from USD 45.56 billion in 2022 to USD 42.98 billion in 2023 (Swiss Re Sigma 3/2024).

Kenya

In 2022, the insurance industry in Kenya recorded KES 310.27 billion in gross premium. Kenya was ranked fourth in Africa in terms of gross premium income after South Africa, Morocco and Egypt. The net profit increased significantly by 70.2% from KES 8.65 billion to KES 14.72 billion.

Operating Environment

To ensure the resilience and sustainability of the insurance sector, the Authority implemented various measures and initiatives to promote industry development. Noteworthy is the industry's adoption of the International Financial Reporting Standards (IFRS)17 in January 2023. The standards provide consistent principles for all aspects of accounting for insurance contracts and will increase reporting transparency and allow stakeholders to make informed investment choices.

Strategic Plan

In the year under review, we implemented the first phase of our Strategic Plan 2023-2027. I am glad to report that we made strides in achieving the five Strategic Goals: Protecting policyholders and insurance beneficiaries, Delivery of efficient and quality service, Improved customer satisfaction, Enhanced inclusive insurance and Alignment with the sustainability agenda.

Service Delivery

The Authority is committed to delivering exceptional service and consistently aims to surpass the customer expectations as outlined in the service delivery charter. Our adherence to the charter commitments remains consistent and our focus to meet our customers' expectations while continuously improving our service delivery and the effectiveness of our Quality Management System (QMS).

Future Outlook

Looking into the future, we are upbeat about Kenya's insurance sector as it is poised for continued growth and innovation, driven by digital transformation, regulatory advancements, and strategic partnerships. The fast-paced adoption of technologies such as Artificial Intelligence and big data analytics will enable insurers to offer personalized insurance policies, streamline claims processes, and enhance customer experience.

Mobile and online platforms have become more accessible, increasing accessibility to insurance products. The full implementation of IFRS 17 which is ongoing will bring greater transparency and comparability in financial reporting, boosting investor confidence and attracting more capital. The sector will also witness substantial growth in microinsurance, providing affordable and accessible products tailored to low-income earners, thereby promoting financial inclusion.

Acknowledgements

I acknowledge the support from the National Treasury and Economic Planning which has continued to offer financial and technical support in performance of the Authority's functions.

Gratitude also goes to the Board of Directors for the crucial leadership and oversight role which they play devotedly.

I thank our staff members for their devotion in implementing the strategic plan which yielded impressive results in the year in review. I also extend my thanks to all our stakeholders for the productive linkages. We look forward to continued collaboration in fostering the growth of the insurance industry.



GODFREY K. KIPTUM, MBS

COMMISSIONER OF INSURANCE & CHIEF EXECUTIVE OFFICER

REVIEW OF THE AUTHORITY'S PERFORMANCE FOR THE FINANCIAL YEAR 2023-2024

The Board has identified strategic objectives within the current Strategic Plan for the FY 2023/2027. These strategic objectives that are anchored on the Key Result Areas (KRA)'s are as follows:

- Objective 1: Promote a fair, safe and stable insurance industry.
- Objective 2: Protect policyholders and insurance beneficiaries.
- Objective 3: Enhance service delivery.
- Objective 4: Continual institutional capacity building.
- Objective 5: Enhance customer experience.
- Objective 6: Improve stakeholder involvement.
- Objective 7: Enhance inclusivity, coverage, access and uptake of insurance.
- Objective 8: Promote ethics and professional conduct.
- Objective 9: Institutionalize sustainability practices in the Authority.
- Objective 10: Promote sustainability practices in the insurance industry

The Authority operationalizes the strategic plan through development of annual work plans and a performance contract based on the above objectives. For the year under review, the Board developed the 2023 - 2024 performance contract which was negotiated and vetted by the Cabinet Secretary, National Treasury and Economic Planning. Further, management developed the 2023 - 2024 annual work plan whose implementation was cascaded to all staff through the Staff Performance Appraisal System (SPAS). Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

The Authority achieved its performance targets set for the FY 2023 - 2024 period for its strategic pillars as operationalized through the performance contract and annual workplans. Through implementation of the 2023 - 2024 performance contract, overall self-evaluated weighted achievement of performance during the year rated 2.7756 which is very good performance and an improvement from a weighted score of 2.7930 realized same period last financial year. The performance is a sum total of performance across the seven criterion indicators set out in the 2023 - 2024 performance contract namely Financial Stewardship and Fiscal Discipline, Service Delivery, Core mandate, Implementation of Presidential Directives, Access to Government Procurement Opportunities, Promotion of Local Content Procurement and Cross cutting indicators.

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A summary of performance achievement against each of the objectives is as follows;

No.	Objective	Key Performance Indicators	Activities	Achievements
1.	Promote a fair, safe and stable insurance industry.	Level of compliance on Capital Adequacy Ratio (CAR)	Monitor compliance with Capital Adequacy Ration	Analysis of level of by non-life insurers and life insurance companies conducted and a report generated
2.	Protect policyholders and insurance beneficiaries	Level of complaint resolution Insurance awareness creation	Complaint resolution Insurance awareness	1. Developed IEC materials on insurance. 2. Dissemination of IEC materials through leading TV channels including signs TV. 3. Dissemination of IEC materials via radio 4. Targeted stakeholder engagements including training of journalists
3.	Enhance service delivery.	Implementati on of service charter	Level of service charter implementation	Service charter implemented as per PC guidelines with overall achievement - 100%
4.	Continual institutional capacity building.	Board development Staff capacity building	No of programs implemented	Board and staff development programs implemented as per plan with level of achievement being 100%
5.	Enhance customer experience.	Digitalization of services	Digitalize services	Services identified for digitalization digitalized
6.	Improve stakeholder involvement.	Stakeholder engagement	Stakeholder engagement fora	Stakeholder engagement meetings held with regulated entities as per plan of capacity development as well as sharing information on developments in the insurance industry
7.	Enhance inclusivity, coverage, access and uptake of insurance.	Bima Lab	Implement Bima lab IV	In partnership with FSD Africa, implemented Bima Lab IV

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No.	Objective	Key Performance Indicators	Activities	Achievements
8.	Promote ethics and professional conduct.	Engagement with industry players	Hold forums with industry players	Held forums with regulated entities mainly service providers, intermediaries and insurers
9.	Institutionalize sustainability practices in the Authority.	Capacity development	Build staff capacity	Training of staff conducted
10.	Promote sustainability practices in the insurance industry	Industry guidance	Issue guidance note	Guidance note issued to insurers

CORPORATE GOVERNANCE REPORT

The Authority is a State Corporation established under the Insurance Act and whose primary activities are to regulate, supervise and promote development of the insurance industry in Kenya and protect the interests of policyholders and insurance beneficiaries.

Article 10 of the Constitution directs that the Authority shall observe good governance in the discharge of its mandate. The Board of Directors is responsible for the Authority's corporate governance and provides strategic direction and control while remaining accountable for delivery of the Authority's mandate through effective leadership, enterprise, integrity and independent judgment.

The Board has set out the Authority's strategic direction and entrusted the Authority's Day to day operations to the Authority's management team, which is led by the Chief Executive Officer and Commissioner of Insurance. The management team oversees the execution of strategies and policies set by the Board. Performance of the Board and management is evaluated against set objectives and is continuously monitored and evaluated throughout the course of each financial year.

A. Role of the Board

The Board is responsible for executing the objects and functions of the Authority as stipulated under the Insurance Act. The responsibility of Board Members is to exercise their best judgment and to act in the best interest of the Authority and its stakeholders. The key responsibilities of the Board include:

- i. Determining the Authority's mission, vision, purpose and core values.
- ii. Setting and overseeing the Authority's strategy and approving its policies.
- iii. Approving the Authority's organisational structure and having the right team in place to effectively execute the Authority's strategy.
- iv. Reviewing, approving, and monitoring the Authority's long-term plans and budgets.
- v. Monitoring the Authority's performance and ensuring that effective processes and systems of compliance, risk management and internal controls are in place.
- vi. Ensuring effective communication with stakeholders.

The Board is committed to fulfilling its fiduciary duties and observes best governance practices in steering the Authority towards attainment of its mandate and has, in accordance with the Insurance Act, State Corporations Act and *Mwongozo* Code of Governance, established systems to ensure observance of high standards of corporate governance in its operations.

B. Board Charter

The Board Charter defines the Board's roles and responsibilities as well as functions and structures in a way that supports its members in carrying out the Board's functions.

The Board reviews the Board Charter at least once every three years and, where appropriate, revises it from time to time. The Board has approved the following charters for its committees, in line with best practice –

- (i) Human Resources Committee Charter;
- (ii) Finance and Administration Committee Charter;
- (iii) Audit, Risk Management and Corporate Governance Committee Charter; and
- (iv) Technical Research and Compliance Committee Charter.

C. Board Composition

The Board is constituted in accordance with Section 3B of the Insurance Act, which provides that the Board shall be comprised of a Chairman appointed by the President and 10 other Board members. The composition of the Board of the Authority as at 30th June 2023 was as follows:

Name	Membership	Profession
Mr. Moses Chege (Appointed on 15.09.23)	Chairman	Financial Management
Hon. Mwambu Mabongah (Retired on 14.09.23)	Chairman	Counseling Psychologist
Mr. Godfrey Kiptum	CEO	Management, Insurance & Human Resource
Mr. Kennedy Ondieki	Representing, Cabinet Secretary, The National Treasury & Planning	Economics & Management
Mr. Charles Machira	Chief Executive Officer, Retirement Benefits Authority	Supervision, Pension & Insurance

Name	Membership	Profession
Mr. Wyckliffe Shamiah	Chief Executive Officer, Capital Markets Authority	Economics & Accounting
Mr. Matu Mugo	Representing, Governor Central Bank of Kenya	Finance & Accounting
Ms. Mercy Kiana	Member, Nominee Insurance Institute of Kenya	Management & Insurance
Mr. Ambrose Ngari, OGW	Member	Banking, Finance & Management
Mr. Joel K. Chemiron	Member	Economics & Education
Immaculate Shamala	Member	Development & Governance
Mr. Mohamed Hashi	Member	Communications & Public Relations

The Board Members represent an appropriate skill, experience, gender, diversity and geographical mix to facilitate effective execution of the Authority's mandate.

Members of the Board other than ex-officio members hold office for a period of three (3) years and are eligible for re-appointment for another term.

Mwongozo requires that not less than one-third of the members of the Board shall be independent non-executive directors. The role of independent non-executive directors is to bring external insights into the Board and provide independent oversight over the executive directors. Composition of the Board as provided for is aligned with this principle.

The Inspector of State Corporations (or his representative) may attend any meeting of the Board or Board Committees as in his opinion is necessary for the effective carrying out of the duties of his office.

The Board is supported by a qualified and experienced Corporation Secretary.

D. Board Oversight

The Board is responsible for the formulation, implementation and monitoring of the Authority's Strategic Plan 2023 – 2027 thus providing appropriate strategic direction for the Authority. The Board ensures that the Authority espouses proper corporate governance practices and is also responsible for managing the Authority's risks. The Board recognises and is committed to

delivering its responsibility to all its stakeholders including social, environmental and governance commitments.

E. Board Committees

The Board has delegated its Authority to the standing Committees to enable it effectively carry out its mandate. The standing Committees of the Board are;

- (i) The Technical, Research and Compliance Committee.
- (ii) The Audit, Risk Management and Corporate Governance Committee.
- (iii) The Finance and Administration Committee.
- (iv) The Human Resource Committee.

The Chief Executive Officer is an ex officio member of all Board Committees except the Audit, Risk Management and Corporate Governance Committee, which he attends on invitation.

The Board Committees are constituted in accordance with *Mwongozo* and the Circular from Head of the Public Service on *Management of State Corporations*. They are chaired by independent Directors and submit their deliberations to the Board after every meeting. Membership of Board Committees was updated during the year under review.

The Terms of Reference for the Board Committees are as follows:

(i) Technical, Research and Compliance Committee

The purpose of the TRC Committee is to act at the direction of the Board, to review policy papers and make recommendations on the functions delegated to them including:

- (a) Reviewing the basis of the Authority's operations in order to enable the Board to make informed, strategic operational decisions and vote on related matters.
- (b) Monitoring the Authority's fulfilment of its objectives and functions under the Insurance Act and Government directives relating to regulation of the insurance industry.
- (c) Ensuring that in all recommendations from the management team, global best practice and world-class standards are developed, practiced and leveraged throughout the Authority to create stakeholder value and ensure that statutory mandates are effectively fulfilled.

The following Board Members served in the TRC Committee during the year under review:

Director	Role
1. Ms. Mercy Kiana	Chairperson
2. Ms. Immaculate Shamala	Member
3. Mr. Charles Machira	Member
4. Mr. Wyckliffe Shamiah	Member
5. Mr. Matu Mugo	Member

(ii) Audit, Risk Management and Corporate Governance Committee

The purpose of the ARMCG Committee is to assist the Board in fulfilling its oversight role to ensure effectiveness and efficiency in the operations of IRA and the effectiveness of the internal control, risk management and governance processes. ARMCG Committee's mandate includes:

- (a) Assisting the Commissioner of Insurance/Chief Executive Officer (CEO) in enhancing internal controls to improve efficiency, transparency and accountability.
- (b) Reviewing audit issues and recommendations raised by both internal and external auditors and the management responses to specific recommendations to ensure action is taken.
- (c) Ensuring adequate mechanisms of enabling the Committee to facilitate adequate disposal of all unsettled and unimplemented Public Accounts Committee and Public Investment Committee recommendations.
- (d) Enhancing oversight, governance and risk management.
- (e) Enhancing communication between management, internal and external auditors and fostering an independent and effective internal audit function.

The following Board Members served in the ARMCG Committee during the year under review:

Director	Role
1. Mr. Joel Chemiron	Chairman
2. Ms. Mercy Kiana	Member
3. Mr. Kennedy Ondieki	Member
4. Mr. Wyckliffe Shamiah	Member

(iii) Finance and Administration Committee

The purpose of the FAC Committee is to assist the Board to discharge its responsibilities with regard to all matters concerning the financial policies and controls and administration of the Authority. FAC Committee’s mandate includes:

- (a) To Review and make recommendations to the Board on the financial strategy of the Authority ensuring its adequacy and soundness in providing for the Authority’s current operations and long-term stability.
- (b) To review and make recommendations to the Board on financial issues arising from the annual financial statements of the Authority.
- (c) To provide a general overview to the Authority on the achievement of procurement plans.
- (d) To monitor the management team’s strategy toward ensuring efficiency and integrity of the Authority’s procurement systems.

The following Board Members served in the FAC Committee during the year under review:

Director	Role
1. Mr. Ambrose Ngari	Chairman
2. Mr. Mohamed Hashi	Member
3. Mr. Kennedy Ondieki	Member
4. Mr. Matu Mugo	Member

(iv) Human Resource Committee

The purpose of the HR Committee is to assist the Board in discharging its responsibilities relating to the human resource functions of the Authority relating to the effectiveness of succession planning policies, the systems in place to ensure employees receive appropriate skills training and monitoring compliance with Government directives relating to recruitment and remuneration of staff of the Authority. HR Committee’s mandate includes:

- (a) Reviewing various policies relating to the strategic positioning of human resource development in the Authority and to recommend to the Board appropriate responses to human resource matters.
- (b) Reviewing the overall remuneration policy for all staff of the Authority and recommend to the Board the amendment and administration of incentives and other remuneration plans for the staff (including allowances, health, retirement and other benefits).

- (c) Reviewing the structure of the Authority to ensure it is manned by staff with the relevant skills and experience, and recruitment for Management positions is competitive whether internally or externally.
- (d) Reviewing and monitoring the performance of the Authority as it affects staff, including, but not limited to, issues such as gender sensitivity, disability mainstreaming and morale.
- (e) Consult with management on major policies affecting employee relations and welfare of the staff of the Authority.

The following Board Members served in the HRC Committee during the year under review:

Director	Role
1. Ms. Immaculate Shamala	Chairperson
2. Mr. Ambrose Ngari	Member
3. Mr. Joel Chemiron	Member
4. Mr. Mohamed Hashi	Member
5. Mr. Charles Machira	Member

The following members served as trustees in the Insurance Regulatory Authority Staff Pension Scheme:

Director	Role
1. Ms. Mercy Kiana	Trustee and BOT Chairperson
2. Mr. Ambrose Ngari	Trustee

Details of attendance to Board Committee meetings during the year under review are provided under the following section on Board Attendance.

F. Board Attendance

Development of the Board's agenda and annual work plan is a consultative process, involving the input of the Board Chairman, Directors, the Chief Executive Officer and the Corporation Secretary. The annual work plan incorporates a schedule of all scheduled Board meetings and activities in a financial year.

The Board meets at least 4 times every financial year. Meeting notices, agenda items and Board papers are prepared and circulated to every Board Member prior to each Board and Committee meeting. Board Members are provided with further information as may be requested, to enable them to effectively participate in discussions and make informed decisions.

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The quorum for conduct of Board business is five (5) Board Members excluding the CEO and at least two of whom shall not be public officers. Related provisions of the State Corporations Act and the *Mwongozo* pertaining to attendance and absence from meetings were adhered to during the year under review.

Where a Member did not attend any meeting, an acceptable apology was duly received by the Chairman and recorded by the Corporation Secretary. Members who are unable to attend Board meetings are afforded an opportunity to make written contributions on the agenda items through the Board Chairman and the CEO.

The board meetings attendance matrix for the year under review is as indicated below:

Name	Designation	Classification	Board	TRC	FAC	ARCC	HRC
Mr. Moses Chege (Appointed on 15.09.23)	Chairman	Membership	¶				
		Attendance	7/7				
Hon. Mwambu Mabongah (Retired on 14.09.23)	Chairman	Membership	¶				
		Attendance	2/2				
Mr. Godfrey Kiptum	CEO	Membership	¶	¶	¶	*	¶
		Attendance	9/9	7/7	6/6	4/4	5/5
Mr. Kennedy Ondieki	Member	Membership	¶		¶	¶	
		Attendance	8/9		5/6	4/4	
Mr. Charles Machira	Member	Membership	¶	¶			¶
		Attendance	9/9	7/7			5/5
Mr. Matu Mugo	Member	Membership	¶	¶	¶		
		Attendance	5/9	3/7	4/6		
Mr. Wyckliffe Shamiah	Member	Membership	¶	¶		¶	
		Attendance	8/9	7/7		4/4	
Ms. Mercy Kiana	Member	Membership	¶	¶		¶	
		Attendance	9/9	7/7		3/4	
Mr. Ambrose Ngari	Member	Membership	¶		¶		¶
		Attendance	9/9		6/6		5/5
Mr. Joel Chemiron	Member	Membership	¶			¶	¶
		Attendance	9/9			4/4	5/5

Name	Designation	Classification	Board	TRC	FAC	ARCC	HRC
Ms. Immaculate Shamala	Member	Membership	¶	¶			¶
		Attendance	9/9	7/7			5/5
Mr. Mohamed Hashi	Member	Membership	¶		¶		¶
		Attendance	8/9		6/6		5/5

KEY:

- ¶ - This is a member of respective Committee
- * - This is not a member of the Committee but in attendance
- TRC** - Technical, Research and Compliance Committee
- FAC** - Finance & Administration Committee
- ARCC** - Audit, Risk Management and Corporate Governance Committee
- HRC** - Human Resource Committee

G. Board Evaluation

The Board schedules its annual evaluation exercise in its work plan in line with the evaluation schedule by the State Corporations Advisory Committee (SCAC). The Board Evaluation was conducted on 2nd August, 2023. The Board Corporate Performance was 94.0727%. The areas of improvement were noted, and the necessary strategies agreed upon to enhance performance.

H. Board Induction and Training

(i) Board Induction

All Board Members undergo induction upon joining the Board. The induction includes a briefing on all aspects of the Authority's operations from the Chief Executive Officer, the Management and the Corporation Secretary. They also undertake the Five-Day Corporate Governance Training Course by the Centre for Corporate Governance as well as the Induction Programme by the Kenya School of Government. Board Members also underwent the Mwongozo Induction Programme by the State Corporations Advisory Committee from 12th to 14th July, 2023. All Board Members who were appointed during the financial year have undergone induction.

(ii) Board Development

During the year under review, the Board adopted and implemented its Development Plan. The Board development programmes during the period under review were aligned to training needs and were attended as follows:

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Training Institution		Training Programme
1.	Centre for Corporate Governance	Corporate Governance Training – 24 th to 28 th July, 2023
2.	Institute of Certified Public Accountants of Kenya (ICPAK)	Board Audit Committee Master Class – 11 th to 15 th September, 2023
3.	Retirement Benefits Authority in conjunction with the College of Insurance	Trustee Development Program of Kenya – 23 rd to 27 th October, 2023
4.	Women on Boards Network	10 th Annual Conference – 27 th to 29 th September, 2023
5.	Institute of Internal Auditors Kenya	Sailing in the Storm Workshop – 2 nd to 6 th October, 2023
6.	Institute of Certified Secretaries	Board Induction - 17 th to 19 th April, 2023
7.	Strathmore University Business School	Sustainability Leadership Executive Programme – 26 th February to 1 st March, 2024
8.	Kenya School of Government	Transformative Leadership Course – 25 th to 29 th March, 2024
9.	Institute of Directors	Advanced Directorship Certification Programme – 27 th to 31 st May, 2024
10.	Institute of Human Resource Management	Leading and Influencing Change in the Public Sector - 24 th to 28 th June, 2024

I. Board Remuneration

The Board is remunerated in accordance with the approved Terms and Conditions of Service prescribed under various Government Circulars. Sitting allowance paid to the Board is as shown below;

No.	Name Of Director	Total Amount Paid
1.	Mr. Moses Chege	Kes 950,000.00
2.	Hon. Mwambu Mabongah	Kes. 540,000.00
3.	Ms. Mercy Kiana	Kes. 1,210,000.00
4.	Mr. Charles Machira	Kes. 960,000.00
5.	Mr. Wycliffe Shamiah	Kes. 550,000.00
6.	Mr. Matu Mugo	Kes. 320,000.00
7.	Mr. Kennedy Ondieki	Kes. 700,000.00
8.	Ms. Immaculate Shamala	Kes. 1,870,000.00

No.	Name Of Director	Total Amount Paid
9.	Mr. Ambrose Ngari	Kes. 1,350,000.00
10.	Mr. Joel Chemiron	Kes. 2,020,000.00
11.	Mr. Mohamed Hashi	Kes. 1,780,000.00
12.	Mr. George Ombua	Kes. 770,000.00
TOTAL		Kes.13,020,000.00

J. Corporation Secretary

The Board is assisted by a qualified, competent and experienced Corporation Secretary. The Corporation Secretary co-ordinates the Board activities and ensures, in conjunction with the Chairman and Chief Executive Officer, that the Board meetings are held procedurally.

K. Governance Policies

(i) Procurement Policy

The IRA Procurement is governed by article 227 of the Constitution of Kenya, 2010 which provides that procurement for goods or services shall be done in accordance with a system that is fair, equitable, transparent, competitive and cost-effective manner. This is further guided by the Public Procurement and Asset Disposal Act 2015, Public Procurement and Asset Disposal Regulations 2020 as well as Government circulars issued from time to time.

The top ten contracts of the Authority in terms of value were;

S/No	Tender No.	Tender Description	Supplier	Contract Value
1	IRA/059/2023-2024	Provision of Information Security (IS)	MFI Technology Solutions Limited	23,529,350
2	IRA/022/2023-2024	Provision of Consultancy Services for IFRS 17 (Insurance Contracts) Implementation	Zamara Actuaries Administrators and Consultancy Limited	22,708,160
3	IRA/156/2023-2024	Renewal of Microsoft Exchange Online	Avuity Limited	14,635,770
4	IRA/040/2023-2024	Provision of Medical Insurance Cover	Minet Kenya Insurance Brokers Limited	12,136,918

S/No	Tender No.	Tender Description	Supplier	Contract Value
5	IRA/041/2023-2024	Provision of General Insurance Services (GLA & WIBA)	Zamara Risk and Insurance Brokers Limited	7,539,423
6	IRA/149/2023-2024	Provision of Public Relations Agency Services	Chilcott Group Limited	6,703,204
7	IRA/013/2021-2022	Provision of catering services-Renewal of contract	Lesan Caterers	6,500,000
8	IRA/094/2023-2024	Provision of Manpower Services-Renewal of Contract	Lavington Security Limited	6,080,256
9	IRA/006/2022-2023	Provision of Office Cleaning, Fumigation and Sanitary Services-Renewal of Contract	Brooklyn Cleaning Service Limited	6,000,000
10	IRA/129/2023-2024	Provision of Consultancy Services for a Survey on Inclusivity and Access to Insurance Services by Micro, Small and Medium Enterprises	Three Dimensions (3D) Africa Communications Limited	5,216,000

(ii) Board Committee Charters

Each Board Committee has its Charter which guides the Committees' operations, processes and procedures in line with the *Mwongozo* Code of Governance as well as Government Circulars issued from time to time.

(iii) Code of Conduct and Ethics

The Board has ensured that a Code of Conduct and Ethics is in place and is observed by Board Members and employees of the Authority. The Code contains general rules of conduct and ethics and is intended to ensure that Board Members and employees of the Authority maintain the integrity, dignity and nobility of the Authority in all their activities.

(iv) Conflict of Interest Policy

The Code of Conduct and Ethics provides that a member of the Board or an employee of the Authority shall ensure that he or she does not subordinate his official duties to his private interest or put himself in a position where there is conflict between his official duties and his private interests. The Code also provides that where there is a potential conflict of interest during the performance of official duty, it shall be the obligation of

the one likely to have such a conflict declare such interest and act to avoid such a conflict.

The Board Charter also provides that a Board member who identifies an area of conflict shall be required to disclose any actual or potential conflict of interest to the Board. When declared, the Board member shall abstain from decisions where the conflict exists. The Corporation Secretary maintains a register of conflicts of interest which is updated where a conflict is declared.

(v) Whistle Blowing Policy

The Board has provided for protection of whistle blowers under its Code of Conduct and Ethics as well as its Whistleblowing Policy so as to safeguard the identity and safety of whistleblowers. The Authority's whistleblowing policy is available on its website (www.ira.go.ke) and a designated email (ethics@ira.go.ke) has been availed on the website for anonymous reporting.

(vi) Risk Management Policy

The Authority's Risk Management Policy forms an integral part of the Authority's internal control and governance arrangements. The policy explains the Authority's underlying approach to risk management, documents the roles and responsibilities of the Board through the Audit, Risk Management and Corporate Governance Committee (ARMCG Committee) and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures. In addition, it describes the process which the Board shall use to evaluate the effectiveness of the Authority's internal control procedures. In the current Financial Year, the Board further approved the revised Risk Management Policy Framework and Risk Appetite Statement to align them with best practice.

(vii) Information and Communication Technology Policy

The Authority has invested in technology to support the efficient and effective execution of the strategy set by the Board. The Board has put in place a policy on Information Communication and Technology which aims to protect its investments in ICT systems as well as its confidential and sensitive information and that of its stakeholders in line with the Data Protection Act.

(viii) Communication Policy

In order to ensure that relevant information is received by stakeholders, the Board has established a Communication Policy which defines roles, responsibilities and guidelines for handling internal and external communication with stakeholders. The Communications Policy aims to ensure that the Authority’s communications give honest, accurate, clear, objective and timely information.

(ix) Stakeholder Engagement Policy

The Board has developed a Stakeholder Engagement Policy which outlines the Authority’s approach to communicating and working with its stakeholders. The Policy enables the Authority to systematically seek stakeholders’ perspectives and expertise to understand, address, and manage their expectations. The following stakeholders were engaged in the year under review;

Ref	Stakeholder	Nature of Engagements	Relevant Information Provided
1.	Policyholders, beneficiaries and general public	The Authority conducts training through workshops and disseminates information through various media to create awareness and grow demand for insurance products. The Authority also receives complaints against regulated entities.	Information on insurance products that guide on selection and the claims and complaints process is made available to insurance policyholders and beneficiaries through various media. Insurance industry reports are published on the Authority’s website.
2.	Insurance and re-insurance Industry Players	The Authority conducts workshops for various categories of regulated entities.	Regulatory requirements and insurance industry reports are published on the Authority’s website.
3.	National Government	The Authority participates in National Government forums and provides advise to Government on insurance and related matters.	The Authority submits information to various government institutions as required by law, circulars and guidelines.
4.	The National Treasury and Economic Planning	The Authority engages the National Treasury and Economic Planning on a regular	Financial performance reports are submitted on a quarterly basis.

Ref	Stakeholder	Nature of Engagements	Relevant Information Provided
		basis as per the established requirements as the Ministry responsible for oversight.	
5.	Service Providers	A forum is organized on an annual basis to create awareness of opportunities available for service providers.	The annual procurement plan is published on the Authority's website.

(x) Corporate Social Responsibility Policy

The Authority identified Corporate Social Responsibility (CSR) as a strategic pillar that will enable the Authority realize its mandate while giving back to the society in which it operates. The Board has established the Corporate Social Responsibility Policy as a framework for carrying out CSR activities by the Authority. The policy outlines the process of CSR identification, implementation, monitoring and reporting within the Authority.

L. Authority's Accolades in the Financial Year

IRA was recognized as the 1st Runner Up at the Financial Reporting (FiRe) Awards in the Regulatory Authorities IPSAS Accrual Category. The awards are coordinated by the Institute of Certified Public Accountants (ICPAK) annually, and are aimed at promoting integrated reporting through enhancing accountability, transparency and integrity.

The Authority also received the top award as the overall winner in the State Corporations Category during the third National Wage Bill Conference. The conference was coordinated by the Salaries and Remuneration Commission (SRC). IRA met the criteria that SRC set for the awards which included consistently meeting the wage bill to revenue ratio as provided by PFM Regulations, 2015 and for receiving unqualified audit opinions from the Office of the Auditor General for the last three years.

M. Entrenching ESG

The Authority's Strategic Plan 2023-2027 lists sustainability agenda as one of its strategic goals. The Authority is committed to aligning its operations and guiding the insurance industry toward sustainable practices. The Authority provided guidance to insurers and reinsurers in June 2024 on principles of sustainable insurance to ensure they:

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1. Embed environmental, social and governance (ESG) issues on their decision making,
2. Work with customers and business partners to raise awareness on ESG issues, manage risks and develop solutions, and
3. Work with National and County Governments, the Authority and other stakeholders to promote widespread action across society on ESG, and
4. Demonstrate accountability and transparency by publicly disclosing progress in implementing the principles of sustainable insurance.

MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The Authority's operational and financial performance

The Authority regulates, supervises and promotes development of the Insurance industry in Kenya. The Authority is in a strong cash flow position capable of meeting obligations as they fall due. In pursuit of her mandate to promote development of the insurance industry, the Authority has intensified consumer education activities. This has in turn led to growth of insurance premiums hence growing the Authority's revenue. This trend is expected to continue in the foreseeable future.

SECTION B

Authority's compliance with statutory requirements

The Authority has complied with all statutory obligations including but not limited to; remittances of Pay as You Earn (PAYE), National Hospital Insurance Fund (NHIF), National Social Security Fund (NSSF), Value Added Tax (VAT), Higher Education Loans Board (HELB), and Withholding tax within the stipulated timelines.

SECTION C

Key projects and investment decisions the Authority is planning/implementing

The Authority is currently carrying out the following projects;

i. Consumer education activities in all Counties.

During the 2023/2024 financial year, the Authority conducted the following trainings:

Training on procurement of insurance services was conducted in two (2) sessions. Officers from State Corporations, Counties, State Departments, and other public entities/agencies were trained on the need and benefits of insurance, the role insurance can play in safeguarding National and County Governments assets as well as livelihoods of employees and role of insurance in risk management. The officers were trained to enable them to make informed decisions when procuring insurance services and determining the appropriate insurance covers for the respective institutions.

Training of Traffic Police Officers was conducted in two regions. The main objective of the training was to enhance the Police Officers understanding of insurance and their capacity to investigate and prosecute insurance related cases in Courts of Law.

Training of Youth was conducted in two (2) counties. The training focused on the benefits of insurance and how to manage business risks through insurance.

The Authority conducted training of Micro Small Medium Enterprises (MSMEs) in four (4) counties. The objective was to create awareness on the needs and benefits of insurance and equip them with knowledge on how to mitigate potential business risks through insurance.

The Authority developed and disseminated Information, Education and Communication (IEC) materials with the aim of enhancing insurance awareness and literacy levels in Kenya. Television and Radio infomercials are a popular and valued source of information about products and services for insurance consumers. The Authority used media as a platform to educate the public on the need and benefits of insurance and improve their understanding and appreciation of insurance as a mechanism for risk management. IEC materials were also disseminated during other consumer education outreach activities conducted in the counties.

ii. BimaLab Africa Regulator Program 2024

The Authority in partnership with FSD Africa and supported by the Swiss Re Foundation launched BimaLab Insurtech Accelerator Program. The program being implemented within the Insurtech accelerator ecosystem focuses on addressing problems faced by vulnerable communities and businesses to reach underserved markets and improve value for insurance customers. The Program has the following objectives:

- (a) Foster innovation that can extend insurance access to communities and businesses that are historically underserved or excluded.
- (b) Turn validated insurance-focused ideas to market and investor-ready.
- (c) Provide innovators with an enabling regulatory environment for developing their ideas, including support in starting out, training, mentorship, and coaching.
- (d) Facilitate the effective exchange of information relating to the program.

The goal of the Program is to create an Insurtech innovation ecosystem that supports the growth of Insurtech's; reaches underserved markets; creates an enabling regulatory environment and improves customer value. It offers support to innovative high-impact ideas by Insurtech's and whose solutions seek to improve the resilience of underserved and climate-vulnerable communities. It gives priority to enterprises that address challenges related to climate change, health, and gender as well as obstacles faced by micro, small and medium enterprises.

During the financial year 2023/2024, the Authority initiated the fourth cohort of the program in February 2024. BimaLab 2024 seeks to drive positive

change and innovation and the programs implementation architecture focusses on ensuring Insurtech's:

- (a) Receive support and mentorship from industry experts and partners.
- (b) Gain visibility and access to potential investors and strategic partners.
- (c) Develop and scale heir innovative Insurtech solutions.
- (d) Make a meaningful contribution to improving insurance access for underserved populations in Africa.

Through the program, the Authority with partners is supporting innovation in the insurance industry. The program is addressing challenges that Insurtech are facing such as lack of technical capacity, access to funding, access to strategic partnerships, and regulatory barriers. The program signalled that Insurtech in Kenya have innovative solutions that if supported have potential to address basic hurdles affecting the insurance industry.

SECTION D

(i) Risk Management Policy

The Insurance Regulatory Authority (IRA) is mandated to regulate, supervise, and promote the development of the insurance industry in Kenya. The strategic priority remains protection of the insurance policyholders and beneficiaries which is backed by a fair, safe and stable insurance industry. IRA recognises the pivotal role of managing both internal and external risks as a key component of good corporate governance. IRA is committed to embedding risk management into the daily operations of the Authority right from the setting of objectives to financial planning towards achieving the set objectives, through to functional processes established to aid provision of service. Effective risk management is key to effective service delivery and achievement of corporate objectives.

(ii) IRA's System of Internal Control

IRA operates a system of internal control encompassing elements that together facilitate effective and efficient operation, enabling the Authority to respond to a variety of risks. These elements include:

- (a) Organisational control;
- (b) Operational controls consisting of planning, budgeting, accounting and information systems, documentation, authorization, policies and procedures and orderliness;
- (c) Personnel controls;
- (d) Facilities and equipment;
- (e) Risk management;
- (f) Monitoring; and
- (g) Periodic review.

(iii) Major Risks Facing the Authority

The following are the key risks facing the Authority:

(a) Legal Risk

Litigation risk relating to execution of the Authority's mandate arises out of decisions made in relation to regulated entities. It may also be through being enjoined in suits against regulated entities. Adequate measures have been put in place to ensure that the law is effectively enforced and that competent advocates are engaged to represent the Authority.

(b) Technological Risk

The risk of loss of confidentiality, integrity and availability of data is driven by the rise in cyber-crime which has been on the rise following the embracing of digitalization by organizations. The Authority has invested in automation and continually upgrades its infrastructure to enhance security of information held. Regular vulnerability assessments are carried out to identify security gaps and work towards their closure.

(c) Supervisory Risk

The risk of collapse of regulated entities driven by inability to withstand economic shocks or induced by governance failure would impact insurance consumers and lead to reputation damage of the Authority. The insurance industry has benefited from growth in investment income because of higher interest rates. However, there are rising claims payouts resulting from damage caused by flooding experienced in the country since November 2023. It is also expected that there will be significant payouts because of political violence experienced beginning in June 2024. This could in turn affect liquidity of insurers resulting in delayed payment of claims. The Authority has responded with initiatives that will support real time monitoring of the regulated entities' operations to enable timely response to regulatory failures.

The Authority is championing adoption of The Principles for Sustainable Insurance (PSI) with several Insurers signing the Nairobi Declaration on Sustainable Insurance. The PSI serve as a global framework for insurance companies to manage Environmental, Social, and Governance (ESG) risks and opportunities in their business strategies and operations.

The Authority continues to enforce compliance requirements and address complaints made against insurers in a bid to ensure consumers are treated fairly.

(d) Operational Risk

This risk category would impact on business continuity and relate to adequacy of human resource and effectiveness and resilience of business processes. The Authority relies heavily on human capital and technology to deliver its services. The human resource complement has remained below the approved number and the current demographics call for proactive succession planning.

The Authority conducted interviews for several positions in the year to fill vacant positions. This will ensure there is adequate succession planning. There has been increased investment in Information Technology infrastructure and security, in response to the growing level of automation. This has ensured that regulated entities and consumers are able to access services without manual intervention. Measures have been put in place to ensure continuous availability of services.

SECTION E

Material arrears in statutory/financial obligations

The Authority pays all statutory and financial obligations when due and as such there are no arrears.

SECTION F

Financial impropriety and serious governance issues

There were no issues of financial impropriety reported by any board committee or external auditors. There were no governance issues and no conflicts of interest at the board or top management of the Authority.

ENVIRONMENTAL AND SUSTAINABILITY REPORT

i. Sustainability strategy and profile

The Authority is keen to ensure the insurance industry business operations and practices are aligned to the sustainability agenda which describes three areas of corporate responsibility and governance that have gained momentum from investors, policy makers and the public. For successful implementation of the sustainability agenda, the Authority will align its operations with sustainability practices; promote corporate social responsibility; create awareness on sustainability; and encourage industry wide adoption of Principles of Sustainable Insurance (PSI).

In playing a central role in identifying and measuring risks posed by broad trends at political and macro-economic levels across the region, the Authority continues to advise Government and the insurance sector on the matters of insurance while factoring a cross-section of risks that may affect their sustainability priorities into their strategic decision-making process. To aid this endeavor, the Authority continued to implement Risk Based Supervision (RBS) which ensures that allocation of supervisory resources is linked to the risk profile of the insurer, while lobbying for support from the government to pass laws that create an enabling environment for insurers to operate.

The Authority continues to benchmark against and adhere to the Insurance Core Principles in its capacity as a member of the International Association of Insurance Supervisors and has ratified information sharing Memoranda of Understanding (MoUs) with other insurance regulators within the region and internationally. This allows for sharing key achievements and milestones made as well as areas of growth and improvement.

ii. Environmental Sustainability

In the period under review and as part of IRA's comprehensive Corporate Social Responsibility (CSR) policy and focus area of environmental conservation, the Authority continued in partnership with the Kenya Forest Service as a part of the effort to conserve the environment. Under the partnership, IRA donated KES. 910,000 to the Kenya Forest Service for the purchase and planting of 9,100 mangrove shoots at the mangrove forest area in Tudor Creek, Mombasa County. This saw the Authority's mangrove footprint grow to over 43,000 trees, since entering into partnership with the Service in 2019.

The Authority's green initiative lent support to the successful implementation of the constitutional target of attainment of 10% tree cover in Kenya by 2030. As of June 2022, Kenya had attained 12.13 % tree cover, as per findings of the released National Forest Assessment Report 2021 by the Kenya Forest Service.

To this measure, the Authority participated in the 7th Annual Kaptagat tree planting exercise which saw the rehabilitation of over 1,100 hectares through the growth of 1.32 million assorted indigenous tree seedlings and the distribution of 62,000 high-value avocado fruit tree seedlings.

The Authority participated in the National Tree Growing Days (on November 13th 2023 and May 10th 2024), and the National Tree Growing and Restoration Day (on May 24th 2024) respectively, which saw the planting of over 4,500 indigenous tree seedlings by the Authority's Board of Directors, Management and Staff. This was in compliance with the Presidential Directive to increase the nation's forest cover, through the National Tree Growing and Reforestation campaign, which aims to grow 1.5 billion trees by 2032.

As part of the Authority's strategic partnerships, the Authority also participated in industry environmental sustainability campaigns such as the ZEP Re's 30th Anniversary tree planting exercise in May and November 2023 which saw 30,000 tree seedlings planted throughout the year under review.



Board Chairman Moses Njenga Chege leads the Authority in the planting of tree seedlings during the National Tree Growing Day at Bomas Block - Ngong Forest Station on November 13th, 2023.



The Authority's staff after a successful tree planting session at the National Tree Growing Day at Bomas Block - Ngong Forest Station on November 13th, 2023.



The Commissioner of Insurance and IRA CEO Godfrey Kiptum plants a mangrove shoot during the Annual Mangrove Tree Planting initiative at Mikindani, Mombasa County on June 7th, 2024.

iii. Employee welfare

The Authority has in place Human Resource Management Instruments which guide the human resource functions and activities. Currently, the number of in post staff at the Authority stands at 72, distributed across the Office of the Commissioner of Insurance and CEO, the Directorate of Supervision, the Directorate of Market Conduct, the Directorate of Research, Innovation, Policy and Strategy, the Directorate of Corporate Services, the Corporation Secretary/Legal Services Directorate, the Directorate of Internal Audit, and the Department of Supply Chain Management.

To ensure long-term growth and productivity of its human talent, the Authority strives to provide a conducive working environment through implementing career progression guidelines, enhancing the employees' skills and competencies through training and talent management, enhancing employee relations modalities, and providing competitive compensation. This

is in addition to robust employee welfare schemes such as comprehensive medical policies and a pension plan.

The Authority offers equal opportunity to all in its recruitment and selection process and does not engage in any discriminatory practices during the entirety of the process. The Authority adheres to the constitutional requirement on mainstreaming of gender and persons with disabilities as stipulated in Article 232 of the Constitution alongside other policies issued by the National Cohesion and Integration Commission. The current staffing of 72 employees in terms of gender is 50% male against 50% female.

iv. Occupational Safety and Health

The Authority has a policy on safety and compliance in line with the Occupational Safety and Health Act of 2007, (OSHA). IRA is committed to the compliance with the highest standards of health and safety regulations and statutory requirements in the workplace, for its employees and anyone who enters its premises or relates to its business operations, including onboarding of best practices to enhance overall health and safety for all stakeholders.

To ensure the compliance requirements are fit for purpose, the Authority conducts continuous staff capacity building on firefighting, emergency preparedness and evacuation, and occupational health and safety. Further, the Authority provides adequate resources for effective implementation of all safety programmes. Implementation of protective and preventive measures required to ensure the safety of all persons is regularly undertaken, with clear definition of roles, responsibilities, and accountabilities about health and safety.

v. Marketplace practices

a) Responsible competition practice

As an industry regulator, the Authority has put in place the following measures to mitigate against malpractices:

- Strict surveillance of regulated entities through the Risk Based Supervision model by assessing the insurers' capital requirements based on the risks they are exposed to.
- Continuous sensitization and assessments on compliance of regulated entities on Anti-Money Laundering and Terrorism Financing Risk Assessment, as per the provisions of the recently amended Proceeds of Crimes and Anti Money Laundering (AML) Act.
- Established the Insurance Fraud Investigation Unit (IFIU) to deal with insurance fraud in the industry. The IFIU is a specialized unit manned by officers seconded from the Directorate of Criminal Investigation (DCI) trained to handle and investigate insurance related fraud cases.
- Establishment of a policy on Corruption and Code of Conduct and collaboration with agencies such as the Ethics and Anti-Corruption Commission (EACC).

- Establishment of a designated email (ethics@ira.go.ke) to aid in whistleblowing on any suspected corrupt activities.
- Establishment of capacity building and stakeholder sensitization programs that create awareness on the Authority's policies, laws and regulations developed to alleviate corruption and fraud.

b) Responsible Supply Chain & Supplier Relations

As a public entity, the Authority has undertaken the following measures in commitment to responsible supply chain and supplier relations:

- The Authority conducts annual customer satisfaction surveys targeting suppliers to best align its processes to serve their needs. In the period under review, the average mean satisfaction index for suppliers was 79.78%; a 2.68% increase from the previous year's satisfaction score of 77.1%.
- Compliance with the requirements of Article 227 of the Constitution of Kenya 2010 and other subsidiary Legislation, Regulatory and Government Circulars.
- Biannual registration of suppliers outside the special group demographic
- Regular sensitization and continuous registration of interested suppliers within the special category: Persons with Disability, Women and Youth, under Access to Government Procurement Opportunities (AGPO).
- Strict compliance to the Annual Procurement Plan and liaison with user department(s) during the procurement process.
- Uploading of the annual Procurement Plan on the Public Procurement Information Portal.

c) Responsible marketing and advertising

Ethical marketing and advertising practices have been observed by following the standard operating procedures, adhering to circulars from the parent ministry with guidance from the Government Advertising Agency (GAA).

d) Product stewardship

The Authority has empowered the public with consumer education to enable them to make informed choices about insurance through outreach education such as the Bima Mashinani initiatives, and targeted training activities to key demographics such as the youth, SMEs and government officers in the insurance procurement process.

Additionally, the public continues to leverage on the use of technology, designated emails to lodge their complaints (complaints@ira.go.ke). The development and industry wide mainstreaming of the 'Treating Customers Fairly' Policy, a customer-centric framework, has also led to enhanced consumer protection.

vi. Corporate Social Responsibility / Community Engagements

To complement the Authority's mandate, IRA has a Corporate Social Responsibility (CSR) policy in place, which is anchored on its commitment to be a corporate citizen alive to social responsibility with a view to make a positive difference to society. The Authority's CSR policy is founded on ethical principles, good governance and sound management and has prioritized four key areas: health, education, environment and response to national emergencies and disasters.

Notably, the projects highlighted in this report have been implemented through teamwork and stakeholder goodwill from the Authority's internal and external stakeholders. The Authority carried out the following CSR/community engagements during the period under review:

a) Health

The Authority supported Nyeri hospice to the tune of Kshs. 500,000 through participation in the hospices' annual charity golf tournaments in partnerships with various stakeholders:



Ms. Lydia Ndirangu (2nd Right), IRA Senior Legal Officer poses with her team, after a successful tee during the Nyeri Hospice Charity Golf Tournament on 23rd March 2024.

b) Education

The Authority supported 4 students to pursue a Master of Actuarial Science at the CASS Business School in the UK through its actuarial scholarship programme.

REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended 30 June, 2024 which shows the state of affairs of the Insurance Regulatory Authority.

Incorporation

The Authority is a State Corporation established under the Insurance Act Cap 487 Laws of Kenya.

Principal activities

The principal activities of the Authority are to regulate, supervise and promote the development of the insurance industry in Kenya.

Results

The results of the Authority for the year ended 30 June, 2024 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown on page v-xiii.

Dividends/Surplus remittance

In accordance with Section 219(2) of the Public Finance Management (National Government) Regulations, 2015 regulatory entities shall remit into the Consolidated fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority will remit Kshs. 1,572,711,394 (financial year 2022/2023 Kshs. 1,187,357,976).

Auditors

The Auditor General is responsible for the statutory audit of the Authority pursuant to Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

By Order of the Board



FCS Diana Sawe Tanui

Board Secretary

Date: 27/08/2024

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Financial Management (PFM) Act, 2012, section 14 of the State Corporations Act and the Insurance Act require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for the financial year ended June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (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 Authority; selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of the Authority's transactions during the financial year ended June 30, 2024, and the Authority's financial position as at that date. The Board of Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.


Nothing has come to the attention of the Board of Directors to indicate that the Authority will not continue to operate as a "going concern" for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The Authority's financial statements were approved by the Board of Directors on 27th August 2024 and signed on its behalf by:



Moses Njenga Chege
Chairman



Godfrey Kiptum, MBS
Commissioner of Insurance &
Chief Executive Officer

REPUBLIC OF KENYA



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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON INSURANCE REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2024

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.

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 Insurance Regulatory Authority set out on pages 1 to 28, which comprise of the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all

the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Insurance Regulatory Authority as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Insurance Act, 2020 (Revised) and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

1. The Insurance Appeal Tribunal

I draw your attention to Note 13 to the financial statements where an amount of Kshs.321,672,635 has been disclosed under general expenses. The balance includes an amount of Kshs.55,517,239 in respect of IFIU and Tribunal expenses. The latter balance comprises an amount of Kshs.17,634,323 paid as sitting allowances for Tribunal Members, as approved by the National Treasury & Economic Planning,

It is noted that the Appeals Tribunal is an institution established under Section 169 of the Insurance Act, 2020 (revised) which *states inter alia* that the Cabinet Secretary may, by notice in the Gazette, establish a Tribunal for the purpose of hearing appeals under this Act. Further, Section 169(4) provided that the members of the Tribunal shall be entitled to receive such allowances as the Cabinet Secretary may determine.

Under the Insurance (Insurance Appeals Tribunal) Rules, 2013 the Powers of the Chairman, among other powers, under Rule 5(2) of the Insurance Appeals Tribunal Rules, 2013, the Chairman, in matters before the Tribunal, shall have the same powers as vested in the Registrar of the High Court and shall exercise the power, *mutatis mutandis*, in accordance with the Civil Procedure Rules and to give directions on operations of the Tribunal. Thus, the Chairman duly guides on all sessions/sittings for the Tribunal to ensure procedural dispensation of its mandate including mention of cases, hearing of cases, writing of judgements/ruling and delivery of judgements/rulings.

The above in effect gives the Chairman power to operate independently with both financial and operational autonomy from the Authority and like other Tribunals, the Insurance Appeal Tribunal should keep its own books of accounts and not be domiciled under the Authority but to the Judiciary.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.2,654,339,348 and Kshs.3,025,543,842 respectively resulting in an over-collection of Kshs.371,204,494 or 14% of the budget. However, the Authority spent an amount of Kshs.1,278,086,738 against the approved expenditure of Kshs.1,509,915,760 resulting in an under-utilization of Kshs.231,829,022 or 15 % of the approved budget.

In the circumstances, the over-collection of revenue is an indication of under-budgeting on revenue streams of the Authority while the under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters.

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.

Other Information

The Management is responsible for the other information set out on pages i to xlix, which comprise of Key Authority Information, The Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Report, Management Discussion and Analysis, Environmental and Sustainability Report, Report of the Directors and Statement of the Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

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 these 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 governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Authority'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

My responsibility is to conduct an audit of the financial statements in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), Article 229(4) of the Constitution and Section 35 of the Public Audit Act, 2015.

Further, Article 229(6) of the Constitution requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements comply with the law and other authorities that govern them and that public resources are applied in an effective way.

In addition, I also consider the entity's control environment in order to give assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

The report is submitted to Parliament in accordance with Article 229(7) of the Constitution and Section 48 of the Public Audit Act, 2015.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 September, 2024

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

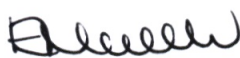
	Notes	2023/2024 KSHS.	2022/2023 KSHS.
Revenue from non-exchange transactions			
Insurance premium levy	6	2,871,267,815	2,567,831,498
Licence fees	7	29,796,239	34,698,481
Miscellaneous income	8	<u>6,980,000</u>	<u>3,802,945</u>
		<u>2,908,044,054</u>	<u>2,606,332,924</u>
Revenue from exchange transactions			
Interest income	9	117,499,788	<u>114,185,604</u>
		<u>117,499,788</u>	<u>114,185,604</u>
Total Revenue		<u>3,025,543,842</u>	<u>2,720,518,528</u>
EXPENSES			
Board expenses	10	30,103,743	40,037,329
Employee costs	11	633,028,776	503,377,147
Development of the insurance industry	12	168,544,496	179,382,041
General expenses	13	321,672,635	241,347,572
Repairs and maintenance costs	14	2,711,448	8,042,452
Contracted services	15	39,141,141	329,574,652
Depreciation and amortisation	23&24	<u>82,884,499</u>	<u>99,470,695</u>
		<u>1,278,086,738</u>	<u>1,401,231,888</u>
SURPLUS FOR THE YEAR		1,747,457,104	1,319,286,640
Transfer to Consolidated Fund	17	<u>(1,572,711,394)</u>	<u>(1,187,357,976)</u>
TRANSFERRED TO GENERAL RESERVE		<u>174,745,710</u>	<u>131,928,664</u>

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2024


	Notes	2023/2024 KSHS.	2022/2023 KSHS.
ASSETS			
CURRENT ASSETS			
Cash and bank balances	18	52,974,088	186,355,929
Receivable from exchange transactions	19	168,661,637	31,896,206
Investments	20	518,391,120	831,097,927
Inventories	21	3,212,376	1,223,847
		<u>743,239,221</u>	<u>1,050,573,909</u>
NON-CURRENT ASSETS			
Property, plant, and equipment	4(d)&23	192,121,370	147,285,192
Intangible assets	24	41,955,841	51,195,687
Investments	25	591,711,021	340,466,932
		<u>825,788,233</u>	<u>538,947,811</u>
TOTAL ASSETS		<u>1,569,016,857</u>	<u>1,589,521,720</u>
CURRENT LIABILITIES			
Payables from exchange transactions	26	135,216,591	218,864,216
Payable to Consolidated Fund	17	423,265,394	674,267,977
Provisions	27	158,594,881	101,407,693
		717,076,866	994,539,886
NET ASSETS		<u>851,939,991</u>	<u>594,981,834</u>
RESERVES			
General Reserves		769,727,544	594,981,834
Revaluation Reserve		82,212,447	-
		<u>851,939,991</u>	<u>594,981,834</u>



Moses Njenga Chege
Chairman



CPA Esther Musyoki
Director, Corporate Services
ICPAK no. 3374



Godfrey Kiptum, MBS
Commissioner of Insurance
& Chief Executive Officer

The notes on page 6 to 27 form an integral part of these financial statements

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

RESERVES	GENERAL RESERVES	BUILDING RESERVE	REVALUATION RESERVE	TOTAL
	KSHS	KSHS	KSHS	KSHS
1 st July, 22022	463,053,170	700,000,000	-	1,163,053,170
Transfer to consolidated fund	-	(700,000,000)	-	(700,000,000)
Surplus for the year	<u>131,928,664</u>		-	<u>131,928,664</u>
Balance as at 30th June, 2023	<u>594,981,834</u>		=	<u>594,981,834</u>
1 July, 2023	594,981,834		-	594,981,834
Changes in reserves for 2024			-	-
Surplus for the Year	<u>174,745,710</u>		= <u>82,212,447</u>	<u>256,958,157</u>
Balance as at 30th June, 2024	<u>769,727,544</u>		= <u>82,212,447</u>	<u>851,939,991</u>

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024**

	Notes	2023/2024 KSHS.	2022/2023 KSHS.
Cash flow from operating activities			
Cash receipts from customers		2,908,044,054	2,606,332,924
Payment to suppliers and employees		<u>(1,360,393,917)</u>	<u>(1,266,365,760)</u>
Net Cash from Operating Activities		1,547,650,137	1,339,967,164
Cash flow from investing activities			
Purchase of Property, Plant and equipment	23&24	(36,280,504)	(64,979,032)
Purchase/Sale of investments	25	(251,244,089)	22,246,736
Surplus paid to Consolidated Fund	17	(1,823,713,978)	(1,923,394,526)
Interest received	9	117,499,788	114,185,604
Net cash used in investing Activities		<u>(1,993,738,783)</u>	<u>(1,851,941,218)</u>
Net(decrease) increase in cash & cash equivalents		(446,088,647)	(511,974,055)
Cash & cash equivalent at the beginning	18&20	<u>1,017,453,854</u>	<u>1,529,427,908</u>
Cash & cash equivalent at the end	22	<u>571,365,208</u>	<u>1,017,453,857</u>

INSURANCE REGULATORY AUTHORITY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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

	2024		2024	2024		
INCOME	APPROVED	REVISION	BUDGET	ACTUAL	PERFORMANC E DIFFERENCE	VARI ANCE
	BUDGET					
	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	%
Insurance premium levy	2,604,070,348	-	2,604,070,348	2,871,267,815	(267,197,467)	10%
Interest income	20,000,000	-	20,000,000	117,499,788	(97,499,788)	488%
Licence fees	28,269,000	-	28,269,000	29,796,239	(1,527,239)	5%
Other Miscellaneous income	2,000,000	-	2,000,000	6,980,000	(4,980,000)	249%
Total Revenue	2,654,339,348	-	2,654,339,348	3,025,543,842	(371,204,494)	14%
CAPITAL EXPENDITURE	63,200,000	-	63,200,000	42,336,644	20,863,356	33%
OPERATING EXPENDITURE						
Board members expenses	30,000,000	-	30,000,000	30,103,743	(103,743)	0.30%
Personnel emoluments	632,330,380	(36,500,000)	595,830,380	414,842,005	180,988,375	30%
Other personnel costs	258,850,000	(34,000,000)	224,850,000	218,186,771	6,663,229	3%
Development of Insurance industry	199,474,000	(26,000,000)	173,474,000	168,544,496	4,929,504	3%
Office supplies and expenses	28,764,296	(5,000,000)	23,764,296	22,189,078	1,575,218	7%
Transport and travel expenses	65,000,000	-	65,000,000	64,535,796	464,204	0.70%
Public relations	60,830,000	(17,000,000)	43,830,000	38,451,437	5,378,563	12%
Utilities and ICT expenses	71,549,350	(7,500,000)	64,049,350	62,571,790	1,477,560	2%
Office rent and office services	85577734	-	85,577,734	79,794,319	5,783,415	7%
Consultancy & professional services	65,300,000	(24,000,000)	41,300,000	39,141,141	2,158,859	2%
Sinking fund provision (Depreciation)	108,000,000	-	108,000,000	82,884,499	25,115,501	23%
Other expenses	54,240,000	-	54,240,000	55,517,239	(1,277,239)	(2%)
TOTAL RECURRENT EXPENDITURE	1,659,915,760	(150,000,000)	1,509,915,760	1,278,086,738	231,829,022	15%
TOTAL EXPENDITURE	1,723,115,760	(150,000,000)	1,573,115,760	1,320,423,382	252,692,378	16%
SURPLUS FOR THE YEAR	994,423,588	150,000,000	1,144,423,588	1,747,457,104	(603,033,516)	(53%)

NOTES ON SIGNIFICANT VARIANCES BETWEEN BUDGET AND ACTUAL

1. Significant variances in this context refer to expenditure items which vary from the budget by more than 10%

(i) Income - Kshs. 3,025 million (Budget Kshs. 2,654 million)

Premiums written down were higher than those budgeted. Interest rates during the year were higher than anticipated.

(ii) Capital expenditure - Kshs. 42.3 million (Budget Kshs. 63.2 million)

Enterprise Resource Planning (ERP) solution was not purchased as planned.

(iii) Personnel Emoluments - Kshs. 414.8 million (Budget Kshs. 595.8 million)

Budget is based on a staff establishment of 121 members of staff. Staff in post were 72.

(iv) Depreciation- Kshs. 82 million (Budget Kshs. 108 million)

The provision for depreciation & amortization for assets were lower than budgeted since the Enterprise Resource Planning (ERP) among other capital items were not procured.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Insurance Regulatory Authority is established by and derives its Authority and from the Insurance Act Cap 487. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority’s principal activity is to regulate, supervise and promote the development of the insurance industry in Kenya.

2. Statement of compliance and basis of preparation

The financial statements have been prepared on historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires the management to exercise judgement in the process of applying the Authority’s accounting policies.

The financial statements have been prepared and presented in Kenya shillings, which is the functional and reporting currency of the Authority.

The financial statements have been prepared in accordance with the Public Finance Management (PFM) Act, the State Corporations Act, the Insurance Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all years presented.

3. Adoption of new and revised standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.

There were no new and amended standards issued in the financial year.

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

Standard	Effective date and impact:
IPSAS 43	Applicable 1st January 2025 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 cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.

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Standard	Effective date and impact:
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires, 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.</p>
IPSAS 45- Property Plant and Equipment	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under-maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and</p>

Standard	Effective date and impact:
	uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	Applicable 1st January 2026 The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

iii. Early adoption of standards

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

4. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(i) Income recognition

(a) Revenue from non-exchange transactions

Premium levy, Penalties, and licence fees

The Authority recognizes revenues from levies, penalties, and fees when due. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

(b) Revenue from exchange transactions

Interest income

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

(ii) Budget information

The budget for financial year 2023-2024 was approved by The National Treasury and Economic Planning via letter Ref DGIPE/A/1/10 dated 30th June 2023. The budget was revised once during the financial year.

The annual budget is prepared on accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there is no basis that would require reconciliation between the actual comparable

amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

(iii) Taxes

Under regulation 219(2) of the Public Finance Management Act No. 18 of 2012, the Authority is required to remit 90% of its surplus funds to the Consolidated Fund. As a result, the Authority is exempted from paying income tax under regulation 219(3) of the same act.

(iv) Property, Plant, Equipment and Computer Depreciation

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on the cost of each asset on a straight-line basis at annual rates estimated to write off the cost of the asset over its estimated useful life. Assets purchased in the first three quarters of the financial year are depreciated fully for the year while those purchased in the last quarter are not depreciated in the financial year under review.

The Depreciation rates used are as follows;

Motor Vehicle	25.00%
Partitions & Furniture	12.50%
Computer Equipment	33.30%
Other Equipment	25.00%

(v) Leases

Finance leases are leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Authority also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Authority will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

(vi) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite. Amortisation is calculated on the cost of each asset on a straight-line basis at an annual rate of 33.3%. Assets purchased in the first three quarters of the financial year are amortised fully for the year while those purchased in the last quarter are not amortised in the financial year under review.

(vii) Research and development costs

The Authority expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Authority can demonstrate:

- (a) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- (b) Its intention to complete and its ability to use or sell the asset.
- (c) How the asset will generate future economic benefits or service potential.
- (d) The availability of resources to complete the asset.
- (e) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

(viii) Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Authority has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are 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. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets 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 financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors 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).

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

(ix) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- (a) Raw materials: purchase cost using the weighted average cost method.
- (b) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

(x) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

(a) Contingent liabilities

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements. If it has become virtually certain that an outflow of economic benefit will arise and the liability value can be measured reliably, the liability is recognized in the financial statements.

(b) Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority, in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

(xi) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. General reserves represent surplus held over the years. Building reserve represent an appropriation from the general reserve towards the purchase of the Authority's office premises. Revaluation reserves represents the increase in value of fixed assets and reflect the current fair market value of the assets, rather than their historical cost.

(xii) Changes in accounting policies and estimates

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

(xiii) Employee benefits

Retirement benefit plans

The Authority operates a defined contribution pension scheme for all its eligible employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The scheme is funded from contributions from both the Authority and employees. The assets of this scheme are held in a separate trustee administered scheme.

The Authority also contributes to a statutory defined contribution plan, National Social Security Fund. The contributions are determined by local statute and are currently limited to Kshs. 420 at tier I and 1,740 at tier II per employee per month.

Contributions by the Authority to staff retirement benefit schemes are charged to the statement of financial performance as they fall due.

(xiv) Foreign currency transactions

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

(xv) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant, and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

(xvi) Related parties

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the Board of Directors, the Commissioner of Insurance & Chief Executive Officer, Directors, and Senior Managers.

(xvii) Service concession arrangements

The Authority analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

(xviii) Cash and cash equivalents

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

(xix) Comparative figures

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

(xx) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

5. Significant judgments and sources of estimation uncertainty

In preparing of the Authority's financial statements in conformity with IPSAS, management makes judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts retained by the Authority.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 27.

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

6. Insurance premium levy

	2023/2024	2022/2023
	KSHS.	KSHS.
Premium Levy	<u>2,871,267,815</u>	<u>2,567,831,498</u>

As per section 197A (1) (2a) of the Insurance Act, Insurers are required to pay a levy on gross direct premiums written at a rate prescribed by the Cabinet Secretary. The rate is currently at 1%.

7. License fees

	2023/2024	2022/2023
	KSHS.	KSHS.
Insurance companies	9,200,000	9,500,000
Brokers	3,940,000	3,913,168
Loss Assessors	909,000	920,000
Agents	15,038,239	19,485,313
Other intermediaries	669,000	780,000
Branches	40,000	100,000
	<u>29,796,239</u>	<u>34,698,481</u>

This is an annual fee paid by all licensed industry players. The fees charged are Kshs. 250,000 for Re-insurance companies, Kes. 150,000 for Insurance companies, Kshs.10,000 for brokers and medical insurance providers, Kshs. 3,000 for surveyors, loss adjustors, loss assessors, investigators, risk managers, claims settling agents, 20,000 for bancassurance and Kshs.1,000 for insurance agents. For annual renewals, the industry players are required to pay twice the amount if the application is received after the deadline, currently 30th September.

8. Miscellaneous income

	2023/2024	2022/2023
	KSHS.	KSHS.
Sale of obsolete items	<u>6,980,000</u>	<u>3,802,945</u>
	<u>6,980,000</u>	<u>3,802,945</u>

This is income from the sale of obsolete stores.

9. Interest income

	2023/2024	2022/2023
	KSHS	KSHS
Treasury bills	54,918,171	58,011,846
Fixed deposits	61,437,683	54,609,142
Current accounts	<u>1,143,934</u>	<u>1,564,616</u>
	<u>117,499,788</u>	<u>114,185,604</u>

This comprises interest earned on investment in treasury bonds, treasury bills, fixed deposit accounts and current accounts. Interest on treasury bonds and treasury bills is recognized on a straight-line basis over the maturity period of the investments.

10. Board expenses

Honoraria	960,000	960,000
Sitting allowances	13,060,000	11,244,000
Seminars, travel, and accommodation	15,032,017	26,076,676
Meeting, entertainment & Others	350,090	907,572
Medical GPA	230,636	309,781
Other expenses	<u>471,000</u>	<u>539,300</u>
	<u>30,103,743</u>	<u>40,037,329</u>

The Board Chairman receives a monthly honorarium of Kshs.80,000 per month.

11. Employee costs

Basic salary	212,053,244	200,820,474
House allowances	38,127,614	34,585,269
Transport allowances	33,682,288	30,406,415
Contract/part-time staff	31,858,546	35,715,521
Special duty and extraneous allowance	13,906,084	13,229,924
Pension and gratuity	59,921,694	69,859,229
Medical	32,595,110	27,826,291
Group insurance-life and accident	7,855,581	7,692,488
Training and capacity building	74,725,421	52,934,490
Subscriptions	1,954,327	1,221,820
Internship	1,795,850	1,712,597
Staff uniforms and welfare	17,108,883	8,997,629
Staff bonus and awards	83,947,448	320,000
Leave allowance	18,838,306	18,055,000
Housing Levy	<u>4,658,380</u>	<u>-</u>
	<u>633,028,776</u>	<u>503,377,147</u>
Number of employees at year end	72	70

12. Development of the insurance industry

	2023/2024	2022/2023
	KSHS.	KSHS.
Seminars for insurance industry	32,256,980	30,065,275
Consumer education	75,980,148	92,868,637
Scholarship for Actuarial students	45,091,368	53,567,639
Research	<u>15,216,000</u>	<u>2,880,490</u>
	<u>168,544,496</u>	<u>179,382,041</u>

13. General expenses

Office supplies and expenses	22,153,078	20,339,247
Transport and travel	62,676,706	38,466,138
Public relations	38,396,837	41,312,775
ICT expenses	62,571,790	35,254,900
Bank charges	1,324,424	1,351,049
Office rent and office services	79,032,561	77,243,270
IFIU and Tribunal expenses	<u>55,517,239</u>	<u>27,380,193</u>
	<u>321,672,635</u>	<u>241,347,572</u>

14. Repairs and maintenance costs

Repair and service-office equipment	761,758	6,289,691
Vehicle repair and service	<u>1,949,690</u>	<u>1,752,761</u>
	<u>2,711,448</u>	<u>8,042,452</u>

15. Contracted services

Consultancy	37,141,141	327,574,652
Audit fees	<u>2,000,000</u>	<u>2,000,000</u>
	<u>39,141,141</u>	<u>329,574,652</u>

16. Depreciation and amortisation

Depreciation	56,946,433	74,824,814
Amortisation	<u>25,938,066</u>	<u>24,645,881</u>
	<u>82,884,499</u>	<u>99,470,695</u>

17. Transfer to the consolidated fund

Surplus for the year	1,747,457,104	1,319,286,640
90% of realised Surplus	1,572,711,394	1,187,357,977
Advance payment	<u>(1,149,446,001)</u>	<u>(513,090,000)</u>
Amount Due	<u>423,265,394</u>	<u>674,267,977</u>

18. Cash and bank balances

	2023/2024	2022/2023
	KSHS.	KSHS.
NBK Account No. 0100306688400	5,207,503	6,536,162
KCB Ltd Account No. 1202647413	46,293,517	136,562,203
NCBA bank Account no. 1381520058	131,026	35,970,599
NCBA Account no. 8189570014	1,236,071	7,227,632
Petty cash	<u>105,970</u>	<u>59,333</u>
	<u>52,974,088</u>	<u>186,355,929</u>

19. Receivables from exchange transactions

Debtors	6,410,000	-
Prepayments	7,250,843	7,633,217
Staff imprests /advances	83,332	466,039
Policyholders Compensation Fund (PCF)	-	725,641
Deposits	19,600,347	18,977,747
Interest receivable	4,576,512	4,093,562
E-Citizen	<u>130,740,602</u>	-
	<u>168,661,637</u>	<u>31,896,206</u>

20. Short term investment

Fixed deposit -KCB	310,806,147	202,330,839
Fixed deposit -CO-OP	207,584,973	269,413,224
Fixed deposit -NCBA	-	164,741,864
Treasury bills	-	194,612,000
	<u>518,391,120</u>	<u>831,097,927</u>

21. Inventories

Stationery	<u>3,212,376</u>	<u>1,223,847</u>
	<u>3,212,376</u>	<u>1,223,847</u>

22. Cash and cash equivalents

This includes cash in hand, current account balances and short-term fixed deposits.

Cash and current account balances	52,974,088	186,355,929
Short term investments	518,391,120	636,485,927
Treasury Bills	-	<u>194,612,000</u>
	<u>571,365,208</u>	<u>1,017,453,856</u>

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FOR THE YEAR ENDED JUNE 30, 2024

23. Property, plant & equipment

	Motor Vehicles	Computer Equipment	Computer Networking & Cabling	Partitions Furniture & Fittings	Equipment (Telephone, Fax, Other)	Total
	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.	KSHS.
At 1st July,2022	95,008,746	223,039,922	44,411,480	148,469,746	31,905,036	542,834,930
Add: additions during the year	-	46,719,501	-	7,456,078	2,358,335	56,533,914
Less: disposals during the year	(11,664,302)	-	-	-	-	11,664,302)
At 30th June 2023	83,344,444	269,759,423	44,411,480	155,925,824	34,263,371	587,704,542
Depreciation:						
At 1st July,2022	64,306,846	134,784,618	41,436,440	109,736,111	26,994,823	377,258,838
Charge for the year	10,803,950	55,672,065	1,487,520	5,447,113	1,414,166	74,824,814
Disposal	(11,664,302)	-	-	-	-	(11,664,302)
At 30th June,2023	63,446,494	190,456,683	42,923,960	115,183,224	28,408,989	440,419,350
Net book value:						
At 30 June 2023	19,897,950	79,302,740	1,487,520	40,742,600	5,854,382	147,285,192
At 1st July,2023	83,344,444	269,759,423	44,411,480	155,925,824	34,263,371	587,704,542
Add: Revaluation	22,300,000	33,734,099	1,375,500	8,002,606	2,491,000	67,903,205
Add: Additions during the year	20,467,179	10,205,345	-	2,215,648	991,234	33,879,406
Less: disposals during the year	(21,779,979)	(11,314,764)	-	(8,900,701)	(25,704)	(42,021,147)
At 30th June 2024	104,331,644	302,384,103	45,786,980	157,243,377	37,719,901	647,466,006
Depreciation:						
At 1st July,2023	63,446,494	190,456,683	42,923,960	115,183,224	28,408,989	440,419,350
Charge for the year	11,423,966	35,741,396	1,487,520	6,268,487	2,025,064	56,946,433
Disposal:	(21,779,979)	(11,314,764)	-	(8,900,701)	(25,704)	(42,021,147)
At 30June, 2024	53,090,481	214,883,315	44,411,480	112,551,011	30,408,349	455,344,636
Net book value:						
At 30 June 2024	51,241,163	87,500,788	1,375,500	44,692,367	7,311,553	192,121,370

As at 30th June 2024, Assets worth Kshs. 351,218,547 were fully depreciated. The notional depreciation charge on these assets is Kshs. 94,166,062. As at 30th June 2023 the fully depreciated assets were worth Kshs. 462,674,230 with a notional depreciation of Kshs. 125,743,992.

24. Intangible assets

Software

Cost

At 1st July,2022 **153,158,562** **153,158,562**

Add: Additions during the year 8,445,118 8,445,118

Less: Disposals during the year - -

At 30th June 2023 161,603,680 161,603,680

Depreciation:

At 1 July,2023 85,762,112 85,762,112

Charge for the year 24,645,881 24,645,881

Disposal

At 30 June,2023 110,407,993 110,407,993

Net book value: At 30th June 2024 **51,195,687** **51,195,687**

Cost:

At 1st July,2023 161,603,680 161,603,680

Add: Revaluation 14,309,242 14,309,242

Additions during the year 2,388,978 2,388,978

Less: disposals during the year - -

At 30th June 2024 178,301,900 178,301,900

Depreciation:

At 1 July,2023 110,407,993 110,407,993

Charge for the year 25,938,066 25,938,066

Disposal - -

At 30 June,2024 136,346,059 136,346,059

Net book value: At 30th June 2024 **41,955,841** **41,955,841**

25. Long term investments

These are fixed deposits under lien for the Staff mortgage and car loans.

	2023/2024	2022/2023
	KSHS.	KSHS.
National bank	14,924,717	14,924,717
Co-operative Bank	208,526,703	58,471,162
Kenya Commercial Bank	<u>368,259,601</u>	<u>267,071,053</u>
	<u>591,711,021</u>	<u>340,466,932</u>

26. Payables from exchange transactions

Supplier invoices	96,876,669	184,724,294
Other payables	34,439,922	34,139,922
Assets sale Deposits	<u>3,900,000</u>	-
	<u>135,216,591</u>	<u>218,864,216</u>

27. Provisions	2023/2024	2022/2023
	KSHS.	KSHS.
Audit fees	2,000,000	2,000,000
Legal fees	30,958,178	27,609,130
General Provision	60,255,884	32,709,988
Government liability	-	12,915,803
Contingent liability	-	792,452
Gratuity	41,263,480	25,380,320
Staff Bonus	<u>24,117,339</u>	-
	<u>158,594,881</u>	<u>101,407,693</u>

28. Related party transactions

The following transactions took place with related parties

Board (Allowances & other expenses)	30,103,743	40,037,329
Top management (Remuneration)	<u>140,767,946</u>	<u>45,367,600</u>
	<u>170,871,689</u>	<u>85,404,929</u>

29. Cash generated from operations

Surplus for the year before tax	Note	1,747,410,426	1,319,286,640
Adjusted for:			
Depreciation and amortisation	16	82,884,499	99,470,695
Gains and losses on disposal of assets		6,860,000	-
Contribution to provisions			
Finance income	27	57,233,866	40,623,003
Finance cost	9	(117,499,788)	(114,185,604)
Working Capital adjustments			
(Increase)/ Decrease in inventory	21	(1,988,529)	(60,119)
(Increase)/ Decrease in receivables	19	138,753,692	8,528,492
Increase / (Decrease) in payables	26	<u>(366,004,029)</u>	<u>(13,695,943)</u>
Net cash flow from operating activities		<u>1,547,650,137</u>	<u>1,339,967,164</u>

30. Financial instruments and risk management policies

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks. The Authority's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Authority's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the Board of Directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Authority's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Authority's maximum exposure to credit risk without taking account of the value of any collateral obtained and is made up as follows:

	Total amount KSHS.	Fully performing KSHS.	Past due KSHS.	Impaired KSHS.
At 30 June 2024				
Receivables from exchange transactions	168,661,637	168,633,277	28,360	-
Bank balances	<u>52,974,088</u>	<u>52,974,088</u>	-	-
Total	<u>221,635,725</u>	<u>221,607,365</u>	<u>28,360</u>	-
At 30 June 2023				
Receivables from exchange transactions	31,896,206	31,867,846	28,360	-
Bank balances	<u>186,355,929</u>	<u>186,355,929</u>	-	-
Total	<u>218,252,135</u>	<u>218,223,775</u>	<u>28,360</u>	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Authority has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Board of Directors sets the Authority's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Authority's Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Authority's short, medium, and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Authority.

	Less than 1 month KSHS.	Between 1- 3 months KSHS.	Over 5 months KSHS.	Total KSHS.
At 30 June 2024				
Trade payables	124,841,094	9,021,429	1,354,068	135,216,591
Provisions	<u>100,462,434</u>	<u>7,290,187</u>	<u>50,842,260</u>	<u>158,594,881</u>
Total	<u>225,303,528</u>	<u>16,311,616</u>	<u>52,196,328</u>	<u>293,811,472</u>
At 30 June 2023				
Trade payables	185,884,499	1,657,634	31,322,083	218,864,216
Provisions	<u>65,623,003</u>	<u>4,487,546</u>	<u>31,297,144</u>	<u>101,407,693</u>
Total	<u>251,507,502</u>	<u>6,145,180</u>	<u>62,619,227</u>	<u>320,271,909</u>

(iii) Market risk

The Board of Directors has approved a risk management framework to assist management in assessing the risk faced by the Authority on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Authority's management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

Such exposures arise through purchase of goods and services that are done in currencies other than the local currency. The Authority does not have transactional currency exposures.

b) Interest rate risk

Interest rate risk is the risk that the Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Authority's interest rate risk arises from bank deposits. This exposes the Authority to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Authority's deposits.

c) Management of interest rate risk

Although this risk is unlikely to occur, it is mitigated by placing deposits with well-established financial institutions that offer favourable interest rates and approved by The National Treasury and Economic Planning.

iv) Capital Risk Management

The objective of the Authority's capital risk management is to safeguard its ability to continue as a going concern. The Authority's capital structure comprises mainly reserves with no debt.

31. Operating leases

The Authority has a cancellable three operating leases of six years for office space in the second, third, sixth, seventh, tenth and ground floors with ZEP RE PTA and for third floor with Shelter Afrique. The rents are payable quarterly in advance.

32. Commitments

The Authority had issued local purchase orders and local service orders for various supplies for which goods/services had either not been received or had been partly received by 30th June, 2024.

	2023/2024	2022/2023
	KSHS.	KSHS.
Purchase/service orders	<u>73,929,871</u>	<u>70,343,191</u>
	<u>73,929,871</u>	<u>70,343,191</u>

33. Surplus remittance

In accordance with regulation 219 (2) of the Public Financial Management Act, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each

financial year. The Authority will remit Kshs. 1,572,711,394 (Financial year 2022/23 Kshs. 1,187,357,976).

34. Events after the reporting date

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

35. Ultimate and holding Entity

The Authority is a State Corporation under The National Treasury and Economic Planning. Its ultimate parent is the Government of Kenya.

36. Currency

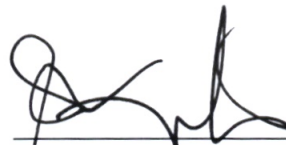
The financial statements are presented in Kenya Shillings (Kshs.).

**PROGRESS ON FOLLOW UP OF PRIOR PERIOD AUDITOR
RECOMMENDATIONS**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Emphasis of Matter 1	Legal Fees	The audit finding was disclosed in the Audit Certificate for the FY ended 30 th June 2023. The payment for Ksh 342,779,509 was made in the same year	Diana Sawe Tanui- Corporation Secretary and Director Legal Services	Resolved	30 th June 2023
Emphasis of Matter 2	Budgetary Control and Performance	Management is in conformity with the budgetary control and performance and strives to fully absorb the approved budget in the subsequent years	Esther Musyoki- Director, Corporate Services	Resolved	30 th June 2024



Moses Njenga Chege
Chairman



Godfrey Kiptum, MBS
Commissioner of Insurance &
Chief Executive Officer