

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

POLICYHOLDERS COMPENSATION FUND

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

NATIONAL ASSEMBLY
PAPERS LAID

DATE: 07 MAR 2024

DAY

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Hon Naomi Wago MP

Deputy Majority Whip

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LIBRARY





POLICYHOLDERS COMPENSATION FUND

Dhamana Ya Bima Yako

POLICYHOLDERS COMPENSATION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
30TH JUNE 2023

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

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1.0 ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

PCF	Policyholders Compensation Fund
BoT	Board of Trustee
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
PSASB	Public Sector Accounting Standards Board
IPSAS	International Public Sector Accounting Standards
MT	Managing Trustee
NT	National Treasury and Economic Planning
OAG	Office of the Auditor General
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
SRC	Salaries and Remuneration Commission
ERP	Enterprise Resource Planning
CMS	Claims Management System
LRMS	Levy Reconciliation and Management system
EDRMS	Electronic Document Management System
IL	In-liquidation
ERP	Enterprise Resource Planning
ICT	Information and Communication Technology
JE	Job Evaluation
UIC	United Insurance Co. Ltd
BSIC	Blue Shield Insurance Co. Ltd
RIL	Resolution Insurance Co. Ltd
IFIGIS	International Forum of Insurance Guarantee Schemes
CSR	Corporate Social Responsibility
AGM	Annual General Meeting
FAC	Finance & Administration Committee
TPC	Technical and Policy Committee
ARC	Audit and Risk Committee

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year- Means the prior period.



2.0 KEY ENTITY INFORMATION AND MANAGEMENT

2.1 Background Information

Policyholders Compensation Fund (PCF) also known as 'the Fund' is a State Corporation under the National Treasury & Economic Planning, established through Legal Notice No. 105 of 2004 and commenced its operations in January 2005. The Fund was established for the primary purpose of providing compensation to claimants of an insurer that has been put under Statutory Management and for the secondary purpose of increasing the general public's confidence in the insurance sector. The decision to establish the Fund was informed by the collapse of several insurers prior to the year 2005. The Fund is governed by section 179 of the Insurance Act (Cap 487) and the Insurance (Policyholders Compensation Fund) Regulations, 2010.

2.2 Principal Activities

The principal activities of the Fund as provided in Section 179 (2A) of the Insurance Act are to;

- a) Provide compensation to policyholders of an insurer placed under a manager appointed under section 67C (2) or whose license has been cancelled under the Act.
- b) Monitor, in consultation with the Commissioner where necessary, the risk profile of any insurer.
- c) Advise the Cabinet Secretary in charge of finance matters on the National policy to be followed with regard to matters relating to compensation of policyholders and to implement all government policies relating thereto.
- d) Participate in the statutory management of an insurer placed under statutory management by the regulator.
- e) Liquidate an insurer as may be ordered by a court.
- f) Perform such other functions as may be conferred on it by this Act or by any other written law.

2.3 Key Management

The Fund's key management vests with the Board of Trustees whose powers are given through Section 179 (2B) of the Insurance Act and its composition prescribed in Section 179 (4) of the Insurance Act.

PCF is managed by a Board of Trustees that is responsible for policy and strategic guidance. The Board of Trustees delegates its functions to Managing Trustee who carries out the daily operations of the Fund with the help of senior management team.

The following were members of the management team who held office during the financial year ended 30th June 2023 as enlisted in table 1 below;

Table 1. Key Management

	Designation	Name
1.	Managing Trustee	Mr. William Masita
2.	Director, Corporate Services	Mr. Abudo Mamo
3.	Director, Compensation & Insurance Risk Monitoring	Mr. Douglas Mburia
4.	Director, Legal Services	Mr. James Njogu
5.	Deputy Director, Finance & Accounts	Ms. Hope Keah
6.	Deputy Director, Internal Audit	Mr. Martin Kamau
7.	Deputy Director, Supply Chain Management	Mr. Mohamednur Khalif
8.	Deputy Director, Compensation	Mr. Noel Zuma
9.	Deputy Director, Research, Strategy & Planning	Ms. Mary Mwihaki
10.	Deputy Director, Human Resources Management & Administration	Ms. Hilda Sang
11.	Deputy Director, Information Communication & Technology	Mr. Bernard Rotich
12.	Deputy Director, Corporate Communications	Ms. Rosemary Kavili
13.	Deputy Director, Insurance Risk Monitoring	Mr. Moses Kiptoon

2.4 Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were as shown in Table 2 below;

Table 2. Composition of Fiduciary Management

	Designation	Name
1.	Managing Trustee	Mr. William Masita
2.	Director, Corporate Services	Mr. Abudo Mamo
3.	Director, Compensation & Insurance Risk Monitoring	Mr. Douglas Mburia
4.	Director, Legal Services	Mr. James Njogu
5.	Deputy Director, Finance & Accounts	Ms. Hope Keah
6.	Deputy Director, Internal Audit	Mr. Martin Kamau
7.	Deputy Director, Supply Chain Management	Mr. Mohamednur Khalif

2.5 Fiduciary Oversight Arrangements

The Internal audit services were provided by the Internal Audit Directorate led by the Deputy Director, Internal Audit during the year under review. In addition, the Audit and Risk and the Finance & Administration Committees of the Board of Trustees in their oversight role, provided the Board of Trustees assurance for the integrity of the financial operations of the Fund, the performance of the Fund's internal and external audit functions and compliance of the Fund with legal and statutory requirements.

2.6 Strategic Direction



2.7 Strategic Themes

Strategic themes are the key performance areas in which the Fund must excel to achieve its mission, vision and deliver value to customers. The strategic themes of the Fund that govern its excellence are:

- Compensation of policyholders
- Resolution of insurers under distress
- Financial sustainability of the compensation fund
- Institutional capacity

The strategic objectives to which the Fund commits to achieve the strategic themes are as per below Table 3;

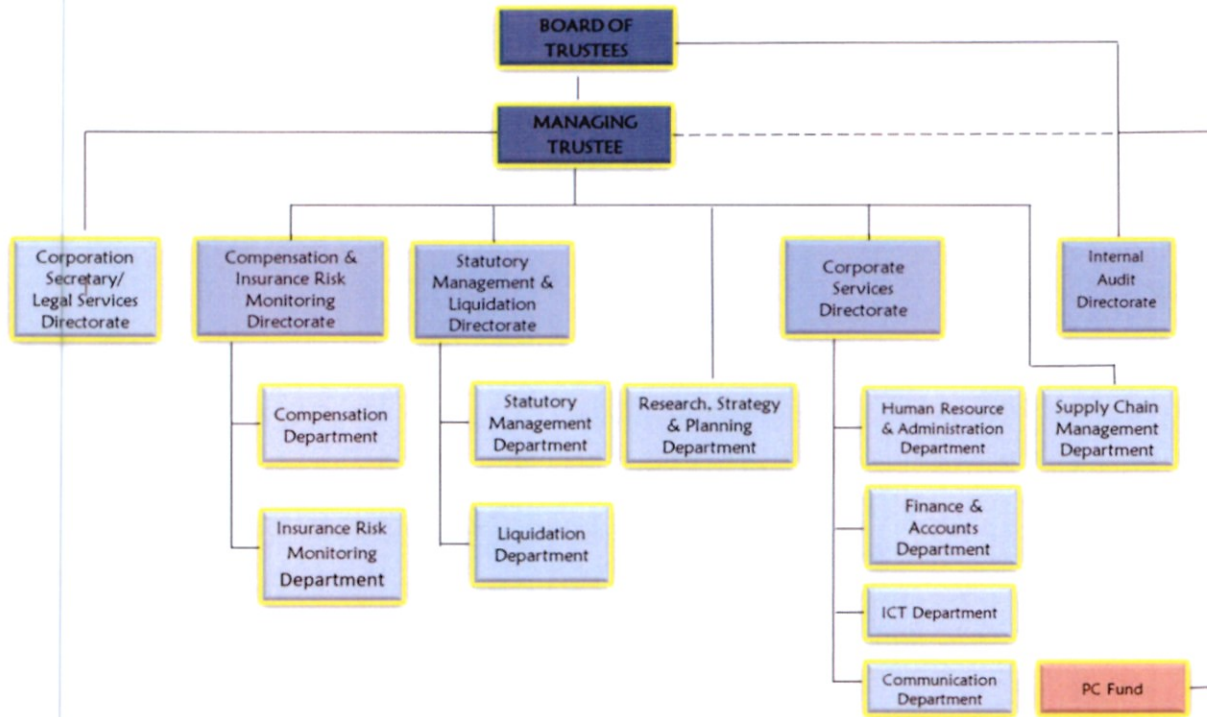
Table 3. Strategic Themes and Strategic Objectives

Key Result Areas	Strategic Objective
Compensation to claimants	Protect policyholder's interest.
	Promote confidence and stability in the insurance industry.
Resolution of insurers	Manage an insurer under statutory management.
	Manage liquidation of wound-up insurer.
Financial sustainability	Mobilize resources to meet demands for compensation of claimants.
	Ensure prudent and sustainable utilization of funds.
Institutional capacity	Enhance the Fund's governance.
	Attract, develop and retain competent staff.
	Strengthen internal systems and processes.
	Acquisition of own office premises.

2.8 Organization Structure

The Board of Trustees provides policy and oversight to the Fund while the day to day operations are delegated to the Managing Trustee. The Fund is organized into five directorates and two departments directly reporting to the Managing Trustee as depicted in figure 1 below;

Figure 1: Policyholders Compensation Fund Organization Structure



**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2023**

2.9 Head office

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

2.10 Contacts

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

2.11 Bankers

- a) NCBA Bank Limited
Standard/Wabera Streets
P.O. Box 30457-00100
Nairobi, Kenya
- b) Co-operative Bank of Kenya
Upper Hill
P.O Box 48231-00100
Nairobi Kenya
- c) KCB Bank Limited
Moi Avenue
P.O. Box 30081-00100
Nairobi, Kenya
- d) Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000-00200
Nairobi, Kenya

2.12 Independent Auditors

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

2.13 Principal Legal Advisor

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

3.0 THE BOARD OF TRUSTEES



Hon. Simon Mbugua
 Chairperson Board of Trustees

Hon. Simon Mbugua was appointed as the Chairman of Policyholders Compensation Fund (PCF) on 19th May 2023.

Prior to the current appointment Hon. Mbugua was a Member of Parliament at the 4th Assembly of East Africa Legislative Assembly (EALA) in Arusha Tanzania where he served in the Committee of Accounts and the Legal Rules and Privileges Committee. Further, he was Chairman of all Members of Parliament at EALA representing Kenya and the Vice-President at the EALA Assembly.

Hon. Mbugua is an astute Legislator with vast experience in legislation and oversight role having served as a Member of the National Assembly for Kamukunji Constituency in the 10th Parliament in the Republic of Kenya, where he was a member of various house committees. Hon. Mbugua brings on board a wealth of experience of over 20 years in leadership and management, having served in both the public and the private sector.



Mr. Victor Pratt
 Chairperson Board of Trustees

Mr. Victor Pratt was appointed to be the Chairperson of the Board of Trustees on 13th July 2022 to 17th May 2023.

Mr. Pratt has worked extensively in Africa, with Citibank, Liberia and the African Development Bank (ADB) in Abidjan. Mr. Pratt has been promoting small business development, and he founded the Kenya Management Assistance Programme (K-MAP) in 1986.

He has previously served as Chairman of Kenya Reinsurance Corporation and Retirement Benefits Authority.



**Mr. Godfrey Kiptum, MBS
Trustee**

Mr. Godfrey Kiptum is the Commissioner of Insurance and Chief Executive Officer of the Insurance Regulatory Authority. He has a wealth of experience garnered from senior management roles held in various State Agencies over the last 20 years. He is an Associate of the Life Management Institute (ALMI) of USA and a member of the Chartered Insurance Institute of UK.



**Dr. Ben Kajwang
Trustee**

Dr. Ben Kajwang was appointed effective 21st February 2022 to represent insurance brokers. He is the Director and CEO of the College of Insurance and also a Board member of the Africa Insurance Organization (AIO) Foundation.

He is also the immediate former President of African Insurance Organisation (AIO) and an Executive Board Member and Chairman of the Human Resource Committee of the Organization of East and Southern African Insurers (OESAI). He has had a distinguished career in the insurance industry spanning over two decades where he has held senior positions in Broking, Insurance and Reinsurance Companies.



**Mr. Thomas Gichuhi
Trustee**

Mr. Thomas Gichuhi was appointed effective 21st February 2022 to represent insurers. He is the Executive Director at Association of Kenya Insurers.



Mr. Joseph Waruiru
Trustee

Mr. Joseph Waruiru was appointed to the Board of Trustees on 29th June 2023 as the representative of the Cabinet Secretary, National Treasury & Economic Planning. He is a Certified Public Accountant and currently works at the National Treasury and Economic Planning, Government Investment Public Enterprise Department. He has over 12 years' experience in Auditing and Finance in the Public Service.



Mr. Halkano Haro
Trustee

Mr. Halkano Haro was appointed to the Board of Trustees on 10th March 2022 to 28th June 2023 as the representative of the Cabinet Secretary, National Treasury & Economic Planning. He is a seasoned public relations, corporate communication, and media strategist with over 10 years in Financial, Investments, legislative, Hospitality and Small Medium and Micro Enterprises sectors.



Mr. Deberious Sikuku
Trustee

Mr. Deberious Sikuku Wafula was appointed as an Independent Trustee representing the general public on 18th May 2023.

He is a businessman and an entrepreneur in the transport and logistics sector. He has vast experience in public policy and administration as well as peace and conflict resolution.

He has held various key positions among them being the Chairman of The African Sports and Talents Empowerment Program, a Non-Governmental Organization amongst others. His areas of interest are centred on good governance and policy formulation.



Mr. Reuben Ndegwa
Trustee

Mr. Reuben Ndegwa was first appointed as an independent Trustee representing the general public on 18th September, 2018 up to 17th September 2021 and reappointed for another term effective 21st February 2022 to 17th May 2023. He is an entrepreneur and businessman with over 21 years' experience in the freight and logistics sector.



Ms. Janet W. Kungú, HSC
Trustee

Ms. Janet W. Kungú was appointed as the representative of the Hon. Attorney General to the Board of Trustees on 12th June 2023. She is a Deputy Chief State Counsel at the Office of the Attorney General & Department of Justice (OAG & DOJ), Acting as the Head of County Legal Services coordinating the thirteen County/Regional offices for the OAG&DOJ.

Ms. Kungú is accomplished Private and Public Sector Advocate with 17 years legal experience in Civil Litigation and management.



Ms. Lydia Ochako
Trustee

Ms. Lydia Ochako was appointed as the representative of the Hon. Attorney General to the Board of Trustees on 17th July 2020 to 11th June 2023. She is a Principal State Counsel at the Office of the Attorney General & Department of Justice (OAG & DOJ), deployed to the Advocates Complaints Commission (ACC). Ms. Ochako is an accomplished Public Sector Advocate with over 10 years legal experience specialized in investigating, researching and prosecuting cases of professional misconduct against advocates.

In addition, she is an alumna of Leading in Public Life: Women, Influence and Power Programme (WIPP) Alumni Network under the Nelson Mandela School of Public Governance, University of Cape Town.



**Mr. William Masita
Managing Trustee & Secretary to the Board**

Mr. William Masita is the Managing Trustee and Secretary to the Board of Policyholders Compensation Fund from 16th September 2020. Prior to his appointment, he was the Director of Audit Services at Kenya National Highways Authority. He has over 20 years' experience in Risk Management, Internal Audit, Budgeting, Corporate Finance and Enterprise Risk Management in both the private and public sectors.

4.0 KEY MANAGEMENT TEAM



Mr. William Masita
Managing Trustee

Mr Masita holds Master's in Business Administration (Strategic Management Option) from the University of Nairobi and Master of Science in Computer-based Information Systems from Strathmore University. He is a Certified Public Accountants of Kenya, a Certified Internal Auditor and a Certified Information Systems Auditor.



Mr. Abudo Mamo
Director Corporate Services

Mr. Abudo Mamo holds a Master of Business Administration (Finance), Bachelor of Science in Statistics & Mathematics and a Higher Diploma in Human Resource Management. He is a member of the Institute of Human Resource Management (IHRM).



Mr. Douglas Mburia
Director, Compensation & Insurance
Risk Monitoring

Mr. Douglas Mburia holds a Master of Business Administration, a Bachelor of Science in Mathematics and a Post Graduate Diploma in Actuarial Science. He is a member of the Actuarial Society of Kenya (ASK).



Mr. James Njogu
Director, Legal Services

CS James Njogu holds a Bachelor of Laws (LLB) Hons. Degree, a Post Graduate Diploma in Legal Practice from the Kenya School of Law, Master of Laws (LLM) in Women's Law and Human Rights, Master of Laws (LLM) in International Corporate Governance & Financial Regulation. Mr. Njogu is an Advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public as well as a registered Certified Public Secretary with the Institute of Certified Secretaries of Kenya. Further, he is a member of the Chartered Institute of Arbitrators in London and Kenya and the Institute of Directors (Kenya).



Ms. Hope Keah
Deputy Director, Finance & Accounts

CPA Hope Keah holds a Master of Business Administration in Finance, a Bachelor of Commerce in Financial Management, a Certified Accountant and a Certified Secretary. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Secretaries (ICS) and Association of Women Accountants (AWAK).



Mr. Martin Kamau
Deputy Director, Internal Audit

Mr. Martin Kamau holds a Master of Business Administration in Finance, a Bachelor of Commerce in Finance, and a Certified Public Accountant. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IIA).



**Mr. Noel Zuma
Deputy Director, Compensation**

Mr Noel Zuma holds a Master of Business Administration in Project Planning & Management, a Bachelor of Arts in Economics and a Diploma in Banking & Financial Services. He is a member of the Kenya Institute of Bankers (KIB).



**Ms. Hilda Sang
Deputy Director, Human Resource &
Administration**

Ms. Hilda Sang' holds a Master of Science in Human Resource Management, a Bachelor of Arts in Community Development and a Higher Diploma in Human Resource Management. She is a member of the Institute of Human Resource Management (IHRM).



**Ms. Mary Mwhaki
Deputy Director, Research, Strategy &
Planning**

Ms. Mary Mwhaki holds a Master of Business Administration in Finance, a Bachelor of Commerce in Accounting and a Certified Public Accountant. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).



Mr. Mohamednur Khalif
 Deputy Director, Supply Chain
 Management

Mr. Mohamed Khalif holds a Master of Science in Procurement & Contract Management, a Bachelor of Business Management in Purchasing & Supply Chain Management and Diploma in Business Management. He is a member of the Kenya Institute of Supplies Management (KISM).



Mr. Bernard Rotich
 Deputy Director, ICT

Mr. Bernard Rotich holds a Master of Science in Information Science & Technology, a Bachelor of Science in Applied Business Computing and a Higher Diploma in Integrated Management Information Systems. He is a member of the Computer Society of Kenya (CSK).



Ms. Rosemary Kavili
 Deputy Director, Corporate
 Communications

Ms. Rosemary Kavili, holds a Master of Arts in Communication Studies from the University of Nairobi. She also holds a Bachelor of Arts degree in Journalism and Media Studies and a Diploma in Public Relations from the University of Nairobi. In addition, she has attended several leadership trainings both locally and internationally.

She is a Full-Member of Public Relations Society of Kenya.



**Ms. Moses Kiptoon
Deputy Director, Insurance Risk
Monitoring**

Moses Kiptoon holds a Master's degree in Actuarial Management from the City, University of London (UK) and a Bachelor's degree in Actuarial Science from the University of Nairobi (Kenya). He is also an Associate of the Actuarial Society of Kenya. He is a past International Fellow of the National Association of Insurance Commissioners (USA) and has over 14 years of experience in the insurance industry.

5.0 CHAIRPERSON'S STATEMENT

On behalf of the Board of Trustees, Management and Staff of Policyholders Compensation Fund (PCF), I am pleased to present the Annual Report and Financial Statements for the Fund for the period ended 30th June 2023 as per the requirement of section 221 of the PFM Regulations (2015).

The Fund is governed by section 179 of the Insurance Act (Cap 487) and the Insurance (Policyholders Compensation Fund) Regulations, 2010. The Fund was established for the primary purpose of providing compensation to claimants of an insurer that has been placed under Statutory Management or whose license has been cancelled by the Insurance Regulator and for the secondary purpose of increasing the general public's confidence in the insurance sector. Through this mandate, the Fund commits to support the realisation of Bottom Up Economic Transformation Agenda of the Government.

During the period under review, the Fund through the Board of Trustee approved, budget estimates FY2023-2024, FY2022-2023 budget revision, quarterly & annual Financial reports, annual workplan, annual procurement plan, various policies & manuals and provided oversight in the implementation of HR instruments.

In addition, the Board approved payment of compensation to claimants of under statutory management of over KShs. 65 million and provided oversight in the management of companies under statutory management.

The Trustees attended various capacity building workshops tailored for capacity enhancement as they implement their role in Fund's governance and oversight. These activities were extensively informed by gaps which existed, the need to streamline the processes and procedures for effective service delivery and to provide the necessary disclosure, transparency and accountability and fulfil the requirements of the law.

The Board of Trustees recognizes that ethical management is key to the Fund's sustainability and is therefore, continuously putting in place practices, systems and processes in all its operations.

In conducting its oversight role, the Board is committed to ensuring that the Fund's obligations, roles and responsibilities to its various stakeholders are fulfilled through its corporate governance practices. The Trustees and Management perform their duties with impartiality, honesty, transparency, accountability, professionalism, integrity, care and due diligence and act in good faith in the best interests of the general public.

In Future, the Fund will remain focused on strategies that will enable it to achieve its core mandate. The Fund's priority areas will be aligned to the Government Bottom Up Economic Transformation Agenda by ensuring that the strategic plan is geared into achieving the set

**Policyholders Compensation Fund
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For the Year Ended 30th June 2023**

objectives of the Government and in provision of sound risk management framework strategy, effective communication and public awareness activities, strengthening the Fund value, enhancing the scope of coverage, pursuing an appropriate compensation limit structure, enhancement of cooperation with the other safety net players and alignment of the Fund's operations to international best practice.

In addition, PCF will continue to closely work with the key insurance industry stakeholders by conducting and participating in industry activities and other related government initiatives to enhance the achievement of its mandate. The Fund will also continue to improve on the competence of its human resource through effective training, coaching and mentoring.

I wish to therefore, express my sincere gratitude to my fellow members of the Board of Trustees who have worked tirelessly to execute the Fund's Mandate. I would also like to recognize the great effort of the Management team and staff whose efforts contributed to the growth of the Fund in the financial period under review. I also wish to thank the National Treasury and Economic Planning, Central Bank of Kenya, Insurance Regulatory Authority and other stakeholders for their continued support in ensuring the Fund attains its objective of fostering financial sustainability and increasing the general public confidence in the public sector. I look forward to even more fruitful engagements in the next financial period.



Hon. Simon Mbugua
CHAIRPERSON, BOARD OF TRUSTEES

6.0 STATEMENT OF THE MANAGING TRUSTEE

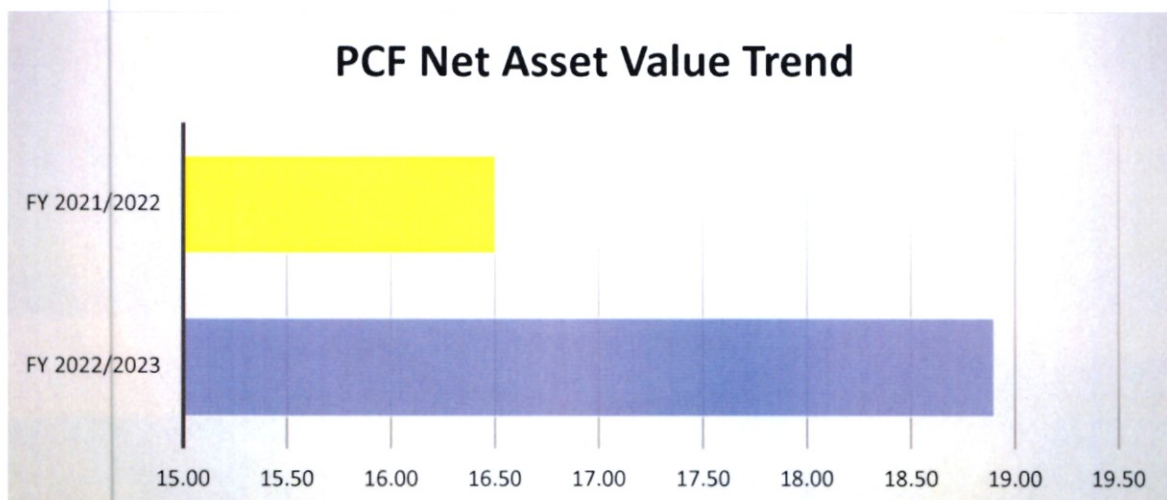
It is my pleasure to present to you the Annual Report and Financial Statements for the financial period ended 30th June 2023. My statement provides a glance of key activities and achievements by the Fund in the past twelve months. The targets and accomplishments have been guided by the Fund's 2nd strategic plan FY2020-2021 to 2024-2025,

During the period, the Fund recorded a growth of 25% of total revenue collections compared to the last financial year. Net surplus earned by the Fund during the twelve months period under review increased by 21% from a level of Kshs. 2.1 billion in 2022 to Kshs.2.5 billion in 2023. Increased levy collections volumes and investment interest income from government securities contributed significantly into boosting net surplus of the Fund during the period under review.

The Fund's asset base value has continued to record growth which is a key milestone in our endeavour to provide compensation to policyholders of insurer placed under statutory management and for the secondary purpose of increasing the general public's confidence in the insurance sector.

During the period under review, the Fund witnessed a growth of its asset base by 15% to Kshs. 18.9 billion in the FY2022-2023 from 16.5 billion reported in the FY2021-2022 as shown in Figure 2 below.

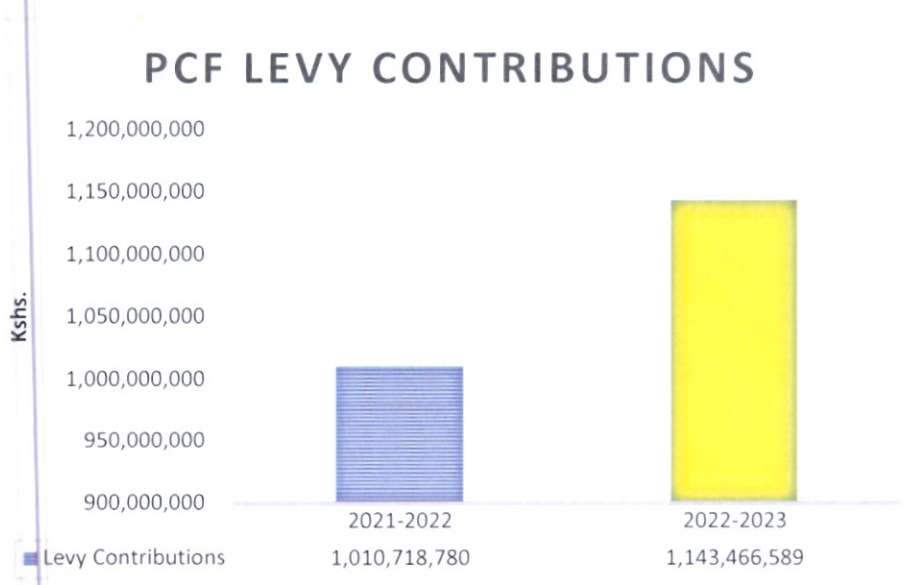
Figure 2. PCF Asset base analysis



This growth placed the Fund in a good position to fulfil its mandates particularly that of payment of compensation to insurance claimants of an insurer placed under a manager appointed under section 67C (2) or whose license has been cancelled under the Insurance Act. This is in line with Article 46 of the Constitution of Kenya, 2010 which gives consumers the right to protection of their economic interests and to compensation for loss.

The key source of income for the fund is a levy of 0.5% of total premiums written (insurers and policyholders each contribute into the Fund a levy of 0.25% on gross direct premiums written). During the financial period under review, the Fund’s levy contribution increased by 9% compared to the same period last financial year. Figure 3 presents a trend analysis of levy contribution. This is mainly attributed to increase in insurance premiums and growth in the insurance industry at large.

Figure 3: PCF Levy Contribution Analysis

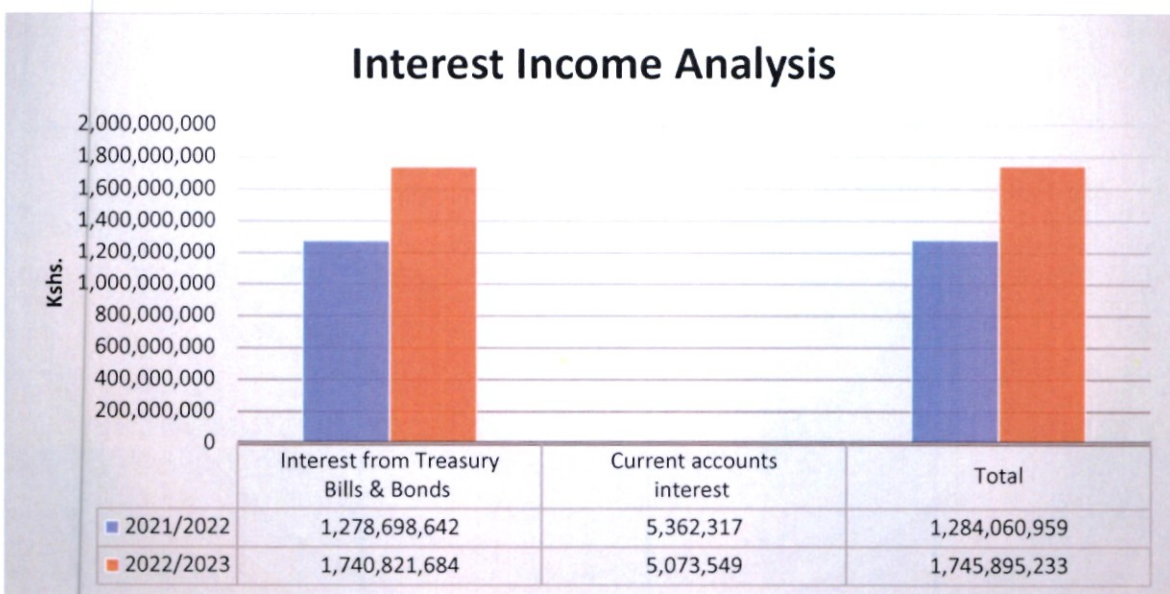


Cumulatively, levy collection for the FY2022- 2023 is 13% higher than same period in the previous financial year as depicted under figure 3 above. An amount of Kshs. 9,093,028.00 was a receivable relating to the financial period under review.

To ensure the Fund remains focused on upholding these rights for every insurance consumer in Kenya, the key result areas of the Fund’s Strategic Plan remains modelled towards the development of a comprehensive and inclusive compensation framework, prudent financial management for sustainability and development of institutional capacity to improve service delivery. Through the execution of its mandate, the Fund continues to contribute to the development of the Kenyan insurance and financial sectors, and the economy as a whole.

The Fund invests its revenue derived from levy contributions received and interest income from government securities such as Treasury Bills and Treasury Bonds. The investment interest income is partly used by the Fund to finance the operations of the Fund. During the period under review, the Fund’s interest income from investments continued to grow compared to the previous financial year ended 30th June 2022 as highlighted in Figure 4 below;

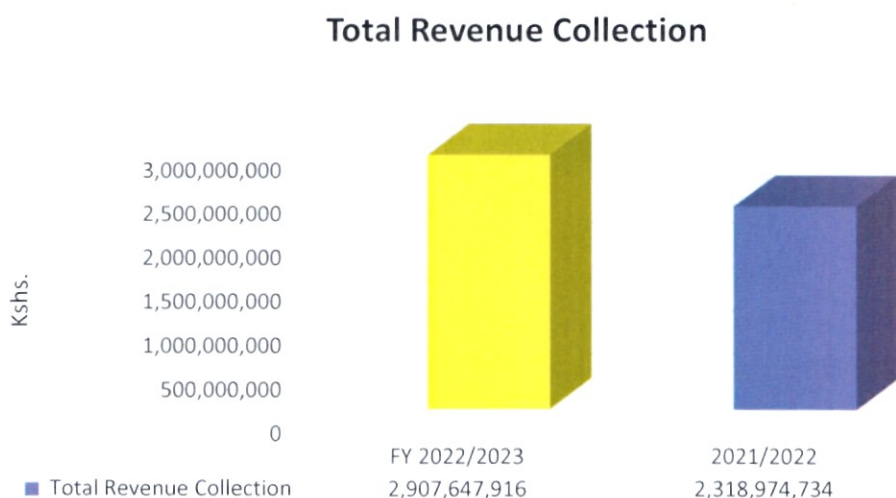
Figure 4. Interest Income Analysis



Total Revenue

Total income comprises of levy collections, penalties, statutory management fee and other miscellaneous receipts. During the FY 2022/2023, there was an increase in total revenue collection by 25% compared with FY 2021/2022 as indicated in below Table 5;

Figure 5. Total Revenue Collections

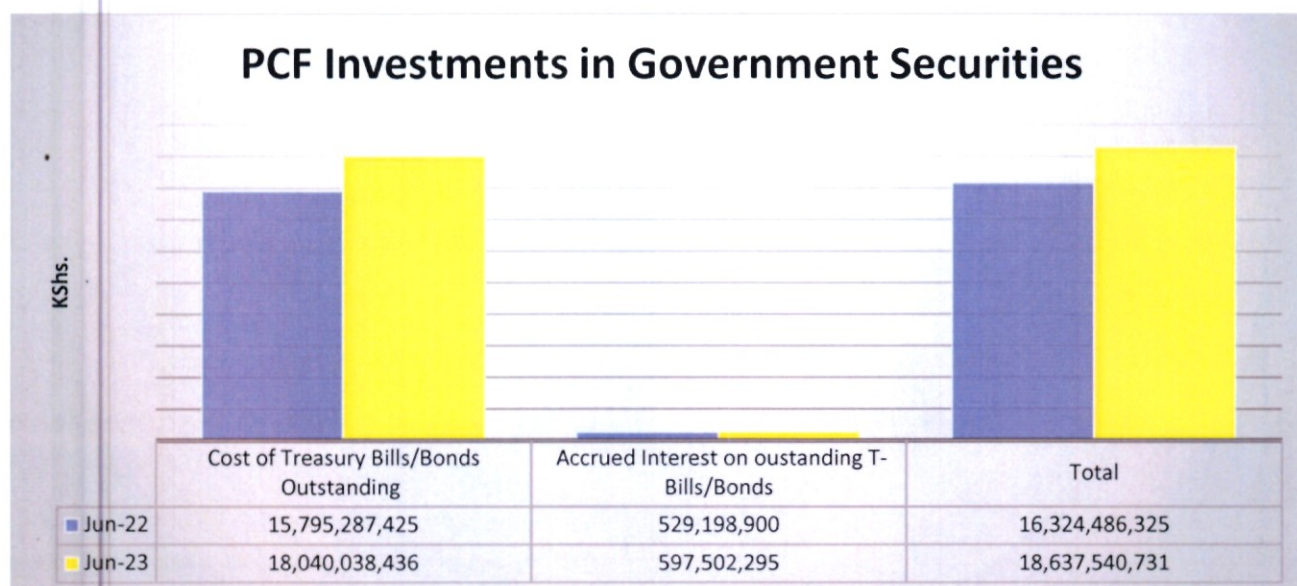


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Since the commencement of its operations, the Fund has witnessed a steady growth in terms of its asset base value. The Government of Kenya provided a seed capital of KShs. 35 million for operationalization of the Fund in January, 2005. A pre-funded model for the Fund was adopted which required insurers and policyholders to each contribute into the Fund a levy of 0.5% on gross direct premiums written. The Fund invests its surplus assets solely in Government securities (Treasury Bills and Bonds) in accordance with guidelines issued by the National Treasury & Planning.

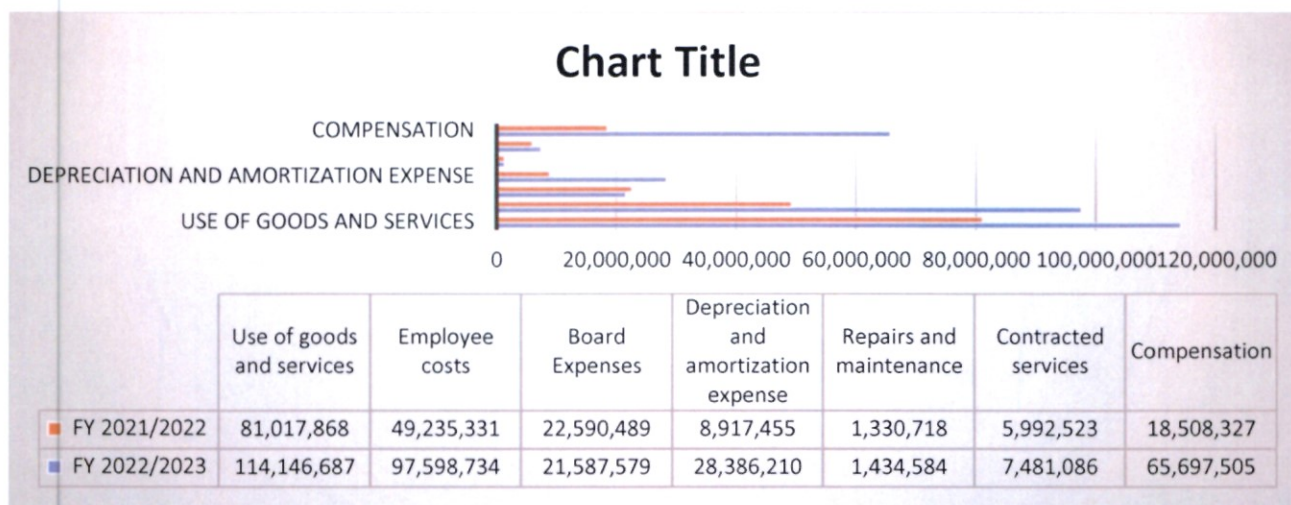
At the closure of the financial year 2022/2023, cost of the investments at CBK and the accrued interest on the outstanding investments stood at Kshs. 18.6 Billion compared to 16.3 reported in FY 2021/2022 as indicated in figure 6 below;

Figure 6. PCF Investments in Government Securities



During the financial year ending 30th June 2023, the Fund's administrative expenses increased by 79% to KShs. 336.3 million compared to KShs. 187.6 million during the previous year due to increased activities with respect to staffing levels, increase in operations, compensation, consultancies and capacity building as analysed below;

Figure 7. Operational Expenditure composition



Among the key highlights from the financial period under review is the participation of the Fund in the International Forum of Insurance Guarantee Schemes (IFIGS) which was held in Malaysia where the Fund benchmarked best practises to be adopted in the implementation of the Fund’s strategic plan 2020-2025 which places a stronger emphasis on strengthening compensation framework to the policyholders in the country by aligning the Fund’s activities with the national development agenda. The ultimate aim is to ensure that policyholders are safeguarded in the event of collapse of an insurance company.

During the period under review, the Fund also continued its role as a statutory manager for the three companies placed under statutory management namely, Resolution Insurance Co. Ltd, Blueshield Insurance Co. Ltd and United Insurance Co. Ltd. The Fund is undertaking measures to ensure that policyholders of insurers placed under statutory management are compensated and the process of verifying the lodged claims continued during the financial period under review. Claimants who lodged their claims which were verified and approved by the Board of Trustees for compensation were paid during the period. These claimants were from Resolution Insurance, Concord Insurance (IL) and Standard Insurance Company (IL).

The Fund participated in various CSR activities such as tree planting in different parts of the country and donation of food stuff to identified schools in hardship areas.

The Fund's achievements that I have highlighted above would not have been realized without the support of the twenty-seven (27) highly skilled employees who executed their duties meticulously. It remains our resolve, as a Fund, to empower our staff with the requisite technical skills and competencies to aid them in executing their responsibilities. We have provided various welfare packages for our staff including car and mortgage facilities at concessionary interest rates, a comprehensive medical scheme and a framework for rewarding exemplary staff performance.

In conclusion, let me thank the Government of Kenya, through our parent ministry, the National Treasury and Economic Planning whose valued support have seen us grow the Fund; the Board of Trustees who have continuously provided the much-needed strategic policy direction and leadership; the management and staff whose commitment resulted in the impressive performance, and our key stakeholders including the policyholders for their continuous support and contribution to the Fund's growth.



Mr. Abudo Mamo
AG. MANAGING TRUSTEE

7.0 STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government Entity's performance against predetermined objectives.

Policyholders Compensation Fund has four (4) strategic themes and objectives within the current Strategic Plan (2020-2024) which guides the Fund for effective implementation of the Strategic Plan. These strategic themes are as follows;

- a) Strategic theme No. 1: Compensation of policyholders
- b) Strategic theme No. 2: Resolution of insurers under distress
- c) Strategic theme No. 3: Financial sustainability of the compensation fund
- d) Strategic theme No. 4: Institutional capacity

To achieve the Key Result Areas, the following objectives will be pursued;

- a) Protect policyholders' interest
- b) Promote confidence and stability in the insurance industry
- c) Manage an insurer under statutory management
- d) Manage liquidation of a failed insurer
- e) Mobilize resources to meet demands
- f) Strengthen internal systems and processes
- g) Enhance Fund's governance
- h) Attract, develop and retain competent staff
- i) Enhance service delivery
- j) Promote ample working environment

The Fund develops its annual work plans based on the above four themes. Assessment of the Fund's performance against its annual work plan is done on a quarterly basis. The Policyholders Compensation Fund achieved its performance targets set for the FY 2022/2023 period for its four (4) strategic themes, as indicated in the Table 4 below:

Table 4. Performance of the Fund against strategic objectives

STRATEGY	OBJECTIVE	KPI	ACTIVITIES	ACHIEVEMENT
Compensation of policyholders	To Protect Policyholders Interest	Compensation Procedure & monitoring report.	Implementation of compensation procedures and guidelines and undertake compensation simulation exercise	Compensation simulation exercise geared towards testing the compensation guidelines and procedures was undertaken and a report on the same prepared
		Compensation Policy	Coordinate the preparation of the draft compensation policy.	A draft compensation policy has been prepared and presented to the Staff and The Board. External Stakeholders will be engaged in FY2023/2024.
		Operationalize claims management system	Undertake user requirement gathering, analyze, design, develop and implement Claims Management System	Automated end to end compensation process
		Verification and payment of compensation claims.	Continuous verification, recommendation/rejection, forwarding for approval, and payment of eligible claims of Concord Insurance, Standard Assurance and Resolution Insurance Companies.	Verification of 970 and payment of 632 claims was undertaken for policyholders of Resolution, Concord Insurance and Standard Assurance.
		Actuarial study report	Undertake an actuarial study to determine the most appropriate compensation models and treatment of unexpired risk premium	Actuarial study undertaken and report completed
	To promote confidence and stability in the insurance industry	Insurance Risk profiling guideline.	Develop Insurance Risk Profiling Guidelines.	Insurance Risk Profiling Guidelines developed and approved by the Board
		Quarterly Fund's Exposure Reports	Conduct Aggregate Insurance Risk Exposure analysis	Quarterly reports prepared and deliberated by the Board
		Benchmarking Report.	Undertake benchmarking exercise on best practice for compensation and resolution	Benchmarking undertaken during IFIGS annual conference and AGM

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STRATEGY	OBJECTIVE	KPI	ACTIVITIES	ACHIEVEMENT
Resolution of Insurers.	To manage insurers under statutory management	Approved statutory management guidelines and procedures	Develop a Statutory Management Guidelines and procedures.	Statutory management guidelines have been approved and are being implemented.
		Preservation of Assets of companies under Statutory Management.	Survey the land assets of United Insurance Company	Surveyed 134 clean land parcels
			Prepare quarterly reports for companies under statutory management to the Board and IRA	Quarterly statutory management prepared and submitted
			Prepare final report for Resolution Insurance Co. Ltd after the lapse of the twelve months statutory management period	Final report submitted to the Commissioner of Insurance
			Prudent investment of resources, preservation of cash	Financial assets of UIC, BSIL and RIL invested at best possible rate in government securities
			Prepare annual budgets for insurers under statutory management	
Fund sustainability.	To mobilize financial resources	Revenue collection	Levy collection	Levy collected stood at KShs. 1.1 billion which surpassed the target by 7%
			Investment of revenue collected	Investment interest income earned stood at KShs. 1.7 billion which surpassed the target by 5%
			Compliance monitoring. Charge penalties Issue demand letters for underdeclared levy	Collected KShs. 13.9 million from penalties Collected KShs. 17.3 million additional levy from prior periods

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STRATEGY	OBJECTIVE	KPI	ACTIVITIES	ACHIEVEMENT
Strengthening Institutional Capacity	To attract, develop and retain competent employees	Optimal population of the structure Staff satisfaction index	Recruitment Staff satisfaction surveys	Structure populated to 87% of the establishment Employee satisfaction index was 83.3%
	To provide ample work environment	Work environment satisfaction index	Undertake employee work environment survey	Employee work environment index of 85.3%
	Enhance Funds governance			
	To enhance service delivery	Implementation of ICT strategic plan	Automation of internal processes	Implemented enterprise resource planning system
		Enhance corporate image	Corporate social responsibility activities	Planted 1600 trees in marginalized areas Donated foodstuff to identified schools
		Implementation of Stakeholders Participation Guidelines.	Develop Stakeholders Participation Guidelines.	Stakeholders Participation Guidelines were developed
		To promote public awareness on PCF.	Development of Communication Policy.	Communication Policy was developed and approved by the Board.
		Consumer Education Program. Increased awareness and visibility of the PCF.	Develop Consumer Education Program.	Consumer Education program has been developed and implemented.
			Sponsorship and attendance of Stakeholder sensitization forums (Insurance Agents forum, Insurance brokers forum and Insurance companies forum).	Stakeholder sensitizations in collaboration with IRA as well as PCF Bima Mtaani (Kirinyaga, Migori, Kwale, Turkana, Uasin Gishu and Embu Counties). Sensitized insurance agents during AKPIA & IIK Conference.
			Undertake perception surveys on PCF Brand Visibility in the four counties.	Perception Survey was undertaken in Q4. The questionnaire was administered in two Counties(Embu County and Eldoret) and at the Fund's reception. Analysis of the filled questionnaires has been undertaken, a report has been prepared.
Strengthen internal systems and processes	Enhanced internal control systems	Review and report on internal control systems and processes	Periodic audit reports issued, deliberated by the Board and recommendations implemented	

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STRATEGY	OBJECTIVE	KPI	ACTIVITIES	ACHIEVEMENT
	To enhance service delivery	Approved annual consolidated Procurement plan.	Prepare and implement the approved Consolidated Annual Procurement and Disposal Plan.	Consolidated annual procurement FY2022/2023 prepared, approved by the Board and implemented
	Enhance Governance Compliance.	Compliance report.	Implement Mwongozo and government circulars Training on Mwongozo code of Conduct.	Implementation of Mwongozo and government circulars has been undertaken. Training for Board Members on Mwongozo code of conduct has been undertaken.
		Level of compliance with governance report recommendations	Implementation of the recommendations of Governance Audit Report	Recommendations of the Governance Audit Report have been implemented.
		Gazetted Claim Form	Submit and follow up on Gazettement of Compensation Claim Form.	Gazzeted Claim form was submitted to Government Printers for Publication.

8.0 CORPORATE GOVERNANCE STATEMENT

8.1. The Fund's financial probity and governance issues

The Board of Trustees comprises of seven (7) members drawn from different professional backgrounds and there is diversity of competencies and skills required for the effective leadership of the Fund.

In fulfilling its fiduciary responsibility to the stakeholders, the Board of Trustees maintains oversight control over the strategic, financial, operational and compliance issues of the Fund. Whilst the Board provides oversight and remains responsible for establishing and maintaining overall internal controls over the Fund, it has delegated the authority to the Managing Trustee to conduct the day-to-day business of the Fund. The Board meets at least once every quarter, and has a formal schedule of matters reserved for it. Trustees are given sufficient, timely and appropriate information to perform their fiduciary duties. During the financial year under review, the Board of Trustees was fully constituted as per the Insurance Act (CAP 487).

8.2. Corporate Governance Statement

The basic responsibility of the Board of Trustees is to exercise its best judgment and to act in a manner that it reasonably believes to be in the best interest of the Fund and its stakeholders. In discharging that obligation, the Board of Trustees shall be entitled to rely on the honesty and integrity of the Fund's staff and its external professional advisors and auditors.

In furtherance of its responsibilities, the Board of Trustees shall:

- a) Provide compensation to the policyholders of an insolvent insurer;
- b) Monitor, in consultation with the Commissioner of Insurance where necessary, the risk profile of any insurer;
- c) Advise the Cabinet Secretary on the national policy to be followed regarding matters relating to compensation of policyholders and to implement all government policies relating thereto.
- d) Perform such other functions as may be conferred on it by the Insurance Act or any other written law;
- e) Review, evaluate and approve, on a regular basis, long-term plans for the Fund;
- f) Review, evaluate and approve the Fund's budget and financial forecasts;
- g) Review, evaluate and approve major resource allocations and capital investments;
- h) Review the financial and operating results of the Fund;
- i) Review, evaluate and approve the overall corporate organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession;
- j) Review, evaluate and approve the remuneration strategy of the Fund;
- k) Adopt, implement and monitor compliance with the Fund's Code of Conduct;

- l) Review on a quarterly basis the attainment of targets and objectives set out in the agreed Performance Contract with the Government of Kenya;
- m) Review periodically the Fund's strategic objectives and policies; and
- n) Review, monitor and ensure that the Fund is effectively and consistently delivering on its statutory mandates.

During the period under review the Board composition was made up of seven (7) members representing various stakeholders as per the mandate of the Fund. The Board meets at least four times in a year. The board has delegated authority to the Managing Trustee to conduct the day-to-day business of the Fund. The Board of Trustee's, nonetheless, retains responsibility for establishing and maintaining overall policy direction, internal controls, operational and compliance issues as well as implementing strategies for the long-term success in compensating claimants of insurance companies placed under statutory management or whose licenses have been cancelled.

8.3. Board Composition

The management of the Fund vests in the Board of Trustees, which is constituted as follows:

1. a Chairman, appointed by the Cabinet Secretary;
2. the Commissioner of Insurance or a representative appointed in writing;
3. the Cabinet Secretary responsible for matters relating to finance or a representative appointed in writing;
4. the Attorney-General or a representative appointed in writing;
5. one person nominated by the body representing the interests of insurers;
6. one person nominated by insurance brokers;
7. one person representing the general public appointed by the Cabinet Secretary; and
8. the Managing Trustee as an ex officio member without a right to vote.

Members of the Board hold office for a period of up to three years and are eligible for re-appointment for a further one (1) term.

The Board has created three (3) committees namely.

- ✓ The Finance and Administration Committee,
- ✓ The Technical and Policy Committee and;
- ✓ The Audit and Risk Committee.

The Board Charter grants the Board the liberty to establish such ad-hoc committees as required to deal with any ad-hoc matters requiring focused attention. Board committees are guided in their deliberations by the approved Charters and Terms of Reference. Deliberations and recommendations of the Committee are presented to the full Board for consideration.

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Board Committees have been empowered to undertake their roles through delegated authority from the Board to enable them effectively carry out their mandate and each has its own Terms of reference setting forth the purposes, goals and responsibilities as well as qualifications for membership and operational procedures. The Committees are required to meet at least four (4) times in a year. However, in the current financial year, due to the heavy work load, each Committee was scheduled to hold approximately six (6) meetings.

During the period under review, the composition of the Board was as follows:

Table 5. Composition of the Board of Trustees

Name	Membership	Representation
Hon. Simon Mbugua	Chairperson	Independent (appointed on 18 th May 2023)
Mr. Victor Pratt	Chairperson	Independent (appointed on 13 th July 2022 to 17 th May 2023)
FCPA Muthoni Wangai	Chairperson	Independent (appointed on 1 st October 2021 to 12 th July 2022)
Mr. Godfrey Kiptum	Trustee	Commissioner of Insurance
Dr. Ben Kajwang'	Trustee	Representative of the insurance brokers with effect from 21 st February 2022.
Mr. Thomas Gichuhi	Trustee	Representative of the insurers effective 21 st February 2022
Mr. Joseph Waruiru	Trustee	Representative of the Cabinet Secretary, National Treasury & Economic Planning effective 29 th June 2023
Mr. Halkano Haro Huqa	Trustee	Representative of the Cabinet Secretary for the National Treasury & Planning effective 10 th March 2022 to 28 th June 2023
Ms. Janet W. Kungú, HSC	Trustee	Representative of the Hon. Attorney General effective 12 th June 2023
Ms. Lydia Ochako	Trustee	Representative of the Hon. Attorney General from 7 th July 2020 to 11 th June 2023
Mr. Deberious Sikuku	Trustee	Representative of general public effective 18 th May 2023.
Mr. Reuben Ndegwa	Trustee	Representative of general public from 21 st February 2022 to 17 th May 2023.

As at 30th June 2023, the Board of Trustees was fully constituted. Trustees are required to disclose any conflict of interest in relation to matters that are brought before them for deliberation as stipulated in the Board Charter.

8.4. Board Meetings Attendance

From the beginning of the financial year to the period ending 30th June 2023, the Board of Trustees held seven (7) meetings comprising of six (6) regular meetings and one (1) special meeting while the Committees of the Board held a total of sixteen (16) meetings.

Table 6. Full Board Meetings attendance

	Member	Number of Meetings Attended
1.	Hon. Simon Mbugua	1
2.	Mr. Victor Pratt	5
3.	FCCA Muthoni Wangai	1
4.	Mr. Godfrey Kiptum	5
5.	Dr. Ben Kajwang	7
6.	Mr. Thomas Gichuhi	6
7.	Mr. Deberious Sikuku	1
8.	Mr. Reuben Ndegwa	6
9.	Ms. Janet Kung'u	1
10.	Ms. Lydia Ochako	6
11.	*Mr. Joseph Waruiru	0
12.	Mr. Halkano Huqa	5
13.	Mr. William Masita	7

**Mr. Joseph Waruiru was appointed towards the end of the period under review and there was no meeting held afterwards.*

8.5. Finance and Administration Committee

The mandate of the FAC is to act at the direction of the Board of Trustees and to provide oversight over Management activities in financial stewardship. The FAC shall provide

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oversight over budgeting, financial reporting, investment planning, procurement planning, human resource management and administration.

The Terms of Reference of the FAC shall be as follows:

- a) Review and make recommendations to the Board of Trustees the Fund's financial strategy ensuring its adequacy and soundness in providing for the organization's operations and long-term stability.
- b) Review, discuss and make recommendations to the Board concerning significant financial planning, investment of the Fund's asset's management and reporting issues of the organization.
- c) Develop and make recommendations on the budget intended to enable the Fund effectively implement its strategic objectives.
- d) Review management accounts at regular intervals and make necessary recommendations to the Board.
- e) Review and make recommendations to the Board of financial issues arising from the Fund's annual financial statements.
- f) Develop and make recommendations on the human resource policy, recruitment, management evaluation and terms of service of employees of the Fund.
- g) To provide a general overview of the Fund's achievement of procurement plans.
- h) To monitor the Management's strategy toward ensuring efficiency and integrity of the Fund's procurement systems.
- i) Ensure that in all recommendations from Management, world-class standards are developed, practiced and leveraged at the Fund to create stakeholder value and ensure that statutory mandates are effectively fulfilled.
- j) Review and comment on technology budgets as well as major investments in new operational models and information technology platforms, partnerships and alliances.
- k) To oversee the mandate of the Legal Service

The Composition of the Committee was as follows during FY 2022/2023 with members holding office at different times.

- a) Mr. Deberious Sikuku
- b) Mr. Reuben Ndegwa
- c) Dr. Ben Kajwang
- d) Mr. Joseph Waruiru
- e) Mr. Halkano Huqa
- f) Ms. Janet Kung'u
- g) Ms. Lydia Ochako
- h) Mr. William Masita

During the reporting period, the Committee held five (5) regular meetings. The Managing Trustee provided secretariat services for all these sessions. Mr. Reuben Ndegwa chaired

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the Committee sessions from 1st July 2022 to 17th May 2023. Thereafter Mr. Deberious Sikuku chaired the Committee from 18th May 2023 until the closure of FY 2022/2023.

The following joined the Committee membership during the financial year:

- a) Mr. Deberious Sikuku with effect from 18th May 2023
- b) Mr. Joseph Wairuri with effect from 29th June 2023
- c) Ms. Janet Kung'u with effect from 12th June 2023

The following exited the Committee membership during the financial year:

- a) Mr. Reuben Ndegwa with effect from 17th May 2023
- b) Mr. Halkano Huqa with effect from 28th June 2023
- c) Ms. Lydia Ochako with effect from 11th June 2023

Members who served in the Committee during the reporting period attended its sessions as shown below.

Table 7. Meetings attendance of the Finance and Administration Committee

	Member	Number of Meetings Attended
1.	Mr. Reuben Ndegwa	5
2.	Ms. Lydia Ochako	5
3.	Dr. Ben Kajwang	5
4.	Mr. Halkano Huqa	3
5.	Mr. William Masita	3

The Committee continued in its role of providing oversight over the prudent management finances of the Fund. This was done through review of work done by the periodic monitoring of the financial performance and investments. Specifically, the following reports were considered by the Committee and approved by the Board of Trustees:

- a) Quarterly financial reports.
- b) Annual Report and Financial Statements for FY 2021.2022
- c) Annual Budget Estimates for FY 2023.2024
- d) Revised Budget estimates for FY 2022.2023
- e) Approved human resources and administration workplace policies.
- f) Board Work Plan for FY 2022/2023
- g) Board Training Plan for FY 2022/2023
- h) Consolidated annual procurement and disposal plans for FY 2022/2023

8.6. Technical and Policy Committee

The mandate of the TPC is to act at the direction of the Board of Trustees and to provide oversight in compensation, liquidation and statutory management, strategic planning and performance contracting and in the development of annual plans, policies, procedures and guidelines.

The Terms of Reference of the TPC shall be as follows:

- a) Review the fundamental technical basis of the Fund's operations in order to enable the Board of Trustees to make informed, strategic operational decisions and vote on related matters.
- b) Review technical processes and procedures to ensure that the operational mandate of the Fund is met.
- c) Review compensation and protection trends, making appropriate recommendations to the Board of Trustees on policy development
- d) Review and monitor the Fund's research and development reports ensuring applicability to policy development.
- e) Review and make recommendations on significant emerging issues, policy briefs and regulatory improvements.
- f) Review and make recommendations on legal issues and institutional framework of the Fund.
- g) Facilitate the signing of an annual Performance Contract with the Government of Kenya and Monitor the implementation of executed Performance Contracts to ensure achievement of targets set out in the Contract.
- h) Develop and make recommendations on efficient compensation, management policy and procedures to be used by the stakeholders.
- i) Develop and recommend an appropriate and effective public education campaign and awareness policy.
- j) Make delegations of authority and responsibilities of the Technical & Policy Committee as it deems appropriate and periodically review such delegations.

The Composition of the Committee was as follows during FY 2022/2023 with members holding office at different times:

- a) Dr. Ben Kajwang
- b) Mr. Godfrey Kiptum
- c) Thomas Gichuhi
- d) Mr. Reuben Ndegwa
- e) Mr. William Masita

The Committee held five regular meetings during the reporting period. The Managing Trustee provided secretariat services in all the Committee's sessions. Members who served in the Committee during the reporting period attended its sessions as shown below;

Table 8. Meetings attendance of the Technical and Policy Committee

	Member	Number of Meetings Attended
1.	Dr. Ben Kajwang	5
2.	Mr. Reuben Ndegwa	5
3.	Mr. Thomas Gichuhi	5
4.	Mr. Godfrey Kiptum	3
5.	*Mr. Deberious Sikuku	0
6.	Mr. William Masita	3

**Following the appointment of Mr. Deberious Sikuku, no meeting was held afterwards.*

One Trustee, Mr. Deberious Sikuku joined the committee with effect from 18th May 2023, while Mr. Reuben Ndegwa exited with effect from 17th May 2023 during the FY 2022/2023.

During the FY 2022/2023, the TPC continued in its key mandate of providing oversight over Management in the compensation of policyholders. The Committee continued with this endeavor through processing for compensation of policyholder claims of Concord Insurance Co. Ltd, Standard Assurance Co. Ltd and Resolution Insurance Co. Ltd. Status reports on compensation of the above insurers were monitored at each of the scheduled meetings of the Committee to provide assurance to the Board that the Fund was on track towards compensating the policyholders.

Other achievements of the committee in the financial year include development of the Statutory Management Guidelines and Insurance Risk Profiling Guidelines whose implementation is underway. Further, the Committee, on behalf of the Board, provides oversight over the statutory management process. During the financial year, the Committee progressed well in its oversight role and ensured that the necessary structures were put in place to enhance effectiveness in statutory management. At the end of FY 2022/2023, the following reports and policies were deliberated and approved by the Board:

- a) Quarterly reports on compensation of policyholders totaling KShs. 65.6 million
- b) Quarterly reports on statutory management
- c) Final statutory management report of Resolution Insurance Company Ltd
- d) Quarterly report on insurance risk monitoring
- e) Budgets for insurers under statutory management
- f) Performance contracting implementation
- g) Strategic Plan implementation

h) Strategy for preservation of land assets of United Insurance Company

The 2022/2023 Performance Contract was developed, negotiated with National Treasury and Economic Planning, and reviewed by Public Service Performance Management Unit, and signed by our Cabinet Secretary for implementation. The Committee provided oversight in implementation of the Contract to enhance service delivery.

8.7. Audit and Risk Committee

The purpose of the ARC is to assist the Board in fulfilling its oversight role to ensure effectiveness and efficiency in the operation of the Fund and the effectiveness of the internal control and risk management.

The ARC plays a key role with respect to the integrity of the Fund's financial information, its system of internal controls, and the legal and ethical conduct of Management and Staff. Depending upon circumstances affecting the Fund, the functions are undertaken by the ARC will generally encompass the following areas:

- a) Evaluating whether processes are in place to address key roles and responsibilities in relation to risk management.
- b) Evaluating the adequacy of the control environment to provide reasonable assurance that the systems of internal control are of a high standard and functioning as intended.
- c) Performing an independent review of the financial statements to ensure the integrity and transparency of the financial reporting process.
- d) Monitoring the effectiveness of the Fund's performance information and compliance with the performance management framework and performance reporting requirements.
- e) Evaluating the quality of the Internal Audit Directorate, particularly in the areas of planning, monitoring and reporting, structure and staffing of the function.
- f) Engaging with external audit and assessing the adequacy of Management's response to issues identified by the audit.
- g) Reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements and promotes a culture committed to lawful and ethical behaviour.
- h) The Committee shall continuously review the risks and the mitigation measures relating to areas of operation they are responsible for.
- i) Reviewing the effectiveness of the system for monitoring compliance with policies, laws and regulations and the results of the Management's investigation and follow up of any instances of non-compliance.
- j) Providing oversight regarding risk management strategies and monitoring the effectiveness of the control processes.
- k) Ensuring continuous risk monitoring by the Management, following up on the implementation of appropriate risk management strategies and ensuring that risk events are managed within the set risk appetite.

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- l) Ensuring that a risk assessment exercise is undertaken annually.

Trustees who served the Committee during this period with members holding office at different times were:

- a) Mr. Thomas Gichuhi
- b) Mr. Godfrey Kiptum
- c) Mr. Joseph Waruiru
- d) Mr. Halkano Huqa
- e) Ms. Janet Kung'u
- f) Ms. Lydia Ochako

During the reporting period ending 30th June 2023, the Internal Audit Directorate offered Secretariat services to the Audit and Risk Committee (ARC); during the period, seven (7) meetings were held, comprising five scheduled meetings and two Special meetings as shown below;

Members who served in the Committee during the reporting period attended its sessions as shown below.

Table 9. Meetings attendance of the Audit and Risk Committee

	Member	Number of Meetings Attended
1.	Mr. Thomas Gichuhi	7
2.	Ms. Lydia Ochako	7
3.	Mr. Godfrey Kiptum	4
4.	Mr. Halkano Huqa	6

The following joined the Committee's membership during the financial year;

- a) Mr. Joseph Wairuiru with effect from 29th June 2023
- b) Ms. Janet Kung'u with effect from 12th June 2023

The following exited the Committee's membership during the financial year;

- a) Ms. Lydia Ochako with effect from 11th June 2023
- b) Mr. Halkano Huqa with effect from 28th June 2023

Table below indicates the individual attendance during full board and committee meetings during the financial year;

Table 10: Board of Trustee Attendance Schedule

Trustee	Board Meetings		Committee Meeting	
	Held	Attended	Eligible/ Held	Attended
Hon. Simon Mbugua	7	1	N/A	
Mr. Victor Pratt	7	5	N/A	
Ms. Muthoni Wangai	7	1	N/A	
Mr. Godfrey Kiptum	7	5	7	
Dr. Ben Kajwang	7	7	10	
Mr. Thomas Gichuhi	7	6	12	
Mr. Deberious Sikuku	7	1	0	
Mr. Reuben Ndegwa	7	6	10	
Mr. Joseph Wairuiru	7	0	0	
Mr. Halkano Huqa	7	5	9	
Ms. Janet Kung'u	7	1	0	
Ms. Lydia Ochako	7	6	12	
Mr. William Masita	7	7	16	

***Mr. Joseph Waruiru, Mr. Deberius Sikuku and Ms. Janet Kung'u were appointed towards the end of the period under review and there was no committee meetings held afterwards.*

8.8. Board Oversight

The Board is responsible for the formulation, implementation and monitoring of the Fund's Strategic Plan therefore providing appropriate strategic direction for the Fund. In addition, the Board defines the Vision, Mission and Core Values that enable the realization of the set Strategic Plan.

The day to day operations of the Fund have been delegated to the Management which is headed by the Managing Trustee. Periodically, the Board monitors and evaluates the implementation of its plans and strategies through reports received from Management through its Committees.

8.9. Board Remuneration

The Board is remunerated in accordance with the approved terms and conditions of service prescribed under Government Circular Number OP/CAB.2/21/2A /LII/43 of 23rd November 2004.

The remuneration of all Trustees is subject to the terms and conditions of service provided under the guidelines by the State Corporations Advisory Committee issued in 2004 and the Salaries and Remuneration Commission (SRC). Apart from their remuneration, Board members are reimbursed for all reasonable costs incurred in connection with their attendance of meetings.

8.10. Board Evaluation

The performance of the Board and its members is evaluated on a regular basis. During the year a Board evaluation exercise was carried out under the guidance of the State Corporations Advisory Committee (SCAC). Individual performance of the members was discussed with the Board Chairperson and areas of improvement noted for action.

8.11. Secretary to the Board

The Managing Trustee is the Secretary to the Board and co-ordinates the Boards activities by ensuring, in conjunction with the Chairman, that the Board meetings are held procedurally. In addition, the Secretary links the flow of information between the Board and management as well as ensuring the Board receives adequate and timely information.

All Trustees have direct access to the Secretary who is also responsible for implementing and monitoring good corporate governance practices, ensuring that Board business meets all statutory requirements, keeps all legal and regulatory requirements under review and briefs the Board accordingly about these developments.

8.12. Conflict of Interest of Board members

In regard to conflict of interest, the Board is guided and adheres to the Board Charter, Mwongozo, The Code of Governance for State Corporations and relevant legislations.

Accordingly, it's a requirement that a Board member shall immediately report to the Chairman of the Board any conflict of interest or potential conflict of interest and shall provide all relevant information including information concerning his or her spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree in a matter where conflict of interest could arise. The Board member concerned shall not take part in the deliberations by the Board where a conflict of interest exists. Board members and management have been enlightened on the various provisions and at every meeting there is a requirement for members to declare any conflict of interest on agenda items presented for deliberation. This confirmation is recorded in a register.



Mr. Abudo Mamo
AG. MANAGING TRUSTEE

9.0 MANAGEMENT DISCUSSION AND ANALYSIS

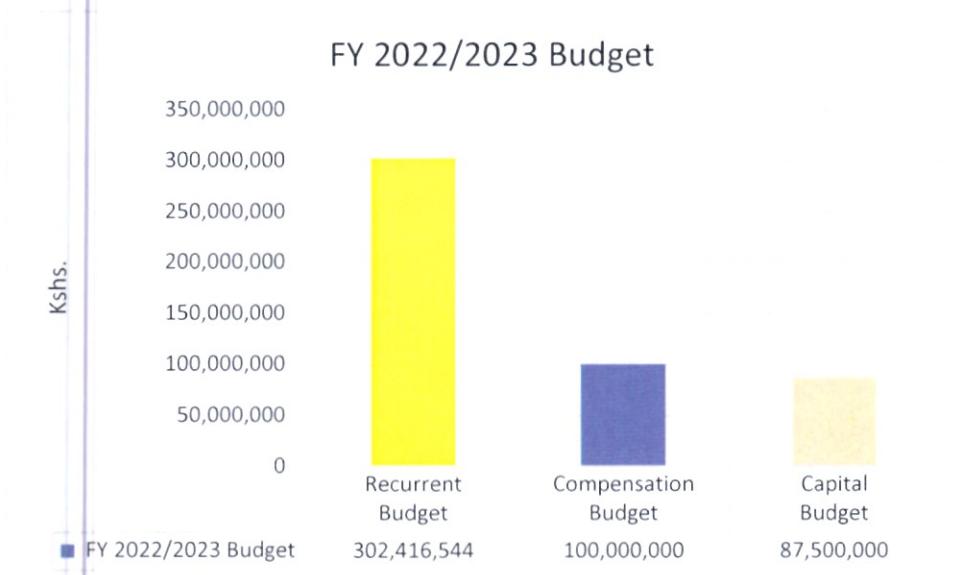
9.1.Operational and financial performance

The Fund’s operations continued to increase during the financial period under review compared to the same period last financial year due to enhanced institutional capacity at both the Board and staff levels. Below are the summaries of operational and financial performance of the Fund;

9.1.1 Budgeting

The Fund’s financial year 2022/2023 total original approved budget was Kshs. 800,946,944 comprising of recurrent budget of Kshs. 268,446,944.00 for operations, Kshs. 500,000,000 for compensation and non-recurrent (capital) of Kshs. 32,500,000.00. During the financial period under review, a budget revision of Kshs. 33,969,600.00 for recurrent expenditure was approved to cater for additional costs under board expenses, dissemination and publicity and also depreciation and amortization and compensation budget was revised downwards by Kshs. 400,000,000. The revised total budget is now Kshs. 489,916,544.00 comprising of; Kshs. 302,416,544.00 operations, compensation Kshs.100,000,000 and capital budget is Kshs.87,500,000 as indicated in below table;

Figure 8. FY 2022/2023 Budget



9.1.2 Summary of Revenues and Expenditure

The overall goal of resource mobilization is to strengthen PCF’s funding through diversification of revenue streams. In this regard, PCF will continue to lobby and mobilize financial resources for its activities as follows:

- a) Collect and consolidate all funds from all the identified sources;
- b) Explore alternative sources of funds; and
- c) Foster partnerships with development partners;

During the period ending 30th June 2023, PCF's total revenue amounted to Kshs. 2.9 billion compared to Kshs. 2.3 billion in the same period of the previous financial year as indicated in Table 11 below;

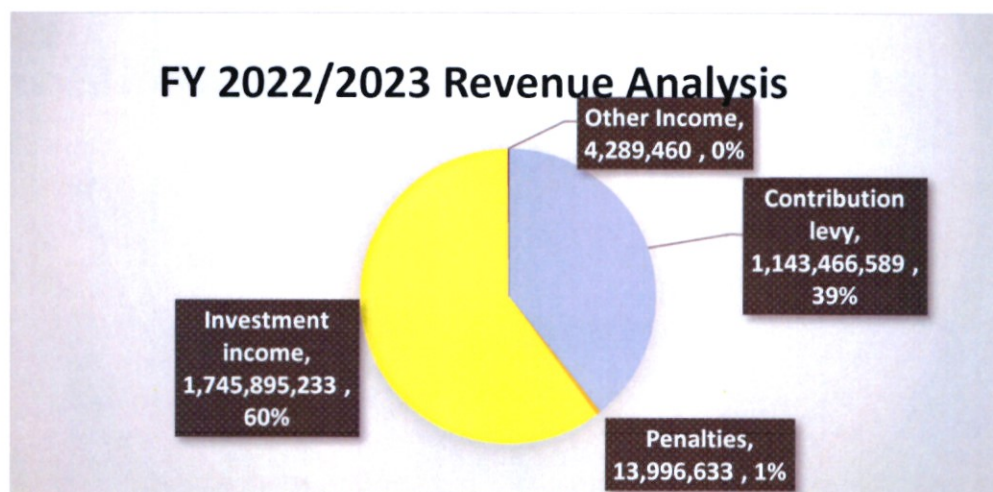
Table 11. Revenue Collection Analysis

Revenue	FY 2022/2023	FY 2021/2022
Contribution levy	1,143,466,589	1,010,718,780
Penalties	13,996,633	14,905,827
Investment interest income	1,745,895,233	1,284,060,959
Other Income	4,289,460	9,289,168
Total	2,907,647,916	2,318,974,734

This trend represented a 25% increase which was as a result of increased levy collections volumes, favourable interest rates from investments in Treasury Bills and Bonds at CBK and penalties charged on defaulting insurers.

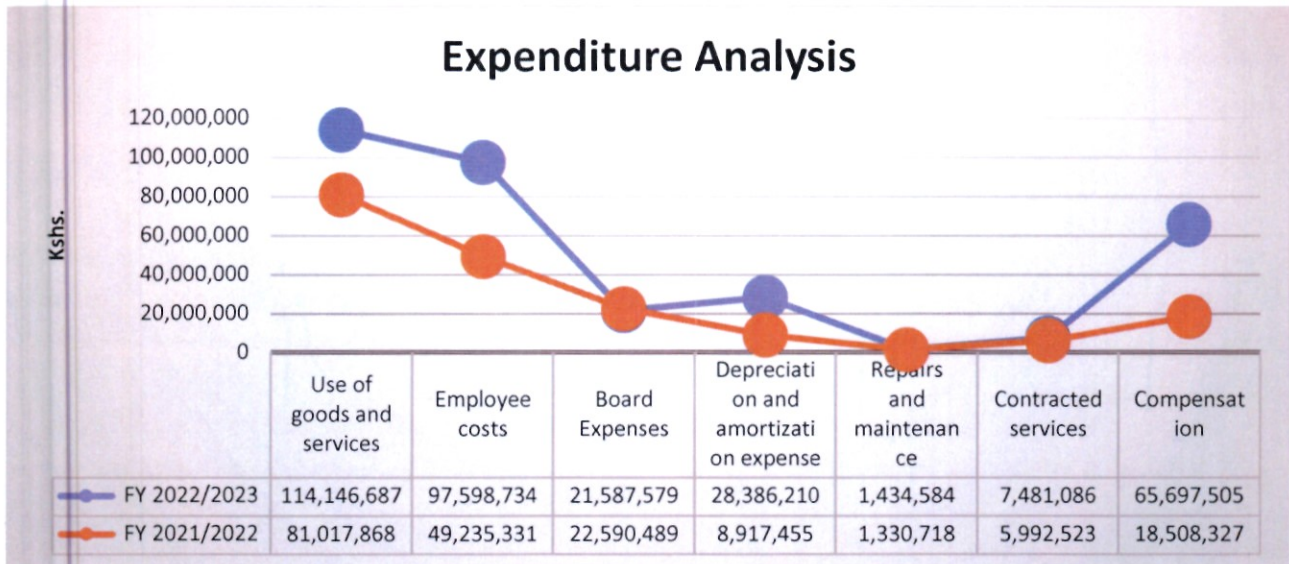
Total recurrent expenditure stood at Kshs. 333.8 million compared to Kshs.187.6 million in the previous financial year. Cumulative capital expenditure plus pending capital commitments as at 30th June 2023 was at Kshs. 285,034,538.00 (out of which Kshs. 198,042,610 had been accrued from previous financial year 2021/2022 under capital commitments and Ksh. 86,991,928 financed from FY 2022/2023 budget).

Figure 9. Revenue distribution analysis



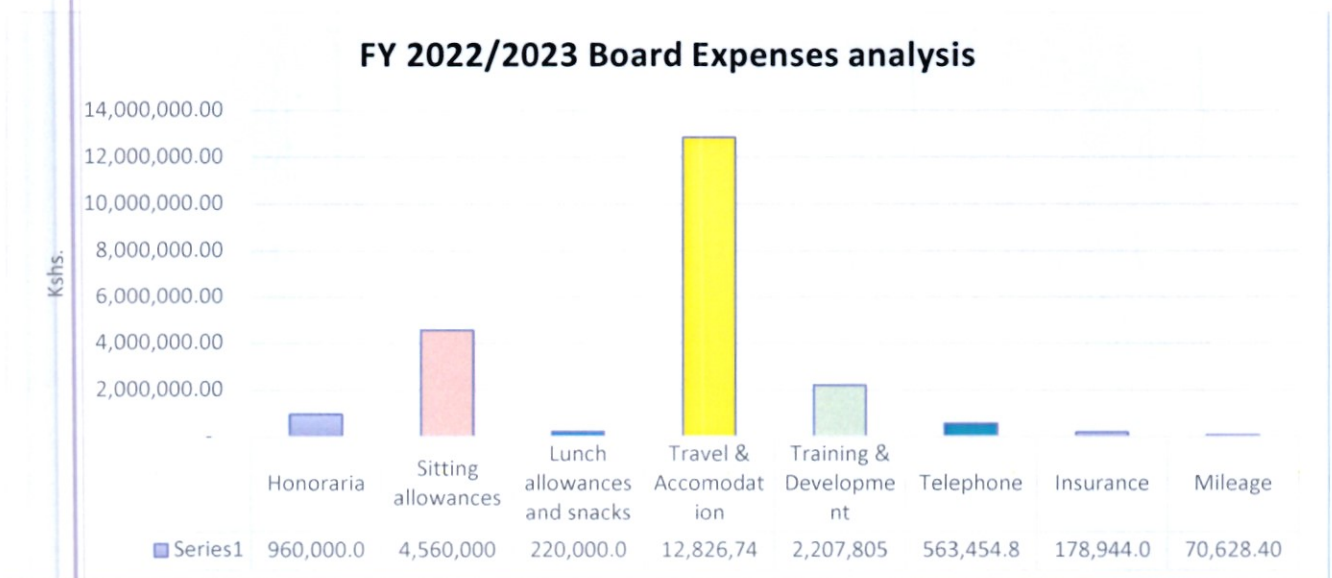
Total expenditure for the period under review stood at Kshs. 333.8 million. Figure 10 below shows an analysis of the expenditure composition.

Figure 10. PCF Expenditure Analysis



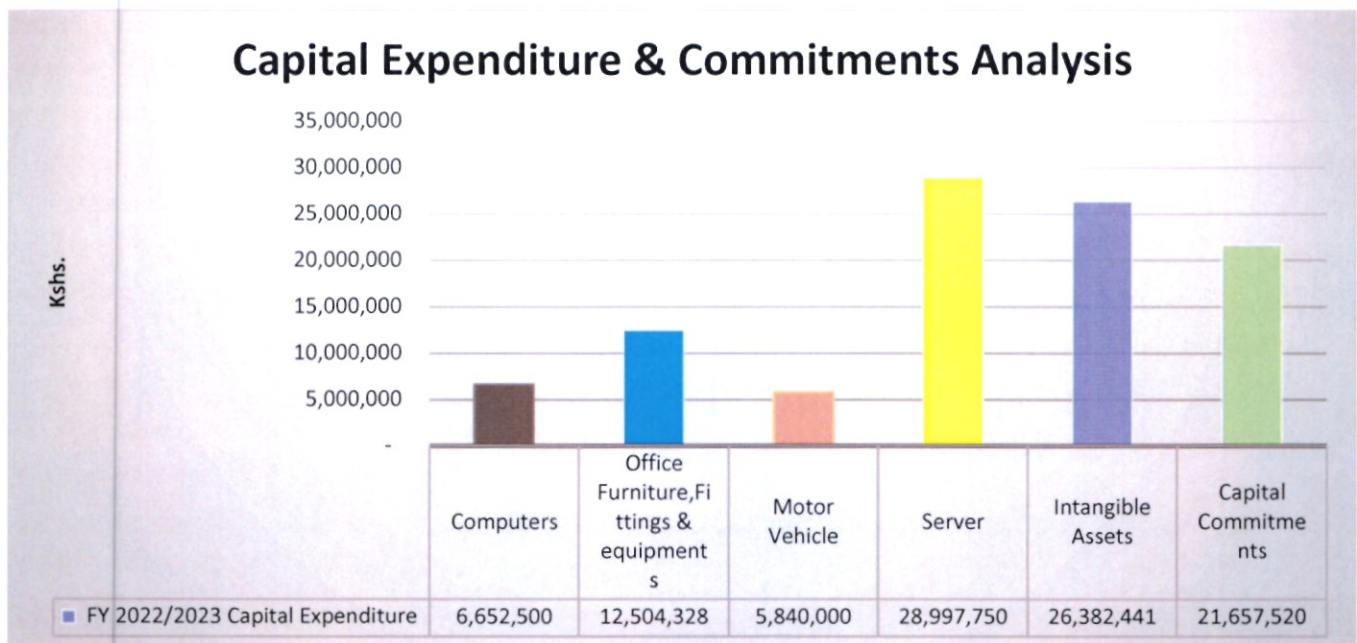
Board expenses at the end of the financial period under review stood at Kshs. 21.6 million as distributed in figure 11;

Figure 11. PCF Board expenses analysis



Capital Expenditure incurred by the Fund during the period was Kshs. 285million as analysed in figure 12 below;

Figure 12. Capital expenditure analysis



9.1.3 Compensation

The primary mandate of the Fund is protection of policyholders through the payment of compensation to the claimants of insurer placed under a statutory management appointed under section 67C (2) or whose license has been cancelled under the Insurance Act.

Policyholders and claimants of three (3) Insurance Companies were compensated during the FY 2022/2023 i.e Concord Insurance Company Ltd, Standard Assurance Company Ltd, and Resolution Insurance Company Ltd.

During the financial year 2022/2023, a total of six hundred thirty-three (633) claims were paid out of the total cumulative claims of nine hundred and seventy (970) the Fund has received and registered from inception of the compensation process.

Table 12. Compensation analysis

Insurer	No. claims Q1	No. claims Q2	No. claims Q3	No. claims Q4	Total amount approved Q1	Total amount approved Q2	Total amount approved Q3	Total amount approved Q4
Concord Insurance Co. Ltd	-	02	01		-	500,000.00	250,000	
Standard Assurance Co. Ltd	01	03	-		241,860.00	750,000.00	-	
Resolution Insurance Co. Ltd	144	201	206	75	18,048,277.53	20,833,033.00	19,752,059.70	5,322,274.9
	145	206	207	75	18,290,137.53	22,083,033.00	20,002,059.7	5,322,274.9

During the FY 2022/2023, the Fund verified and paid six hundred and thirty-three (633) claims amounting to KShs. 65,697,505.132 as tabulated in the Table 5 above. The Lapse of the two-year (2) compensation time frame and subsequent closure of compensation for Concord Insurance Co. Ltd was approved by the Board. A final handover report has been submitted to the Office of the Official Receiver.

The Compensation Policy has been developed and will be submitted to the National Treasury and Economic Planning in the FY 2023/2024. The Fund completed Phase I of automation of the Claims Management System. Phase II will be undertaken in the FY 2023/2024.

The Fund sought and obtained the legal opinion from the Office of the Attorney General on the interpretation on the matter of Compensation of BlueShield Insurance Co. Ltd and United Insurance Ltd. The Attorney General responded and issued a no objection opinion on compensation of policyholders and claimants of BlueShield Insurance Co. Ltd, and deferred compensation of policyholders and claimants of United Insurance Co. Ltd until the winding up order is issued. Compensation of BlueShield Insurance Co. Ltd will be undertaken in the FY 2023.2024 and FY 2024.2025.

9.1.4 Statutory Management

Policyholders Compensation Fund (PCF) is mandated to participate in statutory management and liquidation of an insolvent insurer assigned among other responsibilities by the Insurance Act. Currently, the Fund is statutory manager of three (3) insurance companies i.e. Blue Shield Insurance Co. Ltd, United Insurance Co. Ltd and Resolution Insurance Company. The activities undertaken during the period under review are;

- i) Secured and preserved all the assets and properties of the insurers under statutory management.
- ii) Recovered debts and sums of money due to/ owing to insurers under statutory management.
- iii) Evaluated the solvency and liquidity of insurers under statutory management and made a recommendation to the Commissioner of Insurance on action to be taken.
- iv) Prepared periodic reports of the insurers under statutory management for submission to the Commissioner of Insurance.
- v) Carried out statutory audits of insurance companies under statutory management.

9.1.5 Liquidation

The Fund continues to engage with the office of the Official Receiver who are the official liquidators for Concord Insurance Co. and Standard Assurance Co. Ltd. A formal Handover process for Concord Insurance Co. Ltd was finalized on 7th December 2022.

9.1.6 Insurance Risk Monitoring

The Insurance Act mandates the Fund to monitor the risk profiles of all licensed insurers. The purpose of risk profiling is to enable preparedness, proactive intervention by the Fund in compensation, statutory management and liquidation processes.

In FY 2022/23, the Fund carried out the following activities pursuant to the risk profiling mandate of the Fund:

- i). Conducted insurance risk monitoring analysis of all licensed insurers based on the data published by the IRA.
- iii). Implemented the Insurance Risk Profiling Guidelines
- iv). Developed an Onsite Inspection tool which would enable the Fund collect requisite insurance company data prior to collapse or failure.

During FY 2022/23 the Fund analysed compliance of all licensed insurers with the Contribution Levy requirements under Section 179 (6) of the Insurance Act and Regulation 9(1) of the Insurance (Policyholders Compensation Fund) Regulations. The Fund also issued demand and penalty notices to non-compliant insurers.

9.1.7 Research, Strategy and Planning

In the FY2022/2023, the Fund was able to carry out an actuarial study to establish suitable resolution models for the Kenyan Insurance market. The Study focus was on determination of the sufficiency of the current compensation coverage and scope and determination of best resolution mechanism for insurance company. The study was completed; key policy advisory recommendations will be considered for implementation in subsequent financial years;

- a. Review of compensation coverage and scope
- b. Consideration of premium refunds to policyholders of companies placed under statutory management.
- c. Introduction of Risk Based Levy contribution and collection model.
- d. Advisory on an appropriate Investment Policy
- e. Advisory on the adequacy of the Insurance Act and regulations on PCF carrying out its mandate effectively.

The above recommendations are in line with global best practices of policyholder compensation schemes in other advanced jurisdictions. Mechanisms to implement the above recommendations will be steered in FY2023/2024.

The Fund has been implementing FY2020/2021 – 2024/2025 Strategic Plan through annual workplans and Performance Contracting. During the contract period, the Fund developed and implemented FY 2022/2023 corporate annual workplan and the performance contract with the guidance of The

National Treasury and Economic Planning. Mid Term review of the Strategic Plan was undertaken and will be progressed to FY2023/2024.

Other activities undertaken include;

- a. Development of Partnership Engagement Framework and Stakeholders Participation Guidelines.
- b. Development and implementation of Research Policy and Procedure Manual
- c. Development of Business Continuity Plan (BCP) for the Fund

9.1.8 Human Resource & Administration

The Human Resource & Administration function supports the achievement of the Fund's mandated by attracting, developing and retaining highly qualified, skilled and motivated staff.

a) Staff Establishment

During the period, the Fund enhanced staff capacity through acquisition of talent to effectively deliver on its mandate by competitively recruiting thirteen (13) positions thus enhancing the number of employees from fourteen (14) in the FY 2021/2022 to a total of twenty seven (27) as at the end of the period under review against the total establishment of thirty-one (31). To further complement the staff establishment, two (2) Young Professionals were recruited, five (5) interns were onboarded from the Public Service Internship Programme (PSIP) and one (1) from Presidential Digital Program.

b) Job Evaluation

To effectively determine worth of the jobs in the Fund and establish an equitable and defensible job grading criteria, the Fund, during the period under review, conducted a Job Evaluation exercise whose outcome was a salary structure commensurate with the specific jobs. The Job Evaluation results were adopted by the Fund and the outcomes implemented. The implementation of the JE results is expected to motivate staff, enhance their performance and productivity as well as retain the highly skilled and elusive talent.

c) Staff Mortgage and Car Loan Scheme

During the period under review, the Fund established and operationalized staff mortgage and car loan schemes at concessionary interest rate of 3%. This initiative is aimed at enhancing staff welfare in terms of home ownership and transport. A total of Kshs. 151M for staff mortgage and Kshs.32M for staff car loan was approved as seed capital.

d) Employee and work environment satisfaction surveys

During the period under review, the Fund undertook a baseline survey on employee and work environment satisfaction. The employee satisfaction yielded an index of 83.3% whereas the work environment satisfaction survey was at 85.3%. These baseline surveys are expected to guide the Fund in the subsequent financial years in implementing varied welfare initiatives that will enhance employee motivation and retention

e) Capacity Building

It remains our resolve, as a Fund, to empower our staff with the requisite technical skills and competencies to aid them in executing their responsibilities. During the financial year under review, all employees were sponsored by the Fund to attend at least one skills training lasting not less than five (5) days. To establish the competency level and implement appropriate intervention measures, the Fund undertook a skills gap audit analysis which yielded a skills and competency level of 74%. Intervention measures were developed for implementation over a period of three (3) year.

f) Performance Management

Productivity and performance being recognized and accepted as fundamental components for competitiveness and drivers of organization and economic growth have been fully adopted by the Fund. The performance management in the Fund is anchored on the Strategic Plan, Performance Contract and the Corporate work plan. During the year under review, the Fund signed a performance contract with the National Treasury & Economic Planning which was thereafter cascaded to every member of staff in form annual targets. The Corporate Performance Evaluation of performance during the year was 2.9 which is rated as “ Very Good”. This is an improvement from the year 2020/2021 where the performance was “good” at 3.2. To ensure continuous improvement, the Fund has put in place a performance management, rewards and recognition framework to reward exemplary performance of individuals and teams.

9.1.9 Information and communication technologies (ICT)

During the Financial Year 2022-23, the Fund procured and operationalized an Enterprise Resource Planning (ERP) system. In addition, the Compensation Management System (CMS) was completed and operationalized.

The Fund intends to integrate the delivery of its service to the citizen via the E-citizen portal as directed by the head of public service, that all government services offered to the citizens to be accessed via the government portal.

In the same Period the State Corporations Advisory Committee issued a Circular Ref. No. OP/SCAC.9/1 dated 3rd March 2023 for all government agencies to automate their operations to achieve a paperless government for efficient and effective delivery of services. In view of this the fund was able to acquire an Electronic Document and Records Management System which has been Installed and indexing, scanning of records completed. The training of users and handholding to perfect the process is ongoing.

During FY 2022/23 the Fund embarked on the process of automating the Monthly Contribution Levy Returns submission through a Levy Collection and Reconciliation System (LCRS). Upon completion, there will be enhanced monitoring of compliance and increased efficiency in the reconciliation and analysis of contribution levy payments made by insurers.

The Fund Procured ICT Infrastructure for the Local Area Network and connectivity for the new offices within the financial year. In addition, to improve on the systems and network security the Fund implemented a Network Access Control system, this is to help in managing the access to the shared resources such as the wireless connectivity, office 365 shared drives and installation of application on the personal devices.

To improve on risk management strategies, the Fund developed an ICT Disaster Recovery Plan to help in the recovery process in case of a disaster. This was completed and approved by the Board of Trustees for implementation.

9.1.10 Supply Chain Management

During the period ended 30th June 2023, the following are activities were undertaken by the Fund under supply chain management;

- i) Annual procurement plan was prepared and approved for implementation
- ii) Market survey to aid in procurement of goods and services
- iii) Procurement of goods and services and works as planned in Procurement Plan FY2022/2023
- iv) Procurement contracts management and administration was undertaken for contracts
- v) Training of special groups (AGPO Categories)
- vi) Prepared and submitted quarterly reports to the National Treasury & Economic Planning, Public Procurement Regulatory Authority and Ministry of Industrialisation & Trade.

9.1.11 Internal Audit

The Internal Audit Directorate in PCF aims to provide independent, objective assurance and advisory services designed to add value and improve PCF's operations, Fund's risk management, governance and internal control processes are operating effectively. The Directorate is responsible for evaluating the state of internal control, risk management, and governance processes within the Fund and providing independent assurance and advice to the Board and management.

The Internal Audit directorate offers the secretarial services to the Board Audit and Risk Committee. During the reporting period ended 30th June 2023, the Internal Audit Directorate completed various audit activities which include;

- a) Review of Quarterly and Annual Report and Financial Statements.
- b) Review and report on the operations of all the Funds directorates & departments.
- c) Coordinated the external audit exercise

9.1.12 Corporate Communications

PCF is mandated to promote confidence in the Insurance Industry and creating awareness to the public of the Fund's mandate and its contribution in the Insurance Sector. Consumer Education is a key avenue to achieving this mandate as outlined in the Strategic Plan. The Fund has committed to sensitize various stakeholders through different channels of communications so as to reach a wider audience to create public awareness and enhance its visibility.

During the FY2022/2023, the Fund has been able to conduct outreach activities in different counties through a program dubbed '*PCFMtaani*' sensitization engagement forums which targets different stakeholders including (Media, Boda Boda riders, Matatu owners/operators, National Government Administrative Officers, KUPPET, KNUT, KNCCI, Women, Youth, PWDs, Co-operatives and Religious groups). The Fund also partnered with Insurance Regulatory Authority to sensitize more stakeholders. The counties targeted included: - Kirinyanga, Taita Taveta, Kwale, Turkana, Migori, Uasin Gishu and Embu.

In addition, The Fund increased its sensitization campaign by airing informercials through electronic media ie. TV, Radio fms and social media platforms.

Both the sensitization forums and the informercials presented an opportunity for the Fund to create awareness of its mandate, enhance visibility and enlighten the various stakeholders on the importance of Policyholders Compensation Fund in the Insurance sector. In doing so, the Fund will contribute to fostering national stability through the confidence it creates in the Insurance Sector. The targeted leaders from different fields shall become the Fund's ambassadors to educate others through their own organized forums.

9.1.13 Legal and Governance

During the Financial Year 2022/2023 the Fund through the Legal Services Directorate continued to advise the Board and Management on Corporate Governance Compliance, advice on legal matters, managing the litigation function and overseeing legal representation of the Fund.

The Fund has reviewed contracts, service level agreements, memoranda of understanding, leases and other legal documents. In addition, the Fund also liaised with the Office of the Attorney General on the legality of compensation of the policyholders and claimants of Blue Shield Insurance Company Ltd and United Insurance Company Ltd. The Attorney General responded concurred with our recommendation and issued an Advisory opinion and issued a no objection opinion on compensation of policyholders and claimants of BlueShield Insurance Co. Ltd, and deferred compensation of policyholders and claimants of United Insurance Co. Ltd until the winding up order is issued.

In order to support the Statutory Management function at the Fund, through the legal Directorate coordinated and provided oversight for all legal cases for companies under Statutory Management. In addition, PCF also spearheaded the amendment to the Insurance Act Cap 487 through the Budget Memorandum. Specifically, the following sections were amended Regulation 13(2) of the Insurance (Policyholders Compensation Fund) Regulations 2010 to provide that a policyholder may seek compensation upon his insurer being placed under Statutory Management or license cancellation. Further Regulation 15 was amended to provide for a time period of two years for lodging claims by policyholders.

The Fund continued to implement the recommendations of the Governance Audit during the period under review and ensured compliance with Mwongozo the Code of Governance for State Corporations and Government Circulars.

9.2. Fund's compliance with statutory requirements

The Fund's operations are legally guided by the Constitution of Kenya, 2010, the provisions of the Insurance Act, Chapter 487 of the Laws of Kenya, The Insurance (Policyholders' Compensation Fund) (Amendment) Regulations, 2019, the State Corporation Act, Chapter 446 of the Laws of Kenya and all other relevant laws and regulations that govern the operations of the Fund as well as Government circulars issued from time to time.

The financial statements have been prepared in accordance with Accrual-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB). The financial statements comply with and conform to the form of

presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

9.3.Key projects and investment decisions the Fund is planning/implementing.

The Fund continued with its operations and investments of the levy collections from insurers with the aim of increasing the Fund's financial sustainability. The levy collections are invested at the Central Bank of Kenya and at the end of the financial year period under review, the Fund's investments at CBK in Treasury Bills and Bonds had a face value of Kshs.19.5 billion. Partial Investment interest income earned from investments is used to finance the Fund operations.

9.4.Major risks facing the Fund

In the course of carrying out its mandate, the Fund is exposed to risks that inhibit the achievement of its strategic objectives. During the FY 2022-23, the Fund identified and mitigated major risks as indicated in the Table 13 below;

Table 13.Major Risks Faced by the Fund

Potential Risk	Risk Drivers	Risk Rating	Risk Mitigation Strategies	Strategic Objective Affected
Liquidity	<ul style="list-style-type: none"> Low allocation of funds Failure to collect projected revenue Unprecedented claims from policyholders 	Medium	<ul style="list-style-type: none"> Enhance resource mobilisation Review compensation policy 	<ul style="list-style-type: none"> To protect policyholder's interest To promote confidence and stability in the Insurance industry To mobilise financial resources
Litigations	<ul style="list-style-type: none"> Failure to comply with legal provisions Inadequate policy, legal and regulatory framework Failure to adhere to regulations, honour contracts and MOUs 	Low	<ul style="list-style-type: none"> Undertake legal and governance audit Continuous engagement of stakeholders Continuous consultation with the AG's Office Sensitisation of policyholders Address public complaints Implement contracts and MoUs as negotiated 	<ul style="list-style-type: none"> To protect policyholder's interest To promote confidence and stability in the Insurance industry
Fraud	Fraudulent claim for compensation	Medium	<ul style="list-style-type: none"> Automation Sensitisation and public awareness 	To ensure prudent and sustainable utilisation of funds
Loss of assets	<ul style="list-style-type: none"> Failure to secure assets Non adherence to internal control measures 	Low	<ul style="list-style-type: none"> Implement internal controls Develop asset register Tag Fund assets Strengthen risk transfer agreements 	To strengthen internal systems and processes
Reputation	Delay in compensation payment to claimants	High	<ul style="list-style-type: none"> Timely compensation to claimants through automation 	To protect policyholder's interest

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For the Year Ended 30th June 2023**

Potential Risk	Risk Drivers	Risk Rating	Risk Mitigation Strategies	Strategic Objective Affected
			<ul style="list-style-type: none"> • Continuous engagement of stakeholders • Improve access to PCF services and information • Increased publicity on service delivery 	To promote confidence and stability in the Insurance
Loss of data	<ul style="list-style-type: none"> • Inadequate information and data management systems • Lack of business continuity and disaster recovery plans • Lack of succession and knowledge management systems 	Medium	<ul style="list-style-type: none"> • Contingency plans • Implement a risk management framework 	Enhance Fund's governance
Cyber insecurity	<ul style="list-style-type: none"> • Lack of adequate cyber security systems • Lack of business continuity and disaster recovery plans • Lack of succession and knowledge management systems 	Medium	<ul style="list-style-type: none"> • Implement ICT security systems • Implementation of Information Security Management System • Training on emerging security issues 	To ensure prudent and sustainable utilisation of funds

9.5. Material arrears in statutory/financial obligations

At the end of the financial year 2022/2023, the Fund did not have any material arrears in statutory /financial obligations.

10.0 ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Policyholders Compensation Fund exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the policyholder/customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

10.1 Sustainability Strategy and Profile

To ensure the Fund remains focused on delivering its mandate to the public, the key result areas of the Fund's Strategic Plan (2020-2024) remains modelled towards the development of a comprehensive and inclusive compensation framework, prudent financial management for sustainability and development of institutional capacity to improve service delivery. Through the execution of its mandate, the Fund continues to contribute to the development of the Kenyan insurance and financial sectors, and the economy as a whole. Multi-stakeholder partnership for sustainability are collaborative arrangements in which actors from different sectors of society work together toward a sustainability goal. Within such partnerships, multi-stakeholder collaboration (MSC) refers to the interactive process in which actors with diverse points of view work together, implementing collective action, and sharing risks, resources, and responsibilities.

The Fund is a member of the International Forum for Insurance Guarantee Schemes (IFIGS) and is the pioneer Insurance Guarantee Scheme (IGS) in Africa. The key objectives of IFIGS is the sharing of knowledge and experience in insurance guarantee schemes with the aim of adopting best practices in compensation and resolution of troubled insurers for the ultimate protection of policyholders.

During the financial year, representatives from the Fund attended the 9th International IFGIS Annual Conference in Kuala Lumpur, Malaysia and shared views from the Africa region focusing on the implications of the various disruptive forces in environmental, technological, and financial reporting. The Fund also gained insights on global best practices in strengthening the policyholder compensation regime, treatment of premium refunds and appropriate resolution of troubled insurers.

10.2 Environmental Performance

The Fund commits to have an environmental policy in place in the subsequent financial year. The Fund engaged in environmental sustainability initiatives during the financial year in activities such as ; contracting NEMA licensed waste management service provider for waste disposal, migration to EDRMS to reduce on printing and paper waste.

10.3 Employee Welfare

- a) **Recruitment** - Recruitment in the Fund is anchored on the Fund's human resource instruments including the HR policy & Procedures Manual, organization structure,

staff establishment as well as the career guidelines. These instruments outline the number of staff to be hired, their levels, the process to be followed in hiring, the person as well as job specification. In conducting the recruitment, the Fund adheres to constitutional requirements in terms of gender representation by ensuring that not more than $\frac{2}{3}$ of either gender are appointed and also that at least 5% of PWDs are represented in appointments at the Fund. As at 30th June 2023,

- b) **Improving skills** - Annually, the Fund identifies skills requirement of employees through training needs analysis. A training plan is drawn and implemented and thereafter evaluation of trainings done to ensure that the skills obtained are being applied to bridge gaps identified. Skills gap Analysis was undertaken during the period to establish the skills and competencies in the Fund and intervening measures to bridge the identified gaps in a period of three years.
- c) **Managing Careers** - The Fund has in place a career guideline which provides clearly defined job descriptions and specifications with clear delineation of duties and responsibilities at all levels within the career structure. The guideline establishes standards for recruitment, training and development as well as advancement within the career structure. Further, talent and succession management policy has been put in place detailing how the Fund will manage vacancies as and when they fall vacant.
- d) **Appraisal and Reward Systems** - Staff performance appraisal is a critical component of the human resource management function. The overall objective is to manage and improve performance by enabling a higher level of members of staff participation and involvement in planning, delivery and evaluation of work performance. The main objective is to link individual performance with organizational performance. The appraisal period covers one (1) year starting every 1st of July to 30th June of the following year. Prior to the beginning of the performance appraisal period, individual staff in consultations with respective supervisors set their annual targets which are anchored on the strategic plan, departmental work plan and departmental priority objectives. The Fund has developed a framework of rewarding exemplary performance on an annual basis to enhance staff performance and productivity.
- e) **Compliance with Occupational Safety and Health Act of 2007, (OSHA.)** - The Fund has an operational Occupational Safety and Health Policy that establishes occupational safety and health systems and programmes geared towards the improvement of the work environment. The policy seeks to reduce the number of work-related accidents and equitably provide compensation and rehabilitation of those injured at work or who contract occupational diseases. In compliance with the prevailing Act, the Fund conducted a fire safety inspection, health and safety inspection in June 2022 and implementation of recommendations was continuously undertaken during the financial year 2022/2023.

10.4 Market Place Practices

To enhance proper market place practises, the Fund initiated the following measures:

- a) **Responsible competition practice** – There’s an ethics and anti-corruption committee set by the Fund to ensure responsible practices while delivering services to the stakeholders of the Fund and adherence to equity and fairness to all policyholders.
- b) **Responsible Supply chain and supplier relations** – The Fund adheres to the approved the Supply Chain Policy & Procedure Manual in conduct of its procurement activities. The Fund also undertook training of AGPO categories. All procurement opportunities are advertised on the Public Procurement Information Portal (PPIP) and the Fund’s website. The Fund ensured that all suppliers are paid within 30 days of the delivery of goods, services and works. Good supplier relationships were maintained for the duration of the FY2022/2023. In addition, through the automation of internal processes and the use of ERP system has enhanced efficiency levels in service delivery. The procurement is done in compliance with the PPDA,2015 and all relevant government regulations and circulars issued from time to time.
- c) **Responsible marketing and advertisement** – The Fund publicize its mandate in appropriate communication channels. To ensure that the content is fit for dissemination to the public, the Fund has in place a consumer education committee which exists whose responsibility is to review marketing and advertisement content to ensure it complies to acceptable ethical standards.

Product stewardship – The Fund has in place an approved complaints management policy that guides on resolution on consumer complaints in a timely manner and also provides channels to consumers to lodge their complaints or feedback. The consumers have been sensitized to enhance their capacity in reporting and also while seeking recourse. In addition, the Fund has established a Complaints handling committee to provide oversight on all complaints raised.

- d) **Corporate Social Responsibility / Community Engagements** – During the FY 2022/2023, the Fund in its corporate social responsibility (CSR) in the following initiatives;
 - i) Supported tree planting (1,600 trees) and water tank donation at Itoleka Girls Secondary School in Kitui County
 - ii) The Fund also donated and participated in the 7th edition of Kaptagat Forest Annual Tree Planting event under the Ministry of Environment.
 - iii) The Chairperson of the Board of Trustees participated in a tree planting exercise for Chairpersons of State Corporations organized by National Environment Trust Fund at Lenana Forest Station in Nairobi.
 - iv) Donated food stuffs to two needy public secondary schools in Kilifi (Pwani Secondary School for the deaf and Uyombo Girls Secondary Schools) to mitigate drought effects within the country.

11.0 REPORT OF THE BOARD OF TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of Policyholders Compensation Fund affairs.

11.1 Establishment

Policyholders Compensation Fund is a State corporation established under Section 179 of the Insurance Act and commenced its operations on 1st January, 2005.

11.2 Principal Activities

The principal activities of the Fund are to protect the policyholders of an insurer placed under a manager appointed under section 67C (2) or whose license has been cancelled under the Act through provision of compensation for unpaid claims, participation in statutory management and liquidation of a wound-up insurer.

11.3 Results

The results for the year ended 30th June 2023 are set out from page 1 of this report.

11.4 Board of Trustees

The Trustees who served during the current year are as follows:

Table 14: Board of Trustees Membership

Name	Membership	Representation
Hon. Simon Mbugua	Chairperson	Independent (appointed on 18 th May 2023)
Mr. Victor Pratt	Chairperson	Independent (appointed on 13 th July 2022 to 17 th May 2023)
FCPA Muthoni Wangai	Chairperson	Independent (appointed on 1 st October 2021 to 12 th July 2022)
Mr. Godfrey Kiptum	Trustee	Commissioner of Insurance
Dr. Ben Kajwang'	Trustee	Representative of the insurance brokers with effect from 21 st February 2022.
Mr. Thomas Gichuhi	Trustee	Representative of the insurers effective 21 st February 2022
Mr. Joseph Waruiru	Trustee	Representative of the Cabinet Secretary, National Treasury & Economic Planning effective 29 th June 2023
Mr. Halkano Haro Huqa	Trustee	Representative of the Cabinet Secretary for the National Treasury & Planning effective 10 th March 2022 to 28 th June 2023
Ms. Janet W. Kungú, HSC	Trustee	Representative of the Hon. Attorney General effective 12 th June 2023
Ms. Lydia Ochako	Trustee	Representative of the Hon. Attorney General from 7 th July 2020 to 11 th June 2023
Mr. Deberious Sikuku	Trustee	Representative of general public effective 18 th May 2023.

**Policyholders Compensation Fund
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Name	Membership	Representation
Mr. Reuben Ndegwa	Trustee	Representative of general public from 21 st February 2022 to 17 th May 2023.

11.5 Auditors

The Office of the Auditor General (OAG) is responsible for the statutory audit of the Policyholders Compensation Fund in accordance with Section 35 of the Public Audit Act 2015 (Cap.134).

11.6 Entity's compliance with statutory requirements

PCF has complied with its establishing Act, that is, Section 179 of the Insurance Act, State Corporations Act, PFM Act, PFM Regulations and other legal requirements such as submission of statutory deductions to statutory bodies and its internal policies and procedures.

By Order of the Board



Mr. Abudo Mamo

AG. MANAGING TRUSTEE/SECRETARY TO THE BOARD

12.0 STATEMENT OF THE BOARD OF TRUSTEES RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act and the Insurance Act, Cap 470, require the Board of Trustees to prepare financial statements in respect of Policyholders Compensation Fund (PCF), which give a true and fair view of the state of affairs of the PCF at the end of the financial year and the operating results of the PCF for the period ended 30th June 2023. The Trustees are also required to ensure that the PCF keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Trustees are also responsible for safeguarding the assets of the Fund.

The Trustees are responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes:

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

The Trustees accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) and the Insurance Act, Cap 470. The Trustees are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, and of the Fund's financial position as at that date. The Trustees further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Trustees have assessed the Fund's ability to continue as a going concern (disclose, as applicable, matters relating to the use of going concern basis of preparation of the financial statements) or;

**Policyholders Compensation Fund
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Nothing has come to the attention of the Trustees to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Policyholders Compensation Fund financial statements were approved by the Board on 25/1/2024..... and signed on its behalf by:



Hon. Simon Mbugua
CHAIRPERSON, BOARD OF TRUSTEES



Mr. Abudo Mamo
AG. MANAGING TRUSTEE

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON POLICYHOLDERS COMPENSATION FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Policyholders Compensation Fund set out on pages 1 to 43, which comprise the statement of financial position as at 30 June, 2023, 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 Policyholders Compensation Fund as at 30 June, 2023, 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 (Policyholders' Compensation Fund) Regulations, 2010 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual amounts on comparable basis of Kshs.402,416,544 and Kshs.319,247,502 respectively, resulting to an under-expenditure of Kshs.83,169,044 or 21% of the budget.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing

else 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

1. Failure to Collect Statutory Management Fees

The statement of financial performance reflects an amount of Kshs.4,289,460 in respect of other income which, as disclosed in Note 19.7 of the financial statements, includes an amount of Kshs.4,234,000 received from two insurance companies under statutory management. However, Management did not collect statutory management fees from Resolution Health Insurance Company which was also being managed by the Fund. This is contrary to Regulation 64(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which requires an accounting officer and a receiver of revenue to be personally responsible for ensuring that safeguards exist and are applied for the prompt collection and proper accounting for, all national government revenue and other public moneys relating to their Ministries, Departments or Agencies.

Although Management has attributed the failure to collect the management fees on the failure by the Commissioner of Insurance to fix the fee chargeable to Resolution Health Insurance Company, this is likely to result into a loss of public funds if the fee remains uncollected.

In the circumstances, Management was in breach of the law.

2. Failure to Implement IFMIS E-Procurement System

As previously reported, review of the procurement processes revealed that Management had implemented an ERP system with a procurement module covering the Fund's full internal operations including inventory management. Management also posted tenders/contracts to the online platforms and the Fund's portal. However, as at the time of the audit, Management had not migrated the Fund's procurements to the IFMIS e-procurement module. This was contrary to Executive Order No. 2 of 2018 which instructed all public procuring entities to undertake all their procurements through the e-procurement module on Integrated Financial Management Information System (IFMIS) by 01 January, 2019. It was also contrary to Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020, which states that the conduct of e-procurement procedures for the supply of goods, works and services shall be carried out by a procuring entity using an e-procurement system which is integrated to the State Portal.

In the circumstances, Management was in breach of the law.

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

REPORT ON THE 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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Failure to Develop Risk Management Policy

As previously reported, review of the internal control processes revealed that Management had not implemented a Risk Management Policy that would help create and protect value in the organization, assist in fraud prevention mechanism and uphold a system of risk management and internal control that builds robust business operations.

In the circumstances, Management may not effectively identify and mitigate risks affecting the Fund.

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

Responsibilities of Management and Board of Trustees

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 February, 2024

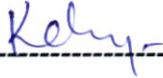
Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2023

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

	Notes	2022-2023	2021-2022
		KShs	KShs
REVENUE			
Revenue from non-exchange transactions			
Contribution levy	19.4	1,143,466,590	1,010,718,780
Penalties	19.5	13,996,633	14,905,827
		1,157,463,223	1,025,624,607
Revenue from exchange transactions			
Investment interest income	19.6	1,745,895,233	1,284,060,959
Other Income	19.7	4,289,460	9,289,168
		1,750,184,693	1,293,350,127
TOTAL REVENUE		2,907,647,916	2,318,974,734
EXPENDITURE			
Use of goods and services	19.8	114,146,687	81,017,868
Employee costs	19.9	97,598,734	49,235,331
Board Expenses	19.10	21,587,579	22,590,489
Depreciation and amortization expense	19.11	28,386,210	8,917,455
Repairs and maintenance	19.12	1,434,585	1,330,718
Contracted services	19.13	7,481,087	5,992,523
Compensation	19.14	65,697,505	18,508,327
TOTAL EXPENSES		336,332,387	187,592,711
SURPLUS FOR THE PERIOD		<u>2,571,315,529</u>	2,131,382,023

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2023**

The notes set out on pages 12 to 30 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 11 were signed on behalf of the Board of Directors by:



Ms. Hope Keah

Mr. Abudo Mamo

Hon. Simon Mbugua

**Deputy Director, Finance &
Accounts**

Ag. Managing Trustee

**Chairperson, Board of
Trustees**

ICPAK No.10775

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

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

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

Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2023

15.0 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

	Notes	2022-2023	2021-2022
		KShs	KShs
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	19.15	163,208,623	155,751,780
Receivable from non-exchange transaction			
Receivable Income	19.16	9,093,028	1,948,887
Receivable from exchange transactions			
Investments - Short Term	19.17	14,757,588,979	15,398,211,789
Total Current Assets		14,929,890,630	15,555,912,456
NON-CURRENT ASSETS			
Investments - Long Term	19.17	3,879,951,752	926,274,536
Property, plant and equipment	19.18	115,489,434	87,826,963
Intangible Asset	19.19	38,601,653	14,273,315
Total Non-Current Assets		4,034,042,839	1,028,374,814
TOTAL ASSETS		18,963,933,469	16,584,287,270
CURRENT LIABILITIES			
Payables from exchange transactions	19.20	-	221,301
Retention Monies	19.21	3,294,632	2,770,220
Other liabilities	19.22	-	7,731,816
Current Provision	19.23	2,843,175	17,882,909
Total Current Liabilities		6,137,807	28,606,246
NON-CURRENT LIABILITIES			
Non-current employee benefit obligation	19.24	19,330,164	5,531,055
Total Non-Current Liabilities		19,330,164	5,531,055
TOTAL LIABILITIES		25,467,971	34,137,301
NET ASSETS		<u>18,938,465,498</u>	<u>16,550,149,969</u>
RESERVES			
Government Grant	19.31	35,000,000	35,000,000
Accumulated surplus	19.31	18,903,465,498	16,515,149,969
TOTAL		<u>18,938,465,498</u>	<u>16,550,149,969</u>

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2023**

The Financial Statements set out on pages 1 to 11 were signed on behalf of the Board of Directors by:



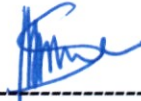
Ms. Hope Keah
Deputy Director, Finance &
Accounts

ICPAK No.10775
Date: 25/1/2024



Mr. Abudo Mamo
Ag. Managing Trustee

Date: 25/1/2024



Hon. Simon Mbugua
Chairperson, Board of
Trustees

Date: 25/1/2024

Policyholders Compensation Fund
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16.0 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2023

	Notes	Accumulated Surplus	Government Grant	Total Fund Reserves
As at July 1, 2021		14,347,167,525	35,000,000	14,382,167,525
Add back Capital commitments released	19.31	36,600,421	-	36,600,421
Surplus/ Deficit for the year		2,131,382,023	-	2,131,382,023
As at 30 th June 2022		<u>16,515,149,969</u>	<u>35,000,000</u>	<u>16,550,149,969</u>
As at July 1, 2022		<u>16,515,149,969</u>	<u>35,000,000</u>	<u>16,550,149,969</u>
Transfer to Staff Mortgage Scheme -Note 19.32		(151,000,000)		(151,000,000)
Transfer to Staff Car Loan Scheme- Note 19.32		(32,000,000)		(32,000,000)
Surplus/ Deficit for the year		2,571,315,529	-	2,571,315,529
As at 30 th June 2023		<u>18,903,465,498</u>	<u>35,000,000</u>	<u>18,938,465,498</u>

Note:

The purpose of the reserves is for the payment of compensation to the claimants of insurers placed under statutory management or whose licenses have been cancelled in line with section 179 (1) of the Insurance Act (CAP 487).

Staff Mortgages & Car Loans accounts amounts relates to amounts transferred as seed capital to the two Funds accounts.

The Financial Statements set out on pages 1 to 11 were signed on behalf of the Board of Directors by:



Ms. Hope Keah
Deputy Director, Finance & Accounts

ICPAK No.10775

Date: 25/1/2024



Mr. Abudo Mamo
Ag. Managing Trustee

Date: 25/1/2024



Hon. Simon Mbugua
Chairperson, Board of Trustees

Date: 25/1/2024

Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2023

17.0 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2023

	Notes	2022-2023	2021-2022
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Contribution levy	19.4a	1,135,572,449	1,009,519,893
Penalties	19.5a	13,996,633	15,392,443
Investment Interest income	19.6	1,745,895,233	1,284,060,959
Other Income	19.7a	5,039,460	9,599,570
Total Receipts		2,900,503,775	2,318,572,865
Payments			
Use of goods and services	19.8a	125,064,946	70,552,109
Employee costs	19.9a	84,020,926	45,160,613
Board Expenses	19.10	21,587,579	22,590,489
Repairs and maintenance	19.12a	1,322,385	627,918
Contracted services	19.13a	11,817,938	2,570,672
Compensation	19.14a	65,594,330	23,888,747
Total Payments		309,408,104	165,390,548
Net cash flows from operating activities	19.24	2,591,095,671	2,153,182,317
Cash flows from investing activities			
Purchase of PPE	19.28a	-56,764,798	-85,543,537
Purchase of intangible assets	19.29a	-30,819,625	-6,855,808
Transfer to Staff Mortgage Scheme	19.32	-151,000,000	
Transfer to Staff Car Loan Scheme	19.32	-32,000,000	
Increase in investments	19.30	-2,313,054,405	-2,056,348,567
Net cash flows used in investing activities		-2,583,638,828	-2,148,747,912
Net increase/(decrease) in cash and cash equivalents		7,456,843	4,434,404
Cash and cash equivalents at period Start	19.15	155,751,780	151,317,376
Cash and cash equivalents at Period end	19.15	163,208,623	155,751,780

Note: The Cash Flow Statement has been prepared using the Direct method as per IPSAS 2 as recommended by PSASB

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2023**

The Financial Statements set out on pages 1 to 11 were signed on behalf of the Board of Directors by:



Ms. Hope Keah
Deputy Director, Finance &
Accounts

ICPAK No.10775

Date: 25/1/2024



Mr. Abudo Mamo
Ag. Managing Trustee

Date: 20/1/2024



Hon. Simon Mbugua
Chairperson, Board of
Trustees

Date: 25/1/2024

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

	2022-2023 Original Approved Budget	2022-2023 Budget Revisions/Adjust ments	2022.2023 Final Revised Approved Budget	2022.2023 Actual on Comparable basis	2022.2023 Performance Difference	2022.2023 % Utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	(a)	(b)	(c=a+b)	d	e=c-d	f=d/c *100
INCOME						
Contribution levy	1,012,748,000	50,637,400.00	1,063,385,400	1,134,373,562	-70,988,162	107%
Investment Interest Income	1,134,291,000	536,321,201.00	1,670,612,201	1,745,895,233	-75,283,032	105%
Penalties	-	15,290,446.00	15,290,446	13,996,633	1,293,813	100%
Other Income	-	4,244,220.00	4,244,220	4,289,460	-45,240	100%
	2,147,039,000	606,493,267	2,753,532,267	2,898,554,888	-145,022,621	
EXPENDITURE						
Use of goods and services	110,811,287	9,900,000	120,711,287	113,966,687	6,744,600	94%
Employee costs	111,955,257	-	111,955,257	83,357,024	28,598,233	74%
Board Expenses	26,030,400	3,969,600	30,000,000	21,587,579	8,412,421	72%
Depreciation and amortization expense	10,000,000	20,000,000	30,000,000	28,386,210	1,613,790	95%
Repairs and maintenance	1,900,000	100,000	2,000,000	619,584	1,380,416	31%
Contracted services	7,750,000	-	7,750,000	5,986,086	1,763,914	77%
Sub-Total	268,446,944	33,969,600	302,416,544	253,903,171	48,513,373	84%
Compensation	500,000,000	(400,000,000)	100,000,000	65,344,330	34,655,670	65%
GRAND TOTAL	768,446,944	(366,030,400)	402,416,544	319,247,502	83,169,042	79%
SURPLUS FOR THE YEAR				2,579,307,387		

***The Statement of Comparison of Budget and Actual Amounts has been presented on a cash basis as per the PSASB guidelines. Reconciliation between the Statement of financial performance surplus and this statement has been provided in below budget notes.*

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Capital Expenditure	2022-2023 Original Approved Budget	2022-2023 Budget Revisions Adjustments	2022.2023 Final Revised Approved Budget	2022.2023 Actual Comparable basis	2022.2023 Capital Commitments	2022.2023 Total	2022.2023 Performance Variance	% Utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs	Kshs	Kshs	%
	(a)	(b)	c=a+b	d	e	f=d+e	g=c-f	g=f/c*100
Computer Hardware & Computer Software	3,000,000		3,000,000	2,982,000	-	2,982,000	18,000	99%
Safe	800,000		800,000	797,963	-	797,963	2,037	100%
Specialized ICT Security, Architecture, System Software and Equipment	27,000,000		27,000,000	4,915,580	21,657,520	26,573,100	426,900	98%
Office Furniture & Equipment	1,700,000		1,700,000	1,638,865	-	1,638,865	61,135	96%
Staff Mortgage		50,000,000	50,000,000	50,000,000	-	50,000,000	-	100%
Staff Car Loan		5,000,000	5,000,000	5,000,000	-	5,000,000	-	100%
Total Capital	32,500,000	55,000,000	87,500,000	65,334,408	21,657,520	86,991,928	508,072	99%

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Budget notes

- a) The Fund's financial year 2022/2023 total original approved budget was Kshs. 800,946,944 comprising of recurrent budget of Kshs. 268,446,944.00 for operations, Kshs. 500,000,000 for compensation and non-recurrent (capital) of Kshs. 32,500,000.00. During the financial period under review, a budget revision of Kshs. 33,969,600.00 for recurrent expenditure was approved to cater for additional costs under board expenses, dissemination and publicity and also depreciation and amortization and compensation budget was revised downwards by Kshs. 400,000,000. The revised total budget is now Kshs. 489,916,544.00 comprising of; Kshs. 302,416,544.00 operations, compensation Kshs.100,000,000 and capital budget is Kshs.87,500,000.
- b) The Fund surpassed its revenue collection target during the financial year as a result of increased volumes of insurance premiums, favorable interest rates from Central Bank of Kenya and increased enforcement action on compliance.
- c) During budget making process, the Fund has budgeted for various allowances under personnel emoluments which were all not paid at the close of the year following communication from the SRC thus under absorption.
- d) Under Board expenses, the Fund has budgeted for board activities for the entire financial year. However, there were changes in the Board compositions during the year which affected the implementation of the planned activities.
- e) Repairs and Maintenance were minimal during the year under review thus under absorption.
- f) At the closure of the financial year, there was a consultancy on review of the strategic plan which had not been completed thus the amount was accrued.
- g) Reconciliation Surplus of the Statement of Performance and the Statement of Comparison of Budget due to difference in accounting basis is analyzed as per below table;

Description	Amount
Statement of Performance Surplus	2,571,315,529
Adjustments for;	
Accrued Levy Contribution Receivable (Note 19.16)	(9,093,028)
Accruals under Use of Goods and Services (Note 19.23)	180,000
Accruals under Employee Costs (Gratuity Provision) (Note 19.24)	14,241,711
Accruals under Repairs & Maintenance (Note 19.23)	815,000
Accruals under Contracted Services (Note 19.23)	1,495,000
Accruals under Compensation (Note 19.23)	353,175
Add Total Adjustment's	7,991,858
Surplus as per the Statement of Budget Comparison	2,579,307,387

h) Capital Expenditure

During the FY 2022/2023, the Fund acquired assets worth Kshs. 80,377,019 (Fixed Assets KShs. 53,994,578 and Intangible Assets KShs. 26,382,441, accrued Intangible Capital Work In Progress of

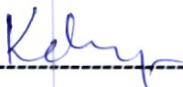
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21,657,520. These assets were financed from both FY 2021.2022 Capital Commitments and FY 2022/2023 Budget estimates.

Below is the summary of the Capital assets expenditure during the financial period under review;

- i) Computers - KShs 6,652,500 relates to purchase of laptops, surface pro, ipads and digital smart board for office use.
- ii) Office furniture, fittings & equipment's totalling to KShs 12,504,328 relates to additional partitioning works at PCF new office premises, digital camera, scanners, assorted furniture and office equipment such as TV sets, shredders, Safe, IP Telephony and Biometric Access, work stations, orthopaedic chairs and executive office tables.
- iii) One Motor Vehicle acquisition for office use at the cost of KShs 5,840,000.
- iv) Server - The Fund also made payment of KShs. 28,997,750.00 for Supply, delivery, installation, Integration, configuration, testing, implementation, training, and commissioning of LAN Infrastructure at PCF Office premises. These were server and related costs and have been entered into the asset register and depreciated at 20%.
- v) Intangible Assets worth KShs. 26,382,441 were paid during the FY 2022/2023 which were made up of;
 - a. Website Development Kshs. 1,976,541
 - b. Claims Management System Kshs. 19,490,320
- i) Capital commitments were those authorized & approved commitments at the end of the financial year whose procurement process was on going at the end of the financial year. At the closure of the financial year, there was Capital Work In progress for payments made for three contracts which were awarded in FY 2022/2023 whose implementation was on going from which KShs. 21,657,520 was outstanding and has been disclosed under capital commitments under Note 19.30;
 - i) Levy Collection and Reconciliation Management System Contract Price KShs. 9,780,000. First instalment amount paid KShs. 1,956,000.
 - ii) Electronic Document Management System Contract Price Kshs. 14,797,900 which was accrued in FY 2021.2022. First Instalment amount paid KShs. 2,959,580.
 - iii) Integrated Security System worth KShs. 1,995,200

The Financial Statements set out on pages 1 to 11 were signed on behalf of the Board of Directors by:



Ms. Hope Keah
Deputy Director, Finance &
Accounts

ICPAK No.10775

Date: 25/1/2024



Mr. Abudo Mamo
Ag. Managing Trustee

Date: 25/1/2024



Hon. Simon Mbugua
Chairperson, Board of
Trustees

Date: 25/1/2024

19.0 NOTES TO THE FINANCIAL STATEMENTS

19.1 General Information

Policyholders Compensation Fund (PCF) is established by and derives its authority and accountability from Insurance Act (Cap 487). The Entity is wholly owned by the Government of Kenya and is domiciled in Kenya. PCF also known as 'the Fund' is a State Corporation under the National Treasury and Planning that was established through the Legal Notice No.105 of 2004 and commenced its operations in January 2005. The Fund was established for the primary purpose of providing compensation to claimants of an insurer that has been put under Statutory Management and for the secondary purpose of increasing the general public's confidence in the insurance sector. The decision to establish the Fund was informed by the collapse of several insurers prior to the year 2005. The Fund is governed by section 179 of the Insurance Act (Cap 487) and the Insurance (Policyholders Compensation Fund) Regulations, 2010.

Policyholders Compensation Fund as stated in the Insurance Act is mandated to:

- a) Provide compensation to policyholders of an insurer placed under statutory management or whose license has been cancelled;
- b) Monitor, in consultation with the Commissioner of Insurance where necessary, the risk profile of any insurer;
- c) Advise the Cabinet Secretary in charge of finance matters on the national policy to be followed with regard to matters relating to compensation of policyholders and to implement all government policies relating thereto;
- d) Participate in the statutory management of an insurer placed under statutory management by the regulator;
- e) Liquidate an insurer as may be ordered by a court; and
- f) Perform such other functions as may be conferred on it by this Act or by any other written law.

19.2 Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, 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 management to exercise judgement in the process of applying the PCF's accounting policies and procedures. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Policyholders Compensation Fund which is the functional and reporting currency of the Fund.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, section 179 of the Insurance Act (Cap 487) and the Insurance (Policyholders Compensation Fund) (Amendment) Regulations, 2019 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

19.3 Summary of Significant Accounting Policies

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

19.3.1 Revenue recognition

a) Revenue from non-exchange transactions

The Fund recognizes revenues from levies and penalties when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. 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 PCF and the fair value of the asset can be measured reliably.

b) Revenue from exchange transactions

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 each period.

19.3.2 Budget information

The original budget for the FY 2022/2023 was approved by the National Treasury and Economic Planning on 30th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the Board of Trustee and also the National Treasury and Economic Planning. The additional appropriations are added to the original budget of PCF upon receiving the respective approvals in order to conclude the final budget.

The *PCF's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial

statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under budget notes of these financial statements.

The Fund's financial year 2022/2023 total original approved budget was Kshs. 800,946,944 comprising of recurrent budget of Kshs. 268,446,944.00 for operations, Kshs. 500,000,000 for compensation and non-recurrent (capital) of Kshs. 32,500,000.00. This budget was revised upwards by 4% from Kshs.800,946,944 to Kshs. 834,916,544.00 during budget revision 1 and from 834,916,544.00 to 489,916,544.00 during budget revision 2 in which compensation budget was reduced by Kshs. 400,000,000.00 while under capital budget the staff mortgage and car loans were increased by Kshs. 50 million and 5 million respectively. The Total Budget of Kshs. 489,916,544 comprises of 402,416,544.00 (recurrent) and Kshs. 87,500,000.00 (capital budget).

19.3.3 Property, plant, equipment and 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 to bring the asset to its location and condition ready for its intended use. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity 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.

The Depreciation rates used are as follows:

No.	Description	Rate
1.	Computers	33.3%
2.	Server	20%
3.	Office Furniture, Fittings & Equipment	12.5%
4.	Motor Vehicle	25%

19.3.4 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 finite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

In addition to the Microsoft 365 software acquired in FY 2021/2022, the Fund acquired the following intangible assets during the FY 2022/2023; Enterprise Resource Planning (ERP), Website portal and Claims Management System (CMS). The following two systems implementation was on going at the closure of the year; Levy Collection and Reconciliation Management System and Electronic Document Management System. These assets have been recorded in the intangible asset register under intangible assets category and amortized at 33.33%.

19.3.5 Financial instruments

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

a) Financial Assets

The Fund classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the

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

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

Subsequent measurement

Based on the operational business model of the Fund and the cash flow characteristics, the Fund classifies its financial assets into amortized cost for financial instruments.

Amortized cost

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

Government securities held-to-maturity.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity and are stated at amortized cost. The Fund's Government securities comprise Treasury Bills and Treasury Bonds which are debt securities issued by the Government of Kenya. For the period ending 30th June 2023, the Fund held government securities at the Central Bank of Kenya valued of face value of KShs. 19,561,900,000.00

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An

estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund charges for management fees on insurers which have been placed under management by the regulator, levy contribution and penalties as per section 179 of the Insurance Act (Cap 487). The Fund receivables comprises of statutory management fees, levy contribution and penalties charged on late submission of the levies by the insurers.

b) Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss. 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 Fund determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

19.3.6 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:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) 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 PCF as the Fund procures stationery and other inventories as and when need arises and are expensed in the period it relates.

19.3.7 Provisions

Provisions are recognized when the Fund 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. The expense relating to any provision is presented in the statement of financial performance. In the financial year 2022/2023, the Fund made some

provisions amounting to KShs. 2,843,175.00 which have been disclosed under note 19.23 in the notes to the financial statements.

19.3.8 Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The Fund recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the Fund will incur in fulfilling the present obligations represented by the liability. At the closure of the Financial year 2022/2023, the Fund did not have any social liability.

19.3.9 Contingent liabilities

The Fund does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

In anticipation of the payments of various liabilities whose procurement process was on going at the end of the financial year, the Fund acknowledges the amounts provided for under provisions and as capital commitments as a contingent liability which will be incurred in future. These have further been disclosed in the notes to these financial statements.

19.3.10 Contingent assets

The Fund does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs. There was no contingent asset at the closure of the financial year under review.

19.3.11 Nature and Purpose of the Fund reserve

The Fund creates and maintains reserves to compensate claimants of an insurers placed under a statutory manager appointed under section 67C (2) or whose license has been cancelled under the Insurance Act.

19.3.12 Changes in accounting policies and estimates

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

19.3.13 Employee benefits

Retirement benefit plans

The Fund provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Fund pays fixed contributions into a separate Pension Scheme 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 contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

19.3.14 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.

19.3.15 Related parties

The Fund 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 Fund, or vice versa. Those regarded as related parties include:

- a) The Board of Trustees, in exercise of the powers given to them through Section 179 (2B) of the Insurance Act;
- b) Management and staff in exercise of their fiduciary duties;
- c) The Commissioner of Insurance as the appointing authority of Statutory Managers;
- d) The Insurance Regulatory Authority as the Industry Regulator
- e) Retirement Benefit Authority as the immediate former Managing Trustee of the Fund

19.3.16 Trade payables

During the financial year under review, the Fund did not have any pending bill/outstanding payables from exchange transactions such as sundry creditors. Trade payables are current and are stated at their nominal value when they occur.

19.3.17 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term temporary imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

19.3.18 Comparative figures

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

19.3.19 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 30th June 2023.

19.3.20 Significant Judgments and Sources of Estimation Uncertainty

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

Assumptions made include;

- a. Receivable levy contributions shall be received as per regulations
- b. Accrued expenses shall be paid after goods are delivered or services rendered
- c. Liabilities shall be paid off in subsequent 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 Fund based its assumptions and estimates on parameters available when the consolidated 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 Fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Fund.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

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19.4 Contribution Levy

Section 179 (6) of the Insurance Act requires Insurers to pay a monthly contribution to the Fund in such amount and time as may be prescribed by the Cabinet Secretary in consultation with the Board. The rate is currently set at 0.5%.

	2022-2023 (KShs.)	2021-2022 (KShs.)
Quarter 1	260,696,338	237,770,765
Quarter 2	222,891,594	203,616,470
Quarter 3	354,236,234	314,636,998
Quarter 4	305,642,424	254,694,547
Total	<u>1,143,466,590</u>	<u>1,010,718,780</u>

During the reporting period, the Fund collections on levy increased by 13% compared to same reporting period, previous financial year. This is mainly attributed to increased premiums volumes which may signals a slight growth in the insurance industry at large. An amount of KShs.1,198,887.00 was receivable in FY 2021.2022 which was collected in FY 2022.2023 while an amount of Kshs. 9,093,028 was a receivable relating to the financial year ending 30th June 2023.

19.4 a Contribution Levy

	30th June 2023	30th June 2022
	KShs.	KShs.
Levy collection for the period	1,143,466,590	1,010,718,780
Receivable Collected	1,198,887	-
Receivables at the end of the period (Note 19.16)	(9,093,028)	(1,198,887)
Total amount to cashflow Statement	1,135,572,449	1,009,519,893

19.5 Penalties

The Insurance Act empowers both the Insurance Regulatory Authority (IRA) and the Policyholders Compensation Fund (PCF) to charge penalties for non-compliance of various sections of the Act. These penalties are to be paid into the Policyholders Compensation Fund. During the financial period under review, penalties were charged and collected as per below note. In the previous financial year, same period, more penalties were received.

	2022-2023 (KShs.)	2021-2022 (KShs.)
Quarter 1	460,000	6,197,370
Quarter 2	7,971,438	6,020,000
Quarter 3	3,036,397	658,457
Quarter 4	2,528,798	2,030,000
Total	<u>13,996,633</u>	<u>14,905,827</u>

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The 6% decrease in the penalty amount is mainly attributed to increased enforcement actions by both IRA and PCF on defaulting insurers. Refer to Appendix III of this report for the detailed analysis of penalties collected.

19.5 a Penalties

	2022-2023 (KShs.)	2021-2022 (KShs.)
	Kshs.	Kshs.
Penalties	13,996,633	14,905,827
Accrued Penalties receivable	-	486,616
Total amount to cashflow Statement	13,996,633	15,392,443

19.6 Investment Interest Income

The investment Interest income was generated by interest earned on Treasury Bills, Treasury Bonds and on current accounts held in the Fund's commercial bank.

	2022-2023 (KShs.)	2021-2022 (KShs.)
Interest income from Treasury Bills	1,399,224,543	1,240,470,326
Interest income from Treasury Bonds	341,597,141	38,228,316
Current accounts interest	5,073,549	5,362,317
Total	<u>1,745,895,233</u>	<u>1,284,060,959</u>

The increase is attributed to the volumes of insurance levy contributions collections and the favourable CBK average rates during the period under review which have steadily increased during the financial year. In the previous financial year, the Fund had just invested in two treasury bonds worth 912 million which had just been invested thus lower accrued interest income compared to current financial period where the Fund has invested 3.8 billion in ten treasury bonds. FY 2022/2023 Investment interest income is further analysed quarterly as follows;

	Total Interest from Treasury Bills & Bonds	Current Accounts Interest	Total
Quarter 1	390,927,477	783,566	391,711,044
Quarter 2	418,615,375	941,182	419,556,556
Quarter 3	445,913,310	1,555,730	447,469,040
Quarter 4	485,365,522	1,793,071	487,158,593
Total	<u>1,740,821,684</u>	<u>5,073,549</u>	<u>1,745,895,233</u>

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In the previous financial year 2021/2022, the Fund's quarterly investment performance was as follows;

	Interest from Treasury Bills & Bonds	Current Accounts Interest	Total
Quarter 1	297,885,178	1,062,532	298,947,710
Quarter 2	301,281,705	1,561,706	302,843,410
Quarter 3	332,231,624	862,406	333,094,030
Quarter 4	347,300,135	1,875,673	349,175,808
Total	<u>1,278,698,642</u>	<u>5,362,317</u>	<u>1,284,060,959</u>

19.7 Other Income

This is mainly income the Fund earned as management fees for Statutory Management services for the two of the three insurers placed under statutory management by the Commissioner of Insurance. The three companies are Blue Shield Insurance Company, United Insurance Company and Resolution Insurance. During the period under review, there was a reduction in collection of the statutory management fee compared to same period previous financial year because the Fund is receiving less amounts as a result of statutory management allowances being paid by the insurers direct to the prescribed recipients.

	2022-2023 (KShs.)	2021-2022 (KShs.)
Blue Shield Insurance Co.Ltd	3,484,000	6,000,000
United Insurance Co.Ltd	750,000	3,000,000
Miscellaneous Income	55,460	289,168
Total	<u>4,289,460</u>	<u>9,289,168</u>

These amounts were received in the quarter periods;

	2022-2023 (KShs.)	2021-2022 (KShs.)
Quarter 1	2,251,500	2,250,000
Quarter 2	8,720	2,269,000
Quarter 3	1,160,580	2,420,168
Quarter 4	868,660	2,350,000
Total	<u>4,289,460</u>	<u>9,289,168</u>

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19.7a. Other Income

	2022-2023 (KShs.)	2021-2022 (KShs.)
	Kshs.	Kshs.
Statutory Management Fee	4,289,460	9,289,168
Accrued Statutory Management fee receivable	-	(750,000)
Accrued Statutory Management Fee receivable collection	750,000	1,060,402
Total amount to cashflow Statement	5,039,460	9,599,570

19.8 Use of Goods and Services

	2022-2023	2021-2022
	Kshs.	Kshs.
Traveling & Accommodation	36,929,216	19,176,905
Seminars,Conference,Workshops	8,866,649	18,811,512
Office Stationery, Printing Etc.	4,355,078	1,819,395
Membership Subscription	310,000	-
Refined Fuel, Oil and Lubricants	1,230,650	622,676
Hospitality and Office Refreshments	3,868,178	2,738,765
Telephone, Mobile and Internet Services(Postage & Telephone)	2,056,831	2,928,769
Rental Expenses	17,181,157	10,881,198
Newspapers and Periodicals	806,533	530,131
Custodial fees	10,000	-
Staff Uniform	30,000	-
Software Licences, Renewals and Connectivity-(ICT Maintenance)	1,920,098	323,160
Bank Charges	398,819	218,071
Audit fees	400,000	400,000
Statutory Management Expenses	-	1,327,215
Research-Advice on Policy	-	3,000,000
Advertisement, Public Education and Publicity	7,326,791	10,559,920
Corporate Social Responsibility	1,902,500	-
Electricity	676,527	78,783
Insurances and Medical	12,390,881	6,364,276
Staff Welfare	714,392	783,441
Bad & Doubtful debts expense	-	453,651
Cleaning materials & detergents	99,180	-
Extra Curricular (Team Building) Activities	2,909,307	-
Dissemination & Publicity	9,763,900	-
Total	<u>114,146,687</u>	<u>81,017,868</u>

The differences were due to:

- **Travel & Accommodation and Fuel** – The increase was as a result of additional operational activities related of the Fund and travel costs to attend industry events, consumer education sensitization forums held in collaboration with the Insurance Regulator, local and foreign travel costs for staffs attending trainings and international capacity building of staffs travel costs such as the IFIGS Conference and other industry related activities. The Fund also held retreats for the preparation of various policies such as the Business Continuity policy, Stakeholder participation guideline, partnership engagement framework and also investment policy all of which were presented to the board too for consideration and subsequent approval.
- **Seminars, Conference, Workshops** - There was a decrease which was as a result of decrease in vote allocation for this budget line compared to previous financial year as most of the activities were budgeted under travel budget line. This budget line caters for training expenses related costs for staffs.
- **Printing & Stationery**- The Fund incurred more costs on procurement of various stationery and printing items for office use. The increase is also attributed to increased staffing levels.
- **Hospitality** – Operational activities of the Fund and increased staffing levels contributed to the increased costs under this budget line compared to the same period previous financial year.
- **Telephone costs**-Due to the decrease in telephone costs by the Fund and embrace of internet calls.
- **Rental Expenses & Electricity**-These are rental & Electricity costs of the Fund’s office premises at KWFT building. During the previous financial year, the Fund moved into the new office premises mid the financial year thus did not incur full year rental or electricity costs.
- **Advertisement, Public Education and Publicity**- Decline in advertisement publicity costs compared to previous financial year is as a result of changes made in budget allocation for publicity where as other costs related to publicity were allocated a budget under dissemination & publicity.
- **Insurance**- Medical insurance for the Fund increased because of increased staffing level following successful recruitment exercise.
- **Software Licenses**- Increased License renewals payments due to increased number of intangible assets acquired by the Fund.
- **Corporate Social Responsibility (CSR)** allocation to cater for community collaborations activities of the Fund. Previously it had been budgeted under publicity vote.
- **Team Building activities** budget allocation was for expenses related to Staff Team Building exercise.
- **Dissemination & Publicity expenses** relates to dissemination of the Fund Mandate through different media platforms and also media monitoring services costs.
- **Audit Fees** caters for statutory audit exercise by the external audit.

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- **Bank Charges:** There's an increase as a result of increase in number of transactions(volume). The Fund staffing levels & operations have increased.

	2022-2023	2021-2022
	Kshs.	Kshs.
NCBA-Fund	55,217	52,330
NCBA-Operations	333,177	152,638
Cooperative Bank	4,320	7,863
KCB	6,105	5,240
Total	398,819	218,071

19.8 a Use of Goods and Services

	2022-2023	2021-2022
	Kshs.	Kshs.
Total for the period	114,146,687	81,017,868
Paid Accruals from previous period	11,098,259	632,500
Less accruals for the period (Note 19.23)	(180,000)	(11,098,259)
Total amount to cashflow Statement	125,064,946	70,552,109

19.9 Employee Costs

These costs were incurred with respect to staff personnel emoluments which include salaries, allowances ,pension, NITA, NSSF, Club Memberships, gratuity and Young Professional Programmes costs.

	2022-2023	2021-2022
	Kshs.	Kshs.
Basic Salaries	62,375,877	26,795,878
House Allowance	9,365,056	7,544,042
Leave Allowance	258,000	166,000
Special Duty	563,276	-
Commuter Allowance	2,459,147	3,084,456
Extraneous Allowance	2,774,652	3,552,000
Employer Contribution to NITA	15,100	-
Employer Contribution to Staff Pensions Scheme-NSSF	176,200	51,040
Employer Contribution to Staff Pensions Scheme- Gratuity	15,470,297	5,058,814
Employer Contribution to Staff Pensions Scheme-Pension	1,716,282	442,601
Club Memberships	1,964,000	2,540,500
Young Professional Programme	460,847	-
Total	<u>97,598,734</u>	<u>49,235,331</u>

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*Further, the personnel emoluments were incurred as follows;

	2022-2023 (KShs.)	2021-2022 (KShs.)
Quarter 1	13,529,165	8,294,303
Quarter 2	18,030,505	13,860,833
Quarter 3	18,851,873	12,616,180
Quarter 4	47,187,191	14,464,016
Total	97,598,734	49,235,331

The Increase in staff **personnel emoluments** is as a result of review of the salaries by the Salaries & Remuneration Commission following job evaluation exercise as per government regulations. This exercise was concluded and implemented in quarter 4 of FY 2022/2023 after receiving feedback communication from the Salaries and Remuneration Commission on Job evaluation which provided the new salary structure vide letter Ref. SRC/TS/24/4 Vol. II (97). In addition, the increase of staffing levels also led to increase of personnel emoluments costs of the Fund compared to the previous financial year.

Gratuity provision was made in the FY 2022/2023 for staffs who are on contract. The increase is as a result of increased basic salaries for eligible staffs.

Employer contribution to pension scheme also increased during the period as a result of increased staff numbers who were converted into permanent and pensionable terms of employment upon confirmation after the end of their probation period.

Club Membership increased during the period under review due to increased number of senior staffs who are eligible for this non-cash employee benefits applicable to PCF Level 1 to 3 with ceilings set out in the approved Human Resource instruments.

19.9 a Employee Costs

	30th June 2023	30th June 2022
	Kshs.	Kshs.
Total Employee Costs	97,598,734	49,235,331
Accrued paid during the period	663,902	465,600
Accrued Gratuity during the period gratuity (Note 19.24)	(14,241,710)	(3,876,416)
Accrued Pension during the period	-	(663,902)
Total amount to cashflow Statement	84,020,926	45,160,613

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19.10 Board Expenses

These are expenses incurred in the execution of Board of Trustees related activities.

	2022-2023	2021-2022
	(KShs.)	(KShs.)
Honoraria	960,000	766,452
Sitting allowances	4,560,000	5,008,000
Lunch allowances	220,000	108,400
Travel & Accommodation	12,826,746	12,120,222
Training & Development	2,207,805	4,333,643
Insurance	563,455	158,183
Telephone	178,944	70,000
Mileage	70,628	25,590
Total	21,587,579	22,590,489

The differences are due to the following:

***Honoraria-** During the previous financial year, the chairperson was appointed mid the financial year and there was a gap when the Fund did not have a substantive chairperson appointed. In the current financial year, the board was fully constituted.

Sitting allowances - The decline is attributed to decrease in number of meetings held compared to previous year, same period. Sitting allowances were paid for trustees attending capacity building workshops ,regular and special meetings and performance evaluation exercise which was undertaken in the financial period under review.

***Lunch allowance-**Lunch allowance costs were higher in the period under review compared to the previous period because previously virtual meetings were many. During the financial period under review most of the meetings were physical.

***Travel & Accommodation, Capacity Building, Insurance, -** The slight increase in travel costs is attributed to increase in number of Trustees , travel activities by the trustees while attending mostly local capacity development workshops and also the board is now fully constituted. The decline in training & development is because some trainings for the Trustees did not take place as scheduled.

***Telephone** - Increased to cater for Chairperson telephone allowance and airtime for Board Trustees. In the previous financial period, only the Chairperson allowance was paid.

***Mileage** - Increased in number of mileage claims for Trustees while attending official functions using their own means of transport.

19.11 Depreciation & Amortization Expense

This amount relates to the depreciation charged to the Fixed Assets of the Fund and amortization charge for intangible asset of the Fund.

	2022-2023	2021-2022
	(KShs.)	(KShs.)
Fixed assets charge-Computers	4,306,172	2,608,514
Fixed assets charge- Office Furniture, Fittings &Equipment	8,634,713	1,638,490

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	2022-2023	2021-2022
	(KShs.)	(KShs.)
Fixed assets charge-Motor Vehicle	9,041,559	4,356,142
Fixed Assets-Others-Server	4,349,663	-
Amortization -Intangible asset (Amortization)	2,054,104	314,309
Total	<u>28,386,210</u>	<u>8,917,455</u>

The increase in depreciation and amortization charge is due to the increase in assets procured by the Fund such as additional Server, Motor vehicles, various furniture, Fittings and office equipments, computers including Laptops and Tablets for Board members and staffs. Also, previously some assets were depreciated for few months not full terms depending on acquisition dates. Full year depreciation has been charged for most of the assets in the asset register in FY 2022/2023.

In addition to the Microsoft 365 which was acquired by the Fund in FY 2021/2022 the Fund procured website portal, Claims Management System (CMS) and Enterprise Resource Planning (ERP) during the financial period under review which form part of intangible assets of the Fund.

19.12 Repairs & Maintenance

These are costs incurred to maintain or repair office equipment, computers and motor vehicles.

	2022-2023	2021-2022
	(KShs.)	(KShs.)
Motor Vehicles repairs & Service	495,085	380,827
Office furniture & Equipment repairs	124,500	-
Computer maintenance	815,000	949,891
Total	<u>1,434,585</u>	<u>1,330,718</u>

19.12 a Repairs & Maintenance

	2022-2023	2021-2022
	(KShs.)	(KShs.)
Total for the Period	1,434,585	1,330,718
Add accruals paid during the period	702,800	-
Accrued during the period (Note 19.23)	(815,000)	(702,800)
Total amount to cashflow Statement	<u>1,322,385</u>	<u>627,918</u>

There was an increase in motor vehicle repairs and service costs as a result of increase in number of vehicles (four) compared to previous financial year where the Fund had only two. vehicle. Increase in repairs and maintenance of computers which was a provision made at the closure of the financial year of Kshs. 815,000.00 and also increased maintenance costs on office furniture and equipment's was as a result of increase in number of assets acquired due to increased staffing levels.

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19.13 Contracted Services

Contracted services are made up of two components; Outsourced services and Consultancy services. At the end of financial period under review, the Fund outsourced cleaning services, undertook a consultancy on skills gap analysis, contracted an actuaries to undertake an actuarial study and also engaged a consultant to review the Funds strategic plan.

	2022-2023	2021-2022
	(KShs.)	(KShs.)
Limah East Africa Ltd	-	1,189,533
S.N Kaniu & Company	-	2,429,820
Synergies Company Ltd	58,000	444,570
Syntrex Limited	-	1,928,600
Brooklyn Cleaning Service	268,046	-
Automobile Association of Kenya	138,500	-
Phowad solution limited	1,329,940	-
Kenbright Auctuarial & Financial Services Ltd	4,191,600	-
Trailblazers Business Strategies	1,495,000	-
Total	<u>7,481,087</u>	<u>5,992,523</u>

19.13 a Contracted Service

	2022-2023	2021-2022
	(KShs.)	(KShs.)
Total for the period	7,481,087	5,992,523
Add accruals paid from last financial year	5,831,851	2,410,000
Less accrued during the period (Note 19.23)	(1,495,000)	(5,831,851)
Total amount to cashflow Statement	11,817,938	2,570,672

19.14 Compensation

This relates to compensation payments made to claimants and one provisions made for compensation.

	2022-2023	2021-2022
	(KShs.)	(KShs.)
Compensation	65,697,505	18,508,327

During the financial period under review, the Fund made a public advertisement to call on claimants for Standard Assurance Ltd and Resolution Insurance Company to lodge their claims. The claims lodged at the Fund were verified and approved for payment. Cumulatively a total of Kshs. 65,394,329 has been processed since the beginning of the financial year and Kshs. 353,175 has been accrued to cater for three claimants whose claims were approved for processing but lacked payment support documentation.

19.14.a Compensation

	2022-2023	2021-2022
	(KShs.)	(KShs.)
Total Compensation	65,697,505	18,508,327
Accrued paid	250,000	5,630,420
Compensation accrued for the period (Note 19.23)	(353,175)	(250,000)
Total amount to cashflow Statement	65,594,330	23,888,747

19.15 Cash and Cash Equivalents

		2022-2023	2021-2022	2020-2021
		Kshs.	Kshs.	Kshs.
NCBA	Operational Account No. 6492580017	1,619,154	4,646,274	169,355
	Fund Account No. 6492580025	161,469,808	149,546,387	150,993,714
Kenya Commercial Bank	Account No. 1143736508	44,045	50,150	55,390
Cooperative Bank of Kenya	Account No. 01136162765000	2,817	7,137	-
Cash on hand		-	-	13,566
Imprest		72,800	1,501,831	85,351
		163,208,624	155,751,780	151,317,376

Fund Account – The amounts relate to Treasury Bill that matured and was credited into the account at the close of the financial year and also levy collections awaiting investment.

19.16 Receivables' from Non-Exchange Transactions

The Fund charges a statutory management fee for companies placed under statutory management by the insurance regulator. The statutory management fee is paid within one month after the period to which it relates ends. The statutory management fee for June is therefore received in July.

	2022-2023	2021-2022
	Kshs.	Kshs.
Levy	9,093,028	1,198,887
Management fees	-	750,000
Total	9,093,028	1,948,887

At the closure of the financial year ending 30th June 2023, there were receivables on levy contribution which were accrued. Refer to Appendix II of this financial statements for detailed information.

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19.17 Investments

The Fund invests its surplus assets in Government Securities at the Central Bank of Kenya CDS Account No. 103903-1. During the year under review, the Fund's investments were placed in Treasury Bills and Treasury Bond that yielded an average interest rate of 11% as at 30th June 2023. The Fund's investments are measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding i.e Treasury bills and Treasury Bonds are stated at cost plus accrued interest.

Treasury bills & Treasury Bonds

	FY 2022-2023			FY 2021-2022		
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
	Treasury Bills Current Assets	Treasury Bonds Non- Current Asset	Total	Treasury Bills Current Assets	Treasury Bonds Non- Current Asset	Total
Treasury Bills/bond held at Cost	14,201,893,876	3,838,144,560	18,040,038,436	14,887,103,705	908,183,720	15,795,287,425
Accrued Interest on Treasury Bills & Bonds	555,695,103	41,807,192	597,502,295	511,108,084	18,090,816	529,198,900
Total	<u>14,757,588,979</u>	<u>3,879,951,752</u>	<u>18,637,540,731</u>	<u>15,398,211,789</u>	<u>926,274,536</u>	<u>16,324,486,325</u>

There was an increase in the period ending 30th June 2023 due to the additional surplus for investment from revenue collections during the period under review.

The Fund's Face Value of the Investments held at the Central Bank of Kenya was as follows;

	Face Value as at 30 th June 2023	Face Value as at 30 th June 2022
Treasury Bonds	3,831,200,000	912,000,000
Treasury Bills	15,730,700,000	16,250,500,000
	<u>19,561,900,000</u>	<u>17,162,500,000</u>

The Face value for FY 2022/23 are also supported by Central bank balance certificate issued on 10th July 2023.

19.18 Property, Plant & Equipment

	Computer	Office Furniture, Fittings & Equipment	Motor Vehicles	Server	Total
	33.3%	12.5%	25.0%	20%	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Cost					
At 1 July 2022	11,208,981	58,661,143	31,299,569	-	101,169,693
Additions	6,652,500	12,504,328	5,840,000	28,997,750	53,994,578
Disposal	-	-	-	-	-
At 30 th June 2023	17,861,481	71,165,471	37,139,569	28,997,750	155,164,271
Depreciation					
At 1 July 2022	6,306,081	2,053,487	4,983,162	-	13,342,730
Charge	4,306,172	8,634,713	9,041,559	4,349,663	26,332,106
Disposal	-	-	-	-	-
At 30 th June 2023	10,612,253	10,688,200	14,024,721	4,349,663	39,674,836
Net Book Value					
As at 30 th June 2023	7,249,228	60,477,272	23,114,848	24,648,087	115,489,434
As at 30 th June 2022	4,902,900	56,607,656	26,316,407	-	87,826,963

At the end of last financial year ending 30th June 2022, the Fund had capital commitments for assets whose procurement process was on going amounting to KShs. 198,077,510 out of which an amount of KShs. 70,077,510 was under Property, Plant & Equipment (PPE) and Intangible Asset (website development).

During the FY 2022/2023, the Fund has acquired tangible fixed assets worth 53,994,578 as per the above fixed assets schedule table. Out of this amount, assets worth KShs. 10,334,408.00 was financed from FY 2022/2023 Budget while KShs. 43,660,170.00 was financed from FY 2021.2022 Capital commitments.

Fixed assets worth KShs. 53,994,578 which were made up of;

- Computers - KShs 6,652,500 relates to purchase of laptops, surface pro, ipads and digital smart board for office use.
- Office furniture, fittings & equipment's totalling to KShs 12,504,328 relates to additional partitioning works at PCF new office premises, digital camera, scanners, assorted furniture and office equipment such as TV sets, shredders, IP Telephony and Biometric Access, work stations, orthopaedic chairs and executive office tables.
- One Motor Vehicle acquisition for office use at the cost of KShs 5,840,000 from CFAO Ltd.

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Server- The Fund also made payment of Kshs. 28,997,750.00 to Worldtech Computers Ltd for Supply, delivery, installation, Integration, configuration, testing, implementation, training, and commissioning of LAN Infrastructure at PCF Office premises vide contract number PCF/008/2021-2022. These were server and related costs and have been entered into the asset register and depreciated at 20%.

19.19 Intangible Assets

Cost	INTANGIBLE ASSETS	WORK IN PROGRESS	TOTAL
At 1 Jul 2022	1,131,624	13,456,000	14,587,624
Additions	21,466,861	4,915,580	26,382,441
Transfer	13,456,000	-13,456,000	-
At 30th June 2023	36,054,485	4,915,580	40,970,065
			0
Amortization			0
At 1 Jul 2022	314,309	-	314,309
Charge	2,054,104.15	-	2,054,104
At 30th June 2023	2,368,413	-	2,368,413
			-
Net Book Value			-
At 30th June 2022	817,315	13,456,000	14,273,315
At 30th June 2023	33,686,073	4,915,580	38,601,653

Intangible Assets payments worth Kshs. 26,382,441 were paid during the FY 2022/2023 which were made up of;

- Website Development Kshs. 1,976,541
- Claims Management System Kshs. 19,490,320
- Levy Collection and Reconciliation Management System 1st instalment of Kshs. 1,956,000 for Contract Price Kshs. 9,780,000.
- Electronic Document Management System 1st instalment of Kshs. 2,959,580 for Contract Price 14,797,900.

The Intangible assets acquired by the Fund have been entered in the asset register and amortized accordingly. At the closure of the financial year, there was Capital Work In progress of intangible nature for payments made for three contracts which were awarded in FY 2022/2023 whose implementation was on going for supply, delivery, integration, configuration, testing, implement training and commissioning of;

- Levy Collection and Reconciliation Management System Contract Price Kshs. 9,780,000, amount paid Kshs. 1,956,000.00
- Electronic Document Management System Contract Price Kshs. 14,797,900, amount paid Kshs. 2,959,580.00
- Integrated Security System Kshs. 1,995,200.00

The unpaid balances for the three contracts amounting to Kshs. 21,657,520 have been recognised as a liability in the financial statements. No amortization was charged.

19.20 Payables from Exchange Transactions

There were no pending bills relating to expenses/services whose rendering commenced during the period under review but not yet settled as at 30th June, 2023.

	2022-2023 (KShs.)	2021-2022 (KShs.)
Personnel emoluments	-	221,301
Total	-	<u>221,301</u>

19.21 Retention

The Fund retained monies from Appkings Solutions Ltd for two Information Technology Systems; installation of the Enterprise Resource Planning (ERP) and Claims Management System (CMS) upon completion of the projects. Retention monies shall be paid upon lapse of the defect's liability period.

Description	2022-2023 Kshs.	2021-2022 Kshs.
Asfia Investment		1,870,220
Tej Architects		900,000
Appkings Solutions Ltd-ERP	1,345,600	
Appkings Solutions Ltd-CMS	1,949,032	
Total	3,294,632	2,770,220

19.22 Other Liabilities

Other liabilities relate to Capital Work in Progress commitment of intangible contracts nature which were on going at the closure of the financial year. The outstanding commitments of the Fund whose implementation were on going at the closure of the financial year were as follows;

Supplier	Description	2022-2023 Kshs.	2021-2022 Kshs.
Authorised and contracted for;			
Appkings Solutions Limited	Enterprise Resource Planning (ERP) System	-	7,731,816
	Total	-	7,731,816

Note: Further details have been disclosed under note no. 19.18

19.23 Current Provisions

This relates to allocations provided for a service relating to the period under review but yet to be established. During the financial period under review, the Fund had an outstanding provision as per below table analysis. At the end of the previous financial year, the Fund had made a provision for external audit services fees and also compensation.

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This relates to allocations provided for a service relating to the period under review but yet to be established. At the end of the financial year 2022/2023 the Fund had an outstanding provision as per below table analysis supported by explanatory notes.

	2022-2023	2021-2022
	Kshs.	Kshs.
Outsourced Cleaning Services	-	1,028,861
Consultancies	1,495,000	4,802,990
Insurance	-	663,056
Seminars, Conference, Workshops	-	1,587,100
Hospitality and Office Refreshments	-	389,300
Office Stationery, Printing Etc.	-	978,460
Audit fees	-	400,000
Research-Advice on Policy (actuarial study)	-	3,000,000
Advertisement, Public Education and Publicity	180,000	1,830,250
Staff Welfare	-	602,600
Repairs & Maintenance	815,000	702,800
Compensation	353,175	250,000
Rental Expenses	-	1,647,493
Total	<u>2,843,175</u>	<u>17,882,909</u>

- **Consultancies**-At the closure of the financial period under review, the Fund had contracted a consultant to undertake the review of the Fund Strategic Plan. This exercise was not complete as at the reporting date.
- **Advertisement, Promotions & Publicity**- A provision for translation service of the service charter to sign language was made.
- **Repairs & Maintenance of Computers** provision for servicing, repair and maintenance of computers
- **Compensation**-Provision for compensation amount payable to three claimants whose claims were approved by the Board for payment but lacked banking details & other support documents for processing

Below is the summary of the current provision ledger;

Description	FY 2022-2023 (KShs.)
Balance b/f 1 st July 2022	17,882,909
Additional provisions	2,843,175
Provision utilised	(17,882,909)
Total provisions year end 30th June 2023	<u>2,843,175</u>

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19.24 Non-Current Provisions

This relates to allocations provided for a service relating to the period under review but yet to be established. This particular provision is for gratuity provision made on a monthly basis for services rendered by staffs to the Fund as required in the employment terms of service. The amount is cumulative from inception.

	2022-2023	2021-2022
	Kshs.	Kshs.
Gratuity Provision	19,330,164	5,088,454
Pension	-	442,601
Total	<u>19,330,164</u>	<u>5,531,055</u>

Below is an analysis of the non-current provisions;

Description	Gratuity Provision (KShs.)	Pension Provision (KShs.)	Total (KShs.)
Balance b/f 1 st July 2022	5,088,454	442,601	5,531,055
Additional provisions	14,241,710	-	14,241,710
Transferred to Pension Scheme		(442,601)	(442,601)
Total provisions year end 30th June 2023	<u>19,330,164</u>	-	<u>19,330,164</u>

19.25 Cash Generated from Operations

	Note	2022-2023	2021-2022
		Kshs.	Kshs.
Surplus for the period before tax		2,573,826,379	2,131,382,024
Adjusted for:			
Depreciation & Amortization	19.18 & 19.18	28,386,210	8,917,455
Working Capital adjustments			
Increase/Decrease in receivables	19.26	(9,654,991)	(401,869)
Increase/ Decrease in Payables	19.27	(1,461,927)	13,284,708
Net cash flow from operating activities		2,591,095,673	2,153,182,317

19.26 Changes in Operational Receivables

	2022-2023	2021-2022
	Kshs.	Kshs.
Receivables at the Beginning	1,948,887	1,547,018
Receivables at the End	11,603,878	1,948,887
Changes (Increase/Decrease)	<u>(9,654,991)</u>	<u>(401,869)</u>

19.27 Changes in Operational Payables

	2022-2023	2021-2022
	Kshs.	Kshs.
Payables at the beginning	23,635,266	10,350,558
Payables at the end (Provisions & Gratuity)	22,173,339	23,635,266
Operational Changes (Increase/Decrease)	<u>(1,461,927)</u>	<u>13,284,708</u>

19.28 Purchase of Property, Plant and Equipment

	2022-2023	2021-2022
	Kshs.	Kshs.
Computers	6,652,500	3,171,757
Office Furniture, Fittings & Equipment	12,504,328	58,142,000
Motor Vehicle	5,840,000	27,000,000
Server	28,997,750	-
Total	<u>53,994,578</u>	<u>88,313,757</u>

During the financial year 2022/2023, there was a decline in capital purchases compared to the previous financial year same period which have been explained under note number 19.19.

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19.28a Purchase of Property, Plant and Equipment

	2022-2023	2021-2022
	Kshs.	Kshs.
Purchase of Fixed Assets	53,994,578	88,313,757
Accrued Retention monies paid during the period	2,770,220	-
Accrued Retention	-	(2,770,220)
Total Purchase of Fixed Assets Paid	56,764,798	85,543,537

19.29 Purchase of Intangible Assets

This vote analyses the various expenditure incurred in acquisition of intangible assets as analysed in the table below;

Name of Intangible Asset	2022-2023	2021-2022
	Kshs.	Kshs.
Microsoft 365	-	1,131,624
Enterprise Resource Planning (ERP)	-	13,456,000
Website portal	1,976,541	
Claims Management System (CMS)	19,490,319	
Levy Collection and Reconciliation Management System (LCRMS)	1,956,000	
Electronic Documents and Records Management System (EDRMS)	2,959,580	
Total	<u>26,382,440</u>	<u>14,587,624</u>

During the financial year 2022/2023, there was an increase in capital purchases under intangible assets compared to the previous financial year same period which have been explained under note number 19.20.

19.29.a Purchase of Intangible Assets

	2022-2023	2021-2022
	Kshs.	Kshs.
Purchase of Intangible Assets	26,382,440	14,587,624
Accrued liability paid	7,731,816	-

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Retention Monies Accrued	(3,294,632)	
Accruals for the period		(7,731,816)
Total Purchase of Intangible Assets Paid	30,819,625	6,855,808

19.30 Changes in Investments

	2022-2023	2021-2022
	Kshs.	Kshs.
Investments at the Beginning of the Period	16,324,486,325	14,268,137,758
Investments at the End of the period	18,637,540,731	16,324,486,325
Changes (Increase/Decrease)	(2,313,054,405)	(2,056,348,567)

19.31 Fund Reserves

The Fund reserves comprises of accumulated surpluses of the Fund since the Fund's inception and Government grant of Kshs.35 million which was provided by the Government of Kenya as a seed capital. The grant was funded in two financial years, Kshs. 15 million in 2005/2006 and Kshs 20 million in 2006/2007. The grant was not refundable and was immediately invested.

	Fund Reserves
	Kshs.
As at July 1, 2022	16,550,149,969
Transfer to Staff Mortgage Scheme	(151,000,000)
Transfer to Staff Car Loan Scheme	(32,000,000)
Add Cumulative Surplus/ Deficit	2,571,315,529
As at 30th June 2023	18,938,465,498
Less Government Grant	35,000,000
Accumulated Surplus	18,903,465,498

19.32 Transfer to Staff Mortgage & Car Loan Schemes

Description	Account No.	Amount
Staff Mortgage	Cooperative Bank A/C No.01141162765000	151,000,000
Staff Car Loans	KCB Bank A/C No.1304427439	32,000,000
	Total	183,000,000.00

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19.33 Capital Commitments

During the financial year 2022/2023 under review, the Fund had outstanding capital commitments of Kshs. 21,657,520 whose implementation was on going at the end of the financial period under review were as follows;

Capital Commitments as at 30th June 2023			
Authorised and contracted for;			
	Supplier	Description	Amount (Kshs.)
Intangible Asset	Syntrex Ltd	Integrated Security System	1,995,200
	Kleptika Limited	EDRMS	11,838,320
	Asmaal Investment Company	LCRMS	7,824,000
		Total	21,657,520

This is further analysed as below;

	Supplier	Description	Status	Contract Price	Advance Payment made	Balance
1	Syntrex Limited	Provision of Integrated Security System	on going	1,995,200	0	1,995,200
2	Kleptika Limited	Supply and Delivery of EDRMS	on going	14,797,900	2,959,580	11,838,320
3	Asmaal Investment Company Limited	Supply and Delivery of Levy Collection & Reconciliation	on going	9,780,000	1,956,000	7,824,000
					Total	21,657,520

During the previous financial year, capital commitments outstanding at the closure of the financial year was made up of;

Capital Commitments as at 30th June 2022			
Authorised and contracted for;			
Asset Classification	Supplier	Description	Amount
Property, Plant and Equipment	Molineux General Supply Ltd	Laptops, Office Equipment Sets	2,350,500
	Worldtech Computers	LAN Infrastructure, server room and server equipment's	28,997,750

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Capital Commitments as at 30th June 2022			
Authorised and contracted for;			
Asset Classification	Supplier	Description	Amount
	Chemasir Supplies Ltd	Office Furniture	951,799
	Carrow Road Investment Ltd	Office Furniture	2,804,100
	Selhurst Engineering Ltd	Office Furniture	2,786,500
	Bahati Brathas Ltd	Purchase of Laptops	2,496,000
	Toyota Kenya Ltd	Motor Vehicles	5,840,000
	Asfia Investment Limited	Office Partitioning	2,384,000
Intangible Assets	Appkings Solutions Limited	Claim Management Solutions	19,490,320
	Techmate Solutions Limited	Web Portal Development	1,976,541
Mortgage	Co-Operative Bank	Mortgage	101,000,000
Car Loan	Kenya Commercial Bank	Car Loan	27,000,000
TOTAL			<u>198,077,510</u>

APPENDIX I: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor in the financial year ended 30th June 2022. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Failure to implement IFMIS e-procurement system	No integration with IFMIS. Beyond control of the Fund. No guidelines have been issued	Managing Trustee	Not Resolved	Unknown
2	Failure to develop Risk Management Policy	Risk Management Policy developed	Managing Trustee	Not Resolved	Draft Risk Management Policy was developed, awaiting approval.

Mr. Abudo Mamo

AG. MANAGING TRUSTEE

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APPENDIX II: RECEIVABLES

POLICYHOLDERS COMPENSATION FUND		
APPENDIX II		
RECEIVABLES AS AT 30TH JUNE 2023		
	Name of Insurer	Amount
1	Pioneer General Insurance	191
		2,468,038
2	Old Mutual Life Assurance Kenya	
		627,596
3	Old Mutual Life Assurance Kenya	
		1,025,861
4	Old Mutual Life Assurance Kenya	
5	Capex Life Assurance	173,442
6	AIG Kenya Insurance	23,791
7	Healthier K Micro Insurance	209,395
8	Geminia Insurance	495
9	APA Life	1,187,856
10	Pioneer General Insurance	376
11	APA Insurance General	324
12	Trident Insurance Company	465,926
13	Trident Insurance Company	1,425,058
14	Jubilee Life	252,634
15	Healthier K Micro Ins	7,278
16	Trident Insurance Company	1,224,768
	TOTAL RECEIVABLES	<u>9,093,028</u>

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APPENDIX III : PENALTIES COLLECTION

POLICYHOLDERS COMPENSATION FUND				
FY 2022/2023				
APPENDIX III				
PENALTIES COLLECTIONS SCHEDULE				
Ref	Name	Date	Mode	Amount
11061	Jubilee Medical	14/07/2022	EFT	200,000.00
11068	The Kenya Alliance	15/07/2022	441988	260,000.00
11239	Fredblack Insurance Brokers Ltd	05/10/2022	260875	12,000.00
11258	Richlands Insurance Brokers	19/10/2022	EFT	77,000.00
11259	MIK Insurance Brokers Limited	19/10/2022	EFT	77,000.00
11260	UMMA Insurance Brokers Limited	19/10/2022	EFT	26,000.00
11261	Sapon Insurance Brokers Limited	19/10/2022	EFT	27,000.00
11262	First Reinsurance Brokers Limited	19/10/2022	EFT	10,000.00
11263	Lalit Sodha Insurance Brokers Limited	19/10/2022	EFT	53,000.00
11264	Invesco	19/10/2022	45977	400,000.00
11264	Invesco	19/10/2022	EFT	990,000.00
11265	Unipolar Insurance Brokers Limited	19/10/2022	EFT	49,000.00
11279	Northridge Insurance Brokers Ltd	27/10/2022	3978	14,000.00
11280	Pistis Insurance Brokers Ltd	27/10/2022	11460	72,000.00
11303	Trident Insurance	31/10/2022	1186	17,521.00
11309	CIC General	31/10/2022	EFT	250,000.00
11311	Millenium Insurance Brokers	31/10/2022	Cash deposit	15,000.00
11312	Plan & Place Insurance Brokers	31/10/2022	Cash deposit	23,000.00
11313	Sasala Insurance Brokers Ltd	31/10/2022	9	54,000.00
11318	Equity Life Assurance Kenya ltd	14/11/2022	EFT	220,000.00
11319	Equity Life Assurance Kenya ltd	14/11/2022	EFT	680,000.00
11328	Metropolitan Cannon General	14/11/2022	EFT	500,000.00
11333	Intra Africa Insurance	14/11/2022	575	700,000.00
11335	The Monarch Insurance	14/11/2022	EFT	46,034.00
11337	The Monarch Insurance	15/11/2022	EFT	200,000.00
11347	Old Mutual Life	16/11/2022	EFT	680,000.00
11348	Xplico Insurance	16/11/2022	645698	380,000.00
11348	Xplico Insurance	16/11/2022	645860	380,000.00
11395	Trustmark Insurance Brokers Limited	30/11/2022	1503	64,000.00
11398	Acentria Insurance Brokers Limited	30/11/2022	EFT	125,000.00
11401	Waica Reinsurance Kenya Limited	30/11/2022	EFT	380,000.00
11403	Kenya Orient General	05/12/2022	5321	200,000.00
11408	The Monarch Insurance	13/12/2022	EFT	12,382.00
11411	Kenindia Penalty	14/12/2022	EFT	9,501.40
11418	Xplico Insurance	15/12/2022	646165	200,000.00
11463	Sanlam General Insurance Ltd	30/12/2022	EFT	210,000.00
11467	Intra Africa Assurance	30/12/2022	000599	600,000.00
11470	Soin Insurance Brokers	30/12/2022	142	58,000.00
11474	Amana Insurance Brokers	30/12/2022		160,000.00
11481	Kenya Orient General	12/01/2023	5336	4,213.00
11502	KUSCCO Mutual Assurance ltd	20/01/2023	24742	200,000.00
11506	Madison Life	25/01/2023	74916	200,000.00

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POLICYHOLDERS COMPENSATION FUND				
FY 2022/2023				
APPENDIX III				
PENALTIES COLLECTIONS SCHEDULE				
Ref	Name	Date	Mode	Amount
179	Xplico Insurance	10/02/2023	646776	70,418.00
180	Xplico Insurance	10/02/2023	646765	100,000.00
181	Xplico Insurance	10/02/2023	646760	100,000.00
270	Scoreline Insurance Brokers Ltd	16/02/2023	EFT	301,000.00
271	Paladin Insurance Brokers	16/02/2023	EFT	301,000.00
281	ICK Insurance Brokers	28/02/2023	CHQ 03375	237,000.00
282	Pacific Insurance brokers	28/02/2023	EFT	46,000.00
288	Johncele Insurance Brokers	3/14/2023	1793	210,000.00
297	Occidental Insurance	3/17/2023	16073	286,750.00
317	First Assurance	3/23/2023	EFT	376,156.00
321	Trident Insurance	3/27/2023	33166	177,234.00
329	Trident Insurance	03/09/2024	2450	19,626.00
331	Kenoki Insurance Brokers Ltd	3/22/2023	Cash	63,000.00
332	Microensure Insurance Brokers	03/02/2023	EFT	295,000.00
334	SC Insurance Brokers	03/08/2023	880	49,000.00
451	Pacis Insurance	23/05/2023		280,000.00
488	Getrio Insurance Brokers	30/05/2023		100,000.00
536	The Kenyan Alliance Insurance	23/06/2023	Chequ No. 442489	580,000.00
538	Verge Insurance Brokers	23/06/2023	Cheque	209,000.00
541	The Kenyan Alliance Insurance	18/05/2023	EFT	6,798.00
577	Crescent Insurance Brokers	30/06/2023	Cash	315,000.00
583	Victoria Insurance Brokers Ltd	30/06/2023	Cash	350,000.00
590	Select and Protect Insurance Brokers	30/06/2023	EFT	148,000.00
503	Pioneer General Insurance	30/06/2023		210,000.00
607	Bilmax Insurance Brokers	30/06/2023		330,000.00
30/06/2023	TOTAL			13,996,633.40

