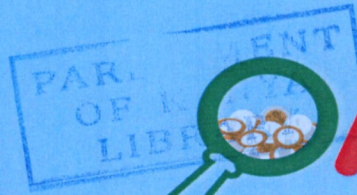


REPUBLIC OF KENYA



OAG



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 26 APR 2023	DAY:
TABLED BY:	Hon. Naomi Wago, M.P.
CLERK-AT THE-TABLE:	Deputy Majority Whip Christine Nderitu

REPORT

OF

THE AUDITOR-GENERAL

ON

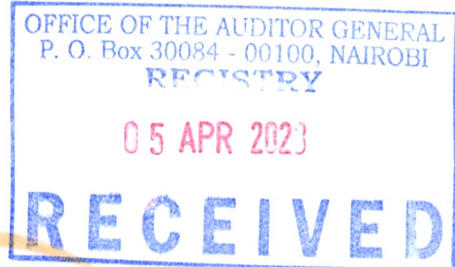
POLICYHOLDERS COMPENSATION FUND

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



POLICYHOLDERS COMPENSATION FUND

Dhamana Ya Bima Yako



POLICYHOLDERS COMPENSATION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
30TH JUNE 2022

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



**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

TABLE OF CONTENTS

LIST OF FIGURES	ii
LIST OF TABLES	iii
1.0 KEY ENTITY INFORMATION AND MANAGEMENT	iv
2.0 THE BOARD OF TRUSTEES	ix
3.0 MANAGEMENT TEAM.....	xiv
4.0 CHAIRMAN'S STATEMENT	xviii
5.0 STATEMENT OF THE MANAGING TRUSTEE.....	xx
6.0 STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/22.....	xxvii
7.0 CORPORATE GOVERNANCE STATEMENT	xxxii
8.0 MANAGEMENT DISCUSSION AND ANALYSIS	xliv
9.0 ENVIRONMENTAL AND SUSTAINABILITY REPORTING	lii
10.0 REPORT OF THE BOARD OF TRUSTEES	lv
11.0 STATEMENT OF THE BOARD OF TRUSTEES RESPONSIBILITIES.....	lvii
12.0 REPORT BY THE AUDITOR GENERAL	lix
13.0 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED	1
14.0 STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2022	3
15.0 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED.....	5
16.0 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 TH JUNE 2022.....	5
17.0 STATEMENT OF COMPARISON OF ACTUAL AND BUDGET AMOUNTS	8
18.0 NOTES TO THE FINANCIAL STATEMENTS.....	12
APPENDIX I: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATIONS	36
APPENDIX II: RECEIVABLES FROM NON -EXCHANGE TRANSACTIONS	37
APPENDIX III: PENALTIES ANALYSIS FOR FY 2021/2022.....	38



LIST OF FIGURES

Figure 1: Policyholders Compensation Fund Organization Structure.....	vii
Figure 2: PCF Asset base analysis.....	xx
Figure 3: Levy Collections Trend.....	xxii
Figure 4: PCF total revenue performance.....	xxiii
Figure 5: Investment Income Trend	xxiv
Figure 6: Expenditure Analysis	xxiv
Figure 7: FY 2021/2022 Budget.....	xlvi
Figure 8: Total Revenue Trend Analysis	xlix
Figure 9: Investment Income Compared to Previous Period	l
Figure 10: Revenues Distribution Analysis.....	l
Figure 11: Remuneration of Directors Expenditure Analysis	li
Figure 12: Total Expenditure Analysis	li



LIST OF TABLES

Table 1: Key Result Areas and Strategic Objectives.....	v
Table 2: Composition of Fiduciary Management.....	vi
Table 3: Compensation Claims Paid	xxv
Table 4: Performance of the Fund against strategic objectives.....	xxviii
Table 5: Composition of the Board of Trustees	xxxiii
Table 6: Attendance at FAC Meetings	xxxv
Table 7: Attendance at TPC Meetings.....	xxxvii
Table 8: Attendance at ARC Meetings.....	xxxix
Table 9: Board of Trustee Attendance Schedule.....	xl
Table 10: Breakdown of Compensation of Policyholder Claims	xlvi
Table 11: Board of Trustees Membership.....	lv

1.0 KEY ENTITY INFORMATION AND MANAGEMENT

1.1 Background Information

Policyholders Compensation Fund (PCF) also known as 'the Fund' is a State Corporation under the National Treasury & Planning that was 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.

1.2 Principal Activities

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

- a) Provide compensation to the 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 Minister 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.

1.3 Strategic Direction



1.4 Strategic Themes

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

- a) Compensation of policyholders
- b) Resolution of insurers under distress
- c) Financial sustainability of the compensation fund
- d) Institutional capacity

Table 1: Key Result Areas 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 Fund's governance.
	Attract, develop and retain competent staff.
	Strengthen internal systems and processes.
	Acquisition of own office premises.

1.5 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 a Managing Trustee who carries out the daily operations of the Fund. Thus, the Managing Trustee oversees the operation of the Fund and is responsible to the Board of Trustees.

PCF has the following directorates and departments;

- a) Corporate Services Directorate
- b) Compensation & Insurance Risk Monitoring Directorate
- c) Statutory Management & Liquidation Directorate
- d) Internal Audit Directorate
- e) Legal Services Directorate
- f) Supply Chain Management Department
- g) Research, Strategy & Planning Department

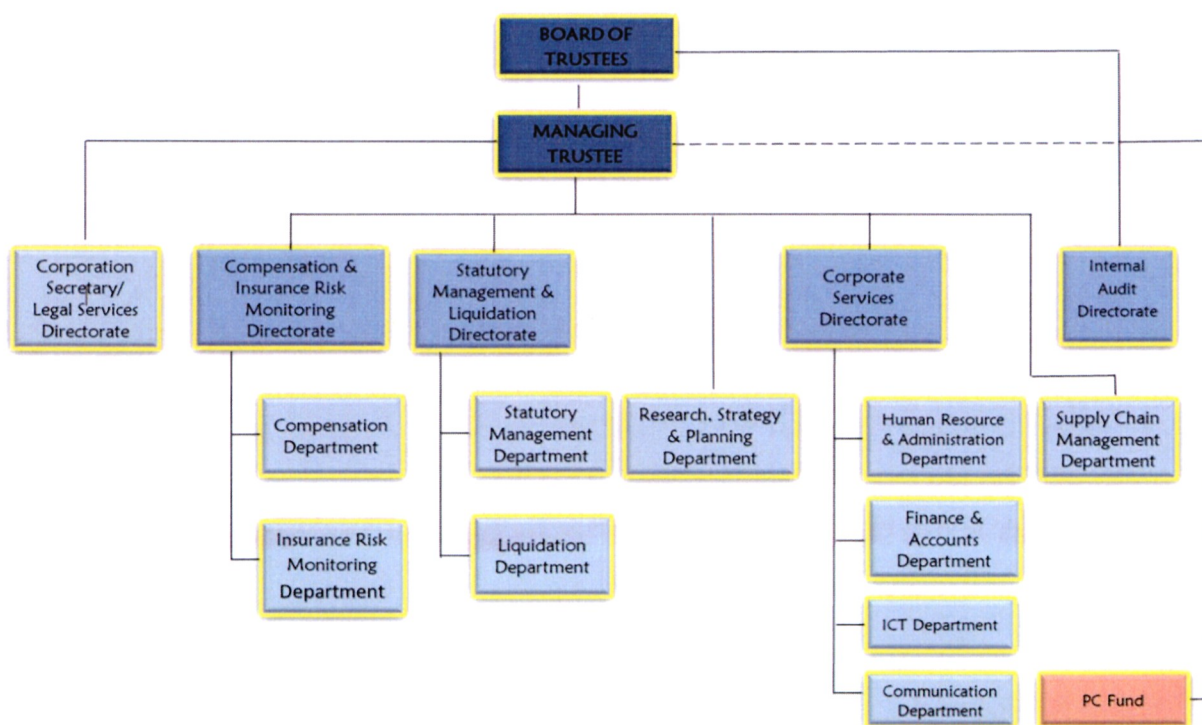
1.6 Fiduciary Management

Fiduciary responsibility vests with the Managing Trustee as prescribed under Section 179 (5A) of the Insurance Act. The management of the day to day operations of the Fund are managed under the leadership of the Managing Trustee under the delegated responsibility of the Board of Trustee together with the management team of the Fund. The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

Table 2: Composition of Fiduciary Management

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

Figure 1: Policyholders Compensation Fund Organization Structure



1.7 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 Committee and the Finance and Administration Committee 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.

1.8 Head office

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

1.9 Contacts

Telephone: (+254)020 4996236/7/8
 Email: info@pcf.go.ke
 Website: www.pcf.go.ke

1.10 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) Investment Banker

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000-00200

Nairobi, Kenya

1.11 Independent Auditors

The Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P. O. Box 30084 -00100

Nairobi, Kenya

1.12 Principal Legal Advisor

The Attorney General

State Law Office

Harambee Avenue

P. O. Box 40112 - 00200

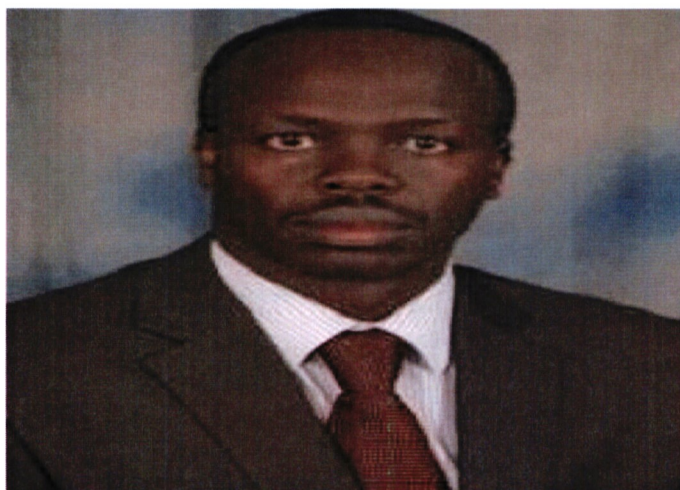
Nairobi, Kenya

2.0 THE BOARD OF TRUSTEES



FCPA Muthoni Wangai
Board of Trustees Chairperson

FCPA Muthoni Wangai was appointed the Chairperson of the Board of Trustees on 1st October 2021. She is a former Commissioner at the Independent Electoral & Boundaries Commission (IEBC) and is a Fellow of the Institute of Certified Public Accountants of Kenya. She holds an MBA in Finance from the University of Leicester and Bachelor of Commerce from the University of Nairobi. She is currently a management consultant.



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.



Ms. Alice Nzioka
Trustee

Ms. Alice Nzioka was appointed as the alternate to the Commissioner of Insurance and Chief Executive Officer of the Insurance Regulatory Authority on 22nd July, 2016 where she served until 22nd December 2021. She has over 25 years' experience in the insurance industry.



Ms. Lydia Ochako
Trustee

Ms. Lydia Ochako was appointed as a the representative of the Attorney General to the Board of Trustees on 17th July 2020. 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 alumnus 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. 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. He is an entrepreneur and businessman with over 21 years' experience in the freight and logistics sector.



Dr. Ben Kajwang
Trustee

Dr. Ben Kajwang was appointed effective 21st February 2022 to represent insurance brokers. He is currently the Director and CEO of the College of Insurance and the President of the African Insurance Organizations. Dr. Kajwang' is also 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.



Ms. Grace Aswani
Trustee

Ms. Grace Aswani was appointed to the Board of Trustees representing insurers on 17th September 2021 and served until 5th November 2021.



Ms. Edna Atisa
Trustee

Ms. Edna Atisa was appointed to the Board of Trustees on 5th May 2021 as a representative of the Cabinet Secretary for the National Treasury & Planning. She served until 9th March 2022. Ms. Atisa holds a Master's Degree in Economics, Bachelor of Arts in Economics and Postgraduate Diploma in Education all from the University of Nairobi. She is an economist with vast experience in economic policy formulation and implementation and is a member of the Economics Society of Kenya.



Mr. Halkano Haro
Trustee

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



Mr. William Masita
Managing Trustee & Secretary to the Board

Mr. William Masita was appointed as the Managing Trustee and Secretary to the Board on 27th August, 2020 vide Kenya Gazette Notice No.6782 dated 9th September 2020. He has over 20 years' experience in Risk Management, Internal Audit, Budgets, Corporate Finance, IT Audit, Enterprise Risk Management, Auditing, Financial Audits, Internal Controls, Accounting, COSO, Financial Accounting, Financial Analysis, Financial Reporting, Financial Risk, IFRS, Management, Managerial Finance in the private and public sectors.

3.0 MANAGEMENT TEAM



Mr. William Masita
Managing Trustee

Mr. William Masita is a Master of Business Administration (Strategic Management), a Master of Science in Information Systems, a Bachelor of Arts in Economics, a Certified Public Accountant, A Certified Secretary, a Certified Internal Auditor and a Certified Information Systems Auditor. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Internal Auditors (IIA) and Information Systems Audit & Control Association (ISACA).



Mr. Abudo Mamo
Director Corporate Services

Mr. Abudo Mamo is 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 is 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).



Ms. Hope Keah
Deputy Director, Finance & Accounts

Ms. Hope Keah is 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) and the Institute of Certified Secretaries (ICS).



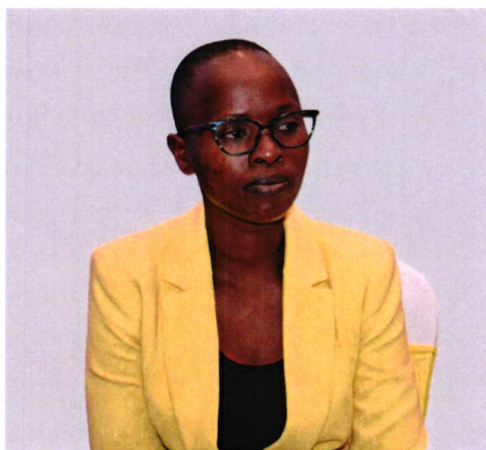
Mr. Martin Kamau
Deputy Director, Internal Audit

Mr. Martin Kamau is 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 is 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' is 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 is 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 is a Master of Science in Procurement & Contract Management and a Bachelor of Business Management in Purchasing & Supply Chain Management. He is a member of the Kenya Institute of Supplies Management (KISM)



**Mr. Bernard Rotich
Deputy Director, ICT**

Mr. Bernard Rotich is 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).

4.0 CHAIRMAN'S STATEMENT

I am pleased to present the annual report and financial statements for Policyholders Compensation Fund for the financial year ending 30th June 2022 as per the requirements of section 221 of the Public Financial Management Regulations, 2015. We are proud of the milestones being achieved in actualizing our mandate of compensation of policyholders in the face of internal and external challenges that affect the insurance industry at large.

The Fund is at the forefront in providing an essential service to all policyholders in the insurance industry and at large for socio-economic development of our country. As we reflect on our performance for the financial year under review, it is also a time to review the challenges affecting implementation of our strategic plan as required.

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. We are committed to ensuring that the Fund's obligations, roles and responsibilities to our various stakeholders are fulfilled through sound corporate governance practices. Trustees and Management perform their duties with impartiality, honesty, transparency, accountability, professionalism, integrity, care and due diligence and act in good faith to the best interests of the public.

During the financial year 2021/2022, the Fund reviewed and approved various work place policies. This exercise, which was extensively informed by gaps that existed, the need to streamline its processes, procedures for effective service delivery and to provide the necessary disclosure, transparency and accountability and fulfil the requirements of the law. In addition, during the reporting period, the Board approved the Fund's quarterly reports and financial statements for the financial year under review and submitted them to the National Treasury & Planning within required timelines.

Performance contracting remains key in implementation of the Fund's strategic plan (2020-2024) and the Board of Trustees commits in steering the Fund towards achieving the set targets through provision of oversight and policy direction during implementation of the strategic objectives of the Fund. The Fund's Performance Contract represents the basis for continuous performance improvement that meets the needs and expectations of our stakeholders. The purpose of performance contracting is to establish the basis for ensuring that efficient and effective services are delivered to Kenyans in line with the provisions of the Constitution. The Fund has adopted systems that enable innovativeness and adaptability of public services to the needs of our stakeholders. The Board of Trustees have embraced Performance Contracting as a demonstrated means of performance management especially in enhancing service delivery. Specific roles undertaken by the Board towards effective and efficient performance contracting include;

- a) Development and formulation of yearly performance targets.
- b) Negotiation of the performance contract with the National Treasury & Planning.

- c) Signing of the Performance Contract.
- d) Cascading of the signed contract to top management.
- e) Monitoring of the implementation of the Performance Contract by receiving quarterly reports from management.
- f) Approval and submission of reports on implementation of the PC.

Going forward, the Fund will remain focused on strategies that will enable it to achieve its core mandate. The focus will be ensuring that the Fund has the internal capacity to deliver its mandate and that all the key results areas, strategic objectives and key performance indicators are well aligned to the expected outcome at the end of the contract period. Other priority areas of the Fund will include provision of incentives for sound Risk Management Framework, effective communication and public awareness activities, strengthening the compensation fund target value, enhancing the scope of coverage, pursuing an appropriate compensation structure, enhancement of cooperation with the other key stakeholders and alignment of the Fund's operations to international best practice.

I take this opportunity to record my sincere gratitude to all our stakeholders, especially our parent ministry the National Treasury & Planning and other key stakeholders, for their continued support as we execute our mandate. I also wish to appreciate my colleagues in the Board, Management and staff for their invaluable contribution and dedication in supporting the Fund's mandate. I look forward to even more fruitful engagements in the next financial period.



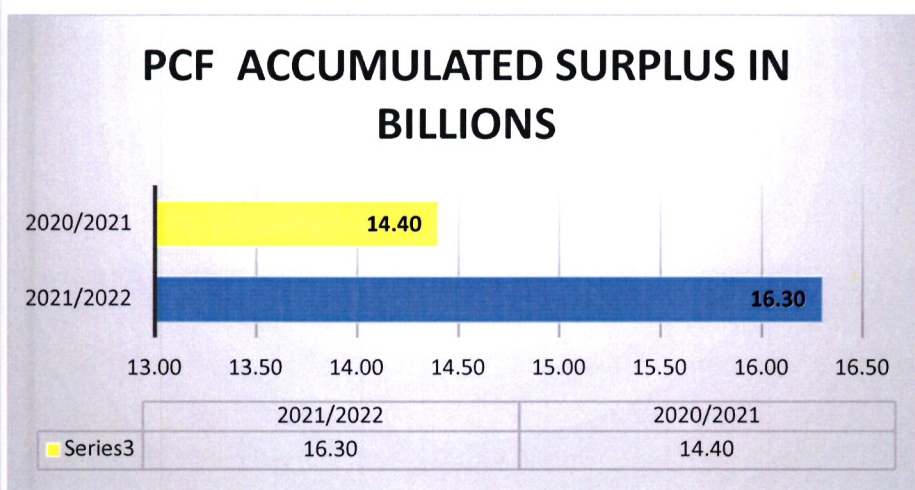
Mr. Reuben Ndegwa
FOR CHAIRPERSON, BOARD OF TRUSTEES

5.0 STATEMENT OF THE MANAGING TRUSTEE

5.1 Background

It is my pleasure to present the Annual Report and Financial Statements of the Policyholders Compensation Fund for the year ended 30th June 2022. During the financial year under review, the Fund witnessed a growth of its asset base by 15.1% to KShs.16.3 billion as shown in Figure 2. 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.

Figure 2: PCF Asset Base Analysis



To ensure the Fund remains focused on providing services to all policyholders, 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's other major achievements during the financial year under review include;

- a) Finalization and launch of the Strategic Plan (2020-2024),
- b) Compensation of policyholder claimants of Resolution Insurance Co. Ltd, Concord Insurance Co. Ltd and Standard Assurance Co. Ltd,
- c) Leasing of the new office premises and partitioning of the same,
- d) Approval of various work place policies and procedure manuals,
- e) Recruitment of additional staffs who joined the Fund during the financial year and others to join in the upcoming financial year
- f) Training and development of the Fund's staffs and

- g) Investments in information technology systems implementation to enhance service delivery through procurement of Enterprise Resource Planning (ERP) system, Local Area Network infrastructure installations, and also the procurement of a Claims Management.

Towards the end of the financial year under review, the Fund embarked conducting a research on most appropriate resolution and compensation models and appropriate treatment of unexpired risk premiums for troubled insurers. This is a multiyear project and will be completed in FY 2022/2023.

5.2 Mandate

5.2.1 Compensation of Policyholders

The key mandate of the Fund is to provide compensation to claimants of an insurer that has been put under Statutory Management or whose license has been cancelled. Compensation of policyholders of insurers under statutory management and those in liquidation was commenced in FY 2020/2021 through processing for compensation of policyholder claims of Concord Insurance Co. Ltd. This was progressed in FY 2021/2022 by compensating policyholder claimants of Concord Insurance Co. Ltd, Standard Assurance Co. Ltd and Resolution Insurance Co. Ltd. As at 30th June 2022, the status of processing of policyholder claims was as follows:

- a) Concord Insurance Co. Ltd – we had received and registered ninety-three (93) claims. Out of these, we paid forty-two (42) claims cumulating to a total of KShs. 8,275,900.00. Nineteen (19) claims remain rejected while others were undergoing verification.
- b) Standard Assurance Co. Ltd – we received and registered fourteen (14) claims. Three (3) claims amounting to KShs.600,000.00 were verified and paid. The rest were still undergoing verification and approval for compensation at the closure of FY 2021/2022.
- c) Resolution Insurance Co. Ltd – the insurer was placed under statutory management by the Commissioner of Insurance on 5th April 2022. As at 30th June 2022, we had received and registered four hundred and twelve (412) policyholder claims and processed two hundred and eighty (280) of these. Out of these, eighty-three (83) claims with an absolute quantum of KShs. 15,262,846.40 were verified and paid.

Other initiatives geared towards achievements of the Fund’s compensation mandate were as follows:

- a. Policyholders Compensation Guidelines and Procedures were developed.
- b. The Compensation Claim Form was revised and forwarded for gazettelement through the Insurance Regulatory Authority.
- c. A consultative meeting with Matatu Owners Association was held to enhance uptake of compensation for Standard Assurance Ltd.
- d. A media briefing was held to improve public awareness and the uptake of compensation

5.2.2 Statutory Management

Part of the Fund’s mandate is to participate in statutory management of insurers. This is through appointment of the Fund as the statutory manager of insurers in distress. In FY 2021/2022, the Fund was the appointed statutory manager of United Insurance Co. Ltd, Blue Shield Insurance Co. Ltd and Resolution Insurance Co. Ltd. The resolution processes of Blue Shield Insurance Co. Ltd and United Insurance Co. Ltd is at an advanced stage with winding up applications for the two (2) insurers still undergoing court consideration.

5.3 Board and Management of the Fund

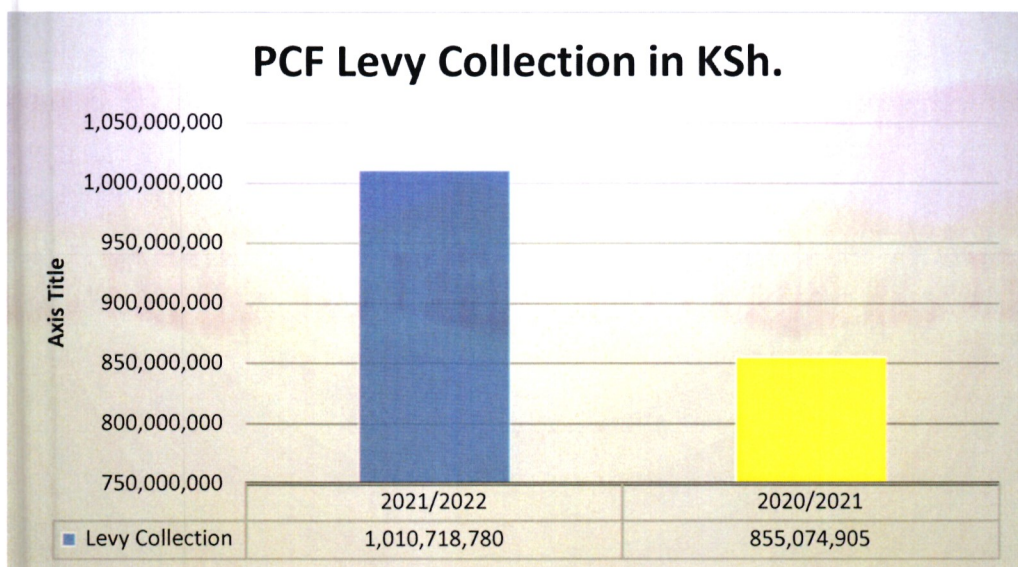
The Fund is administered by the Board of Trustees which has delegated the day to day operations to the Managing Trustee. The composition of the Board of Trustees is stipulated in the Insurance Act. There are eight (8) members including the Managing Trustees who is an *ex officio* member. The Board is now fully constituted.

5.4 Collection of Levies and Penalties

The Fund’s primary mandate is the payment of compensation. Funds for this purpose are collected from a statutory levy that is calculated at 0.5% of the insurance premiums paid to an insurer. In addition, the Fund also collects penalties charged either by itself or the Insurance Regulatory Authority (IRA) on insurers defaulting on specific sections of the Insurance Act.

During the financial year under review, there was a 15% increase from KShs. 855.1 Million to KShs. 1billion in levy collections due to increase in insurance premiums volumes during the year under review, a reflection of the growth of the insurance industry.

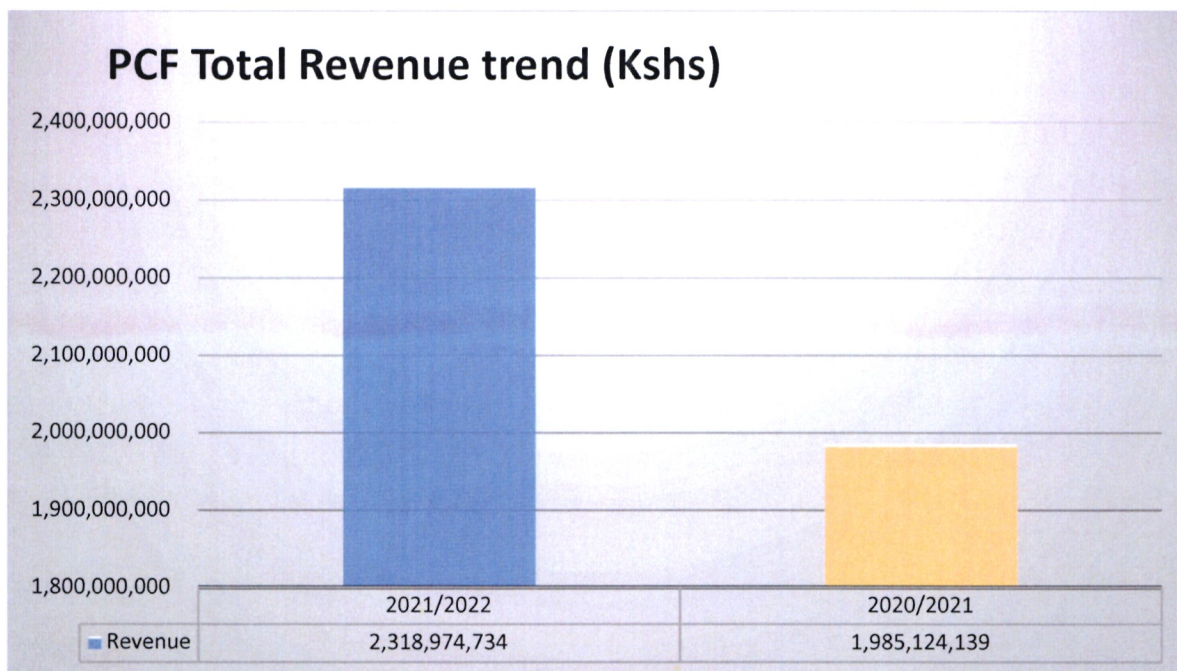
Figure 3: Levy Collections Trend



5.5 Total Revenue

Total income comprises of levy collections, penalties, statutory management fee and other miscellaneous receipts. During the FY 2021/2022, there was an increase in total revenue collection by 17% compared with FY 2020/2021.

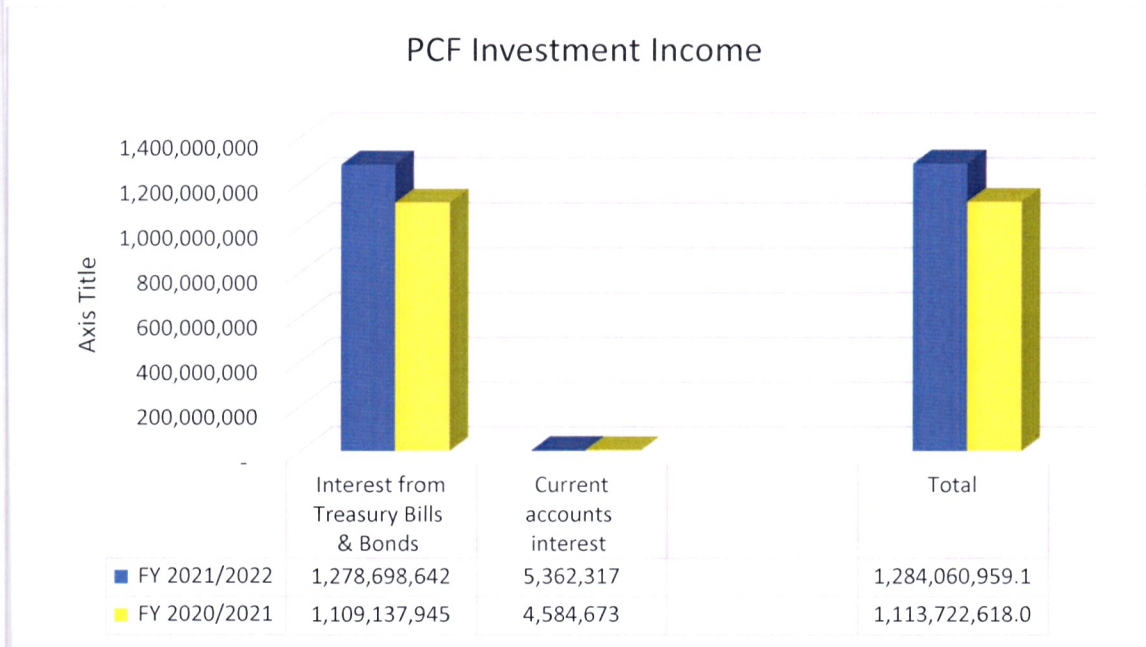
Figure 4: PCF total revenue performance



5.6 Investments

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 in accordance with guidelines issued by the National Treasury & Planning. During the year under review, the Fund generated an investment income of KShs. 1,284,060,959 in FY 2021/2022 up from KShs 1,113,722,618 in FY 2020/2021 by investing its reserves in Treasury Bills. This represents 15% growth from the previous year amount which comprised of interest accrued from Treasury Bills and Bonds of KShs 1,278,698,642.13 and KShs. 5,362,316.90 from interest earned from Current accounts. This upward trend is primarily due to the growth of the reserves available for investment.

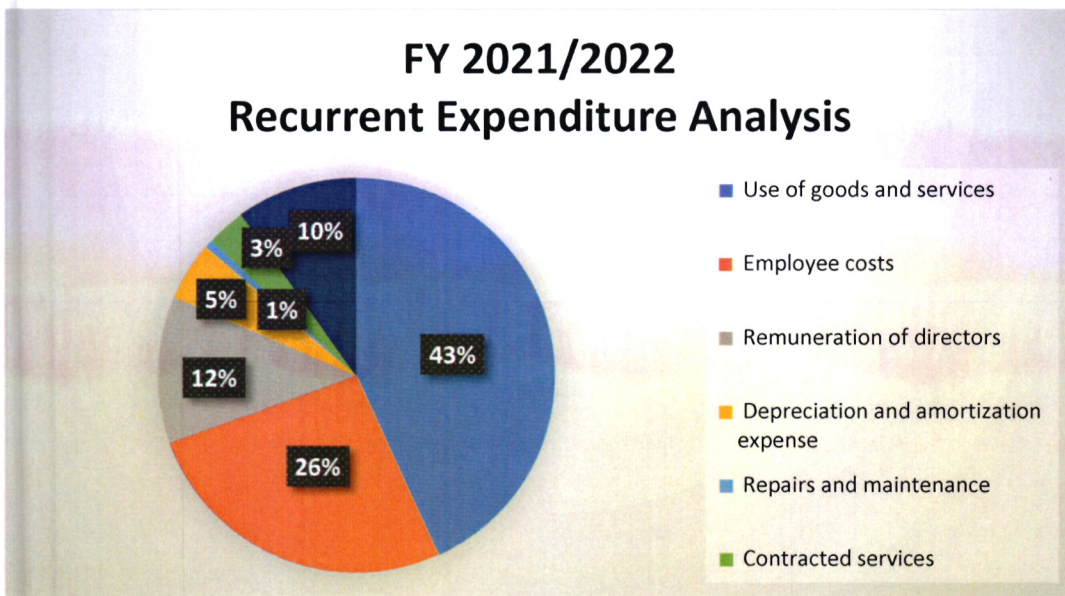
Figure 5: Investment Income Trend



5.7 Administration Expenses

During the financial year ending 30th June 2022, the Fund’s administrative expenses increased by 225% to KShs. 187.6 million compared to KShs. 57.8 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 6: Expenditure Analysis



5.8 Net Asset Value

The upshot of the increased revenues and maintained expenditure is a notable 10% growth net surplus of the Fund translating to KShs. 2.1 billion. This in turn grew the Fund's reserves to KShs. 16.3 Billion in the financial year 2021-2022 from KShs. 14.4 billion in the previous financial year. The Fund is keen on maintaining this growth performance in order to ensure financial sustainability that is key to enabling it fulfil its mandate of paying claimants effectively.

5.9 Strategic Partnerships

Fostering strategic partnerships is key in ensuring the Fund has the necessary support to enable it undertake its mandate. In this regard, the Fund maintained partnerships with the Insurance Regulatory Authority (IRA), Kenya Deposit Insurance Corporation (KDIC), Office of the Official Receiver and the International Forum for Insurance Guarantee Schemes (IFIGS).

5.10 Achievements

The following are some of the specific achievements made by the Fund:

a) Protection of claimants;

- i) During FY 2021/2022, the Fund received, recorded, and verified a total of 517 claims from which one hundred and twenty-eight (128) met the requisite conditions and were paid a cumulative amount of KShs. 24,138,746.40. These were, forty-two (42) claimants of Concord Insurance Company Ltd, three (3) claimants of Standard Assurance Company Ltd and eighty-three (83) claimants of the Resolution Insurance Co. Ltd.

Table 3: Compensation Claims Paid

Insurer	Number of Claims	Total Amount
Concord Insurance Co. Ltd	42	8,275,900.00
Standard Assurance Co. Ltd	3	600,000.00
Resolution Insurance Co. Ltd	83	15,262,846.40
Total	128	24,138,746.40

- ii) Under statutory management, various periodic updated reports on statutory management on all activities of the Statutory Manager were prepared and submitted to the Board, preservations of assets of insurers placed under statutory management and budgets for insurers under statutory management were deliberated by the approved by the Board.

b) Corporate governance - activities related to enhancement of corporate governance at the Fund were as follows:

- i) Performance evaluation of the Board of Trustee by State Corporations Advisory Committee (SCAC).
- ii) Improved corporate governance by having a properly constituted Board of Trustees making it more independent; and

- iii) A governance audit for the Fund was concluded and a report presented to the Board at its retreat held from 28th to 31st March 2022. Implementation of the recommendations in the audit report has commenced.
- iv) The following charters and Board governance instruments were developed and approved by the Board:
 - ✓ Board of Trustees Charter
 - ✓ Technical & Policy Committee Charter
 - ✓ Finance & Administration Committee Charter
 - ✓ Audit & Risk Committee Charter
 - ✓ Board Competency Development and Training Needs Assessment Tool
 - ✓ Governance Compliance Matrix
- c) **Performance Contracting** – the following activities related to performance contracting were undertaken during the reporting period:
 - i). Quarterly reports on implementation of the FY 2021/2022 Performance Contract were submitted to the Public Service Performance Management & Monitoring Unit (PSPMMU), Inspectorate of State Corporations, National Treasury & Planning and specialized agencies.
 - ii). Officers from PSPMMU trained Management on performance contracting and the best practices in performance Management.
- d) **Resourcing/ Fund Management** – Growth of the Fund currently to about KShs. 16.3 billion as at 30th June 2022 from seed capital of KShs. 35 million in 2005.

5.11 Conclusion

I take this opportunity to appreciate the continued support of the Board of Trustees, Management, Staff and Stakeholders towards achievement of the Fund's mandate. The Fund will continue to undertake its mandate diligently to ensure that insurance claimants will be adequately protected thereby contributing to the industry development through promotion of confidence.



Mr. William Masita
MANAGING TRUSTEE

6.0 STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

In line with Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 which requires the accounting officer to include in the financial statement, a statement of the National Government Entity's performance against predetermined objectives. Below is the performance of Policyholders Compensation Fund.

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;

- a) Compensation of policyholders
- b) Resolution of insurers under distress
- c) Financial sustainability of the compensation fund
- d) 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 for
- 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 2021/2022 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	Key Performance Indicators	Activities	Actual Achievement
1 Compensation of Policyholders	To Protect Policyholders Interest and Promote Confidence and Stability in the Insurance Industry	Implementation of Compensation Guidelines and Procedures Manual Revised Compensation Claim Form Adoption of best practices in compensation and resolution Verification and payment of compensation claims	Develop compensation procedures and guidelines Revise the Compensation claim form Benchmark with Industry best practices - KDIC. Continuous verification, recommendation/rejection, forwarding for approval of all lodged claims of Concord Insurance Co. Ltd, Standard Assurance Co. Ltd and Resolution Insurance Co. Ltd Sensitize the General Public of ongoing payment of claims through a compensation event and media adverts	Compensation Guidelines and Procedures have been developed. Claim form revised and submitted for gazette through IRA. Benchmarking of best practices in compensation and statutory management was done at KDIC. Verification and Payment process was undertaken for policyholders claims of Concord Insurance Co. Ltd, Standard Assurance Co. Ltd and Resolution Insurance Co. Ltd. <ul style="list-style-type: none"> Sensitization forums held between the Fund and media houses, matau owners and boda boda operators. Public notice on registration of claims for the Standard Assurance Co. Ltd and Resolution Insurance Co. Ltd were issued through Newspapers and media adverts.

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

	Strategy	Objective	Key Performance Indicators	Activities	Actual Achievement
2	Resolution of insurers	To manage a insurers under statutory management	Preservation of assets of companies under statutory management	<ul style="list-style-type: none"> Audit of the land Assets of United Insurance Co. Ltd Place cautions on the land parcels of UIC 	<ul style="list-style-type: none"> Audit of land assets is completed. The implementation of the recommendations is ongoing. Cautions were placed on all land assets of the insurer.
				Prudent investment of resources, preservation of cash	Financial assets of UIC and BSIL have been invested at the best possible interest rate in the market.
				Prepare annual budgets for insurers under statutory management	Budgets for FY 2022 for UIC and BSIL already prepared and approved by the Board.
				Prepare Quarterly Reports of all companies under statutory management to the Board and IRA	Statutory Management Quarterly reports were prepared and submitted.
			MoU Between IRA and PCF	Develop, and implement a Memorandum of Understanding with IRA on sharing of information	MoU between PCF and IRA prepared awaiting final approval.
			MoU Between Official Receiver and PCF.	Develop, and implement a Memorandum of Understanding with Official Receiver on Winding up/liquidation of insurers	MoU between PCF and OR prepared awaiting final approval.
3	Fund Sustainability	To mobilize financial resources	Levy collection enhancement and investment	Undertaking levy collection and investments of the Fund's assets	Levy collections and investment was undertaken
4		Recognition and Reward Policy	Recognition and Reward Policy	Develop recognition and reward policy	Policy developed and approved for implementation

Public Order Commission Limited
Annual Report and Financial Statements
For the Year Ended 30th June 2022

Strategy	Objective	Key Performance Indicators	Activities	Actual Achievement	
Strengthening Institutional Capacity	To attract and retain competent employees	Performance Management Tool	Develop and rollout the Performance Management Tool	Performance Management Tool was developed and in use.	
		Work place policies	Development of ADA prevention policy, HIV Mainstreaming, Disability Mainstreaming, Complaints Handling, Gender Mainstreaming	Policies developed and approved	
	To enhance service delivery	Stakeholders' engagement through launch of the Strategic Plan	Undertake stakeholders' sensitization of the Strategic Plan through its launch	Launch of the Strategic Plan (2020-2024) was held on 9 th June 2022.	
		Implemented ERP	Development of ERP system	Functional ERP is in place	
		Adoption and implementation of ICT Policy	Development of ICT Policy	ICT policy in place.	
		Adoption and implementation of ICT Strategic Plan	Development of ICT Strategic Plan	ICT strategy developed	
	To enhance service delivery	ICT skills	Conduction training needs assessment of PCF staff on ICT skills, profiling of the findings, development of training schedule and conducting the training.	Needs assessment done and training schedule developed. Training was undertaken	
		Aligning stakeholders to the PCF Vision	Media Training and Media Calls/Meeting	Media training was undertaken	
		Public awareness and enhancement of the corporate		<ul style="list-style-type: none"> Planting of trees in marginalised areas, 	<ul style="list-style-type: none"> CSR Events implemented. 500 Trees planted in Kajjado

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

Strategy	Objective	Key Performance Indicators	Activities	Actual Achievement
		<p>image and reputation of PCF through CSR activities on planting of 500 Trees, Report on CSR activities in Schools in Marginalised areas</p> <p>Execution and adherence to Citizen Service Delivery Charter</p> <p>Adherence to Occupational Safety & Health Policy</p> <p>Implementing the recommendations of Usability and Accessibility Audit report</p>	<ul style="list-style-type: none"> Development of school administration block in a marginalized area. Review the Citizens Service Delivery Charter. Cascade the Citizens Service Delivery Charter <p>Develop and implement Occupational Safety & Health Policy</p> <p>Undertake accessibility and usability audit of the office premise</p>	<p>County - Kimana Girls Secondary School</p> <ul style="list-style-type: none"> Contributed towards development of an administration block for Ambassador Primary School in Marsabit. <p>Review of the service charter was done.</p> <p>Policy developed and approved. Implementation on-going</p> <p>Usability and accessibility audit undertaken. Recommendations are being implemented.</p>

7.0 CORPORATE GOVERNANCE STATEMENT

The Board comprises of eight (8) members. The members are from different professional backgrounds and there is therefore diversity of competencies and skills required for the effective leadership of the Fund.

The Board fulfils its fiduciary responsibility to the stakeholders by maintaining 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 financial, operational and compliance issues, it has delegated 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.

To enhance corporate governance of the Fund leadership and operations, the Fund contracted a consultancy to conduct governance audit whose findings were shared with the Board of Trustees and implementation of its recommendations commenced.

During the year under review, the Board held six (6) sessions comprising of four (4) regular meetings, one (1) special meetings and one (1) retreat.

7.1 Board Composition

The management of the Fund vests in the Board of Trustees, which, following the enactment of the Insurance Amendment Act, 2019 is constituted as follows:

- a) A Chairman, appointed by the Cabinet Secretary;
- b) The Commissioner of Insurance or a representative appointed in writing;
- c) The Cabinet Secretary responsible for matters relating to finance or a representative appointed in writing;
- d) The Attorney-General or a representative appointed in writing;
- e) One (1) person nominated by the body representing the interests of insurers;
- f) One (1) person nominated by insurance brokers;
- g) One (1) person representing the general public appointed by the Cabinet Secretary; and
- h) The Managing Trustee as an ex-officio member.

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

Table 5: Composition of the Board of Trustees

Name	Membership	Representation
FCPA. Muthoni Wangai	Chairperson	Independent (appointed on 6 th October 2021)
Mr. Godfrey Kiptum	Trustee	Commissioner of Insurance
Ms. Alice Nzioka	Trustee	Alternate to Commissioner of Insurance until 22 nd December 2021.
Mr. Reuben Ndegwa	Trustee	Representative of general public (appointed on 18 th September, 2018 to 17 th September 2021 and reappointed from 21 st February 2022.
Ms. Edna Atisa	Trustee	Was an alternate to the Cabinet Secretary for the National Treasury & Planning from 5 th May 2021 to 9 th March 2022.
Mr. Halkano Haro	Trustee	Alternate to the Cabinet Secretary for the National Treasury & Planning (appointed on 10 th March 2022)
Ms. Lydia Ochako	Trustee	Representative of the Attorney-General (appointed on 7 th July 2020).
Mr. Thomas Gichuhi	Trustee	Representative of the insurers effective 21 st February 2022
Mr. Ben Kajwang'	Trustee	Representative of the insurance brokers from 21 st February 2022.
Ms. Grace Aswani	Trustee	Ms. Grace Aswani was appointed on 17 th September 2021 until 5 th November 2021. She was representing the insurers.

As at 30th June, 2022, the Board of Trustees was fully constituted. Members of the Board hold office for a period of three years and are eligible for re-appointment for a further one (1) term. 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.

7.2 Board Committees

The Board has delegated its authority to standing committees to enable it effectively carry out its mandate. Further, the Board Charter grants the liberty to establish such ad hoc committees as required to deal with any matters requiring focused attention. The Board has created three (3) standing committee's namely; The Finance and Administration Committee, Technical and Policy Committee and Audit and Risk Committee. Each Committee has its own Charter setting forth the purposes, goals and responsibilities as well as qualifications for membership and operational procedures. The Charters also guide the various committees in their

deliberations. Deliberations and recommendations of the Committee are presented to the full Board for consideration.

The committees meet at least four (4) times in a year or at such times as the Chairman of the committee shall require. All Board Committees cumulatively held sixteen (16) meetings (13 regular meetings and 3 special meetings) in the financial year 2021/2022.

The activities of the committees are described in the paragraphs below.

7.2.1 Finance & Administration Committee

The Finance and Administration Committee is appointed to assist the Board in fulfilling its responsibilities with regard to the Fund's financial planning, management, evaluating investment decisions, operations and all transactions in which the Fund engages in order to deliver on its mandate. Terms of reference of the Committee are as set out in the Finance & Administration Committee (FAC) Charter. The Committee, through the delegated authority of the Board of Trustees handles oversight matters related to financial risk, financial policy, financial planning, financial monitoring, financial performance, ICT, Corporate Communication and human resource and administration matters.

The Composition of the Committee was as follows during FY 2021/2022 with members holding office at different times:

- a) Ms. Alice Nzioka
- b) Mr. Reuben Ndegwa
- c) Ms. Lydia Ochako
- d) Ms. Edna Atisa
- e) Mr. Godfrey Kiptum
- f) Dr. Ben Kajwang'
- g) Mr. Halkano Huqa
- h) Mr. William Masita

During the reporting period, the Committee held six (6) sessions comprising of five (5) regular meetings and one (1) special meeting. The Managing Trustee provided secretariat services for all these sessions. Ms. Lydia Ochako chaired the Committee sessions from 1st July 2021 to 31st March 2022. Thereafter Mr. Reuben Ndegwa chaired the Committee from 1st April 2022 until the closure of FY 2021/2022.

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

- a) Mr. Godfrey Kiptum from 23rd December 2021. He exited the committee with effect from 1st April 2022.
- b) Dr. Ben Kajwang with effect from 1st April 2022.
- c) Mr. Reuben Ndegwa with effect from 1st April 2022.
- d) Mr. Halkano Huqa with effect from 11th April 2022.

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

- a) Ms. Alice Nzioka with effect from 23rd December 2021.
- b) Ms. Edna Atisa with effect from 11th April 2022.
- c) Mr. Reuben Ndegwa with effect from 1st October 2021. He rejoined the Committee on 1st April 2022.
- d) Mr. Godfrey Kiptum with effect from 1st April 2022.

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

Table 6: Attendance at FAC Meetings

	Member	Number of Meetings Attended
1.	Ms. Alice Nzioka	3
2.	Mr. Reuben Ndegwa	3
3.	Ms. Lydia Ochako	6
4.	Mr. Edna Atisa	4
5.	Mr. Halkano Huqa	0
6.	Mr. Godfrey Kiptum	1
7.	Dr. Ben Kajwang	1
8.	Mr. William Masita	6

*Following their appointment of Mr. Huqa there were no Committee sessions held for the remaining period of the financial year.

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

- a) Finance Policy and Procedures Manual;
- b) Quarterly financial reports;
- c) Revised and proposed budgets; and
- d) Human Resource Instruments

In particular, the following were the key activities considered by the Committee on implementation of human resource instruments which were undertaken during the year:

- a) Recruitment of key vacant positions
- b) Funds Car loan and mortgage loan policy and guidelines
- c) Consideration for the Club membership for senior staff
- d) Establishment of staff retirement benefits scheme
- e) Engagement of staff on short term contracts
- f) Board of trustees training plan for FY 2021/2022
- g) Implementation plan for human resource instruments
- h) Conversion of staff to the new organization structure
- i) Recruitment plan for positions advertised on 5th April 2022
- j) Engagement of staff on short term contracts
- k) Progress report on recruitment of staffs

The Committee considered the following other reports:

- a) Board Work plans - the Committee considered Board Work Plan for FY 2021/2022 in detail before recommending to the Board. This was approved and submitted to the National Treasury & Planning and the State Corporations Advisory Committee (SCAC).
- b) Board training plans - the Committee considered the Board Training Plan for FY 2021/2022 and revisions thereof and recommended it to the Board for approval. Arising from the work plan, Trustees attended seven (7) training sessions during the year. The Board Training Plan for FY 2022/2023 will be finalized once the approved budgets are received from the National Treasury & Planning.
- c) Consolidated annual procurement and disposal plans - the Consolidated Annual Procurement and Disposal Plan for FY 2021/2022 and revisions thereof were considered by the Committee and subsequently approved by the Board. The Consolidated Annual Procurement and Disposal Plan for FY 2022/2023 will be finalized once the approved budgets are received from the National Treasury & Planning.

7.2.2 Technical & Policy Committee

The Technical & Policy Committee responsibility is to review the technical and policy related aspects of the Fund to ensure it operates within statutory and best practice requirements. This Committee acts as an advisory committee for the Fund, and is responsible for inter alia, providing strategic, technical, advisory and operational services, advising on implementing the Fund's strategy, considering broad business management issues, monitoring internal controls and risk management, monitoring compliance with all regulatory and legal requirements, and advising on measures to be taken regarding performance of the Fund.

The Composition of the Committee was as follows during FY 2021/2022 with members holding office at different times:

- a) Ms. Alice Nzioka
- b) Mr. Reuben Ndegwa
- c) Ms. Lydia Ochako
- d) Mr. Edna Atisa

- e) Ms. Grace Aswani
- f) Mr. Godfrey Kiptum
- g) Mr. Thomas Gichuhi
- h) Dr. Ben Kajwang
- i) Mr. William Masita

The Committee held seven (6) meetings during the reporting period. Five (5) meetings were regular while one (1) meeting was special. The Managing Trustee, Mr. William Masita 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 7: Attendance at TPC Meetings

	Member	Number of Meetings Attended
1.	Ms. Alice Nzioka	4
2.	Mr. Reuben Ndegwa	4
3.	Ms. Lydia Ochako	5
4.	Mr. Edna Atisa	3
5.	Ms. Grace Aswani	1
6.	Mr. Godfrey Kiptum	2
7.	Mr. Thomas Gichuhi	1
8.	Dr. Ben Kajwang	1
9.	Mr. William Masita	6

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

- a) Ms. Edna Atisa with effect from 28th August 2021;
- b) Ms. Grace Aswani with effect from 12th October 2021;
- c) Mr. Godfrey Kiptum with effect from 23rd December 2022;
- d) Mr. Thomas Gichuhi with effect from 1st April 2022; and
- e) Mr. Ben Kajwang with effect from 1st April 2022.

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

- a) Mr. Grace Aswani with effect from 4th November 2021;
- b) Ms. Alice Nzioka with effect from 23rd December 2021;
- c) Ms. Lydia Ochako with effect from 1st April 2022; and

d) Ms. Edna Atisa with effect from 1st April 2022.

In the FY 2021/2022, the Committee 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 of these three (3) insurers. Other achievements of the committee in the financial year include development of the Compensation Guidelines and Procedures 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 2021/2022, the following reports and policies were deliberated and approved by the Board:

- a) Various periodic reports on statutory management – these are periodic status reports on statutory management that provides update to the Board on all activities of the Statutory Manager.
- b) Budgets for insurers under statutory management – the budgets of insurers under statutory management were deliberated by the Committee and subsequently approved by the Board.
- c) Terms of service for staff in the Office of the Statutory Manager – this policy document was deliberated by the Committee and approved by the Board. Its implementation has commenced and was monitored in FY 2021/2022.
- d) Towards preservations of asset of the Insurers, investigations were initiated on on Fraudulent Transfer of Kwale/Shimoni Adj/388 And Kwale/Shimoni Adj/389 owned by United Insurers. The Statutory manager published in the Kenya Gazette the notice for reconstruction of Green cards for Land parcels of United Insurance located in Kajiado. Verification of titles is ongoing.
- e) Report on repair works at Blue Shield Towers – this report was deliberated on by Board and its recommendations were forwarded to the Commissioner of Insurance.
- f) Strategic Plan implementation

During the financial year, the Committee provided oversight in implementation of the Strategic Plan by reviewing management quarterly reports to the committee. The reports were forwarded to the Board for adoption. Rolling of the Strategic Plan to various stakeholders was undertaken through the Launch of the Strategic Plan on 9th June 2022.

The 2021/2022 Performance Contract was developed, negotiated with National Treasury and Planning, and reviewed by Public Service Performance Management & Monitoring Unit and signed by our Cabinet Secretary for implementation. The Committee provided oversight in implementation of the Contract to enhance service delivery. Quarterly progress reports were

received and recommended to the Board of Trustees for approval and subsequent forwarding of the reports to relevant agencies.

7.2.3 Audit & Risk Committee

The role of the committee is oversight of integrity of the financial statements of the Fund, performance of internal and external auditors and compliance with legal and regulatory requirements.

The role of the Audit and Risk Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to internal control systems, accounting policies and practices, internal and external audit functions, tax matters, as well as relevant Fund financial reporting and the management of risk within the Fund. It also oversees the Fund's financial reporting statements, as well as assessing any potential operational or systemic risks, which the Fund might face.

The Committee held four (4) meetings during the reporting period. Three (3) meetings were regular meetings while one (1) meeting was special. Trustees who served the Committee during these period with members holding office at different times were:

- a) Edna Atisa
- b) Lydia Ochako
- c) Alice Nzioka
- d) Godfrey Kiptum
- e) Thomas Gichuhi
- f) Halkano Haro
- g) Reuben Ndegwa

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

Table 8: Attendance at ARC Meetings

	Member	Number of Meetings Attended
1	Ms. Alice Nzioka	2
2.	Mr. Reuben Ndegwa	1
3.	Ms. Lydia Ochako	4
4.	Mr. Edna Atisa	3
5.	Mr. Godfrey Kiptum	2
6.	Mr. Thomas Gichuhi	1

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

	Member	Number of Meetings Attended
7.	Mr. Halkano Huqa	0

The committee as of 1st July 2021 had the following members;

- a) Ms. Lydia Ochako
- b) Mr. Reuben Ndegwa
- c) Ms. Alice Nzioka
- d) Ms. Edna Atisa

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

- a) Ms. Grace Aswani with effect from 17th September 2021
- b) Mr. Godfrey Kiptum from 23rd December 2021.
- c) Mr. Thomas Gichuhi with effect from 1st April 2022.
- d) Mr. Halkano Huqa with effect from 11th April 2022.

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

- a) Mr. Reuben Ndegwa with effect from 1st October 2021.
- b) Ms. Grace Aswani with effect from 5th November 2021
- c) Ms. Alice Nzioka with effect from 23rd December 2021.
- d) Ms. Edna Atisa with effect from 11th April 2022.

The Audit and Risk committee had the following members as of 30th June 2022.

- a) Mr. Thomas Gichuhi - Chairman
- b) Ms. Lydia Ochako
- c) Mr. Godfrey Kiptum
- d) Mr. Halkano Huqa

7.2 Board Meetings Attendance

During the financial year 2021/2022, the Board of Trustees held a total of six (6) meetings; four (4) regular and two (2) special, while the Committees of the Board held a total of sixteen (16) meetings.

Attendance by individual members for the period is tabulated below:

Table 9: Board of Trustee Attendance Schedule

Trustee	Board Meetings		Committee Meetings	
	Held	Attended	Eligible	Attended
Muthoni Wangai	6	5	N/A	N/A
Godfrey Kiptum	6	3	16	5
Alice Nzioka	6	2		9
Reuben Ndegwa	6	2	16	8

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

Trustee	Board Meetings		Committee Meetings	
	Held	Attended	Eligible	Attended
Edna Atisa	6	4	16	10
Halkano Haro*	6	2		0*
Grace Aswani*	6	N/A	16	1*
Thomas Gichuhi	6	3		2*
Bernard Kajwang'	6	3	16	2*
Lydia Ochako	6	6	16	16
William Masita	6	6	16	16

*Following the appointment of Mr. Halkano, there were no Committee sessions held for the remaining period of the financial year.

*The late Grace Aswani attended one meeting before her demise.

*Dr. Ben Kajwang, Mr. Thomas Gichuhi and Mr. Halkano Haro were appointed towards the end of the financial year.

7.3 Statement of Compliance

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 by the principles of good corporate governance. The Fund continues to comply with all statutory requirements relevant to its operations as a body corporate and complies with relevant Government circulars issued from time to time.

In preparing the financial statements, compliance with the PFM Act, 2012, the PFM Regulations 2015 and the State Corporations Act has been ensured. Further, the financial statements have been prepared in accordance with accrual-basis under the International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB). The accounting policies adopted were consistently applied to all the years presented. This Accrual basis of accounting has been supplemented with accounting for;

- a) Receivables that include levy relating to the financial year under review, statutory management fees, and outstanding imprests.
- b) Payables that include sundry suppliers' provisions made as at the end of the financial year.
- c) Capital commitments for goods and services whose procurement was ongoing at the closure of the financial year.

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

7.4 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 objectives.

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.

7.5 Board Remuneration

The Board is remunerated in accordance with the approved terms and conditions of service prescribed under Government Circular Number OP/CAB.2/12A (9) of 14th August 2006. 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 Board sessions.

7.6 Board Evaluation

The performance of the Board and its members is evaluated on a regular basis. During the FY 2021/2022, a Board evaluation exercise was carried out under the guidance of the State Corporations Advisory Committee (SCAC) for FY 2020/2021. Individual performance of the members was discussed with the Board Chairman and areas of improvement noted for action.

7.7 Secretary to the Board

The Managing Trustee is the Secretary to the Board who co-ordinates Board activities and ensures, 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.

7.8 Management of 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 Chairperson 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 assessment by the Board of whether 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 Trustees to declare any conflict of interest on agenda items presented for deliberation. This confirmation is recorded in a register.

8.0 MANAGEMENT DISCUSSION AND ANALYSIS

8.1 Fund Overview

The Fund's key mandate is to protect insurance consumers through the provision of compensation to claimants of insurers placed under a manager appointed under section 67C (2) or whose license has been cancelled under the Act, participate in statutory management of insurers placed under statutory management and undertake liquidation as appointed by the Court.

8.2 Governance

The Board of Trustees is fully constituted. To enhance governance role of the Board, the Fund contracted a consultant to conduct a governance audit during the financial year under review whose findings were presented to the Board for adoption and recommendations implemented. Board evaluation was also conducted by State Corporations Advisory Committee (SCAC) for FY 2020/2021. In addition, the Board also approved various governance instruments such as Board charter, Board committee charter, Board annual work plan, Board annual Training Plan which has enhanced governance of the Fund.

8.3 Research, Strategy & Planning

During the Financial Year 2021/2022 The Fund developed the Performance Contract and observed its implementation through submission of quarterly reports to National Treasury and Planning, Public Service Performance Management and Monitoring Unit and Specialised Agents.

The Fund Strategic Plan was reviewed and aligned to the new organization structure. The Plan was launched by the Cabinet Secretary Amb. Ukur Yatani on 9th June 2022. In the Fund's quest to implement the Strategic Plan, FY2021/2022 Corporate Annual workplan was formulated and implemented. Management prepared and submitted quarterly reports to the Board

During the year, the Fund commenced conduct of research on best Statutory Management and Compensation models, including determination of treatment of unexpired risk premiums. This is a multiyear project and will be completed in FY2022/2023.

8.4 Human Resource & Administration

During the reporting period, progress in staff matters as follows:

- a) Office fit-out: Fit-out works at KWFT Centre completed. The Fund relocated to the new building effective 1st April 2022.
- b) HR Policy Instruments reviewed and approved by the State Corporations Advisory Committee and concurrence for implementation given by the National Treasury & Planning:
 - i) Organization Structure – The structure has been fully implemented.
 - ii) HR Policy & Procedures Manual – Implementation on-going

- iii) Staff Establishment – Recruitment of 14 positions completed. Further recruitment of other 13 positions on-going.
- iv) Grading Structure -All in-post have been converted to the new structure and subsequent recruitments followed the new structure.
- c) The following staff benefits were developed and approved for implementation:
 - i) Club Membership
 - ii) Car Loan Scheme
 - iii) Mortgage Loan Scheme
 - iv) Contributory Pension Scheme
- d) The Human Resource and Administration department coordinated development and approval of the following workplace policies:
 - i) Alcohol & Drug Abuse Prevention Policy
 - ii) Prevention of HIV & Aids Mainstreaming Policy.
 - iii) Gender Mainstreaming Policy.
 - iv) Sexual & Gender Based Violence Prevention Policy.
 - v) Disability Mainstreaming Policy.
 - vi) Road Safety Mainstreaming Policy.
 - vii) Complaints Handling Management Policy.
 - viii) Occupational Safety & Health Policy.
 - ix) Talent Management & Succession Planning Policy.
- e) Training and Development: Training needs for the year 2021/2022 were developed, approved, and implemented (eligible employees attended a skills course lasting not less than five (5) days.
- f) The Human Resource Management Advisory Committee (HRMAC) established and operationalized. Its main purpose is to advise the Managing Trustee on issues relating to staff.
- g) Performance Management: The department coordinated setting of annual targets for all staff and end of year appraisal of the same.

Opportunities planned for implementation in subsequent financial years are

- a) Workload analysis needs to be conducted to inform optimal workload and increase team productivity.
- b) Skills gap audit needs to be done to establish gaps that could hinder the execution of the Fund's Mandate.
- c) Employee satisfaction survey needs to be prioritized so as to inform measures to be taken towards retaining highly competent talent.

8.5 Supply Chain Management

The Board of Trustees approved the Annual Procurement Plan for FY 2021/2022 for the Fund amounting to KShs. 208,905,000. Total Annual Procurement for the FY2021/2022 was KShs. 164,840,293.19 including AGPO of KShs. 27,940,516.00 and Local content of KShs. 159,000,293.19.

Other activities related to procurement were as follows:

- a) Supply Chain Policy and Procedure Manual- Development of supply chain policy and procedure manual approved by the board.
- b) Mandatory Reporting for AGPO and Local Content
 - i) First Quarter, Second Quarter and Third Quarter has been submitted and reported to relevant authorities, National Treasury and Planning, Public Procurement Regulatory Authority and Ministry of Industrialization and Trade and Enterprise Development.
 - ii) Fourth Quarter Reporting is due on 15th July 2022.
- c) Training of AGPO - Sensitization of reserved group on access to 30% of government procurement opportunity for youth, women and PWD was undertaken in collaboration with IRA at College of Insurance.
- d) Registration of Suppliers for FY 2022/2023- Supply Chain Management Department undertook registration of suppliers for FY 2022/2023 which is currently used to procure goods and services. Continuous Registrations for AGPO categories was undertaken and updated in the supplier list.

8.6 Compensation

The Fund planned to commence the payment of compensation during the year subject to the passing of the Insurance Amendment Bill, 2019 which contained a proposal to bring forward the trigger of compensation to when an insurer is placed under a manager appointed under section 67C (2) or whose license has been cancelled under the Act.

To this end, the Fund had an approved budgetary provision of KShs.1 billion. Following the enactment of the Insurance Amendment Act 2019 in January, 2020, a Taskforce to review and align its compensation framework to the new law was constituted and its recommendations were approved at the end of the financial year. PCF started the process of compensating the claimants since the legal huddles have been overcome.

In FY 2021/2022, the Fund received, recorded, and verified a total of 517 claims from which 128 met the requisite conditions for payment and the Fund managed to compensate a total of 128 claims (one hundred and twenty-eight), 42 (forty-two) claimants of Concord Insurance Company Ltd, (three) 3 claimants of Standard Assurance Company Ltd and (eighty-three) 83 claimants of the Resolution Insurance Company Ltd with the total quantum of KShs. 24,138,746.40 as tabulated in the table below.

Table 10: Breakdown of Compensation of Policyholder Claims

Insurer	No. claims	Total Amount
Concord Insurance Co. Ltd	42	8,275,900.00
Standard Assurance Co. Ltd	3	600,000.00
Resolution Insurance Co. Ltd	83	15,262,846.40
Total	128	24,138,746.40

Claims amounting to KShs. 5,630,420.00 had been provided for in the previous financial year 2020/2021. The Fund also developed the Compensation guidelines and procedures, carried out a benchmarking activity with Kenya Deposit Insurance Corporation (KDIC), also had

several stakeholders' engagements with Matatu Owner Association of Kenya, Kenya Healthcare Federation and Association of Insurance brokers of Kenya (AIBK). In addition, the Fund submitted the Compensation Claim Form to the Commissioner of Insurance (Form C1) for gazettelement

8.7 Statutory Management

The Fund is currently the appointed Statutory Manager of three (3) insurance companies namely Blue Shield Insurance Co. Ltd, United Insurance Co.Ltd and Resolution Insurance Company. It is important that the process of statutory management is efficient and effective and results in an objective resolution. Informed by the Fund's recommendations, winding up applications for the two insurers were filed and are currently being heard at the High Court.

During the FY 2021/2022, the Fund as the Statutory manager performed the following activities as the statutory manager of the three (3) insurers:

- a) Prepared investment schedules of Insurers Under Statutory Management.
- b) Prepared the FY 2022/2023 budgets for companies under statutory management.
- c) Undertook budget revisions for the FY 2021/2022 for companies under SM.
- d) Prepared quarterly reports for Insurers Under Statutory Management.
- e) Formed an of asset disposal committee which guided on the retention of the storage facility and disposal of loose assets of United insurance Co.Ltd.
- f) Took up the Statutory management role of Resolution Insurance Co. Ltd upon appointment by the Commissioner
- g) Undertook the closure of branches and securing of assets of Resolution Insurance Company Ltd.
- h) Formulated and implemented a Strategy of organising the Standard Assurance Co. Ltd files at Reinsurance Plaza storage facility.
- i) Facilitated the inspection and preparation of a report into the renovation of Blue Shield towers.
- j) Monitoring of Insurers Under Statutory Management through monthly meetings.
- k) Preparation of Quarterly reports on companies under statutory management to the Board and commissioner of Insurance

8.8 Liquidation

The Fund began compensating claimants of Concord Insurance Co. Ltd and Standard Assurance Co. Ltd following the appointment of the Official Receiver as the Provisional Liquidator of the Insurer.

8.9 Information and Communication Technology

During the Financial Year 2021/2022y, the Fund ICT department planned several activities which were achieved within the stipulated schedule and workplan such as;

- a) The draft ICT Strategy and ICT Policy were approved by the board of Trustees for adoption and approval.
- b) The department facilitated the procurement of ERP system as well as user requirements gathering, designing, testing, implementation, and training of users. The reviews and

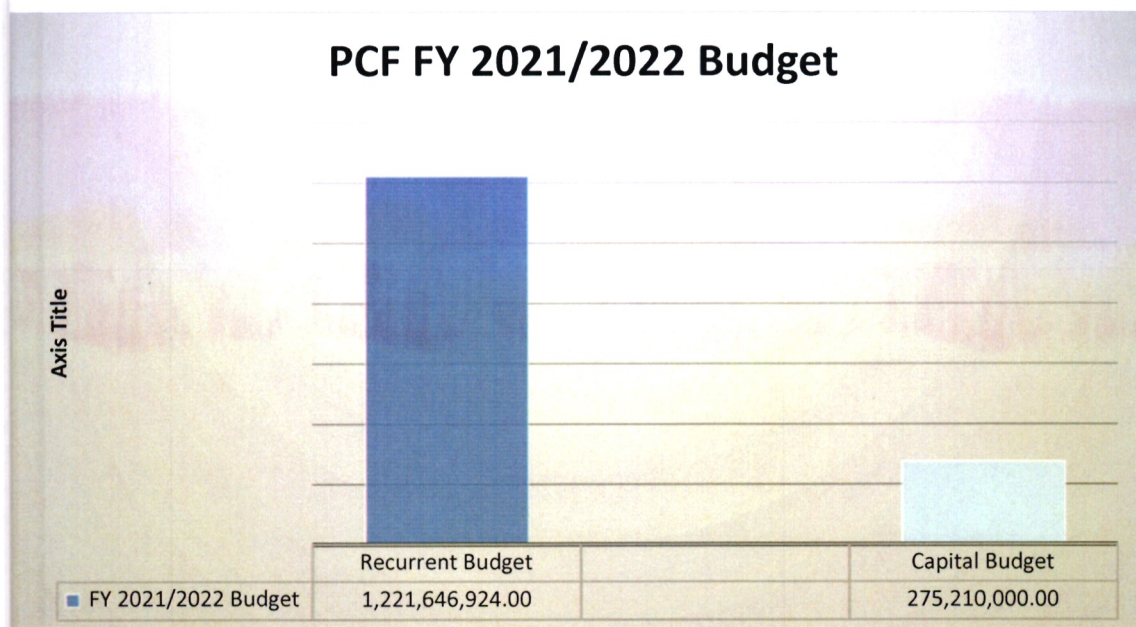
adjustments on processes and workflows on the same were ongoing at the close of the Financial Year 2021-2022.

- c) All staff were facilitated with the ICT tools/devices to enable them deliver services
- d) The Procurement of ICT Infrastructure for the new offices was done, which comprised of the IP Telephony system, commenced, and we envisaged Surveillance system, Biometric access controls and Local Area Network devices to facilitated access to internet connectivity.
- e) Revamping of PCF website was done with additional functionalities and features being incorporate into the new design to allow for a wider coverage of services to be access online.
- f) The Claims Management System was procured, and an award was issued to a consultant who will undertake the process of full implementation of the system as per the identified requirements.

8.10 Budgeting

The Fund's financial year 2021/2022 initial total approved budget was KShs.1,336,306,924 comprising of recurrent budget KShs.1,201,796,924 and non-recurrent (capital) of KShs.134,510,000. This budget was revised upwards in quarter three by KShs.166,800,000 (26,100,000 recurrent and 140,700,000 non-recurrent) and downwards by KShs.6,250,000.00. Total revised approved budget is now KShs.1,221,646,924.00 recurrent expenditure and KShs.275,210,000.00 capital expenditure. FY 2021/2022 total budget amount is KShs. 1,496,856,924.00.

Figure 7: FY 2021/2022 Budget



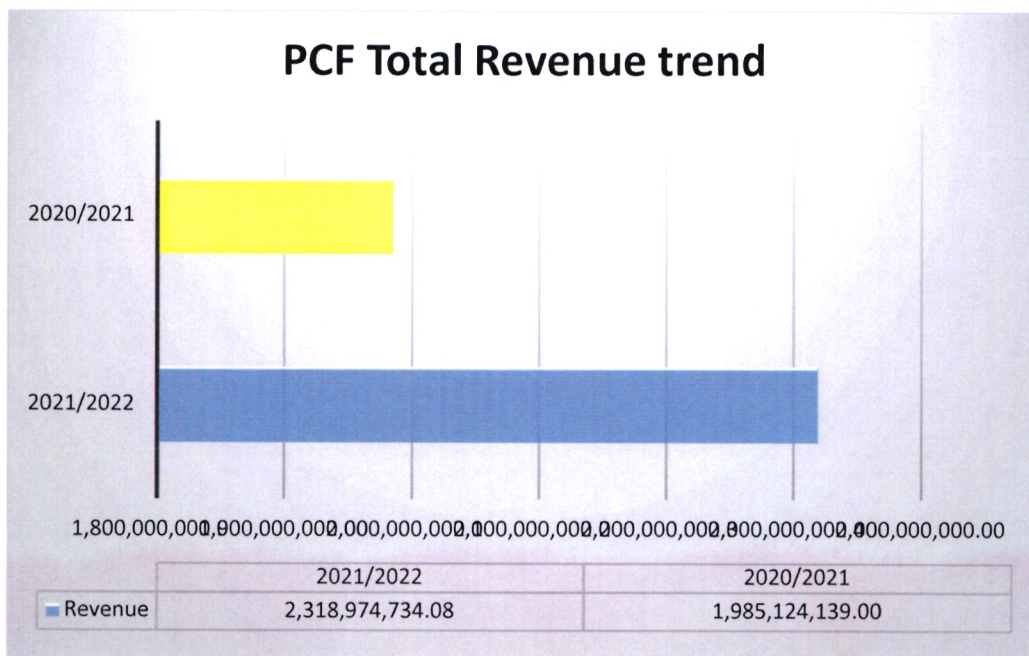
8.11 Summary of the Financial Revenues and Expenditure

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 financial year under review, PCF’s total revenue amounted to KShs.2.319 billion compared to KShs.1.985 billion in the previous financial year. This trend represented a 17% increase which was as a result of increased levy collections, investment income, statutory management fees and penalties charged on defaulting insurers as depicted in the figure below.

Figure 8: Total Revenue Trend Analysis



In addition, the growth in revenue was also attributed to increased investment income from KShs.1,113,722,618 in FY 2020/2021 to KShs.1,284,060,959 in FY 2021/2022 as shown in the figures below.

Figure 9: Investment Income Compared to Previous Period

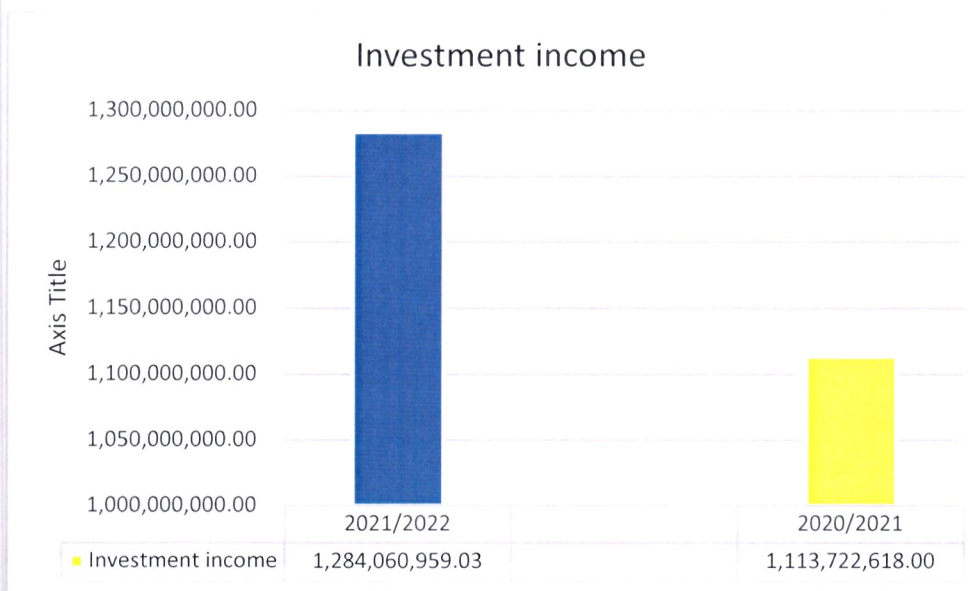
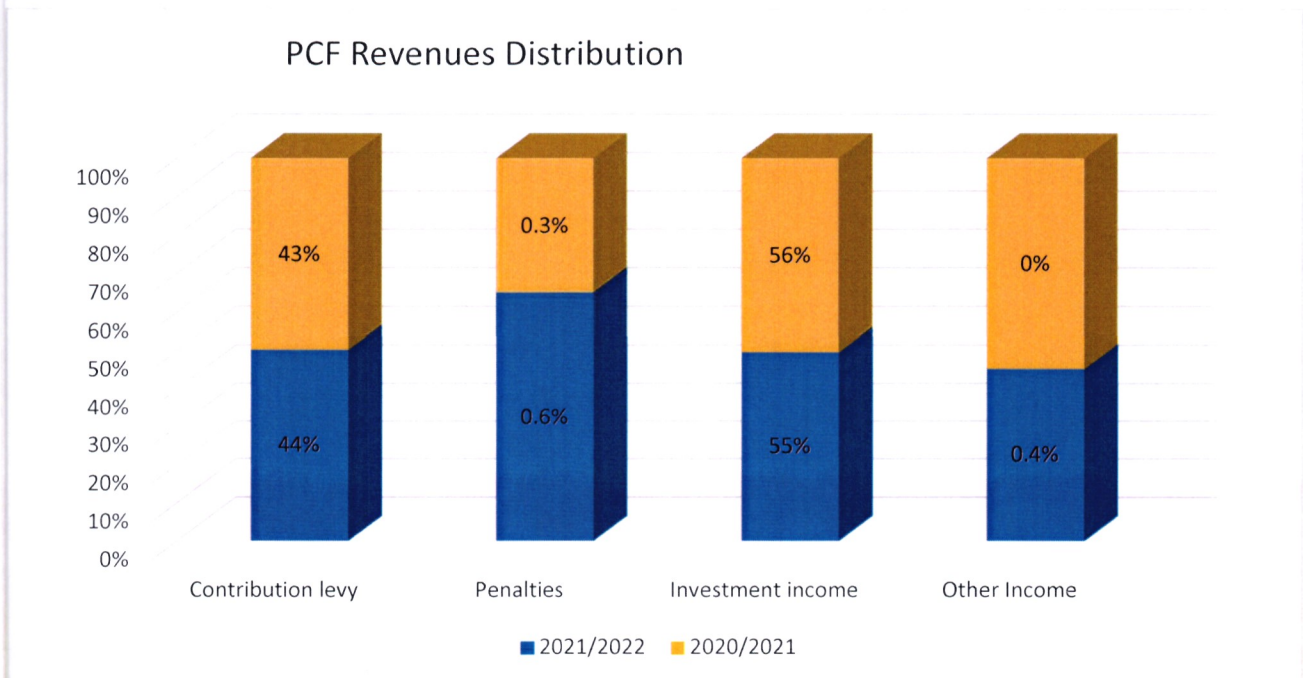


Figure 10: Revenues Distribution Analysis



Under expenditure incurred for the financial year under review, the following is an analysis of the expenses;

Figure 11: Remuneration of Directors Expenditure Analysis

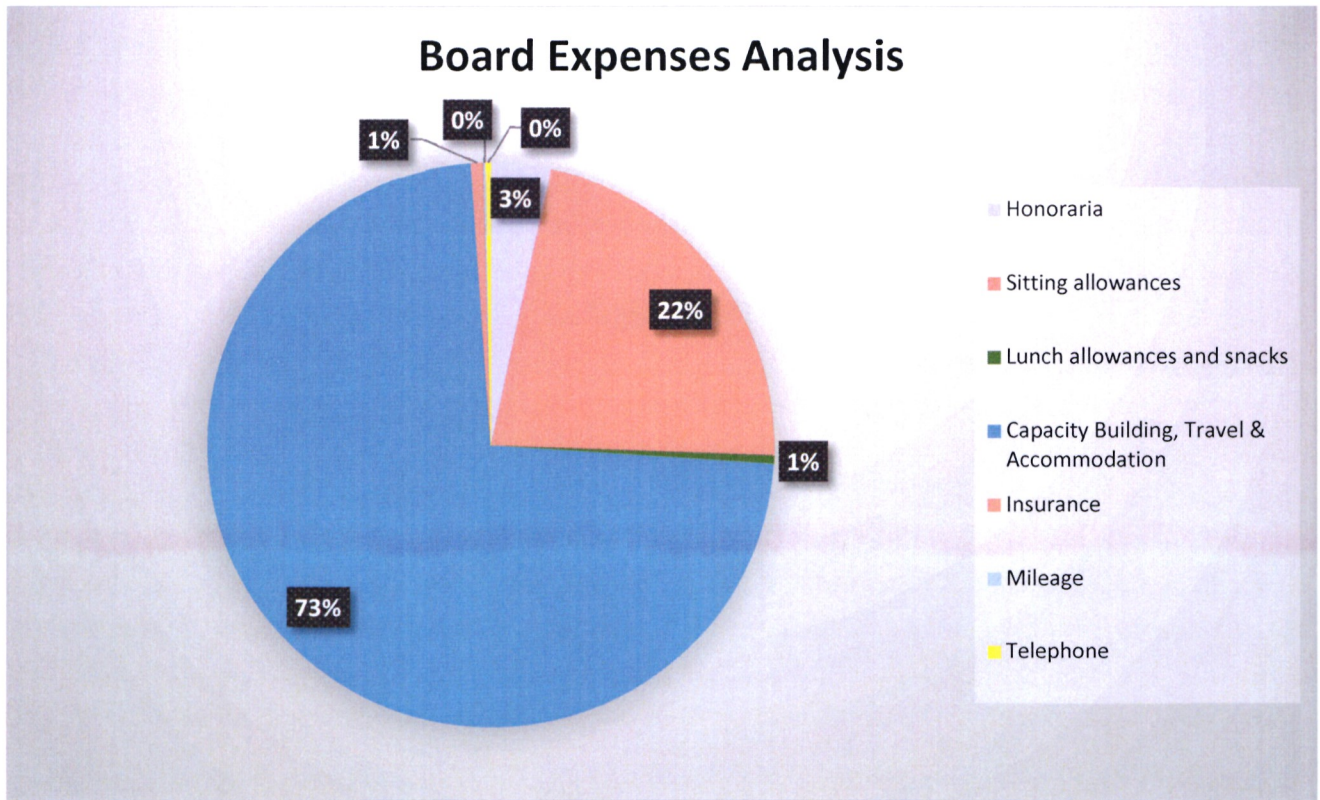
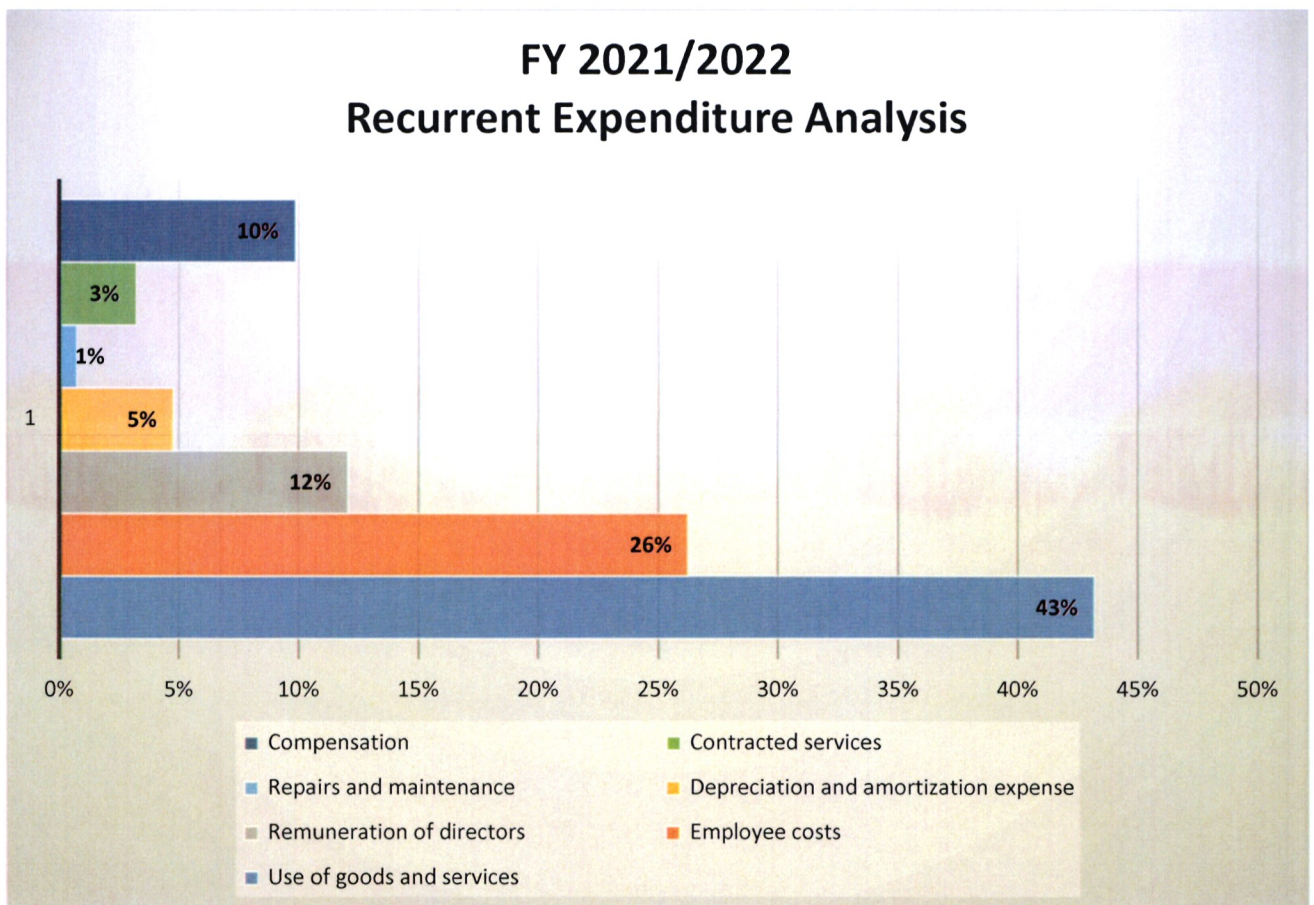


Figure 12: Total Expenditure Analysis



9.0 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 organisation's policies and activities that promote sustainability.

9.1 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.

9.2 Environmental Performance

The Fund did not have an environmental policy in place in the financial year under review and will develop one in the subsequent financial year.

9.3 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.
- b) **Improving skills** – On an annual basis, 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.
- 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. It further forms the basis of career planning and succession management.

- 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 appraisal is an ongoing process throughout the performance period where milestones are regularly documented. At the end of the appraisal period, appraisee is assessed based on the set targets and in cases where performance is below acceptable standards, a programme to help employee are initiated.

The Fund is in the process of setting up an incentive scheme to reward members of staff based on the value they are adding to the Fund in relation to their performance. The scheme will establish a basis for rewarding exemplary performance and administering sanctions for poor performance, motivating employees to have positive attitude to work and enhancing productivity at the Fund.

- 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 diseases 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 as well as risk assessment during the financial year 2021/2022.

9.4 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 approved the Supply Chain Policy & Procedure Manual on how to conduct 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 FY2021/2022.
- c) **Responsible marketing and advertisement** – Supply Chain Department procured corporate merchandise like branded T-shirts, Shirts, Umbrella, Pens, Carrier bags, notebooks through request for quotations from suppliers. The Fund undertook

Corporate Social Responsibility (CSR) in FY2021/22 by tree-planting and boda boda road safety sensitization.

- d) **Product stewardship** - The Fund conducted sensitization for reserved groups of AGPO categories including women, youth and PWDs on matters relating to procurement opportunities and registrations of suppliers. Supply Chain Management Department conducted inspection and acceptance goods, services and works delivered and done by suppliers.
- e) **Corporate Social Responsibility / Community Engagements** - During the FY 2021/2022, the Fund participated in stakeholder engagements with industry players, launched its strategic plan, did two corporate social responsibility (CSR) activities of planting trees in Kajiado County and donated to a school in marginalized area (Marsabit County) to help construct staff quarters.

10.0 REPORT OF THE BOARD OF TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of Policyholders Compensation affairs.

10.1 Establishment

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

10.2 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.

10.3 Results

The results for the year ended 30th June 2022 are set out from page 61 of this report.

10.4 Board of Trustees

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

Table 11: Board of Trustees Membership

Name	Membership	Representation
FCPA Muthoni Wangai	Chairman	Independent (appointed on 1st October, 2021)
Mr. Godfrey Kiptum	Trustee	Commissioner of Insurance
Ms. Alice Nzioka		Alternate to the Commissioner of Insurance and Chief Executive Officer of the Insurance Regulatory Authority until 22 nd December 2021
Mr. Reuben Ndegwa	Trustee	Representative of the general public with effect from 21 st February 2022.
Ms. Edna Atisa	Trustee	Representative/alternate member representing the Cabinet Secretary, National Treasury & Planning with effect from 5 th May 2021 up to up to 9 th March 2022
Mr. Halkano Haro		Representative/alternate member representing the Cabinet Secretary, National Treasury & Planning with effect from 10 th March 2022
Lydia Ochako	Trustee	Representative /alternate to the Attorney General to the Board of Trustees with effect from 17 th July 2020

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

Name	Membership	Representation
Dr. Ben Kajwang'	Trustee	Dr. Ben Kajwang was appointed effective 21 st February 2022 to represent the Association of Insurance Brokers of Kenya (AIBK).
Mr. Thomas Gichuhi	Trustee	Mr. Thomas Gichuhi was appointed effective 21 st February 2022 to represent Association of Kenya Insurers
Ms. Grace Aswani		Ms. Grace Aswani was appointed to the Board of Trustees representing the interests of Insurers effective 12 th November, 2020 vide Kenya gazette No. 9678 on 17 th September 2021 and served until 5 th November 2021

10.5 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).

10.6 Entity's compliance with statutory requirements

PCF has complied with its establishing Act, that is, Section 179 of the Insurance Act. It has also complied with other legal requirements such as submission of statutory deductions to KRA and its internal policies and procedures. There are no instances of non-compliance that would lead to financial loss.

William Masita

MANAGING TRUSTEE AND SECRETARY TO THE BOARD

11.0 STATEMENT OF THE BOARD OF TRUSTEES RESPONSIBILITIES

The Public Financial Management Act section 68 and 81 requires the Fund to prepare financial statements for each financial year which give a true and fair view of the state of affairs of PCF at the end of the financial year and the operating results of the Fund for the year. Financial statements include a statement of financial position showing in detail the assets and liabilities of the Fund, a statement of financial performance, a statement of cash flows and any other statements and accounts that the Public Sector Accounting Standards Board may prescribe to be necessary to fully disclose the financial position of the Fund.

The State Corporations Act (Cap 446) requires the Fund to keep or cause to be kept proper books recording all the property, undertakings, funds, activities, contracts, transactions and other business of the Fund. Under the State Corporations Act, the Board of Trustees is responsible for the proper management of the affairs of a state corporation. The Board of Trustees are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Board of Trustees are also responsible for safeguarding the assets of the Fund.

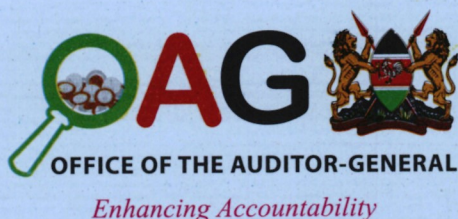
The Board of Trustees are responsible for the preparation and presentation of the Policyholders Compensation Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended 30th June 2022.

This responsibility includes:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- c) 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;
- d) Safeguarding the assets of the Fund;
- e) Selecting and applying appropriate accounting policies; and
- f) Making accounting estimates that are reasonable in the circumstances.

The Board of Trustees accepts responsibility for the Board'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 Public Finance Management Act, 2012. The Board of Trustees are of the opinion that the Fund's financial statements give a true and fair view of the state of the Fund's transactions during the financial year ended 30th June 2021, and of the Fund's financial position as at that date. The Board of Trustees further confirms that the financial statements are free from material misstatements and faithfully represents the financial performance and positioning of PCF.

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON POLICYHOLDERS COMPENSATION FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Policyholders Compensation Fund set out on pages 1 to 36, which comprise the statement of financial position as at 30 June, 2022, 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, 2022, 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, 2004 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.2,044,799,000 and Kshs.2,318,974,734 respectively, resulting to an over-collection of Kshs.274,175,734 or 13% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.1,221,646,924 and Kshs.187,592,711 respectively, resulting to an under-expenditure of Kshs.1,034,054,213 or 85% of the budget. Management has attributed the over-collection on favorable interest rates which had not been foreseen at the time of budgeting.

The over-collection indicates that Management may have under-budgeted for revenue and did not take into account all variables likely to affect it. Further, the under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

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 matter 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

Failure to Implement IFMIS E-Procurement System

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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 a Risk Management Policy

Review of the internal control processes revealed that Management had not implemented a Risk Management Policy at the Policyholders Compensation Fund 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 ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the 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 policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 March, 2023

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

Nothing has come to the attention of the Board of Trustees to indicate that Policyholders Compensation Fund will not remain a “going concern” for at least the next twelve (12) months from the date of this statement.

Approval of the financial statements

The Policyholders Compensation Fund financial statements were approved by the Board on 30th Sept 2022 and signed on its behalf by:



Mr. Reuben Ndegwa
FOR, BOARD CHAIRMAN



Mr. William Masita
MANAGING TRUSTEE

Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022

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

	Notes	2021-2022	2020-2021
		KShs	KShs
REVENUE			
Revenue from non-exchange transactions			
Contribution levy	18.4	1,010,718,780	855,074,905
Penalties	18.5	14,905,827	6,826,616
		1,025,624,607	861,901,521
Revenue from exchange transactions			
Investment income	18.6	1,284,060,959	1,113,722,618
Other Income	18.7	9,289,168	9,500,000
		1,293,350,127	1,123,222,618
TOTAL REVENUE		2,318,974,734	1,985,124,139
EXPENDITURE			
Use of goods and services	18.8	81,017,868	14,649,508
Employee costs	18.9	49,235,331	21,559,524
Remuneration of directors	18.10	22,590,489	12,274,767
Depreciation and amortization expense	18.11	8,917,455	1,229,633
Repairs and maintenance	18.12	1,330,718	85,500
Contracted services	18.13	5,992,523	2,429,000
Compensation	18.14	18,508,327	5,630,420
TOTAL EXPENSES		187,592,711	57,858,352
SURPLUS FOR THE PERIOD		2,131,382,023	1,927,265,787

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

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
**Deputy Director, Finance &
Accounts**

ICPAK No.10775
Date: 30th Sept 2022

Mr. William Masita
Managing Trustee

ICPAK No. 5589
Date: 30th Sept 2022

Mr. Reuben Ndegwa
For, Chairman of the Board

Date: 30th Sept 2022

Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022

14.0 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	Notes	2021-2022	2020-2021
		KShs	KShs
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	18.15	155,751,780	151,317,376
Receivable from non-exchange transaction			
Levies and Statutory management fee	18.16	1,948,887	1,547,018
Receivable from exchange transactions			
Investments	18.17	16,324,486,325	14,268,137,758
Total Current Assets		16,482,186,992	14,421,002,152
NON-CURRENT ASSETS			
Property, plant and equipment	18.18	87,826,963	8,116,352
Intangible Asset	18.19	14,273,315	-
Total Non-Current Assets		102,100,278	8,116,352
TOTAL ASSETS		16,584,287,270	14,429,118,504
CURRENT LIABILITIES			
Payables from exchange transactions	18.20	221,301	3,108,100
Retention Monies	18.21	2,770,220	-
Other liabilities	18.22	7,731,816	36,600,421
Current Provision	18.23	17,882,909	6,030,420
Total Current Liabilities		28,606,246	45,738,941
NON-CURRENT LIABILITIES			
Non-current employee benefit obligation	18.24	5,531,055	1,212,038
Total Non-Current Liabilities		5,531,055	1,212,038
TOTAL LIABILITIES		34,137,301	46,950,979
NET ASSETS		<u>16,550,149,969</u>	<u>14,382,167,525</u>
RESERVES			
Government Grant	18.29	35,000,000	35,000,000
Accumulated surplus	18.29	16,515,149,969	14,347,167,525
TOTAL		<u>16,550,149,969</u>	<u>14,382,167,525</u>

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

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: 30th Sept 2022

Mr. William Masita
Managing Trustee

ICPAK No.5589
Date: 30th Sept 2022

Mr. Reuben Ndegwa
For, Chairman of the Board

Date: 30th Sept 2022

Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022

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

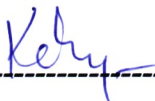
	Notes	Accumulated Surplus	Government Grant	Total Fund Reserves
As at July 1, 2020		12,456,502,159	35,000,000	12,491,502,159
Surplus/ Deficit for the year		1,927,265,787	-	1,927,265,787
Other liabilities (Capital Commitments)	18.30	(36,600,421)	-	(36,600,421)
As at 30th June 2021		14,347,167,525	35,000,000	14,382,167,525
As at July 1, 2021		14,347,167,525	35,000,000	14,382,167,525
Add back Capital commitments released	18.30	36,600,421	-	36,600,421
Surplus/ Deficit for the year		2,131,382,023	-	2,131,382,023
As at 30th June 2022		<u>16,515,149,969</u>	<u>35,000,000</u>	<u>16,550,149,969</u>

Note:

The purpose of the reserves is for the payment of compensation to the claimants of insolvent and liquidated insurance companies.

At the end of FY 2020/2021, the Fund had outstanding capital commitments of KShs 36,600,421 which were implemented in FY 2021/2022.

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: 30th Sept 2022



Mr. William Masita
Managing Trustee

ICPAK No.5589
Date: 30th Sept 2022



Mr. Reuben Ndegwa
For, Chairman of the Board

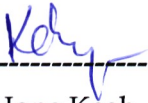
Date: 30th Sept 2022

16.0 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2022

	Notes	2021-2022	2020-2021
		KShs	KShs
Cash flow from operating activities			
Surplus for the year		2,131,382,023	1,927,265,787
Adjustments for:			
Depreciation on property, plant & equipment	18.11	8,917,455	1,229,633
Investment income	18.6	(1,284,060,959)	(1,113,722,618)
Surplus before working capital changes		856,238,519	814,772,802
Increase/Decrease in receivables	18.25	(401,869)	56,803,533
(Decrease)/ Increase in payables & provision	18.26	23,786,743	3,184,039
Net Cash from Operating Activities (A)		879,623,394	874,760,374
Cash flow from investing activities			
Purchase of property, plant and equipment	18.27	(88,313,757)	(3,398,555)
Purchase of Intangible Asset	18.19	(14,587,624)	-
Increase in investments	18.28	(2,056,348,567)	(1,948,584,647)
Investment income	18.6	1,284,060,959	1,113,722,618
Net cash used in investing Activities (B)		(875,188,989)	(838,260,585)
Net increase in cash & cash equivalents		4,434,404	36,499,791
Cash & cash equivalent at the beginning		151,317,376	114,817,585
Cash & cash equivalent at the end		<u>155,751,780</u>	<u>151,317,376</u>

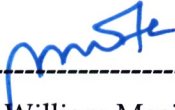
**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

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: 30th Sept 2022



Mr. William Masita
Managing Trustee

ICPAK No.5589
Date: 30th Sept 2022



Mr. Reuben Ndegwa
For, Chairman of the Board

Date: 30th Sept 2022

Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022

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

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE	% OF UTILIZATION
	KShs	KShs	KShs	KShs	KShs	
	a	b	c=a+b	d	e=c-d	f=d/c*100
INCOME						
Contribution levy	964,522,000	-	964,522,000	1,010,718,780	-46,196,780	105%
Investment Income	1,080,277,000	-	1,080,277,000	1,284,060,959	-203,783,959	119%
Penalties	-	-	-	14,905,827	-14,905,827	100%
Other Income	-	-	-	9,289,168	-9,289,168	100%
	2,044,799,000	-	2,044,799,000	2,318,974,734	-274,175,734	
OPERATING EXPENDITURE						
Use of goods and services	68,064,000	32,450,000	100,514,000	81,017,868	19,496,132	81%
Employee costs	77,091,924	(2,950,000)	74,141,924	49,235,331	24,906,593	66%
Remuneration of directors	28,481,000	-	28,481,000	22,590,489	5,890,511	79%
Depreciation and amortization expense	1,000,000	9,000,000	10,000,000	8,917,455	1,082,545	89%
Repairs and maintenance	1,760,000	-	1,760,000	1,330,718	429,282	76%
Contracted services	25,400,000	(18,650,000)	6,750,000	5,992,523	757,477	89%
Total	201,796,924	19,850,000	221,646,924	169,084,384	52,562,540	76%

Annual Report and Financial Statements
For the Year Ended 30th June 2022

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE	% OF UTILIZATION
	KShs	KShs	KShs	KShs	KShs	
	a	b	c=a+b	d	e=c-d	f=d/c*100
Compensation	1,000,000,000	-	1,000,000,000	18,508,327	981,491,673	2%
TOTAL EXPENDITURE	1,201,796,924	19,850,000	1,221,646,924	187,592,711	1,034,054,213	15%
SURPLUS FOR THE PERIOD	843,002,076	-19,850,000	823,152,076	2,131,382,023	-1,308,229,948	

CAPITAL EXPENDITURE								
	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL	CAPITAL COMMITMENTS	TOTAL	VARIANCE	% OF UTILIZATION
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	
	a	b	c=a+b	d	e	f=d+e	g=c-f	h=f/c*100
Biometric Access		1,000,000	1,000,000	1,000,000		1,000,000	-	100%
Computer Hardware and Software	47,500,000	-	47,500,000	5,724,182	41,574,388	47,298,570	201,430	100%
Purchase of laptops		2,500,000	3,500,000	979,200	2,496,000	3,475,200	24,800	99%
Specialised ICT Security, Architecture, System software and equipment	8,620,000	5,100,000	13,720,000		13,720,000	13,720,000	-	100%

Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022

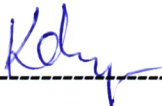
CAPITAL EXPENDITURE									
	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL	CAPITAL COMMITMENTS	TOTAL	VARIANCE	% OF UTILIZATION	
	KShs	KShs	KShs	KShs	KShs	KShs	KShs		
	a	b	c=a+b	d	e	f=d+e	g=c-f	h=f/c*100	
Development of Website		2,000,000	2,000,000		1,976,541	1,976,541	23,459	99%	
Office Equipment	4,350,000	-	4,350,000	3,529,000	784,000	4,313,000	37,000	99%	
Office Furniture	6,640,000	-	6,640,000	-	6,542,399	6,542,399	97,601	99%	
TV Sets	400,000	-	400,000		392,000	392,000	8,000	98%	
Partitioning	50,000,000	-	50,000,000	47,615,000	2,384,000	49,999,000	1,000	100%	
Motor Vehicles	16,000,000	-	16,000,000	-	5,840,000	5,840,000	10,160,000	37%	
Staff Car Loan Fund		27,000,000	27,000,000	-	27,000,000	27,000,000	-	100%	
Staff Mortgage Fund		101,000,000	101,000,000	-	101,000,000	101,000,000	-	100%	
Storage Facilities & Equipment.		2,100,000	2,100,000	-	2,100,000	2,100,000	-	100%	
Total Capital Budget	134,510,000	140,700,000	275,210,000	58,847,382	205,809,328	264,656,710	10,553,290	96%	

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

Budget notes


- a) *The Fund surpassed its revenue collection target during the financial year as a result of increased volumes of insurance premiums, favorable interest rates and increased enforcement action on compliance.*
- b) *In FY 2021/2022, the Fund received, recorded, and verified a total of 517 claims from which 128 met the requisite conditions for payment and the Fund managed to compensate a total of 128 claims (one hundred and twenty-eight), 42 (forty-two) claimants of Concord Insurance Company Ltd, (three) 3 claimants of Standard Assurance Company Ltd and (eighty-three) 83 claimants of the Resolution Insurance Company Ltd.*
- c) *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. This was occasioned by late approval of budget revision of the fund. An amount of Kshs.7,731,816.00 has been recognized as capital work in progress for Enterprise Resource Planning (ERP) whose implementation was on going. The balance of Kshs. 198,077,510.00 has been disclosed under Note No.18.30.*
- d) *The Fund's financial year 2021/2022 initial total approved budget was KShs.1,336,306,924 comprising of recurrent budget KShs.1,201,796,924 and non-recurrent (capital) of KShs.134,510,000. This budget was revised upwards in quarter three by KShs.166,800,000 (26,100,000 recurrent and 140,700,000 non-recurrent) and downwards by KShs.6,250,000.00. Total revised approved budget is now KShs.1,221,646,924.00 recurrent expenditure and KShs.275,210,000.00 capital expenditure. FY 2021/2022 total budget amount is KShs. 1,496,856,924.00.*

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: 30th Sept 2022



Mr. William Masita
Managing Trustee

ICPAK No.5589
Date: 30th Sept 2022



Mr. Reuben Ndegwa
For, Chairman of the Board

Date: 30th Sept 2022

18.0 NOTES TO THE FINANCIAL STATEMENTS

18.1 General Information

Policyholders Compensation Fund (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.

18.2 Statement of compliance and basis of preparation

The financial statements are prepared in accordance and comply with International Public Sector Accounting Standards (IPSAS). These financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period. In addition, the cashflow is prepared using the indirect method.

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

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

18.3 Summary of Significant Accounting Policies

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

18.3.1 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. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Fund 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.

18.3.2 Budget information

The annual budget is prepared on accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Fund.

As a result of the adoption of the accrual basis for budgeting purposes, there is no basis that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

The Fund's financial year 2021/2022 initial total approved budget was KShs.1,336,306,924 comprising of recurrent budget KShs.1,201,796,924 and non-recurrent (capital) of KShs.134,510,000. This budget was revised upwards in quarter three by KShs.166,800,000 (26,100,000 recurrent and 140,700,000 non-recurrent) and downwards by KShs.6,250,000.00. Total revised approved budget is now KShs.1,221,646,924.00 recurrent expenditure and KShs.275,210,000.00 capital expenditure. FY 2021/2022 total budget amount is KShs 1,496,856,924.00.

18.3.3 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.

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.	Office Furniture, Fittings & Equipment	12.5%
3.	Motor Vehicle	25%

18.3.4 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.

At the end of the financial year 2020/2021, the Fund had a capital commitment on Microsoft Office 365 software for office operations use at the cost KShs 1,131,624. This was procured and competed at the beginning of the FY 2021/2022 and recorded in the intangible asset register under intangible assets category and amortized at 33.33%.

18.3.5 Financial instruments

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

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.

i. Receivables

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 and penalties as per section 179 of the Insurance Act (Cap 487). The Fund receivables comprises of statutory management fees and penalties charged on late submission of the levies by the insurers.

ii. 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 which are debt securities issued by the Government of Kenya. For the period ending 30th June 2022, the Fund held government securities at the Central Bank of Kenya valued at net asset value KShs. 16,324,486,325 and with a face value of KShs.17,162,500,000.00

b) Financial liabilities

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.

i) 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.

18.3.6 Inventories

The Fund procures stationery and other inventories as and when need arises and are expensed in the period it relates.

18.3.7 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. In the financial year 2021/2022, the Fund made some provisions amounting to KShs.17,882,909 which have been disclosed under note 18.23 in the notes to the financial statements.

18.3.8 Contingent liabilities

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 as a contingent liability will be incurred in future. The outstanding capital commitments at the end of the financial year amounting to Kshs. 198,077,510 have been disclosed under Note No.18.30.

18.3.9 Nature and Fund reserve

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

18.3.10 Changes in accounting policies and estimates

The Fund recognizes the effects of changes in receivables accounting policy prospectively.

18.3.11 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 and host to the Fund's Staff.
- e) Retirement Benefit Authority as the immediate former Managing Trustee of the Fund

18.3.12 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, current account bank balances, and temporary imprests. These have been disclosed under the notes to the financial statements.

18.3.13 Comparative figures

Comparative figures have, where applicable, been adjusted to conform to changes in the current presentation.

18.3.14 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 2022.

18.3.15 Sundry Creditors

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date.

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

18.4 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%.

	2021-2022 (KShs.)	2020-2021 (KShs.)
Quarter 1	237,770,765	197,829,271
Quarter 2	203,616,470	193,986,707
Quarter 3	314,636,998	212,857,940
Quarter 4	254,694,547	250,400,987
Total	<u>1,010,718,780</u>	<u>855,074,905</u>

The 18% increase in levy collected is attributed to insurance business increase in premium volumes in the insurance sector. An amount of KShs.1,198,887.00 was receivable from insurers for levy relating to the financial year 2021/2022 which has been accrued and disclosed under receivables list Appendix II.

18.5 Penalties

The Insurance Act empowers 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 year under review, penalties were charged and collected as follows:

	2021-2022 (KShs.)	2020-2021 (KShs.)
Quarter 1	6,197,370	-
Quarter 2	6,020,000	3,260,000
Quarter 3	658,457	-
Quarter 4	2,030,000	3,566,616
Total	<u>14,905,827</u>	<u>6,826,616</u>

The 118% increase in the penalty amount is mainly attributed to late submission of returns to the regulator by the insurers and increased enforcement actions by both IRA and PCF. Refer to Appendix III of this report for the detailed analysis of penalties.

18.6 Investment Income

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

	2021-2022 (KShs.)	2020-2021 (KShs.)
Interest from Treasury Bills	1,278,698,642	1,109,137,945
Current accounts interest	5,362,317	4,584,673
Total	<u>1,284,060,959</u>	<u>1,113,722,618</u>

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

The 15% increase is attributed to the volumes of transactions traded and the favourable CBK average rates during the period. FY 2021/2022 Investment income is further analysed quarterly as follows;

	Interest from Treasury Bills	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>

In the previous financial year 2020/2021, the Fund's quarterly investment performance was as follows;

	Interest from Treasury Bills	Current Accounts Interest	Total
Quarter 1	274,603,182	941,643	275,544,825
Quarter 2	272,433,274	874,824	273,308,098
Quarter 3	274,024,606	1,197,089	275,221,695
Quarter 4	288,076,883	1,571,117	289,648,000
Total	<u>1,109,137,945</u>	<u>4,584,673</u>	<u>1,113,722,618</u>

18.7 Other Income

This is mainly the income the Fund earned as management fees for Statutory Management services for the two insurers placed under statutory management by the Commissioner of Insurance. The two companies are Blue Shield Insurance Company and United Insurance Company. Under the financial year 2021-2022, there was a receivable of KShs 750,000 accrued from United Insurance (KShs 250,000) and Blue Shield Insurance (KShs 500,000) being statutory management fee for June 2022. Miscellaneous income related to receipts of two long outstanding credits which had remained unreconciled and insurance refund received by the Fund.

	2021-2022 (KShs.)	2020-2021 (KShs.)
Blue Shield Insurance Co.Ltd	6,000,000	6,500,000
United Insurance Co.Ltd	3,000,000	3,000,000
Miscellaneous Income	289,168	-
Total	<u>9,289,168</u>	<u>9,500,000</u>

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

These amounts were received in the quarter periods;

	2021-2022 (KShs.)	2020-2021 (KShs.)
Quarter 1	2,250,000	1,000,000
Quarter 2	2,269,000	750,000
Quarter 3	2,420,168	4,750,000
Quarter 4	2,350,000	3,000,000
Total	<u>9,289,168</u>	<u>9,500,000</u>

18.8 Use of Goods and Services

	2021-2022 (KShs.)	2020-2021 (KShs.)
Travel & Accommodation	19,176,905	9,010,640
Seminars, Conference, Workshops	18,811,512	865,758
Printing & Stationery	1,819,395	559,104
Refined Fuel, Oil and Lubricants	622,676	-
Hospitality and General office use	2,738,765	1,080,126
Telephone, Mobile and Internet Services	2,928,769	487,417
Rental Expenses	10,881,198	-
Newspapers & Periodicals	530,131	120,196
Information technology	323,160	189,289
Bank Charges	218,071	126,698
Audit fees	400,000	400,000
Statutory Management Expenses	1,327,215	-
Consulting Fees-Research-Advice on Policy	3,000,000	-
Public education and publicity	10,559,920	1,783,205
Electricity	78,783	-
Insurance	6,364,276	27,075
Staff Welfare	783,441	-
Bad & doubtful debt expense	453,651	=
Total	<u>81,017,868</u>	<u>14,649,508</u>

The differences were due to:

- **Travel & Accommodation** - increased in FY 2021/2022 was due to additional operational activities travel costs related to various industry events held and participated by the Fund in different categories. In addition, the increase in staffing levels of the Fund has an impact on expenditure levels compared to the previous financial year.
- **Seminars, Conference, Workshops** were expenditures incurred by staffs while attending capacity building conferences, workshops and seminars organized to build and enhance their expertise in different professionals. During the financial year ending

30th June 2022 there was an increase which was as a result of additional operational activities related to recruitment exercise for the recently advertised positions of the Fund to fill in vacant posts as per the Human Resource approved instruments, prequalification/evaluation exercise for various tenders floated during the financial period under review, capacity development travel costs for staffs and Benchmarking Workshops held between PCF and Kenya Deposit Insurance Corporation (KDIC) and Memorandum of Understanding Workshops between PCF and IRA on cross cutting matters on the operations of the Fund. The Fund also held to the management retreat at the end of the financial year to develop next financial year annual work plan, performance contracting targets for next financial year and also development of individual performance targets for the management. The onboarding of senior management staffs which increased the Fund's capacity contributed to increased day to day operational costs compared to the previous financial year.

- **Fuel** expenses increased in FY 2021/2022 compared to previous financial year since in the previous financial year, the Fund did not have a motor vehicle for most of that year until the end of the financial year when one vehicle was procured while in FY 2021/2022, the Fund acquired two more motor vehicles.
- **Hospitality and General Office Use**- Increase in FY 2021/2022 was due to increased operational activities and increased staffing levels compared with the previous financial year.
- **Telephone, Mobile and Internet Services**-Due to the increased operational activities of the Fund, increased staffing levels led to more internet & telephone costs being incurred as well as the annual internet connectivity costs.
- **Rental expenses** are expenses incurred by the Fund on rent of the Fund's office premises at Zep Re Building and the new office premises at KWFT Building and one provision for a lodged invoice which was awaiting ministry approval to process it.
- **Statutory Management Expenses**- During the financial year 2021/2022 under review, Resolution Insurance Company was placed under statutory management by the regulator. As a result of this, the Fund incurred expenditure on this budget line to secure the assets of the insurers, asset tracing exercise in various branches of the insurer and also held a workshop with the Official Receiver to develop a Memorandum of Understanding (MoU) on areas of common interest between the Official Receiver and PCF.
- **Bad debt expense**-At the end of last financial year 2020/2021, receivables amounting to KShs. 486,616.00 on penalties charged were outstanding out of which the Fund has written off unrecoverable receivables and expensed as bad debt for the disputed penalties and the non-responsive ones totaling to KShs. 453,650.90 (KShs. 387,692.65 in quarter 2, and KShs.65,958.25 in quarter 4).
- **Research Advice on Policy**- The Fund made a provision to undertake consultancy services for actuarial services whose procurement process was still ongoing at the end of the financial period under review.

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

- **Public Education & Publicity** – increase in FY 2021/2022 was due advertisements for the various adverts placed by the Fund e.g., relocation of office premises, recruitment of staffs, Moratorium of Resolution Insurance Company, Public notices for claimants to lodged compensation claims with the Fund, tenders for provision of mortgage and car loans, claim management system, asset tagging services, provision of technical audit services among other adverts. In addition, the Fund participated in various industry activities/forums with other stakeholders and conducted a corporate social responsibility (CSR) activity of tree planting in a marginalized area and supported construction of staff quarters in a marginalized area. Among the stakeholder’s engagements of the Fund is the launch of the Fund’s strategic plan 2020-2025 which was held during the financial year under review and the need to create awareness on the mandate of the Fund.
- **Electricity expenses** for new office premises at KWFT Building.
- **Insurance expenses** of the Fund increased due to increased staffing levels and increase in assets of the Fund compared to previous period.
- **Newspapers & Periodicals** – The Fund subscribed with the leading media companies to provide digital newspapers and a few hard copies during the financial period under review. The amounts are higher compared to previous comparable period because of the increased number of staffs.
- **Bank Charges**-The 72% increase in bank charges as a result of increased operations of the Fund which lead to increase in the number of transactions. The bank charges incurred;

	2021-2022 (KShs.)	2020-2021 (KShs.)
NCBA-Fund	52,330	39,665
NCBA-Operations	152,638	81,993
Cooperative Bank	7,863	-
KCB	5,240	5,040
Total	<u>218,071</u>	<u>126,698</u>

- **Staff Welfare**-This budget line catered for costs incurred during staff team building exercise which was held during the quarter period under review and staff wellbeing costs on Persons with disabilities (PWD) accessibility audit of the new office premises, and employee safety and health at the workplace audit.

18.9 Employee Costs

These costs were incurred with respect to staff personnel emoluments which include salaries, allowances and gratuity.

	2021-2022 (KShs.)	2020-2021 (KShs.)
*Personnel Emoluments	41,142,376	20,347,486
*Employer Contribution to NSSF	51,040	-
*Employer Contribution to Pension Scheme	442,601	-
*Gratuity	5,058,814	1,212,038
Club Memberships	2,540,500	-
	49,235,331	21,559,524

*Further, the personnel emoluments were incurred as follows;

	2021-2022 (KShs.)	2020-2021 (KShs.)
Quarter 1	8,294,303	500,000
Quarter 2	13,860,833	2,924,660
Quarter 3	12,616,180	3,591,596
Quarter 4	14,464,016	13,331,230
Total	49,235,331	20,347,486

- Previously, the Fund had fewer staffs; the Managing Trustee and four other staffs who had been deployed from Retirement Benefits Authority (RBA). At the end of the first quarter of the financial year 2021/2022, the Fund completed the recruitment exercise of senior management staffs and other staffs who have since joined the Fund. The increase of staffing levels led to increase of personnel emoluments costs of the Fund compared to the previous financial year.
- Gratuity provision was made in the FY 2021/2022 for staffs who are on contract. In the previous financial year, no gratuity was paid.
- Pension provision was made to cater for pension for staffs who are on 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.

18.10 Remuneration of Directors

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

	2021-2022 (KShs.)	2020-2021 (KShs.)
Honoraria	766,452	960,000
*Sitting allowances	4,994,000	4,903,800
Lunch allowances and snacks	112,400	333,890
*Capacity Building, Travel & Accommodation	16,463,864	5,993,077
Insurance	158,183	-
Mileage	25,590	-
Telephone	70,000	84,000
Total	<u>22,590,489</u>	<u>12,274,767</u>

The differences are due to the following:

***Sitting allowances** - The increase is attributed to increase in number of trustees compared to previous year as the Fund is now fully constituted. In addition, there was an increase in number of meetings held during the financial year under review compared to the previous year. Sitting allowances were paid for trustees attending capacity building workshops and performance evaluation exercise which was undertaken in the financial period under review.

***Capacity Building, Insurance, Travel** - The increase is attributed to increase in number of trustees as the Board is now fully constituted and increased travel activities during capacity building and development to enhance the trustees oversight role.

18.11 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

	2021-2022 (KShs.)	2020-2021 (KShs.)
Property, plant and equipment -Computers	2,608,514	585,737
Property, plant and equipment - Office Furniture, Fittings & Equipment	1,638,490	16,876
Property, plant and equipment -Motor Vehicles	4,356,142	627,020
Intangible asset	314,309	
Total	<u>8,917,455</u>	<u>1,229,633</u>

The increase is due to the procurement of the Funds two Motor vehicles, furniture and office equipment including Laptops and Tablets for Board members and the new management staffs and also the Fund acquired an intangible asset (Microsoft 365) which had been committed at the end of last financial year which paid in financial year 2021-2022. In addition, Partitioning of PCF New office premises at KWFT led to increase in depreciation charge compared to previous year 2020-2021.

18.12 Repairs & Maintenance

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

	2021-2022 (KShs.)	2020-2021 (KShs.)
Motor Vehicles repairs	380,827	53,600
Computers and Other Office Equipment	949,891	31,900
Total	<u>1,330,718</u>	<u>85,500</u>

There was an increase in motor vehicle repairs and service costs as a result of increase in number of vehicles (two) compared to previous financial year where the Fund had only one vehicle. Increase in repairs and maintenance of computers was as a result of increase in computers and office equipment due to increased staffing levels. In addition, at the end of the financial year 2021/2022, the Fund had a current provision of KShs 702,800.00 for repairs & maintenance of computers and other office equipment which has been expensed in this budget line.

18.13 Contracted Services

Contracted services are made up of two components; Outsourced services and Consultancy services. At the end of the financial year, the Fund made a provision for outsourced services; cleaning, Contracted Professional Services: Human Resource for asset tagging exercise, consultancies under Service Level Contract: - IT Equipment and Systems and Contracted Professional Services: Specialized Technical audits. Procurement processes for these services were on going at end of the financial year 2021/2022.

	2021-2022 (KShs.)	2020-2021 (KShs.)
Wanjiku Kinyanjui Advocates		1,360,000
PCF		19,000
Kenya School of Government		1,050,000
Limah E.A Ltd	1,189,533	
S. N Kaniu & Company	2,429,820	
Synergies Company Ltd	444,570	
Syntrex Limited	1,928,600	-
Total	<u>5,992,523</u>	<u>2,429,000</u>

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

18.14 Compensation

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

	2021-2022 (KShs.)	2020-2021 (KShs.)
Compensation of policyholders	<u>18,508,327</u>	<u>5,630,420</u>

During the financial period under review, Resolution Insurance Co. Ltd was placed under Statutory Management by the Commissioner of Insurance on 5th April 2022, under the Provisions of the Section 67C (2) OF Insurance Act. The law and PCF Regulations required compensation to policyholders and claimants of the company to commence only once the High Court granted Orders for the Winding Up of the Company. The High Court on 27th February 2020 Ordered the Winding Up of Concord Insurance Co. Ltd and appointed the Official Receiver as the Interim liquidator of the Company. It's upon the appointment of the Liquidator that the PCF Commenced Compensation process to policyholders and claimants.

All claimants who made application for compensation and met the criteria for compensation have been paid. An amount of KShs.6,105,138.00 out of which KShs.5,630,420.00 had been provided for in FY 2020/2021 under current provisions to compensate policyholders of Concord Insurance Co. Ltd whose claims had been lodged with the Fund. At the end of quarter two of FY 2021/2022 ending 31st December 2021, the Fund had cleared the provision and KShs.474,718 was expensed.

During the financial period under review, the Fund made a public advertisement to call on claimants for Standard Assurance Ltd and Resolution Insurance Co. Ltd to lodge their claims. The Fund processed payments amounting to KShs.17,783,608.00 at the end of the financial year under review for the verified and approved claims which had been lodged at the Fund and made a provision of KShs 250,000 to one claimant whose payment was not processed as the Fund was awaiting an affidavit from the claimant. Total cumulative compensation payments as at 30th June 2022 is KShs.18,508,327.00.

18.15 Cash and Cash Equivalents

		2021-2022 (KShs.)	2020-2021 (KShs.)
NCBA Bank	Operational Account No.6492580017	4,646,274	169,355
	Fund Account Account No. 6492580025	149,546,388	150,993,714
Kenya Commercial Bank	Account No. 1143736508	50,150	55,390
Cooperative Bank of Kenya	Account No. 01136162765000	7137	-
Cash on hand		-	13,566
Imprest		1,501,831	85,351
Total		<u>155,751,780</u>	<u>151,317,376</u>

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

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

Imprests-This were outstanding imprests for an event which was still on going at the closure of the financial year.

18.16 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 receipted in July.

	2021-2022 (KShs.)	2020-2021 (KShs.)
Levy	1,198,887	-
Statutory Management fees	750,000	1,000,000
Penalties	-	486,616
Others	-	60,402
Total	<u>1,948,887</u>	<u>1,547,018</u>

At the closure of the Financial year, the Fund had outstanding receivable on levy relating to FY 2021-2022, penalties and other miscellaneous income. Some penalties which were outstanding in the previous financial year were collected while others were written off. The decrease in receivables is also as a result of changes made in accounting for penalties to reflect actual receipts received. Refer to Appendix II of these financial statements for the detailed analysis of the receivables.

18.17 Investments

During the year under review, all the investments were placed in Treasury Bills that yielded an average interest rate of 9% while Treasury Bonds yielded an average coupon rate of 11% as at 30th June 2022 Treasury bills & bonds are stated at cost plus accrued interest.

	2021-2022 (KShs.)	2020-2021 (KShs.)
Treasury Bills & Bonds held	15,795,287,425	13,828,947,280
Accrued Interest earned to date	529,198,900	439,190,478
Treasury bills & Bond held	<u>16,324,486,325</u>	<u>14,268,137,758</u>

The increase in financial year 2021/2022 is due to the additional investment of the surplus revenues collected during the year.

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

The Funds Face Value of the Investments held at the Central Bank of Kenya was as follows;

	2021-2022 (KShs.)	2020-2021 (KShs.)
Treasury Bonds	912,000,000	-
Treasury Bills	16,250,500,000	14,997,500,000
	<u>17,162,500,000</u>	<u>14,997,500,000</u>

The Face value for FY 2021/22 are also supported by Central bank balance certificate issued on 5th July 2022.

18.18 Property, Plant & Equipment

	Computer	Office Furniture, Fittings &Equipment	Motor Vehicles	Total
	33.3%	12.5%	25.0%	
	KShs	KShs	KShs	KShs
Cost				
As at 1 st July 2021	8,037,224	519,143	4,299,569	12,855,936
Additions	3,171,757	58,142,000	27,000,000	88,313,757
Disposal	-	-	-	-
As at 30th June 2022	11,208,981	58,661,143	31,299,569	101,169,693
Depreciation				
As at 1 st July 2021	3,697,567	414,997	627,020	4,739,584
Charge for the year	2,608,514	1,638,490	4,356,142	8,603,146
Disposal	-	-	-	-
As at 30th June 2022	6,306,081	2,053,487	4,983,162	13,342,730
Net Book Value				
As at 30 th June 2022	4,902,900	56,607,656	26,316,407	87,826,963
As at 30 th June 2021	4,339,657	104,146	3,672,549	8,116,352

At the end of last financial year ending 30th June 2021, the Fund had capital commitments for assets whose procurement process was on going amounting to KShs.36,600,421 comprising of Property, Plant & Equipment (PPE) KShs.35,468,797.00 and Intangible Asset KShs.1,131,624. From FY 2020/2021 capital commitments amounts under PPE, two LPOs amounting to KShs 278,238.00 which had been committed were cancelled after the suppliers failed to deliver according to the terms and conditions agreed thus reversed.

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

The Fund acquired total assets amounting to KShs 88,313,757 comprising of KShs.35,190,559.00 which had been committed in FY 2020/2021 budget and additional assets amounting to KShs.53,123,198 from FY 2021/2022 budget which were made up of;

- a) Computers - KShs 3,171,757 relates to purchase of laptops and ipads for office use
- b) Office furniture, fittings & equipment's totalling to KShs 58,142,000 relates to partitioning works of PCF new office premises and architectural design consultancy which also includes supervision of the partitioning works, furniture and office equipment such as multipurpose office printer.
- c) Acquisition of two (2) motor vehicles for office use amounting to KShs 27million.

The increase in capital expenditure compared to the previous financial years was because the Fund acquired motor vehicles for official use, laptops, ipads, furniture and equipment for new staffs and also made an additional provision to purchase a motor vehicle for the Fund. In addition, there was building works undertaken by the Fund for partitioning works of the new office premises of the Fund which have been entered in to the asset register and depreciated accordingly.

18.19 Intangible Assets

	2021-2022 (KShs.)	2021-2022 (KShs.)	2021-2022 (KShs.)
	33.33%		Total
Cost	Intangible Assets	Capital Work in Progress	Net Book Value
At beginning of the year - 1st July 2021	-	-	
Additions	1,131,624	13,456,000	14,587,624
At end of the year - 30th June 2022	1,131,624	13,456,000	14,587,624
Amortization and impairment			
At beginning of the year - 1st July 2021	-	-	
Amortization for the year	314,309	-	314,309
At end of the year - 30th June 2022	314,309	-	314,309
Net Book Value			
As at 30th June 2022	817,315	13,456,000	14,273,315
As at 30 June 2021	-	-	-

PCF procured Microsoft Office 365 software for office operations use at the cost KShs 1,131,624 at the end of FY 2020/2021 whose installation was completed in the first quarter of FY 2021/2022. This amount had been committed in FY 2020/2021 under capital commitments. This intangible asset has been amortized at the rate of 33.33% during the financial year ending 30th June 2022. The Fund also has Pastel Software which was acquired in FY 2012/2013 which was fully amortized.

Under Capital Work In Progress of Kshs.13,456,000 was for supply, delivery, integration, configuration, testing, implement training and commissioning of an integrated Enterprise Resource Planning (ERP) system which commenced at the end of FY 2021/2022 at a contract

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

value of KShs 13,456,000.00 tender no. PCF/004/2021-2022. The Fund had processed payment of KShs. KShs.5,724,184 (42.54%) during the financial period under review for these services and the project was ongoing at the end of the financial year and the balance of Kshs. 7,731,816 recognised as a liability in the financial statements. No depreciation charged.

18.20 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, 2022.

	2021-2022 (KShs.)	2020-2021 (KShs.)
Public Education	-	232,500
Consultancy	-	2,410,000
Personnel emoluments	221,301	465,600
Total	<u>221,301</u>	<u>3,108,100</u>

As at 30th June 2022, there was an outstanding amount relating to employee pension deduction which had not been paid as the Fund was awaiting finalization of operationalization of the Fund's pension scheme. In FY 2020/2021, among the payables outstanding was a pending payable of KShs 100,000 LPO 491 for supply of promotional materials. The supplier failed to deliver as per the requirements and the LPO was cancelled and a journal to reverse double entry was made in FY 2021/2022.

18.21 Retention

The Fund retained monies from the contractor awarded to partition the new office premises amounting to KShs.3,861,500.00 out of which 50% retention was released as per the contractual agreement and KShs 60,530 for electricity was charged to the retention fee. In addition, the Fund also retained 10% of architectural services consultancy services for partitioning works at the new office premises amounting to KShs 900,000. The balance of retention monies shall be paid once the defects liability period lapses.

Description	2021-2022 (KShs.)	2020-2021 (KShs.)
Asfia Investments Ltd	1,870,220	-
Tej Architects	900,000	-
Total	<u>2,770,220</u>	<u>=</u>

18.22 Other Liabilities

Other liabilities relate during the financial year 2021/2022 under review relates to Capital Work in Progress commitment which was on going at the closure of the financial year. This was occasioned by late approval of the Fund's budget revision which hampered implementation of the Funds planned activities timelines. The outstanding commitments of the Fund whose implementation were on going at the closure of the financial year were as follows;

Other Liabilities as at 30 th June 2022		
Authorised and contracted for;		
Supplier	Description	Amount
Appkings Solutions Limited	Enterprise Resource Planning (ERP) System	7,731,816
	Total	7,731,816

Under Capital Work In Progress of Kshs.13,456,000 was for supply, delivery, integration, configuration, testing, implement training and commissioning of an integrated Enterprise Resource Planning (ERP) system which commenced at the end of FY 2021/2022 at a contract value of KShs 13,456,000.00 tender no. PCF/004/2021-2022. The Fund had processed payment of KShs.KShs.5,724,184 (42.54%) during the financial period under review for these services and the project was ongoing at the end of the financial year. No depreciation charged.

In FY 2020/2021, the Fund had capital commitments of KShs. 36,600,421 as at 30th June 2021 out of which assets worth KShs.36,322,183.00 were acquired and KShs. 278,238 was reversed relating to two LPOs which were cancelled after the suppliers failed to deliver goods as agreed at the end of FY 2021/2022.

18.23 Current Provisions

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 2021/2022 the Fund had an outstanding provision as per below table analysis supported by explanatory notes.

	2021-2022 (KShs.)	2020-2021 (KShs.)
Outsourced Cleaning Services	1,028,861	-
Consultancies	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	400,000
Research-Advice on Policy	3,000,000	-
Public Education and Publicity	1,830,250	-
Staff Welfare	602,600	-

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

Repairs & Maintenance	702,800	-
Compensation	250,000	5,630,420
Rental Expenses	1,647,493	-
Total	<u>17,882,909</u>	<u>6,030,420</u>

- **Cleaning Service**-The Fund has an on-going contract with a service provider to provide cleaning services at the Office premises.
- **Consultancies**-A provision for various consultancies was made at the end of the quarter period under review; Contracted Professional Services: Human Resource for asset tagging exercise, consultancies under Service Level Contract: - IT Equipment and Systems and Contracted Professional Services: Specialized Technical audits. Refer to Note.18.13.
- **Insurance**-Provision of Motor Vehicle Insurance for the new motor vehicle of the Fund and also medical insurance expenses reimbursement to Retirement Benefits Authority which provided insurance cover to three staffs before the operationalization of the Fund.
- **Seminars, Conference, Workshops**-Conference facility charges provision for the management retreat expenses which was held towards the end of the financial year.
- **Hospitality**-provided for expenses relating to the staff team building exercise and management retreat which was on going at the closure of the financial year.
- **Printing & Stationery**-Procurement process for office stationery was on going at the end of the quarter period.
- **Research Advice on Policy**-At the end of the financial year, the Fund had awarded a consultant to provide actuarial consultancy services.
- **Public Education and Publicity**-Design and printing strategic plan, service charter, corporate merchandise, water tank for CSR activity, and reflector jackets
- **Staff Welfare**-Accessibility and usability audit, conference facility for team building, employee health and safety audit.
- **Repairs & Maintenance**- computers repairs & maintenance provision
- **Compensation**-A provision was made for one claimant who had not been paid at the closure of financial year as the Fund was awaiting an affidavit from the claimant side.
- **Rental Expenses**-The Fund made a provision for additional common areas rental charge which had been lodged by KWFT.

Below is the summary of the current provision ledger;

Description	Other Provisions (KShs.)
Balance b/f 1 st July 2021	6,030,420
Additional provisions	17,882,909
Provision utilised	-6,030,420
Total provisions year end 30th June 2022	17,882,909

18.24 Non-Current Provisions

This relates to allocations provided for long term service relating to employees' costs for gratuity provision for staffs who are on contract terms and pension for staffs who are on permanent and pensionable terms of service as at 30th June 2022.

	2021-2022 (KShs.)	2020-2021 (KShs.)
	KShs	KShs
Gratuity	5,088,454	1,212,038
Pension	442,601	-
Total	<u>5,531,055</u>	<u>1,212,038</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 2021	1,212,038	-	1,212,038
Additional provisions	4,673,103	442,601	5,115,704
Provision utilised	(796,687)	-	(796,687)
Total provisions year end 30th June 2022	5,088,454	442,601	5,531,055

18.25 Changes in Receivables

	2021-2022 (KShs.)	2020-2021 (KShs.)
Receivables at the Beginning of the Year	1,547,018	58,350,551
Receivables at the End of the Year	1,948,887	1,547,018
Changes (Increase/Decrease)	(401,869)	56,803,533

18.26 Changes in Payables & Provisions

	2021-2022 (KShs.)	2020-2021 (KShs.)
Payables at the Beginning of the Year	10,350,558	6,766,519
Payables and provisions at the End of the Year	34,137,301	10,350,558
Changes (Increase/Decrease)	23,786,743	3,184,039

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

18.27 Purchase of Property, Plant and Equipment

	2021-2022 (KShs.)	2020-2021 (KShs.)
Computers	3,171,757	3,398,555
Office Furniture, Fittings & Equipment	58,142,000	-
Motor Vehicle	27,000,000	-
Total	88,313,757	3,398,555

During the financial year 2021/2022, there was an increase in capital expenditure compared to the previous financial year 2020/2021. This was because the Fund acquired surface pro pads, office printer, office equipment's, furniture's and also acquisition of two motor vehicles and also the Fund contracted a contractor to partition of the new office premises of PCF which were completed at the beginning of quarter four of FY 2021/2022 and the services of an architect to provide architectural services for Preliminary Sketch Design, Completion of Final Design Stage and Drawing approval and Completion and Approval of design detail, Production drawings and tender documents for the partitioning of the new office premises of PCF at KWFT Building were capitalized . Partitioning was completed during the financial period under review. Capital Work In progress relates to amount paid for supply, delivery, integration, configuration, testing, implement training and commissioning of an integrated Enterprise Resource Planning (ERP) system.

18.28 Changes in Investments

	2021-2022 (KShs.)	2020-2021 (KShs.)
Investments at the Beginning of the Year	14,268,137,758	12,319,553,111
Investments at the End of the Year	16,324,486,325	14,268,137,758
Changes (Increase/Decrease)	(2,056,348,567)	(1,948,584,647)

18.29 Fund Reserves

The Fund reserves comprises of Government grant which was seed capital provided to the Fund by Government of Kenya amounting to Kshs. 35million and accumulated surpluses. The grant was not refundable and was immediately invested.

	2021-2022 (Kshs)
Total Balance as at 1st July, 2021	14,382,167,525
Surplus for the year	2,131,382,023
Add back Capital Commitments of FY 2020/21	36,600,421
Total balance as at 30th June 2022	16,550,149,969
Less Government Grant	(35,000,000)
Accumulated Surplus	16,515,149,969

Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022

18.30 Capital Commitments

During the financial year 2021/2022 under review, the Fund's budget revision was approved towards the end of the year. The outstanding capital commitments for various goods and services whose delivery was awaited at the closure of the financial year.

Staff mortgage and Car loans schemes had been approved. The approval to open bank accounts to operationalize the schemes had not been received at the end of the financial year. The disclosure made in the statement of budget comparison were as follows;

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
	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>

Capital Commitments as at 30th June 2021			
Authorised and contracted for;			
Asset Classification	Supplier	Description	Amount
Property, Plant and Equipment	Furniture Elegance	Furniture	5,998,000
	Rein Solutions Ltd	Office equipment	40,000
	Computer Ways Ltd	Purchase of laptops	884,457
	Computer Ways Ltd	Purchase of laptops	1,067,200

**Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022**

	Specicom Technologies	Purchase of laptops	240,900
	Rium Traders	Office equipment	238,240
	Toyota Kenya Ltd	Motor vehicles	27,000,000
Intangible Assets	MFI Technologies	Microsoft 365 Software	1,131,624
TOTAL			36,600,421

- **Computer Hardware & Computer Software**-The Fund had capital commitments for Claim Management System and ICT Devices distributed as;
- **Purchase of Laptops, furniture, equipment & TV sets**-procurement process was ongoing. These assets are for new staffs who will be joining the Fund once the recruitment process is complete.
- **Specialized ICT Security, Architecture, System software and equipment & Storage Facilities & Equipment** -LAN infrastructure which includes server room and server equipment's, firewall, uninterrupted power points project whose implementation was not complete at the end of the financial year.
- **Development of Website** for the Fund was on going and not complete as at end of the financial year.
- **Partitioning**-Additional partitioning at the office premises at KWFT office premises
- **Motor Vehicle**-Procurement of one motor vehicle for the Fund
- **Staff Car Loan Fund & Staff Mortgage Fund**-Procurement process had completed at the end of the financial year. The Fund had sought approval from the National Treasury & Planning to open the bank accounts to operationalize the schemes.

In FY 2020/2021, the Fund had capital commitments of KShs. 36,600,421 as at 30th June 2021 out of which assets worth KShs.36,322,183.00 were acquired and KShs. 278,238 was reversed relating to two LPOs which were cancelled after the suppliers failed to deliver goods as agreed at the end of FY 2021/2022.

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 2021. 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	Lack of Disaster Recovery Plan	There's an approved ICT Policy in place which covers disaster recovery plan.	Managing Trustee	Resolved	Resolved

Mr. William Masita
MANAGING TRUSTEE

Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022

APPENDIX II : RECEIVABLES FROM NON -EXCHANGE TRANSACTIONS
FY 2021/2022

	NAME OF THE INSURER	TYPE	AMOUNT
1.	United Insurance Company	Statutory fee	250,000
2.	Blue Shield Insurance Company	Statutory fee	500,000
3.	Kenya Alliance Insurance	Levy	579,241
4.	Corporate Insurance	Levy	55,661
5.	Xplico Insurance	Levy	563,985
	TOTAL		1,948,887

Policyholders Compensation Fund
Annual Report and Financial Statements
For the Year Ended 30th June 2022

APPENDIX III : PENALTIES ANALYSIS FOR FY 2021/2022

DATE	INSURER	AMOUNT
29/07/2021	MUA Insurance	7,370.00
25/08/2021	Takaful Africa Insurance	750,000.00
25/08/2021	Takaful Africa Insurance	750,000.00
25/08/2021	Takaful Africa Insurance	750,000.00
30/09/2021	Takaful Africa Insurance	730,000.00
30/09/2021	Takaful Africa Insurance	730,000.00
30/09/2021	Invesco	2,480,000.00
13/10/2021	Takaful Africa Insurance	940,000.00
12/11/2021	Takaful Africa Insurance	640,000.00
12/11/2021	Takaful Africa Insurance	900,000.00
12/11/2021	Takaful Africa Insurance	900,000.00
01/12/2021	Takaful Africa Insurance	500,000.00
22/12/2021	The Kenya Alliance Insurance	940,000.00
22/12/2021	The Kenya Alliance Insurance	900,000.00
31/12/2021	Trident Insurance	300,000.00
31/01/2022	Jubilee Allianz	210,000.00
31/03/2022	The Monarch Insurance	148,457.00
31/03/2022	Trident Insurance	300,000.00
25/04/2022	Invesco	200,000.00
25/04/2022	Invesco	300,000.00
28/04/2022	Madison Insurance	410,000.00
11/05/2022	APA Insurance	270,000.00
31/05/2022	Geminia Insurance	240,000.00
29/06/2022	Pacis Insurance	610,000.00
	Total	<u>14,905,827.00</u>