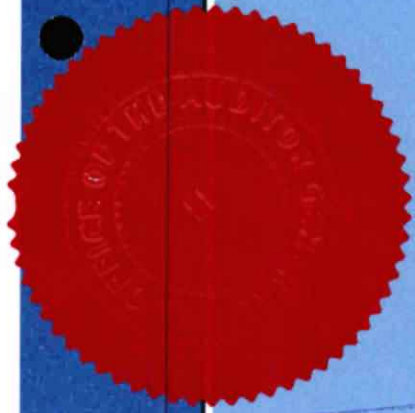


REPUBLIC OF KENYA



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REPORT

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CLERK-AT-THE-TABLE: A. Shibuko	

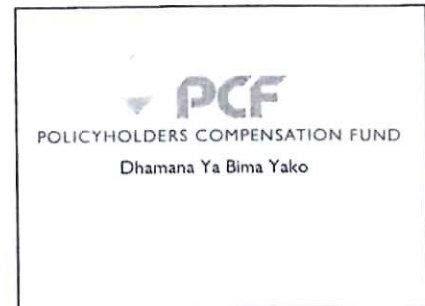
THE AUDITOR-GENERAL

ON

**POLICYHOLDERS COMPENSATION FUND CAR
& MORTGAGE SCHEME**

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





CAR AND MORTGAGE LOAN SCHEME

POLICYHOLDERS COMPENSATION FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2024

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

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1.0 ABBREVIATIONS, ACRONYMS AND GLOSSARY OF TERMS

A. Abbreviations And Acronyms

PCF	Policyholders Compensation Fund
BoT	Board of Trustee
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MT	Managing Trustee
NT	National Treasury and Economic Planning
OAG	Office of the Auditor General
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SRC	Salaries and Remuneration Commission
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations

B. Definition of Terms

Fiduciary management- Members of management entrusted directly with the responsibility and trust for the organisation financial resources.

Comparative Year- Means the prior period.

Scheme - Policyholders Compensation Fund Car & Mortgage loan scheme

Fund - Policyholders Compensation Fund

Fund Administrator - Managing Trustee/Chief Executive Officer

Scheme Administrator - Institution(s) appointed by the Fund to administer the scheme

2.0 KEY FUND INFORMATION AND MANAGEMENT

a) Background information

Policyholders Compensation Fund (PCF) is established under section 179 of the Insurance Act (Cap 487) and operationalized through Legal Notice No. 105 of 2004 and Insurance (Policyholders Compensation Fund) Regulations, 2010. The Fund was established for the primary purpose of providing compensation of policyholders of an insurer placed under a statutory manager or whose license has been cancelled.

PCF Staff mortgage and car loan scheme was established in line with Salaries & Remuneration Commission Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17th December 2014, PCF Human Resource Policy & Procedures Manual (2021), Staff Mortgage and Car loan policies operationalized in November 2022 following approval by the Board of Trustees and The National Treasury & Economic Planning. The Scheme is wholly owned by Policyholders Compensation Fund and is domiciled in Kenya. The administration of the scheme has been outsourced to two financial institutions namely:

- | | | |
|------------------------------|---|----------------------|
| 1. Cooperative Bank of Kenya | - | Mortgage loan scheme |
| 2. Kenya Commercial Bank | - | Car loan scheme |

b) Principal Activities

The principal activity is to provide car and mortgage loans to PCF staff. The Scheme has the following objectives:

- i. Enhance PCF's ability to attract, motivate, satisfy and retain talent
- ii. Enhance welfare of the employees by enabling them to buy, build or renovate houses as well as acquire vehicles.
- iii. Enhance the Fund's staff access the mortgage and car loan facilities at concessionary rates.
- iv. Support the Governments agenda on affordable housing

The mortgage and car loan schemes are administered by Cooperative Bank and Kenya Commercial Bank respectively. There is a committee charged with the responsibility of ensuring administrators process loans from applicants in accordance with the signed memoranda of understanding.

*Car loan and Mortgage Scheme
Policyholders Compensation Fund
Annual Report and Financial Statements For the year ended 30th June 2024*

The PCF staff Car & Mortgage loan Scheme Administration Committee was appointed by the Managing Trustee on 22nd December 2022 for a term of two (2) years with the following functions:

- i) Oversee the management of the Fund's mortgage and car loan schemes.
- ii) Negotiate with the Administrator (bank) and recommend to the Managing Trustee the interest rates applicable to unutilized monies in the scheme.
- iii) Monitor and evaluate the performance of the two schemes and prepare quarterly reports on the same to the Managing Trustee for decision making.
- iv) Cause to be kept proper books and records of accounts of the car and mortgage loan schemes.
- v) Recommend to the Managing Trustee on any updates of the Fund's car and mortgage scheme policy in view of any policy gaps or improvements in line with any changes in Government Regulations, Guidelines and best practice.
- vi) Perform any other functions that are ancillary to the objects and purpose for which the subject schemes are established.

The scheme administration committee comprised of the following staff members:

c) Scheme Administration Committee

SN	Position	Name
1	Chairperson	Mr. James Njogu
2	Committee Member	Mr. Moses Kiptoon
3	Committee Member	Mr. Bernard Rotich
4	Committee Member/Secretary	Ms. Hilda Sang/ Secretary
5	Committee Member /Scheme Accountant	Ms. Christine Ruoro

d) Scheme Administrators

SN	Position	Name
1	Fund Administrator - Car loan	Kenya Commercial Bank Ltd
2	Fund Administrator - Mortgage Loan	Cooperative Bank of Kenya

e) Key Management

SN	Position	Name
1	Chairperson	Mr. James Njogu
2	Committee Member	Mr. Moses Kiptoon

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3	Committee Member	Mr. Bernard Rotich
4	Committee Member/Secretary	Ms. Hilda Sang
5	Committee Member /Scheme Accountant	Ms. Christine Ruoro

f) Fiduciary Oversight Arrangements

SN	Position	Name
1	Managing Trustee/ Accounting Officer	Mr. Mohamed Sahal
2.	Director Corporate Services	Mr. Abudo Mamo
3.	Deputy Director Finance & Accounts	Ms. Hope Keah
4.	Deputy Director Internal Audit	Mr. Martin Michael Kamau
5	Office of the Auditor General	Office of the Auditor General

g) Registered Offices

Head office

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

h) Scheme Contacts

Telephone: 011 1121700/1/2/3
Mobile: +254 794 582 700
Email: info@pcf.go.ke
Website: www.pcf.go.ke

i) Scheme Bankers

Co-operative Bank of Kenya
Upper Hill
P.O Box 48231-00100
Nairobi Kenya

KCB Bank Limited
Capitol Hill
P.O. Box 30081-00100
Nairobi, Kenya

j) Independent Auditor

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

k) Principal Legal Adviser

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya



**3.0 PCF CAR & MORTGAGE LOAN SCHEME ADMINISTRATION
COMMITTEE**

The Mortgage & Car loan administration Committee is composed of the following:

SN	Position	Name
1	Managing Trustee/Accounting Officer	Mr. Mohamed Sahal
2	Chairperson	Mr. James Njogu
3	Committee Member	Mr. Moses Kiptoon
4	Committee Member	Mr. Bernard Rotich
5	Committee Member/Secretary	Ms. Hilda Sang
6	Committee Member /Scheme Accountant	Ms. Christine Ruoro

4.0 SCHEMES KEY MANAGEMENT TEAM

Name	
 <p>Mr. Mohamed Sahal Managing Trustee</p>	<p>Mr. Mohamed Sahal is the Managing Trustee and Secretary to the Board of Trustees. He was appointed on 27th December 2023. He is a seasoned professional with a vast wealth experience of over 15 years from various fields in both private and public sectors administration, corporate finance and planning, economics, health, project management among others.</p>
 <p>Mr. James Njogu Committee Chairman</p>	<p>CS James Njogu holds a Bachelor of Laws (LLB) Hons. Degree, a Post Graduate Diploma in Legal Practice from the Kenya School of Law, Master of Laws (LLM) in Women’s Law and Human Rights, Master of Laws (LLM) in International Corporate Governance & Financial Regulation. Mr. Njogu is an Advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public as well as a registered Certified Public Secretary with the Institute of Certified Secretaries of Kenya. Further, he is a member of the Chartered Institute of Arbitrators in London and Kenya and the Institute of Directors (Kenya).</p>

 <p data-bbox="352 819 647 898">Mr. Moses Kiptoon Committee Member</p>	<p data-bbox="767 192 1406 707">Moses Kiptoon holds a master's degree in actuarial management from the City, University of London (UK) and a Bachelor's degree in Actuarial Science from the University of Nairobi (Kenya). He is also an Associate of the Actuarial Society of Kenya. He is a past International Fellow of the National Association of Insurance Commissioners (USA) and has over 14 years of experience in the insurance industry. He is currently a Deputy Director, Insurance Services at Policyholders Compensation Fund.</p>
 <p data-bbox="352 1346 647 1424">Mr. Bernard Rotich Committee Member</p>	<p data-bbox="767 954 1406 1245">Mr. Bernard Rotich holds a Master of Science in Information Science & Technology, a Bachelor of Science in Applied Business Computing and a Higher Diploma in Integrated Management Information Systems. He is a member of the Computer Society of Kenya (CSK).</p>

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Ms. Hilda Sang
Committee Member/Secretary

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



Ms. Christine Ruoro
Scheme Accountant

Ms. Christine holds a Master of Science Finance & Investments, Bachelor of Commerce Accounting, Certified Public Accountant and Certified Information Systems Auditor. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK).

5.0 CHAIRMAN'S REPORT

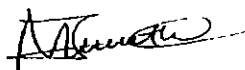
I am pleased to present the Annual Report and Financial Statements for the Scheme for the period ending 30th June 2024 as per the requirements of the PFM Regulations 2015.

The scheme is established with the objective of facilitating staff to access loans at concessionary rates thereby attracting, motivating and retaining talent, enabling them own decent houses in line with the Government's agenda on affordable housing, and acquire vehicles for personal use. The Scheme is governed by the Salaries and Remuneration Commission Circular No. SRC/ADM/CIR/1/13 Vol. III (128) of 17th December 2014, PCF Human Resource Policy & Procedures Manual (2021), Staff Mortgage and Car loan policies.

The Initial scheme seed capital was Kshs. 183M in the FY2022- 2023 comprising Kshs. 151M and Kshs. 32M for mortgage and car loans respectively. The total Scheme value as at 30th June 2024 was Kshs. 191,941,468. There is continual improvement on the loan uptake. Cumulative car loans processed amount to Kshs. 17,526,125 and mortgage loans processed total Kshs. 88,373,388. This performance translates 55% and 59% of initial seed capital for the Car and mortgage loans respectively and calls for consideration of fund top up to avoid exhaustion.

The main challenge in administration of the scheme has been turnaround time in the processing and disbursement of the mortgage loans to staff. The Committee has ensured continued engagement of the administrator and intervention where necessary.

The success of the scheme would not have been possible without the support of the Board of Trustees who ensured adequate financing of the scheme, the Managing Trustee and the administration committee for spending their valuable time in operationalization of the scheme, and the staff for fully participating in various training on utilization of the scheme and actual utilization. On behalf of the committee, I wish to thank all these stakeholders and look forward to continued support in the future.



James Njogu

SCHEME ADMINISTRATION COMMITTEE CHAIRMAN

6.0 REPORT OF THE SCHEME SECRETARY

The scheme was established with the objective of facilitating staff to access loans at concessionary rates thereby attracting, motivating and retaining talent, enabling them own decent houses in line with the Government's agenda on affordable house ownership and acquire vehicles for personal use.

The operationalization of the scheme took effect from November 2022. The Fund appointed the Cooperative Bank of Kenya and Kenya Commercial Bank as administrators for the PCF staff mortgage and car loan facilities respectively.

The administrators are responsible for among others, operating a designated account for the schemes, managing end to end processing of loans under the schemes on behalf of the Fund as well as reporting to the scheme administration committee on a quarterly basis. To ensure seamless operations and liaison between the administrator, the borrowers and the Fund, there is established an administration committee of the Fund that is responsible for among others overseeing the day-to-day management of the scheme, member education/sensitization, monitoring the performance of the scheme as well as advising the Managing Trustee/CEO on issues relating to the scheme.

The period under review is the second year of the scheme operations and the Scheme recorded successful processing of car loan applications totalling KShs. 10,460,125 and mortgage loans totalling KShs. 18,720,000. Cumulatively for the two years, total car loans processed amount to Kshs. 17,526,125 and mortgage loans processed total Kshs. 88,373,388. This performance translates 55% and 59% of initial seed capital for the Car and mortgage loans respectively.

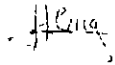
To enhance scheme sustainability, the scheme administrators are mandated to invest unutilized funds. The return on this investment and principal amounts repaid by borrowers are ploughed back to the scheme to enhance growth. During the financial year under review, the registered interest income was Kshs. 990,704 and Kshs. 4,394,513 for the Car and mortgage loans respectively.

The Scheme is established and operates within stipulated government regulations and guidelines. The Fund ensures prudent financial management and reporting in line with Public Finance Management (PFM) Act 2012, Government financial regulations, 2015 and International Public Sector Accounting Standards (IPSAS). In this regard, PCF hereby presents the Financial Statements of the Staff Car & Mortgage Loan Scheme for the year

*Car loan and Mortgage Scheme
Policyholders Compensation Fund
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ended 30th June 2024. The Financial statements presented comprise of; the Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Net Assets and Statement of Cash Flows.

On behalf of the Scheme Administration Committee, I sincerely thank the Board of Trustees, management team and staff for their cooperation and support in operationalization of the scheme during the FY2023/2024.



Hilda Sang
SCHEME SECRETARY

7.0 STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

The Fund in its Strategic Plan FY2020/2021-2024/2025 endeavours to strengthen institutional capacity by attracting, development, and retention, of competent staff. The establishment and operationalization of the Staff Car & Mortgage Loan Scheme is a key achievement and boost towards enhanced staff welfare.

The table below provides the progress made by the Scheme.

Key Result Area	Objective	Key Performance Indicators	Activities	Achievements
Strengthen Institutional capacity	Enhance service delivery	Successful loan applications	Staff welfare - Loans processing and disbursement	Eight loan applications were successfully processed during the financial year.

8.0 CORPORATE GOVERNANCE STATEMENT

The PCF Board of Trustees is responsible for policy formulation and strategic oversight of the Fund. Specifically, and regarding the administration of the staff Car & Mortgage loan Scheme, the Board is responsible for approving the respective policies and scheme funding in line with the existing laws and regulations.

The Managing Trustee who holds delegated authority to run the day-to-day operations of the Fund is responsible for the appointment of the Car & Mortgage loan administration Committee, signing the contractual agreements between the Fund and the Administrators, and recommends to the Board of Trustees quarterly reports on the activities of the Scheme.

The Scheme is administered by a committee appointed by the Managing Trustee with the following roles & responsibilities.

- i) Oversee the management of the Fund's mortgage and car loan schemes.
- ii) Negotiate with the Administrator (bank) and recommend to the Managing Trustee the interest rates applicable to unutilized monies in the scheme.
- iii) Monitor and evaluate the performance of the two schemes and prepare quarterly reports on the same to the Managing Trustee for decision making.
- iv) Cause to be kept proper books and records of accounts of the car and mortgage loan schemes.
- v) Recommend to the Managing Trustee on any updates of the Fund's car and mortgage scheme policy in view of any policy gaps or improvements in line with any changes in Government Regulations, Guidelines and best practice.
- vi) Perform any other functions that are ancillary to the objects and purpose for which the subject schemes are established.

During the financial year, the committee held four meetings for Car and mortgage Loans. The attendance of the members was as follows.

Name	No. of Meetings for Car Loan	Attendance	No. of Meetings for Mortgage	Attendance
Mr. James Njogu	4	4	4	4
Mr. Moses Kiptoon	4	4	4	4

*Car loan and Mortgage Scheme
Policyholders Compensation Fund
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Mr. Bernard Rotich	4	4	4	4
Ms. Hilda Sang	4	4	4	4
Ms. Christine Ruoro	4	4	4	4

9.0 MANAGEMENT DISCUSSION AND ANALYSIS

The PCF staff Car & Mortgage loan Scheme was operationalized in FY2022-2023 with a capital of KShs. 32,000,000 for the Car loan scheme and KShs. 151,000,000 for the mortgage loan scheme. Staff sensitization forums were conducted by the Kenya Commercial Bank and Cooperative Bank who are administrators of the Car loan and mortgage scheme respectively.

During the period under review, there were six applications for each scheme totalling to twelve applications. The number of successful applicants were five and three for mortgage and car loans respectively.

The loan disbursement for the years is as depicted *figure 1*.

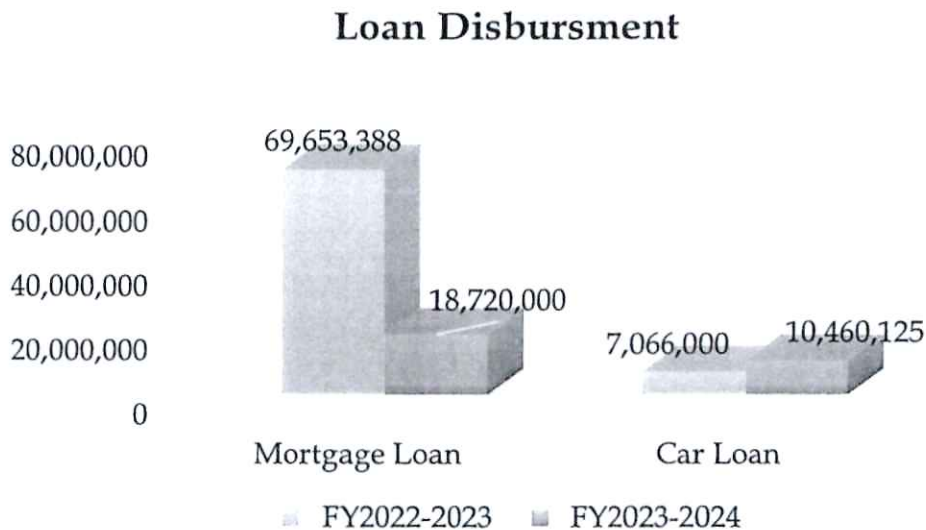


Figure 1. Loan Disbursement

The interest income earned on unutilized funds over the two years is as depicted in figure 2.

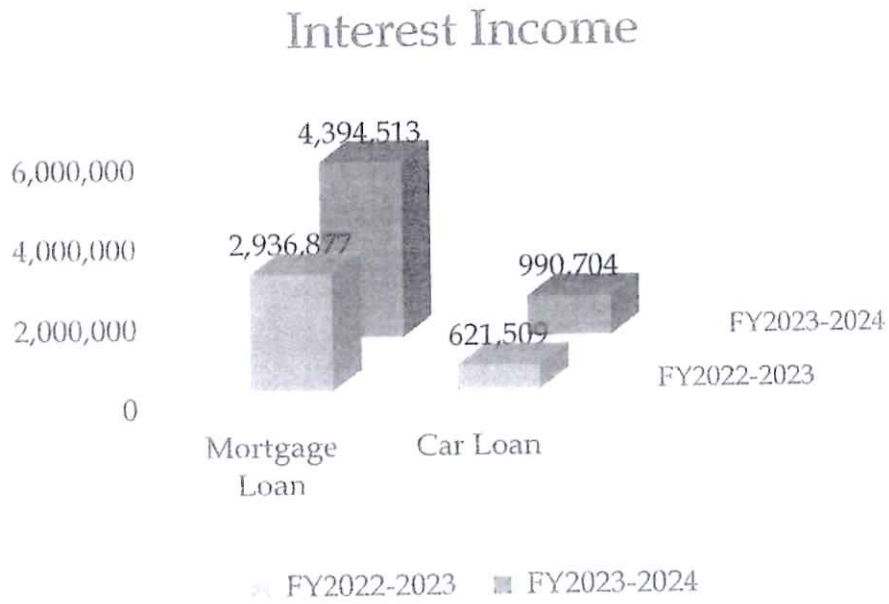


Figure 2. Interest Income

10.0 ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Fund engaged in environmental sustainability initiatives during the financial year in activities such as; tree growing at the Ngong Hills, Kajiado County in partnership with the Kenya Forestry Service (KFS), contracting NEMA licensed waste management service provider for waste disposal, migration to electronic data management system (EDRMS) to reduce on printing and paper waste. The scheme borrows on these practices. In addition, during sensitization forums, staff are encouraged to purchase vehicles with less harmful effects on the environment as well as consider solar lighting for their homes.

11.0 REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE

The PCF staff Car & Mortgage loan Scheme administration Committee submit their report together with the financial statements for the year ended June 30, 2024, which show the state of the Scheme's affairs.

a) Principal activities

The principal activities of the Scheme are to issue car and mortgage loans to qualifying staff of PCF.

b) Performance

The performance of the Scheme for the year ended June 30, 2024, is set out in pages 1 to 17.

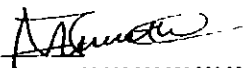
c) Trustees

The members of the Scheme Administration Committee who served during the year are shown on page viii.

d) Auditors

The Auditor-General is responsible for the statutory audit of the Scheme in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....
James Njogu

SCHEME ADMINISTRATION COMMITTEE CHAIRMAN

12.0 STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2024.

This responsibility includes:

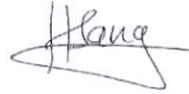
- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period,
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund,
- (iii) Designing, implementing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

The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2024, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on 28/11/2024 and signed on its behalf by:



.....
James Njogu

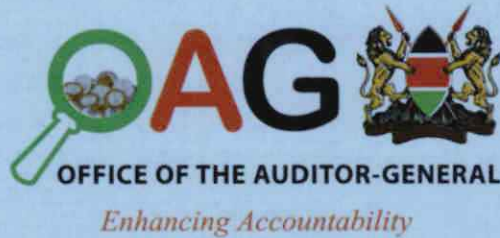
.....
Hilda Sang

Scheme Administration Committee
Chairman

Scheme Secretary

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 CAR AND MORTGAGE SCHEME FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Policyholders Compensation Fund Car and Mortgage Loan Scheme set out on pages 1 to 19, which comprise the

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

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

Basis for Opinion

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

Key Audit Matters

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

Other Information

The Management is responsible for the other information set out on page (iv) to (xxiii) which comprise of Key Fund Information and Management, Chairman's Report, Report of the Scheme Secretary, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Trustees/Fund Administration Committee and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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

Lack of Approved Budget on Interest

The statement of comparison of budget and actual amounts reflects actual interest on comparable basis of Kshs.8,166,297 and expenses of Kshs.2,135. However, the respective approved budget was not provided for review. Further, Management did not budget for interest income from the funds held in fixed deposits contrary to Regulation 31(1) of the Public Finance Management (National Government) Regulations, 2015 which require Accounting Officer to ensure that the draft estimates are prepared in conformity with the Constitution, the Act, and Regulations.

In the circumstances, Management was in breach the law.

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

The 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, the 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.

Those charged with governance are responsible for overseeing the revenue reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 December, 2024

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


	Note	FY 2023/2024	FY 2022/2023
		Kshs.	Kshs.
Revenue from exchange transactions			
Interest income earned from deposits	19.6a	5,385,217	3,558,386
Interest income earned from loan disbursement	19.6b	2,400,883	78,290
Total revenue		7,786,100	3,636,676
Expenses			
Finance costs – Interest expensed as administration cost	19.7	(2,400,883)	(78,290)
Finance costs – Bank charges	19.7	(2,135)	-
Total expenses		(2,403,018)	(78,290)
Other gains/losses			
Surplus/(deficit) before tax		5,383,082	3,558,386
Taxation			-
Surplus/ (Deficit) for the period		5,383,082	3,558,386

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Fund financial statements were approved on 28/11/2024 and signed by:



.....
 James Njogu
 Scheme Administration
 Committee Chairman



.....
 Christine Ruoro
 Scheme Accountant
 ICPAK No.16433



.....
 Hilda Sang
 Scheme Secretary

15.0 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2024

	Note	FY 2023/2024	FY 2022/2023
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	19.8	90,502,478	107,057,918
Total Current Assets		90,502,478	107,057,918
Non-current assets			
Receivables from exchange transactions	19.9	101,438,990	79,500,468
Total Non-Current Assets		101,438,990	79,500,468
Total assets		191,941,468	186,558,386
Liabilities		-	
Trade and other payables		-	-
Total Current Liabilities		-	-
Total liabilities			-
Net assets		191,941,468	186,558,386
Car loan revolving fund	19.5	32,000,000	32,000,000
Mortgage revolving fund	19.5	151,000,000	151,000,000
Accumulated surplus (<i>Reserves</i>)		8,941,468	3,558,386
Total net assets and liabilities		191,941,468	186,558,386

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 28/11/2024 and signed by:



.....
 James Njogu
 Scheme Administration
 Committee Chairman



.....
 Christine Ruoro
 Scheme Accountant
 ICPAK No.16433



.....
 Hilda Sang
 Scheme Secretary

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

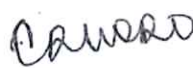
	Mortgage Fund	Car Loan Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2022	-	-	-	-
Surplus/(deficit) for the period	-	-	3,558,386	3,558,386
Funds received during the year	151,000,000	32,000,000	-	183,000,000
Interest capitalized	-	-	-	0.00
Transfers	-	-	-	0.00
As at 30 June 2023	151,000,000	32,000,000	3,558,386	186,558,386
Balance as at 1 July 2023	151,000,000	32,000,000	3,558,386	186,558,386
Surplus/(deficit) for the period	-	-	5,383,082	5,383,082
Funds received during the year	-	-	-	0.00
Interest capitalized	-	-	-	0.00
Transfers	-	-	-	0.00
As at 30 June 2024	151,000,000	32,000,000	8,941,468	191,941,468

The Fund financial statements were approved on 28/11/2024 and signed by:



James Njogu

Scheme Administration
Committee Chairman



Christine Ruoro

Scheme Accountant
ICPAK No.16433



Hilda Sang

Scheme Secretary

17.0 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2024

	Note	FY 2023/2024	FY 2022/2023
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Interest income earned from loan disbursement	19.6b	2,400,883	78,290
Interest income earned from deposit	19.6c	8,018,311	777,306
Total receipts		10,419,194	855,596
Payments			
Finance cost	19.7	2,403,018	78,290
Total payments		2,403,018	78,290
Net cash flow from operating activities	19.10	8,016,176	777,306
Cash flows from investing activities			
Loan disbursements paid out	19.11	(29,184,745)	(76,719,388)
Proceeds from loan principal repayments	19.12	4,613,129	-
Net cash flows used in investing activities		(24,571,616)	(76,719,388)
Cash flows from financing activities			
Receipts into the mortgage revolving fund	19.5	-	151,000,000
Receipts into the car loan revolving fund	19.5	-	32,000,000
Net cash flows used in financing activities		-	183,000,000
Net increase/(decrease) in cash and cash equivalents		(16,555,440)	107,057,918
Cash and cash equivalents at 1 July 2023		107,057,918	-
Cash and cash equivalents at 30 June 2024	19.8	90,502,478	107,057,918

The Fund financial statements were approved on 28/11/2024 and signed by:



.....

James Njogu
 Scheme Administration
 Committee Chairman



.....

Christine Ruoro
 Scheme Accountant
 ICPAK No.16433



.....

Hilda Sang
 Scheme Secretary

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

Description	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
Revenue						
Transfers from Parent Ministry/ SC/SAGA	0.00	0.00	0.00	0.00	0.00	-
Interest income	0.00	0.00	0.00	7,786,100	(7,786,100)	-
Total Revenue	0.00	0.00	0.00	7,786,100	(7,786,100)	-
Expenses						
Finance cost	0.00	0.00	0.00	2,403,018	(2,403,018)	-
Total Expenditure	0.00	0.00	0.00	2,403,018	(2,403,018)	-
Surplus for the period	0.00	0.00	0.00	5,383,082	(5,383,082)	-

19.0 NOTES TO THE FINANCIAL STATEMENTS

19.1 General Information

PCF Staff Car/mortgage loan Scheme is established pursuant to the SRC circular SRC/ADM/CIR/1/13 Vol. III (128) of 17th December 2014 and derives its authority and accountability from PFM Act, 2012. The Scheme is wholly owned by the Government of Kenya and is domiciled in Kenya. The Scheme's principal activity is to provide car and mortgage loans to qualifying staff of PCF.

19.2 Statement of Compliance and Basis of Preparation

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 Fund's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Fund*. The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

19.3 Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

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

b. Budget information

The scheme is funded from KShs. 128,000,000 seed capital approved on 30th June 2022 in the original budget for FY 2022/23. Subsequent additional funding of KShs. 55,000,000 was approved via budget revision on 2nd June 2023. There was no budgetary allocation for the scheme in the FY2023/24. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

c. Financial instruments

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

I. Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at

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

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

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

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/ deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business

model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Notes.

II. Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

d. Contingent liabilities

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

e. Contingent assets

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

f. Nature and purpose of reserves

The Fund creates and maintains reserves in terms of specific requirements. (*Fund to state the reserves maintained and appropriate policies adopted*).

g. Changes in accounting policies and estimates

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

h. Foreign currency transactions

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

i. Related parties

The Fund regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Directors/ Trustee, the Fund Managers, and Fund Accountant.

j. Cash and cash equivalents

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

k. Comparative figures

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

l. Events after the reporting period

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

m. Ultimate and Holding Fund

The Scheme is established pursuant to the SRC circular SRC/ADM/CIR/1/13 Vol. III (128) of 17th December 2014. It is wholly owned by Policyholders Compensation Fund, whose ultimate parent is the Government of Kenya.

n. Currency

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

19.4 Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur. (IPSAS 1.140.)

b) Useful lives and residual values

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

- i) The condition of the asset is based on the assessment of experts employed by the Fund
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funding to replace the asset

v) Changes in the market in relation to the asset

19.5 Receipts into the revolving mortgage and car loan schemes

	FY 2023/2024	FY 2022/2023
	Kshs.	Kshs.
Staff Mortgage	0.00	151,000,000
Staff Car Loan	0.00	32,000,000
Total	0.00	183,000,000

19.6 Interest income

COOPERATIVE BANK ACCOUNT 01141162765000

Date received	Kshs.
31.07.2023	408,879.55
30.08.2023	377,824.80
31.08.2023	26,118.40
30.09.2023	392,827.55
31.10.2023	407,906.90
30.11.2023	366,814.20
31.12.2023	347,488.55
31.01.2024	343,082.65
29.02.2024	322,570.20
31.03.2024	346,446.50
30.04.2024	344,120.55
31.05.2024	359,119.10
30.06.2024	351,314.45
	4,394,513.00

KCB ACC NO: 1304427439

Date received	Kshs.
01.07.2023	80,351.80
01.07.2023	80,351.80
01.08.2023	99,346.20
01.09.2023	108,320.00
01.10.2023	101,865.00
01.11.2023	95,570.55
01.12.2023	81,312.60
01.01.2024	68,441.70
01.02.2024	70,102.75

*PCF Staff Car loan/Mortgage Scheme
Annual Report and Financial Statements For the year ended 30th June 2024*

01.03.2024	66,319.95
03.04.2024	70,893.75
01.05.2024	72,725.85
01.06.2024	75,454.05
	990,704.20

Description	FY 2023/2024	FY 2022/2023
	Kshs.	Kshs.
a) Interest income earned from deposits		
Interest income earned from deposits with KCB (Car loan account)	990,704	621,509
Interest income earned from deposits with Cooperative Bank (Mortgage loan account)	4,394,513	155,797
Interest earned/receivable from Cooperative Bank (Mortgage loan account)	-	2,781,080
Total income earned from deposits	5,385,217	3,558,386
b) Interest income earned from loan disbursement		
Interest income earned from Car loan disbursement	385,898	78,290
Interest income earned from Mortgage loan disbursement	2,014,985	-
Total Interest Income from disbursements	2,400,883	78,290
19.6 c Interest Income		
Interest income earned from deposits with KCB (Car loan account)	990,704	621,509
Interest income earned from deposits with Cooperative Bank (Mortgage loan account)	4,394,513	155,797
Reduction in receivable (Cooperative)	2,781,080	-
Increase in receivable (KCB)	(147,986)	-
Total income earned from deposits (Cashflow Statement)	8,018,311	777,306

19.7 Finance costs

Description	FY 2023/2024	FY 2022/2023
	Kshs.	Kshs.
Interest expensed as administration cost (KCB)	385,898	78,290

Description	FY 2023/2024	FY 2022/2023
	Kshs.	Kshs.
Interest expensed as administration cost (Cooperative Bank)	2,014,985	-
Total interest expensed as administration cost	2,400,883	78,290
Bank Charges	2,135	-
Total Finance Cost	2,403,018	78,290

19.8 Cash and cash equivalents

Description	FY 2023/2024	FY 2022/2023
	Kshs.	Kshs.
Car Loan account	148,340	5,622,509
Mortgage Account	72,239,944	81,502,409
Fixed Deposits Account	-	-
On - Call Deposits	18,114,194	19,933,000
Current Account	-	-
Others (Specify)	-	-
Total Cash and Cash equivalents	90,502,478	107,057,918

19.9 Receivables from exchange transactions

Description	FY 2023/2024		FY 2022/2023	
	Kshs.	%of total	Kshs.	%of total
Current Receivables				
Car loan balances - KCB	14,505,258		7,066,000	
Mortgage loan balances - Cooperative Bank	85,077,658		69,653,388	
Interest earned/receivable from Cooperative Bank	-		2,781,080	
Principal mortgage loan recoveries receivable	1,013,559		-	
Principal Car Loan recoveries receivable	694,529		-	
Other Receivables*	147,986		-	
Total Receivables	101,438,990		79,500,468	
Ageing analysis (receivable from exchange transactions)	FY 2023/2024	%of total	FY 2022/2023	%of total
Less than 1 year	28,869,948	28%	79,500,468	100%
Between 1-2 years	72,569,042	72%	0.00	%
Between 2-3 years	0.00	0%	0.00	%

PCF Staff Car loan/Mortgage Scheme

Annual Report and Financial Statements For the year ended 30th June 2024

Over 3 years	0.00	0%	0.00	%
Total	101,438,990	100%	79,500,468	%

Note

**Other receivables represent an entry done by KCB, but reversed after the end of the financial year.*

19.10 Net cash flows from operating activities

Description	FY 2023/2024	FY 2022/2023
		Kshs.
Surplus/ (deficit) for the year before tax	5,383,082	3,558,386
Adjusted for:		
Depreciation	0	-
Amortisation	0	-
Gains/ losses on disposal of assets	0	-
Interest income		-
Finance cost	0	-
Working capital adjustments		
Increase in inventory	0	-
Decrease/ (Increase) in receivables- Cooperative	2,781,080	(2,781,080)
Decrease/ (Increase) in receivables- KCB	(147,986)	
Increase in payables	0	-
Net cash flow from operating activities	8,016,176	777,306

19.11 Loan Disbursement paid out

	FY 2023/2024	FY 2022/2023
	Kshs.	Kshs.
Mortgage Loans		
Subtotal Mortgage Loans disbursement	18,720,000	69,653,388
Car Loans		
Subtotal Car Loans disbursement	10,464,745	7,066,000
Total Car and Mortgage Loans disbursement	29,184,745	76,719,388

19.12 Proceeds from loan principal repayments

Description	FY 2023/2024	FY 2022/2023
	Kshs.	Kshs.
Principal Recoveries for Mortgage Loans		
04.04.2024	1,238,270	-
04.04.2024	387,470	-
15.05.2024	349,072	-
06.06.2024	307,359	-
	2,282,171	-
Principal Recoveries for Car Loans		
12.07.2023	370,503	-

Description	FY 2023/2024	FY 2022/2023
	Kshs.	Kshs.
16.09.2023	309,266	-
03.11.2023	323,808	-
11.01.2024	439,902	-
03.04.2024	887,479	-
	2,330,958	
Total principal recoveries	4,613,129	-

19.13 Financial risk management

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Scheme's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Scheme does not hedge any risks and has in place policies to ensure that credit is only extended to staff who qualify as per the Fund's Car/mortgage loans policy. The Scheme's financial risk management objectives and policies are responsible for the development of detailed risk management policies (*subject to review and approval by the Audit and Risk Management Committee*) and for the day-to-day implementation of those policies. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk. The following are the major risks facing the schemes;

a) Interest rate risk

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

b) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

19.14 Related party balances

Nature of related party relationships

Entities and other parties related to the Scheme include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is majorly related to the PCF management and staffs.

19.15 Events after the Reporting Period

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

19.16 Ultimate and Holding Entity

The Scheme is under the sponsorship of Policyholders Compensation Fund.

19.17 Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling.

**20.0 ANNEX I: PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S
RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
None	None	None	N/A	N/A

Note: During the previous financial year 2021/2022, the PCF had not operationalized the two schemes; staff mortgage Fund and Staff Car loan scheme thus no prior year audit recommendations to report on.


Mr. Mohamed A. Sahal
MANAGING TRUSTEE/FUND MANAGER/ACCOUNTING OFFICER

Date: 28/11/2024