

REPUBLIC OF KENYA



Enhancing Accountability



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 16 APR 2024	DAY: TUESDAY
BY:	HON. OWEN OBIARA, MP OPPOSITION LEADER
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REPORT

OF

THE AUDITOR-GENERAL

ON

**PRIVATE SECURITY REGULATORY
AUTHORITY**

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



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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PRIVATE SECURITY REGULATORY AUTHORITY

Annual Report and Financial Statements For The Year Ended 30 June, 2023

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

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June, 2023.

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

DG	Director General
PSRA	Private Security Regulatory Authority
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations

B: Glossary of Terms

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

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2. Key Authority Information and Management

a. Background information

The Private Security Regulatory Authority (PSRA) was established under the Private Security Regulatory Act, No. 13 of 2016 with the objective of facilitating the growth of the private security industry. The Authority is domiciled in Kenya under the Ministry of Interior and National Administration.

b. Principal Activities

The Authority's core mandate is to provide a framework for cooperation between the private security companies and the national security organs.

Vision

To establish a vibrant, efficient, effective, and sustainable Private Security Sector.

Mission

To regulate, facilitate, develop capacity and provide policy advice to the private security sector.

Core Values

- Honesty and Integrity
- Responsibility and Accountability
- Respect and Dignity
- Excellence
- Innovation and Creativity
- Diversity

c. Key Management

The Private Security Regulation Authority's day-to-day management is under the following key organs:

- Board of Directors.
- Chief Executive officer/Director General
- Management Staff

d. Fiduciary Management

The key management personnel who held office during the financial year ended 30 June, 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Fazul Mahamed
2.	Director Corporate Services	Philip Leakey
3.	Head of Legal Services	Elvis Okal
4.	Director Registration & Licensing	Jennifer Njeri
5.	Director Training Standards	Alvin Ntimama

e. Fiduciary Oversight Arrangements

The following are the Authority's oversight arrangements:

- Audit and Risk Committee
- Finance committee
- Human Resource Committee
- Registration & licensing Committee
- Parliamentary Committee

f. Headquarters

P.O. Box 22565-00100
Lonrho House, 10th Floor,
Standard Street,
Nairobi, KENYA

g. Contacts

Telephone: (+254) 203 209 000
E-mail : info@psra.go.ke
Website: www.psra.go.ke

h. Bankers

National Bank of Kenya
Harambee Avenue
P.O. Box 72866-00200
Nairobi, KENYA

i. Independent Auditors

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


j. Principal Legal Adviser

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

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3. The Board of Directors


Ref	Directors	Details
1.	Prof. Phares Ng'ang'a	Prof. Phares Ng'ang'a is the current chairman of the Board
2.	 Mr. Jackson Mbutia	Mr. Jackson Mbutia is a Board member representing registered associations of private security firms
3.	Mrs. Nancy Murega	The Principal Secretary, State Department of Interior representative
4.	Mr. Francis Musyimi	Principal Secretary, National Treasury representative.
5.	Dr. William Kibet Kiprono	Principal Secretary, State Department of Labour representative.

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Ref	Directors	Details
6.	 Mr. Andrew Solomon	Mr. Andrew Solomon is a board member representing registered associations of private security firms
7.	James Mwaniki	Board Member representing the National Police Service.
8.	Ms. Mary Chironga	Board member representing the National Intelligence Service.
9.	Barry Steven Patrick	Board Member representing Private Security Industry Association
10.	Isaac G. M. Andabwa,	Board Member representing National Private Security Workers 'Union.
11.	Joash Soita,	Board Member representing National Private Security Workers 'Union
12.	Bernard Wanjohi Muriuki (Eng.)	Board Member representing representing the Residents Associations.

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Ref	Directors	Details
13.	 <p>Fazul Mahamed</p>	Chief Executive officer/Director General

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4. Key Management Team

Name	Area of Responsibility
 <p>Fazul Mahamed MBA</p>	Chief Executive officer
 <p>Philip Leakey, ACCA, MBA Bsc. Accounting & Fin. MBA(Finance)</p>	Director Corporate Services



Elvis Okal; LLB (Hons) PgD (KSL)

Head of Legal services



Jennifer Njeri; BA

Director Registration & Licensing

5. Chairman's Statement

On behalf of the Board of Directors, I am pleased to present to you the Private Security Regulatory Authority's annual report and financial statements for the year ended 30th June, 2023.

The Private Security Industry in Kenya has always been steered by private security companies with minimal Government intervention. However, with the enactment of "The Private Security Regulation Authority (PSRA) Act No. 13 of 2016", the Government of Kenya through PSRA has provided a framework for the regulation of the industry and enhanced cooperation between the private security companies and the national security organs.

In the past, Private security companies have struggled to run their own internally developed training curriculums. To this end, the Authority successfully launched the Private Security Training Curriculum that was designed to address key professional development areas in the private security industry. This is embodied as a requirement in the Private Security Regulation Act No. 13 of 2016 which requires all private security officers to undergo the prescribed training, be accredited and certified by the Authority.

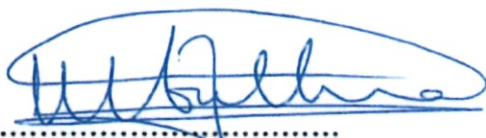
Before the enactment of the PSRA Act No. 13 of 2016, Private security officers in Kenya only accessed on-the-job training, coupled with relevant work experience without recognized government accreditation or certification. Employers in this sector had no standardized curriculum, creating loopholes for the market to adopt curricula borrowed from other countries and authorities. This rendered the industry unbalanced in terms of skills, competency and knowledge base. The development of a curriculum has brought order in the industry and alignment of how the private security firms conduct their operations.

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The four-year strategic plan has continued to give direction to the Authority as it highlights the strategic direction of the Private Security Regulatory Authority for the four-year period in its efforts to spearhead the implementation of key policies relating to the Authority's mandate.

In the year under review, the number of private security firms registered continued to grow gradually. It is evident that the Authority remained committed to its mandate of facilitating growth in the Private Security Industry.

I take this opportunity to thank my fellow Board of Directors, dedicated staff, the Ministry of Interior and National Administration, Private Security companies and all our other stakeholders for their continued support to PSRA. We look forward to a better future in the furtherance of PSRA's mandate.



.....
Prof. Phares Ngángá
Chairman, Board of Directors.

6. Report of the Chief Executive Officer

I am delighted to present to you the Private Security Regulatory Authority's (PSRA) annual report and financial statements for year ended 30th June, 2023.

PSRA is committed to standardise Kenya's private security industry and therefore, navigating to a better and safer country. Private security plays a key role in enhancing a country's security therefore providing an enabling environment that spurs economic development. In the few years of its existence PSRA has developed the training curriculum for private security officers level one. This has ensured the industry is balanced in terms of skills, competencies and knowledge base. The curriculum development took into account inputs from experts and other stakeholders in the security sector in Kenya.

During the year under review, PSRA was allocated Kshs 160,900,000 in its annual budget to finance its activities. A significant proportion of this allocation was spent on employee costs to ensure the operationalization of the annual workplan for the overall objective of achieving the Authority's mandate.

PSRA continues to work and consult with other key stakeholders notably the National Security Advisory Committee in the improvement and implementation of the curricula developed. Further, PSRA continues to implement the overall policy guidance by the Ministry of Interior and National Administration to ensure the private security industry discharges its mandate effectively to the Citizenry.

The Authority is committed to operational excellence, capacity expansion, and stakeholder engagement to ensure the effective administration, supervision, regulation and control of the private security services industry; and enforce standards for the conduct of the private security services industry in Kenya. In the year under review, the Authority operationalised its regional offices in Mombasa, Kisumu, Eldoret, and Garissa to ensure reasonable access to its services. To date, the Authority has received a total of 1,300 requests for registration. Out of this, 630 were

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issued with the 5-year certificate of registration, the remaining applications are still undergoing the mandatory security vetting as envisaged under the law.

The staff recruited in the last financial year have been a great arsenal in ensuring the implementation of the annual workplan which was drawn from the strategic plan. I take this opportunity to thank the staff and encourage them to put even greater effort in championing the implementation of the plan once again. The Strategic Plan continually serves as the Authority's framework for decision making, a basis for planning, resource mobilization and utilization, performance management, monitoring and evaluation for the next two years.



.....
Fazul Mahamed,
Chief Executive Officer

7. Statement of Performance Against Predetermined Objectives

The Strategic Plan has six strategic objectives as follows:

- To enhance regulatory, legislative and policy for Private Security Firms.
- To strengthen compliance with regulations by Private Security Firms and personnel.
- To strengthen institutional capacity of the Authority;
- To facilitate establishment and growth of Private Security Providers;
- To promote strategic partnerships and networking among stakeholders; and
- To enhance resources mobilization for financial sustainability of the Authority.

The Private Securities Regulatory Authority develops its annual work plans based on the above six strategic objectives.

The Private Securities Regulatory Authority achieved its performance targets set for the FY 2022/2023 period for the six strategic objectives, as indicated in the table below.

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Strategic pillars and Objectives	Key Performance Indicators	Activities	Achievements
Enhancing regulatory, legislative and policy for Private Security Firms	Updated standards of operations Quarterly enforcement reports	Formulate and enforce standards for the conduct of the private security services industry in Kenya	Continuous
Strengthening compliance with regulations by Private Security Firms and personnel.	No. of private security persons/providers registered/ licensed No. of private security firms registered/licensed	Register and license all persons involved in or conducting private security services in Kenya	Ongoing
	Quarterly Updating of the licensed private security personnel details' databank	Maintain a data bank of the operations, conduct and employment history of persons registered and licensed under this Act	Ongoing
Strengthening institutional capacity of the Authority;	Quarterly audit of private security providers against the set standards	Ensure that private security service providers act in the public and national interest when rendering their services;	Continuous monitoring
Facilitating establishment and growth of Private Security Providers.	No. of accredited private security training institutions No. of audit reports on the quality of training functions performed by accredited persons No. of partnership collaborations attended No. of training quality assessment reports No. of qualifications' standardization categories No. of authentication certificates issued.	Determine, prescribe and enforce minimum standards of occupational conduct in respect of the private security services industry; set standards and accredit institutions offering training of security service providers and prospective security service providers to ensure a high quality of training and in particular with regard to— (i) the accreditation and withdrawal of the accreditation of persons and institutions providing security training; (ii) the monitoring and auditing of the quality of training functions performed by accredited persons; (iii) the participation in the activities of other bodies or persons entitled by law to set standards in respect of training of private security service providers or bodies entitled to formulate, implement or monitor skills development plans for the private security services industry; (iv) the appointment of persons to monitor and assess achievements or outcomes in respect of standards applicable to training; (v) the determination and accreditation of qualifications required by security service	Ongoing

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Strategic pillars and Objectives	Key Performance Indicators	Activities	Achievements
		providers to perform particular types of security services; and (vi) the taking of reasonable steps to verify the authenticity of training certificates presented by persons for the purposes of this Act;	
Promote strategic partnerships and networking among stakeholders; and	No. of documented employment opportunities offered in the private security industry Annual report on private security providers' rights' enforcement Quarterly dissemination of information through IEC No. of sensitization sessions held	Set standards to encourage equal opportunity employment practices in the private security services industry; Promote the protection and enforcement of the rights of security guards, private security officers and other employees in the private security services industry; Provide information to the users, prospective users or representatives of users of security services regarding the compliance of private security service providers with the provisions of this Act; Provide or disseminate information promoting and encouraging compliance with this Act and the code of conduct by private security service providers;	Ongoing
To enhance resources mobilization for financial sustainability of the Authority	Annual amount raised through licensing of private security providers		In progress

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8. Corporate Governance Statement

The Board was gazetted on 31st October 2019 through a gazette notice – Vol.CXXI-No.149 pursuant to Sections 7 to 20 of the Private Securities Regulatory Act No. 3 of 2016. Various committees of the Board were constituted in May 2018. Composition of the Board of The PSRA consists of representatives from eleven institutions who serve on a part time basis. These institutions are: The Ministry of interior and Coordination of National Government, The National Treasury, Ministry Labour, National Police Service, National Intelligence Service, Registered employee associations representing employee organisations, Registered associations representing private security firms, Registered Residents Associations and Kenya Private sector Alliance. These members are nominated by their respective institutions and gazetted by the Cabinet Secretary, National Treasury. The chairman of the Board is appointed by the President. A summary of the members and their nominating institutions is as follows:

No.	Member	Nominating institution
1.	Prof. Phares Ng'ang'a	Chairman
2.	Jackson W. Mbuthia, HSC	Office of the president
3.	Andrew Solomon	Registered Associations of Private Security Firms
4.	Dr. William Kibet Kiprono	PS - Labour
5.	Mr. James Mwaniki	National Police Service.
6.	Ms. Mary Chironga	National Intelligence Service.
7.	Barry Stephen Patrick	Private Security Industry Association
8.	Isaac G. M. Andabwa,	Private Security Workers' Union.
9.	Joash Soita,	Private Security Workers' Union
10.	Bernard Wanjohi Muriuki (Eng.)	Residents Associations.
11.	Mr. Francis Musyimi	PS – National Treasury
12.	Mrs. Nancy Murega	PS – Interior and Citizen Services

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Board diversity

The Board is constituted by members who have experience in Security governance, engineering the Board's mandate of "Regulating, facilitating, developing capacity and providing policy advice to the Private Security sector." The biographies of the Board members are disclosed on page v of this report.

Roles and Responsibilities of directors

The roles and responsibilities of members are outlined in section 14 to 20 of the Private Securities Regulation Act No.13 of 2016. These roles and responsibilities are also detailed in the Authority's Performance Contracting Strategic objectives for the FY 2021/2022. New members, once appointed, are given these documents to familiarise themselves with the roles and responsibilities as outlined in the law. The Private Securities Regulatory (PSRA).

Board composition and Committees

The following table represents the Board composition and its committees. There are four committees of the Board and each member is appointed to two committees. Each committee has a total of four members. The table below shows the chairs and members of each committee of the Board.

No.	Board Member	Full Board meeting	Audit & Risk Committee	Human Resource & Administration Committee	Finance committee	Operations & Technical Committee
1.	Jackson W. Mbutia,	√*		√*		
2.	Eng. Benard Wanjohi Muriuki	√				√*
3.	Andrew Solomon	√	√*			
4.	Barry Steven Patrick	√	√			
5.	Mrs. Nancy Murega	√	√		√	

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No.	Board Member	Full Board meeting	Audit & Risk Committee	Human Resource & Administration Committee	Finance committee	Operations & Technical Committee
6.	Mr. Francis Musyimi	√			√	
7.	Dr. William Kiprono	√		√		
8.	Isaac G. M. Andabwa,	√				√
9.	Joash Soita,	√		√	√*	
10.	James Mwaniki	√			√	
11.	Mary Chironga	√				√

*Chairman of the Board/Committee

** Immediate former Chairman of the Board

Board attendance

Best practice requires that every Board member attends a minimum of 75% of all Board meetings. Below is an extract from the attendance register for the Board meetings held in the period from 1st July 2022 to 30th June 2023:

No.	Board member	Number of Meetings During the year	Number of meetings attended
1.	Jackson W. Mbutia,	6	6/6
2.	Stephen Barry	6	6/6
3.	Andrew Solomon	6	6/6
4.	Nancy Murega	6	6/6
5.	Francis Musyimi	6	6/6
6.	William Kiprono	6	6/6

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No.	Board member	Number of Meetings During the year	Number of meetings attended
7.	James Mwaniki	6	6/6
8.	Isaac G. M. Andabwa,	6	6/6
9.	Joash Soita,	6	6/6
10.	Bernard Wanjohi Muriuki (Eng.)	6	6/6
11.	Mary Chironga	6	6/6

Board committees are established as per Section 14 of the Private Securities Regulation Act No. 13 of 2016. Below are the various Board Committees, their general functions and attendance of Committee meetings during the year:

Audit and Risk Committee

The Committee's mandate includes: monitor and review the integrity of the Authority's financial statements, internal financial control and risk management; monitor and review the effectiveness of the Authority's internal audit function; monitor and review the External Auditors' (appointed by the Controller and Auditor-General in accordance with Section 2 of the State Corporations Act). review audit issues raised by both the internal and external Auditors and receive, review and evaluate technical, compliance, performance and financial audit reports.

No.	Board member	Number of Meetings During the year	Number of meetings attended
1.	Andrew Solomon *	4	4/4
2.	Barry Steven Patrick	4	4/4
3.	Nancy Murega	4	4/4

*Chairman of the Committee.

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Finance committee

This Committee oversees the corporate finance matters of the Authority, in particular. The Committee's mandate includes; Reviewing policies to do with finance, develop annual budget estimates with secretariat, Approve the budget within the committee, monitor adherence to budget, present financial goals and objectives of the Board. The composition of the committee was as below:

No.	Board member	Number of Meetings During the year	Number of meetings attended
1.	Joash Soita *	4	4/4
2.	James Mwaniki	4	4/4
3.	Francis Musyimi	4	4/4

Human Resource Committee

The Committee continually reviews the organizational structure, core functions & optimum establishment, policies and procedures on staff recruitment and selection, staff training and development, the performance and reward system as well as the terms and conditions of service in line with the Authority's strategy. Further, the Committee reviews the Authority's Human Resource Policies and recommends any amendments to the Board for approval. the Committee supports and advises the Board on the appropriate size and composition of the Board that will enable it to discharge its responsibilities and ensures transparent procedures for selecting new staff for appointment. The Committee reviews the Authority's remuneration, recruitment, retention, incentive and termination policies and procedures for the Chief Executive Officer/ Director and Managers, their basic salary. The Committee also considers any recommendations of the Chairman or Chief Executive Officer/ Director/ CEO of the Company regarding payment of bonuses or performance related remuneration. The composition of the Human Resource Committee was as below:

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No.	Board member	Number of Meetings During the year	Number of meetings attended
1.	Jackson Mbutia*,	4	4/4
2.	Joash Soita	4	4/4
3.	William Kiprono	4	4/4

Operations and Technical Committee

The Committee's mandate includes: checking for compliance for all security firms in Kenya, vetting and recommendation for issuance of licenses to only qualifying firms and individuals

No.	Board member	Number of Meetings During the year	Number of meetings attended
1.	Benard Wanjohi Muriuki (Eng)*,	4	4/4
2.	Isaac Andabwa	4	4/4
3.	Mary Chironga	4	4/4

Term of Board members

The term of the Board is outlined under Section 13 of Private Securities Regulation Act No. 13 of 2016. The chairman is appointed by the president while Members are be appointed by the Cabinet Secretary for the Ministry of Interior and Coordination National Government and serve for a term three years and shall be eligible for reappointment renewable once for a further term of three years. The first term of the 11 Board members has not expired. These members were reappointed by their nominating institutions and gazetted in the Kenya Gazette by the Cabinet Secretary, Ministry of Interior and Coordination National Government.

Board remuneration

As per Section 12 of Private Securities Regulation Act No. 13 of 2016, the remuneration payable allowances to the members of the Board are determined by the Salaries and Remuneration Commission. Details of Board allowances are included in these financial statements.

Board Evaluation

The performance of the Board and its members is evaluated by the State Corporations Advisory Committee (SCAC). This is a continuous exercise so as to gauge the performance of the Board.

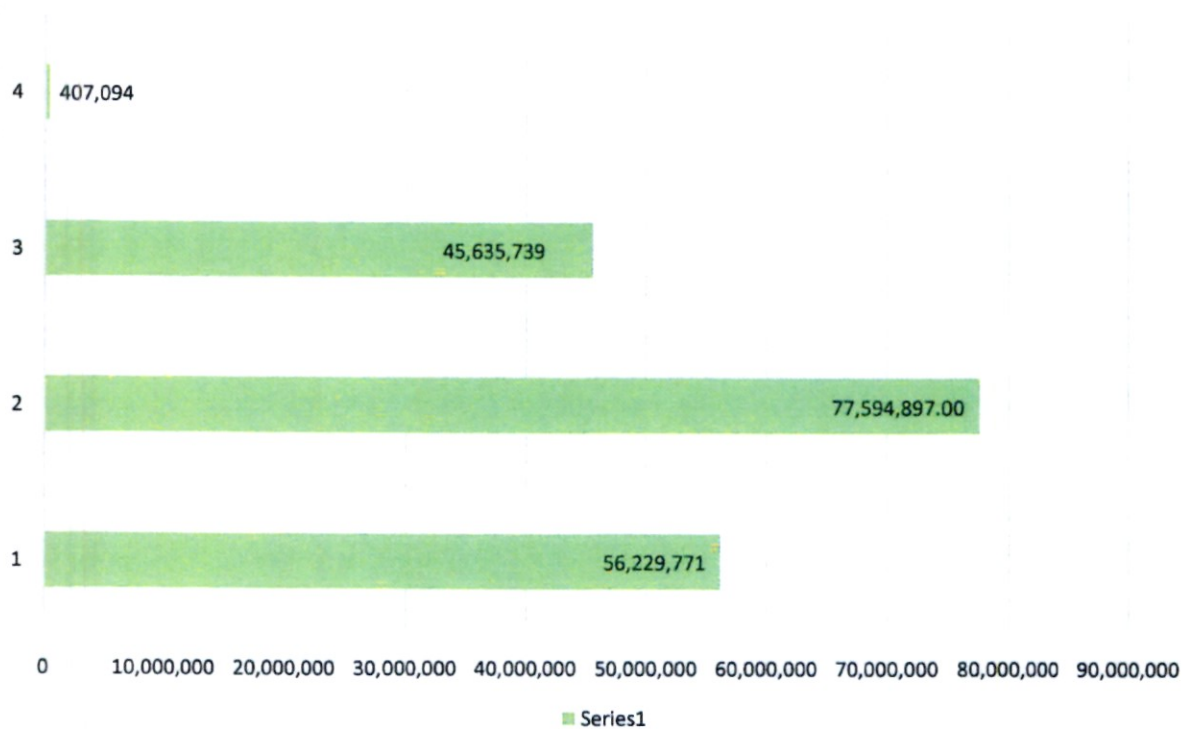
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9. Management Discussion and Analysis

During the year under review the Authority received a total of Ksh 160,900,000 from the exchequer to finance its activities. A big portion of these funds were channelled towards employee costs as they were facilitating the activities of the Authority so as to achieve its mandate as well as putting up the Authority's systems and structures to improve efficiency. In the current reporting period, Ksh 56,229,771 was spent on use of goods and services, Ksh 77,954,513 was spent on employee costs and Ksh 45,276,123 on Board members expenses. Going forward the Authority plans to build capacity amongst the staff, put up a fully-fledged compliance, registration and vetting department to enable it to discharge its mandate effectively. The table below summarizes the authority's expenses.

Expenses



10. Environmental and Sustainability Reporting

Private Security Regulation authority exists to transform lives. The management is committed to environmental and sustainability reporting as the driving force to deliver its strategy, putting the citizen first, delivering relevant services, and improving operational excellence. Below is an outline of the Authority's activities that promote sustainability.

i. Sustainability strategy and profile.

The Authority through its objective of facilitating the growth of the Private Security Industry ensures that the security of the citizens is enhanced in collaboration with the Ministry of Interior and Coordination of National Government.

ii. Environmental performance

PSRA believes in environmental conservation as well as a safe working environment. There is continuous sensitization on the staff on the need for conserving the environment through reduced printing so as to prevent wastage of printing papers which come from trees. The electricity is also switched off when not necessary as a way of conserving energy same as water.

On matters waste disposal, all offices have dustbins and the waste is then centrally collected and disposed off appropriately bases on whether it is organic or non-organic waste.

iii. Employee welfare

The human resource and administration function supports the achievement of the Authority's mandate as enshrined in section 9 and 10 of the Act by attracting, training and retaining highly qualified, skilled and motivated staff. The Authority has continued to enhance capacity through the acquisition of talent in order to effectively deliver its mandate. The Authority continues to hire more staff to strengthen the Secretariat so as to ensure PSRA achieves its mandate.

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The Authority also facilitated staff to undertake Continuous Professional Development Programmes (CPDs) for effective management and career progression.

The Authority adopts various measures to ensure that its employees remain safe from the Pandemic that continues to cause health and economic challenges within the country. The Authority adopts the following measures and protocols as a way of curtailing the transmission of the novel virus; remote working as employees are provided with adequate working tools, such as laptops. Offering psychosocial support through sensitization; Constant communication by giving regular feedback to issues affecting staff through virtual informal staff meetings; provision of masks, adequate and accessible hand sanitizers, among others.

iv. Market place practices

The Authority believes in responsible competition practice, fair competition, and respect for competitors in business practices and treating suppliers responsibly and respecting payment practices. The authority also believes in ethical market practices as well as consumer rights and interests. This is emphasized through adherence to the public procurement and disposal arrangements as enshrined in the PPAD Act.

v. Corporate Social Responsibility

In the financial year 2022/23, the Authority was not able to undertake any corporate social responsibility logistical challenges. The Authority will however endeavour to carry out an activity in FY 2023/2024 to give back to the Society.

11. Report of The Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023.

Principal activities

The principal activities of the Authority are to regulate, facilitate, develop capacity, and provide policy advice to the Private Security sector.

Results

The results of the Authority for the year ended June 30, 2023, are set out on page 1 to 5 of this financial statement.

Directors

The members of the Board of Directors who served during the period are shown on page iv - vi

Auditors

The Auditor General is responsible for the statutory audit of the Private Securities Regulatory Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board.



.....
Fazul Mahamed
Secretary to the Board

28.09.2023

.....
Date

12. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and section 66 of the Private Security Regulatory Authority require the Directors to prepare financial statements in respect of Private Security Regulatory Authority, which give a true and fair view of the situation of the Authority at the end of the financial year and the operating results for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (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 entity; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the Private Security Regulatory Authority's financial statements give a true and fair view of the state of Private Security Regulatory

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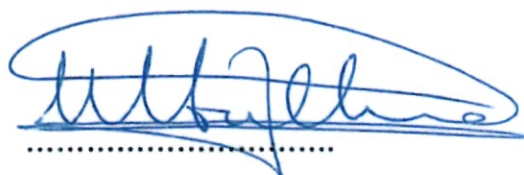
Authority's transactions during the financial year ended June 30, 2023 and of the Private Security Regulatory Authority's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Private Security Regulatory Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Private Security Regulatory Authority 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 Private Security Regulatory Authority's financial statements were approved by the Board on 28.09. 2023 and signed on its behalf by:



Prof. Phares Ngángá
Chairman, Board of Director



Fazul Mahamed,
Accounting Officer

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PRIVATE SECURITY REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure 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 Private Security Regulatory Authority set out on pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes

Report of the Auditor-General on Private Security Regulatory Authority for the year ended 30 June, 2023

in net assets, statement of cash flows and statements 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 Private Security Regulatory Authority as at 30 June, 2023, 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 Private Security Regulation Act, 2016 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 Private Security Regulatory Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

1. Delay in Enactment of Private Security (General) Regulations

As previously reported, review of the Authority's records and inquiries from Management indicated that the Authority's regulations had not been gazetted and approved by Parliament more than seven (7) years after the enactment of the Private Security Regulation Act, 2016. Management indicated that the Authority in consultation with the Cabinet Secretary drafted the Private Security (General) Regulations in 2019 and forwarded the draft Regulations to undergo the legislative process which had not been completed as at the time of this audit in February, 2024.

The delay in formulating the regulations is contrary to Section 70 of the Private Security Regulation Act, 2016 which requires the Cabinet Secretary in consultation with the Authority to develop regulations for the purpose of proper administration of the Act.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not

resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref AG.4/16/2Vol.3(72) dated 30 June, 2021.

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

Non-Operationalization of the Private Security Fidelity Fund

In the year under audit and as previously reported, seven (7) years after enactment of the Private Security Regulation Act, 2016, Management had not operationalized the Private Security Fidelity Fund. This is contrary to Sections 60(1) and 61 of the Private Security Regulation Act, 2016 which requires the Cabinet Secretary to impose a levy, to be known as Private Security Fidelity Levy, on all private security service firms licensed under the Act to provide private security services.

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 governance were not effective.

Basis for Conclusion

Understaffing of the Authority

Review of the Authority's staff establishment records indicated that the Authority had an approved staff establishment of one hundred and twenty-seven (127) employees.

However, as at the time of the audit in February, 2024 the Authority had only fifty-one (51) members of staff, resulting to an understaffing by seventy-six (76) employees.

In the circumstances, the understaffing may affect the efficiency and effectiveness in performance of the Authority's functions. Further, adequate segregation of duties to enhance internal controls may not be possible.

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 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 Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 Authority's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 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 Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Authority's ability 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 Authority 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 Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 March, 2024

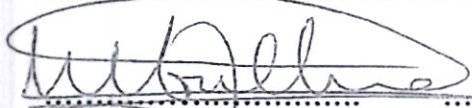

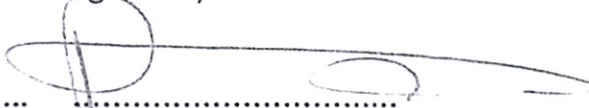
Private Security Regulatory Authority (PSRA)

Annual Reports and Financial Statements for the Year Ended 30 June 2023.

14. Statement of Financial Performance for the Year Ended 30th June 2023

		2022-2023	2021-2022
	Notes	kshs	kshs
Revenue from non-exchange transactions			
Transfers from Other Govt Entities	6	160,900,000	100,190,000
Total Revenue		160,900,000	100,190,000
Expenses			
Use of Goods and Services	7	56,229,771	23,441,746
Employee costs	8	77,594,897	39,488,342
Board Expenses	9	45,635,739	38,934,963
Depreciation expense	10	407,094	183,000
Total expenses		179,867,501	102,048,051
Surplus/Deficit) for the period		(18,967,501)	(1,858,051)

The Financial Statements set out on pages 1 to 6 were signed by:

		
Prof. Phares Ngángá	Fazul Mahamed	Phillip Leakey
Chairman of the Board	Chief Executive Officer	Head of the Finance
Date <u>28.09.2023</u>	Date <u>28.09.2023</u>	Date <u>28.09.2023</u>

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June 2023.

15. Statement of Financial Position as at 30th June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	11	52,050	61,394
Total Current Assets		52,050	61,394
Non-current assets			
Property, plant, and equipment	12	2,666,656	1,281,000
Intangible Assets	13	6,383,920	6,383,920
Total Non-Current Assets		9,050,576	7,664,920
Total Assets		9,102,626	7,726,314
Liabilities			
Current Liabilities			
Trade and other payables	14	38,222,213	17,901,650
Total Liabilities		38,222,213	17,901,650
Net Assets			
Accumulated Surplus		(29,119,587)	(10,175,335)
Total Net Assets and Liabilities		9,102,626	7,726,315

The Financial Statements set out on pages 1 to 6 were signed by:


 Prof. Phares Ngangá

Chairman of the Board

Date: 28.09.2023


 Fazul Mahamed

Chief Executive Officer

Date: 28.09.2023


 Phillip Leakey

Head of the Finance

Date: 28.09.2023

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June 2023.

16. Statement of Changes in Net Assets for the Year ended 30th June 2023

	Accumulated Surplus Kshs
At July 1, 2021	(8,317,284)
Surplus /(Deficit) for the Period	(1,858,051)
As at June 30, 2022	(10,175,335.00)
At July 1, 2022	(10,175,335.00)
Surplus /(Deficit) for the Period	(18,967,501)
As at June 30, 2023	(29,142,837)

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June 2023.

17. Statement of Cash Flows For Year Ended 30th June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Govt Entities		160,900,000	100,190,000
Total Receipts		160,900,000	100,190,000
Payments			
Use of Goods and Services		56,229,771	23,441,746
Employee costs		57,304,302	30,124,658
Board Expenses		45,605,771	38,934,963
Total Payments		159,139,844	92,501,367
Net cash flows from operating activities	15	1,760,156	7,688,633.00
Cash flows from investing activities			
Purchase of Property & Equipment		(1,792,750)	(1,464,000)
Purchase of Intangible Assets		-	(6,383,920)
Net cash flows used in investing activities		(1,792,750)	(7,847,920)
Net increase in cash & cash equivalents		(32,594)	(159,287)
Cash & cash equivalents at Period Start	11	61,394	220,681
Cash & cash equivalents at Period End	11	52,050	61,394

Private Security Regulatory Authority (PSRA)

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18. Statement of Comparison of Budget and Actual Amounts for year ended 30th June 2023

	Original Budget	Adjustments	Final Budget	Actual basis	Performance Difference	%	Notes
	Kshs	Kshs	Kshs	Kshs	Kshs		
Revenue							
Transfers from Govt	160,900,000		160,900,000	160,900,000			
Total Income	160,900,000		160,900,000	160,900,000	-	100%	
Expenses							
Employee costs	60,150,964		60,150,964	77,594,897	(17,443,933)	129%	
Board Members	45,000,000		45,000,000	45,635,739	(635,739)	101%	
Use of Goods and Services	50,600,000		50,600,000	56,229,771	(5,629,771)	111%	
Depreciation	600,000		600,000	407,094	192,906		
Capital Expenditure	4,549,036		4,549,036	1,792,750	2,756,286	39%	
Total Expenditure	160,900,000		160,900,000	181,660,251	(20,760,251)	113%	

Budget Notes

1. The authority had budgeted to spend Kshs. 160,900,000 received from the State Department for Interior. The difference is brought about by unremitted statutory deductions as captured in the Liabilities.

19. Notes to the Financial Statements.

1. General Information

The Private Security Regulatory Authority (PSRA) was established under the Private Security Regulatory Act, No. 13 of 2016 with the objective of facilitating the growth of the private security industry.

2. Statement of compliance and Basis of Preparation.

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority'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 Note 5 of these financial statements.

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

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

Private Security Regulatory Authority (PSRA)

Annual Reports and Financial Statements for the Year Ended 30 June 2023.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none">• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>The management is in the process of assessing the impact of the standard on the Authority.</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p>

Private Security Regulatory Authority (PSRA)

Annual Reports and Financial Statements for the Year Ended 30 June 2023.

Standard	Effective date and impact:
	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p>The standard has no impact on the Authority.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The standard has no impact on the Authority.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i>

Private Security Regulatory Authority (PSRA)

Annual Reports and Financial Statements for the Year Ended 30 June 2023.

Standard	Effective date and impact:
	<p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none">• <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none">• IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p><i>The standard has no impact on the Authority.</i></p>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43 Leases	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The standard has no impact on the Authority.</i></p>
IPSAS 44: Non-Current Assets	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p>

Private Security Regulatory Authority (PSRA)

Annual Reports and Financial Statements for the Year Ended 30 June 2023.

Standard	Effective date and impact:
Held for Sale and Discontinued Operations	Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. <i>The standard has no impact on the Authority.</i>

iii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2022/2023.

4. Summary of 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 PSRA and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

b) Budget Information

The original budget for FY 2022-2023 was approved by the National Assembly. The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the

Private Security Regulatory Authority (PSRA)

Annual Reports and Financial Statements for the Year Ended 30 June 2023.

statement of financial performance has been presented under section 17 of these financial statements.

c) Property, plant and Equipment.

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

d) Intangible Assets.

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

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Changes in accounting policies and Estimates.

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

Private Security Regulatory Authority (PSRA)

Annual Reports and Financial Statements for the Year Ended 30 June 2023.

f) 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.

g) Related Parties.

The Authority regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over it, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

h) Cash and cash equivalents.

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

i) Comparative figures.

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

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June 2023.

j) Subsequent Events.

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity'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. State all judgements, estimates and assumptions made:

Estimates and assumptions

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

Provisions

Provisions were raised and management determined an estimate based on the information available.

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

Private Security Regulatory Authority (PSRA)

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Note 6: Transfers from Other Govt Entities	2022-2023	2021-2022
	Kshs	Kshs
Unconditional grants		
State Department for interior	160,900,000	100,190,000
Total	160,900,000	100,190,000

Note 6 B: Name the Entity	Amount Recognized to statement of Financial Performance	2022-2023	2021-2022
State dept for Interior and Citizen Services	160,900,000	160,900,000	100,190,000
Total	160,900,000	160,900,000	100,190,000

Note 7: Use of Goods and Services	2022-2023	2021-2022
	Kshs	Kshs
Advertising	259,769	-
Audit Fees	462,000	-
Hospitality services	980,897	1,130,250
Domestic Travel and Subsistence	42,644,078	3,710,815
Foreign Travel & subsistence	-	118,305
General Printing and stationery	418,991	520,370
Repairs and maintenance	362,286	403,760
Rent and Utilities	9,057,627	8,721,824
Telephone	300,000	-
Office internet	626,400	626,400
Bank Charges	10,000	9,107
Training/Workshops	552,080	523,415
Subscription	42,820	-
Courier Services	107,450	100,000
General office expenses	405,373	7,577,500
Total	56,229,771	23,441,746

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Note 8: Employee Costs	2022-2023	2021-2022
	Kshs	Kshs
Salaries	77,594,897	39,488,342
Gratuity		
Total	77,594,897	39,488,342

Note 9: Board Expenses	2022-2023	2021-2022
	Kshs	Kshs
Chairman's Honoraria	-	-
Sitting Allowances	45,635,739	38,934,963
Total Board Expenses	45,635,739	38,934,963

Note 10: Depreciation expense	2022-2023	2021-2022
	Kshs	Kshs
Property, plant and equipment	407,094	183,000
Total depreciation and amortization	407,094	183,000

Note 11: Cash and Cash Equivalents	2022-2023	2021-2022
	Kshs	Kshs
Cash at Bank	52,050	61,394
Cash at hand		
Total Cash and Cash Equivalents	52,050	61,394

Note 11 B: Detailed Analysis	2022-2023	2021-2022
a) Current account	Kshs	Kshs
National Bank-Current Account	52,050	61,394
Total	52,050	61,394

Private Security Regulatory Authority (PSRA)**Annual Reports and Financial Statements for the Year Ended 30 June 2023.**

Note 12: Property & Equipment	Office Equipment	Furniture & Fittings	Total
Rate	12.50%	12.5%	
Cost at 1st July 2021			
additions	70,000	1,394,000	1,464,000
Cost at 30th June 2022	70,000	1,394,000	1,464,000
Cost at 1st July 2022	70,000	1,394,000	1,464,000
additions		1,792,750	1,792,750
Cost at 30th June 2023	70,000	3,186,750	3,256,750
Depreciation			
As 1st July 2021			
Charge for the period	8,750	174,250	183,000
As at 30th June 2022	8,750	174,250	183,000
As 1st July 2022	8,750	174,250	183,000
Charge for the period	8,750	398,344	407,094
As at 30th June 2023	17,500	572,594	590,094
Net Book Value 2021-2022	61,250	1,219,750	1,281,000
Net Book Value 2022-2023	52,500	2,614,156	2,666,656

Note 13: Intangible Assets

	Kshs
Cost as at 1st July 2022	6,383,920.00
Additions	-

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Cost as at 30th June 2023	6,383,920.00
Impairment	-
NBV at End of Period	6,383,920.00

Note 14: Trade and Other Payables	2022-2023	2021-2022
	Kshs	Kshs
KRA	36,471,103	17,134,750
NHIF	1,332,750	616,700
NSSF	367,760	99,600
Pension Payable	50,600	101,200
Total	38,222,213	17,901,650

Note 15: Cash Generated from Operations	2022-2023	2021-2022
	Kshs	Kshs
Surplus for the year before tax	(18,967,501)	(1,858,051)
Adjusted for:		
Depreciation	407,094	183,000
Non-cash grants received		
Working Capital adjustments		
Increase/Decrease in Payables	20,320,563	9,363,684
Net cash flow from operating activities	1,760,156	7,688,633

Private Security Regulatory Authority (PSRA)

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Other Disclosures

a) Financial Risk Management.

PSRA's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. PSRA'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. PSRA does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

i) Credit risk

PSRA has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks.

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

ii) Liquidity risk management

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

iii) Market risk

PSRA has put in place an internal audit function to assist it in assessing the risk faced by PSRA on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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iv) Interest rate risk

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

c) Capital Risk Management

The objective of PSRA's capital risk management is to safeguard PSRA's ability to continue as a going concern.

d) Related Party Disclosures

Nature of related party relationships

Entities and other parties related to PSRA 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.

Government of Kenya

The Government of Kenya is the principal shareholder of PSRA, holding 100% of PSRA's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of PSRA, both domestic and external.

Other related parties include:

- i) The Parent Ministry.
- ii) Key management.

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Related party transactions	2022-2023
	Kshs
Transactions with related parties	
a) Grants /transfers from the government	
Grants from national govt	160,900,000
Total	
b) Key management compensation	
Board Expenses	45,276,123

e) Events after the reporting period

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

f) Ultimate and Holding Entity

PSRA is a Semi- Autonomous Government Agency under the Ministry of Interior and National Administration. Its ultimate parent is the Government of Kenya.

g) Currency

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

Private Security Regulatory Authority (PSRA)

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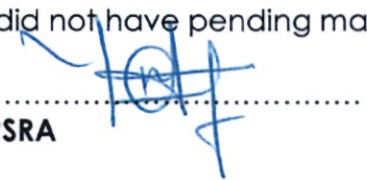
20. Appendices.

Appendix 1: Implementation Status of Auditor-General's Recommendations

PSRA did not have pending matters with the office of the auditor general.

.....
CEO PSRA

Date



Appendix II: Projects implemented.

PSRA had no Capital project in the year under review

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Annual Reports and Financial Statements for the Year Ended 30 June 2023.

Appendix III: Transfers from Other Government Entities

Name of Entity	Total Amount (Ksh)
Ministry of Interior and Coordination of National Government	160,900,000

Appendix IV: Reporting of Climate Relevant Expenditures

PSRA had no expenditure under climate change

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Appendix V: Disaster Expenditure Reporting Template

There was no expenditure under this category.

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Appendix Vi: inter-entity transfers

Breakdown of Transfers from the Ministry of Interior			
12 Month period to June 2023			
Recurrent Grants			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	03-Aug -2022	32,725,000	2022/2023
	15-Nov-2022	32,725,000	2022/2023
	16-Feb-2023	32,725,000	2022/2023
	19-May-2023	10,000,000	2022/2023
	22-May-2023	52,725,000	2022/2023
	Total	160,900,000	

The above amounts have been communicated to and reconciled with the parent Ministry



Head of Finance
PSRA

Date 28/09/2023



HAU
Ministry of Interior

Date 28/09/2023

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Appendix VII: Recording of Transfers from Other Government Entities

	as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Others - must be specific	Total Transfers during the Year
Interior & Coordination	03-Aug -2022	Rec	32,725,000	32,725,000			32,725,000
Interior & Coordination	15-Nov-2022	Rec	32,725,000	32,725,000			32,725,000
Interior & Coordination	16-Feb-2023	Rec	32,725,000	32,725,000			32,725,000
Interior & Coordination	19-May-2023	Rec	10,000,000	10,000,000			10,000,000
Interior & Coordination	22-May-2023	Rec	52,725,000	52,725,000			52,725,000
	Total		160,900,000	160,900,000			160,900,000



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