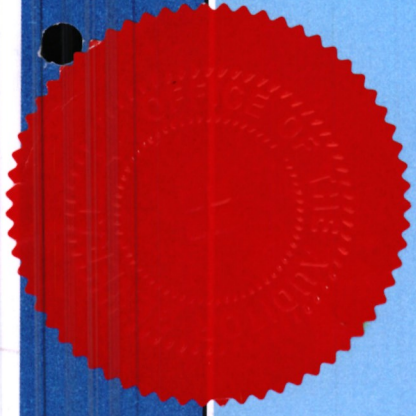


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

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DATE: 29 NOV 2023	DAY: WED
OF BY:	Hon. Onlen Baya, CBS, MP Deputy majority leader
CLERK-AT THE-TABLE:	Funlaye Mubuki

THE AUDITOR-GENERAL

ON

**NATIONAL POLICE SERVICE
COMMISSION STAFF CAR LOAN AND
MORTGAGE SCHEME FUND**

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





REPUBLIC OF KENYA

National Police Service Commission



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

29 SEP 2023

RECEIVED

NATIONAL POLICE SERVICE COMMISSION STAFF CAR LOAN AND MORTGAGE SCHEME FUND

ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Report and Financial Statements for the year ended June 30, 2023**



*National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

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***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

1. NPSC Staff Car Loan and Mortgage Scheme Fund Key Information and Management

a) Background information

The National Police Service Commission Staff Car Loan & Mortgage Scheme Fund is wholly owned by the Commission and is domiciled in Kenya. Through the Public Finance Management Regulations, 2014, the Commission has established appropriate regulations to guide its implementation for the benefit of its staff. The Fund's principal activity is to facilitate Staff of the Commission to purchase residential houses and motor vehicles at low interest rates.

b) Principal Activities

The principal activity of the Fund is to facilitate Staff of the Commission acquire and build their residential houses as well as purchase of motor vehicles to facilitate and enable them discharge their mandate effectively.

The fund is administered by the National Police Service Commission Car & Mortgage Scheme Fund Committee. The committee charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Fund.

c) Key Management

Ref	Position	Name
1.	Fund Administrator	Peter Leley
2.	Chairperson	John M. Wambugu
3.	Vice Chairperson	Christine Rotich
4.	Secretary	Annabel Kuto
5.	Member	Stephen Mbogo
6.	Member	Brenda Opiyo
7.	Fund Accountant	Eric Nyaga
8.	Member	Vincent Kimani
9.	Member	Peter Kamau
10.	Member	Mary Achola
11.	Member	Barwaqo Malicha

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

d) Fiduciary Oversight Arrangements

No.	Designation	Name
1.	Accounting Officer	Peter Leley
2.	Deputy CEO Finance and Administration	Mr. John M. Wambugu
3.	Director Human Capital Management	Ms. Christine Rotich
4.	Internal Auditor	Ms. Mary Achola
5.	Manager - Accounts	Mr. Eric Nyaga
6.	Chairperson - Audit Committee	Mr. Evans Kakai

e) Registered Offices

The National Police Service Commission Headquarters
Skypark Plaza, Waiyaki, Nairobi
P.O.BOX 47363-00100
Nairobi, Kenya.

f) Fund Contacts

Telephone :(254) 709099000
Mail: info@npsc.go.ke
<https://www.npsc.go.ke/>
https://twitter.com/npsc_ke

g) Fund Bankers

- (i). Housing Finance Group
Westlands Branch
P. O. Box 30088-00100
Nairobi, Kenya
- (ii). Kenya Commercial Bank Limited
Haile Sellassie Mortgage Centre
Ground Floor Agip House
Haile Sellassie Avenue
P.O Box 58992 -00200
Nairobi

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

h) Independent auditor

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084, GPO-00100

Nairobi, Kenya

i) Principal legal adviser

The Attorney General

State Law Office and Department of Justice

Harambee Avenue




P.O. Box 40112

City Square 00200

Nairobi, Kenya

*National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*


2. Board of Trustees/Fund Administration Committee

Ref	Name	Details of qualifications and experience
1	 J.M. Wambugu	Chairperson Deputy CEO - Finance Administration and Planning.
2	 Christine Rotich	Vice Chairperson Director – Human Capital Management
3	 Stephen Mbogo	Member Deputy Director – Strategy & Research.
4	 Brenda Opiyo	Member Legal Officer (Legal representative)
5	 Annabel Kuto	Secretary Finance Officer

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

6	 <p>Vincent Kimani</p>	<p>Member Manager - Supply chain management</p>
7	 <p>Peter Kamau</p>	<p>Member Senior Human Resource Officer - IPPD Officer</p>
8	 <p>Mary Achola</p>	<p>Member Manager - internal audit</p>
9	 <p>Barwaqo Malicha</p>	<p>Member Manager – Corporate Services</p>

*National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

10.	 Eric Nyaga	Member Manager - Accounts
-----	---	-------------------------------------

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

3. Chairperson's Report

The National Police Service Commission Staff Car Loan & Mortgage Scheme Fund is established under the National Police Service Commission Car loan and Mortgage Fund Scheme Regulations, 2016. The administration of the fund is carried out by the Housing Finance Group and the Kenya Commercial Bank.

The scheme fund's Committee members are drawn from all the directorates of the Commission who help in administering the fund. The National Police Service Commission Staff Car loan and mortgage scheme has over 3 years benefitted the Staff in housing for decent living. In turn this has translated to high morale and better performance. The fund is expected to grow significantly and benefit more Staff in the future. In addition, the NPSC car loan and mortgage scheme fund has better terms compared to similar facilities offered by commercial institution. The fund is managed by the bank and all fund transfers are credited in a fixed deposit so as to earn interest. The fund earns a 3% interest and this will also contribute to the growth of the fund. Staff that have benefitted from it have utilised the fund to acquire land, build and purchase houses.

The Commission Staff Car loan and Mortgage Scheme Fund Committee commits to prudently manage the fund for the benefit of its Staffs and for overall achievement and realization of the staff welfare objectives of the Commission.

Signed: _____

Mr. J.M. Wambugu

NPSC Staff Car Loan and Mortgage Scheme Fund

Date: 19th September, 2023

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

4. Report of the Fund Manager/Administrator

The Car & Mortgage Scheme Fund was established in July 2018. As at the close of the period, the fund had received **Ksh 164,095,854**.

The scheme funds were utilised in accordance with the provisions of the Public Finance Management (PFM) Act, 2012, the Public Financial Management Regulation, 2015, and all other applicable legislation and for the purpose for which it was intended.

The scheme fund's principal activity is to offer low interest loan facilities to members of the Commission, existing residential property, purchase of land and construction, construction, renovation and improvement of an existing residential property, and takeover of loans on existing mortgages or equity release.

The scheme fund's administrators hereby submit their report together with the audited financial statements for the year ended 30th June, 2023, which show the state of the scheme fund's affairs.



Peter Leley

CS/Chief Executive Officer

Date: 19th September, 2023

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

5. Statement of Performance against Predetermined Objectives

Section 81 subsection 2 (f) of the Public Finance Management Act, 2021 requires the Accounting Officer to include in the financial statement, a statement of the national government Fund's performance against predetermined objectives.

The National Police Service Commission Staff Car Loan and Mortgage Scheme Fund is regulated by various laws and regulations. The Fund is committed to ensuring compliance with all the laws and regulations governing government entities.

On Financial reporting, Section 84 of the PFM Act, 2012, financial statements shall be prepared for a public fund established by the constitution, an Act of Parliament or Entity legislation for each financial year in a form prescribed by the Public Sector Accounting Standards Board.

Not later than three months after the end of each financial year, the administrator of the fund shall submit the financial statements prepared under this section to the Auditor General.

The administrator shall submit a copy of the report to the cabinet secretary responsible for the fund.

The Fund has complied with these requirements and submitted the reports within the stipulated timelines.

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

6. Corporate Governance Statement

Fund Management Committee of the Scheme fund

- i) There is established committee of the Scheme fund known as staff Fund Management Committee to oversee the implementation and administration of the Scheme.
- ii) The committee shall comprise of;
 - a) Officer responsible for Finance and Administration to be the Chairperson;
 - b) Officer in charge of Planning (not below NPSC scale 6) to be the Vice Chairperson;
 - c) Officer in charge of legal services or a representative who shall not be below NPSC scale 4;
 - d) Finance Officer to be the secretary or his or her nominee who shall not be below NPSC scale 4;and
 - e) Two other members to be nominated by the Chief Executive Officer of the Commission.
- iii) The liaison office shall be liaising with the Service Providers.
- iv) The quorum for a meeting of the committee shall be 50%+1 members.
- v) The Chairperson shall convene and preside over meetings of the committee and in the absence of the Chairperson; the vice chairperson will preside over meetings of the committee.
- vi) The decision of the committee shall be by simple majority and in the case of tie; the Chairperson shall have a casting vote.

The functions of the Fund Management Committee Scheme fund

- vii) Receive and review application for loan and Submit approved loan application to the Service Provider for funding;
- viii) Process and approve all housing development and financing proposals loans in accordance with the existing terms and conditions of borrowing;
- ix) Liaise with the financial institutions to set up a fund for the disbursements of the loans;
- x) Oversee the management of the fund;
- xi) Approve annual work programs and procurement plans for the fund;

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

- xii) Recommend the investment of any surplus funds not immediately required in securities approved by the National Treasury for purposes of realizing the objects for which the fund is established;
- xiii) Cause to be kept all proper books and records of account of the income, expenditure, assets and liabilities of the fund;
- xiv) Receive any gifts, donations, grants or endowments made to the fund;
- xv) Consider and recommend approval of the financial statements to the CEO;
- xvi) Recommend as and when required the procurement of a financial institution to administer the fund on its behalf; and
- xvii) Perform any other functions that are auxiliary to the objects and purpose for which the Scheme is established.

Tenure of the Fund Management Committee

- xviii) The committee except as declared in (ii) below shall serve on a renewal term of 3 years
- xix) The Secretariat shall be a permanent member of the committee.

Management of the Scheme

The administration of the Scheme shall be done by the Fund Management Committee.

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

7. Management Discussion and Analysis

Operational and financial performance

As at the close of the FY 2022/23, the scheme fund's financial position was **Ksh 168,982,496** in total assets. During the year, the scheme fund had received **Kshs 26,000,000** into the revolving fund

Compliance with statutory requirements

The scheme fund terms of reference and regulations are anchored on the Commission's guidelines on Car & Mortgage Scheme Fund.

Major risks facing the scheme fund

Liquidity risk

Liquidity risk is the risk that the scheme fund will not be able to meet financial obligations when they fall due. This risk is managed by ensuring that the scheme fund is liquid enough to meet its obligations whenever they fall due. This has been managed by ensuring sufficient budget allocation to the scheme fund.

Credit risk

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. The scheme fund's exposure to credit risk is low owing to the fact that properties acquired are charged to the Bank and thus held as security. The administrator also mitigates the risk by strictly scrutinizing the prevailing financial state of the borrower before processing an application.

The scheme fund's financial probity and governance issues

The scheme fund operates through a Committee whose main role is to oversee its operations and implementation by both the Administrator and the Commission. The Committee's membership is drawn from all directorates and departments of the Commission for inclusivity purposes.

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

8. Environmental and Sustainability reporting

National Police Service Commission staff car loan and mortgage scheme fund exists to improve and transform lives of NPSC staff. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which also goes well with the commission's vision: Dignified and Professional Police Officers. We endeavor to have dignified and professional staff as well through improved livelihoods.

Below is a brief highlight of our achievements on Corporate Social Responsibility and Sustainability:

a) Sustainability strategy and profile

The Commission's mortgage scheme fund has endeavored to remain a going concern through effective planning, budgeting and implementation of its activities. The scheme also ensures continuous training of staff in order to have an informed workforce and also bridge knowledge gaps. By so doing, the Commission has been able to remain solvent and also able to attract beneficiaries to the scheme's products.

b) Environmental performance

Care for the environment is one of our key responsibilities and an important part of the way in which the scheme operates. The mortgage scheme does this through proper waste management. During the financial year NPSC, National Police Service (NPS) in collaboration with the mortgage scheme undertook a forest maintenance exercise at the National Police College in Embulbul, Ngong. This will ensure contribution to achieving the constitutionally acceptable forest cover of at least 10% in Kenya.

c) Employee welfare

The Commission puts employee welfare at the core of its decisions. To this end, the Commission has made several strides to aimed at successful improvement of the employee welfare issues. The Commission has established the NPSC Staff Housing Mortgage and Car Loan scheme to enable employees own houses and motor vehicles at affordable costs for better living.

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

d) Market place practices-

The Commission has put efforts to ensure the following:

i. Responsible competition practice.

The National Police Service Commission mortgage scheme fund offers its services to all its clients and does not discriminate on the basis of gender, age, persons living with Disability, race or religion.

ii. Responsible Supply chain and supplier relations

The Commission's mortgage scheme ensures all its mortgage appraisal and award processes are done in a transparent and accountable manner with full adherence to provisions of the law and regulations in place.

iii. Responsible marketing and advertisement

The commission has a website that contains all the information relating to the organization's scheme and can easily be accessed by the general public.

iv. Product stewardship

The scheme upholds the rights and fundamental freedoms as outlined in the Bill of Rights contained in Chapter 4 of the Constitution of Kenya 2010.

e) Community Engagements-

The Commission's scheme ensures operational excellence in all its activities. Being a service scheme, the NPSC mortgage scheme ensures prompt and efficient service delivery to all the clients on a timely and satisfactory manner.

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

9. Report of the Trustees/Fund Administration Committee

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

Principal activities

Performance

The performance of the Fund for the year ended June 30, 2023, is set out on page twenty-two (22)

Key activities the scheme fund is undertaking

The main reason for setting up the scheme fund is to provide financial support for the acquisition of mortgage facility at a subsidised interest rate relating to;

- a) Purchase of a developed residential house
- b) Construction of a house
- c) Purchase of residential plot
- d) Equity release
- e) Purchase of plot and construction of a house
- f) Purchase of off plan or ongoing development
- g) Takeover of mortgage
- h) Mortgage plus loan / top-up

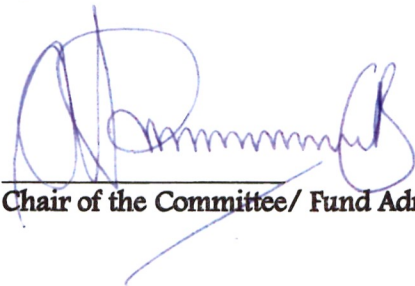
Trustees

The members of the NPSC Staff Car Loan and Mortgage Scheme Fund committees who served during the year are shown on page seven (7)

Auditors

The auditor-general is responsible for the statutory audit of the fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Chair of the Committee/ Fund Administrator Committee

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

10. Statement of the Officer Administering Funds Responsibilities

Section 84 of the PFM Act, 2012, requires that, at the end of each financial year, the Administrator of a Public 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 Public 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 30 June 2023.

This responsibility includes:

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

The Administrator of the Public 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 the 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 30 June 2023, and of the Fund's financial position as at that date. The Administrator confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements, as well as the adequacy of the systems of internal financial control.

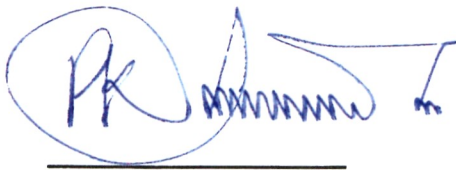
In preparing the financial statements, the Administrator has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023***

concern basis of preparation of the financial statements. 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

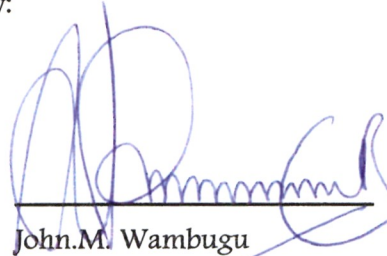
The Commission's Car & Mortgage Scheme Fund statements for 30 June 2023 were approved by the Commission and signed on its behalf by:



Peter Leley

CS/Chief Executive Officer

Date: 19th September, 2023



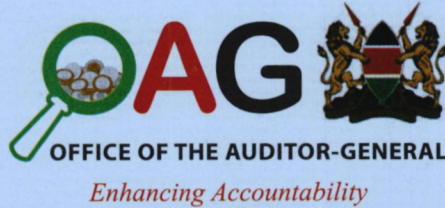
John.M. Wambugu

NPSC Staff Car Loan and Mortgage Scheme Fund

Date: 19th September, 2023

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL POLICE SERVICE COMMISSION STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure 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 the National Police Service Commission Staff Car Loan and Mortgage Scheme Fund set out on pages 22 to 40, which

comprise the statement of financial position as at 30 June, 2023, statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Police Service Commission Staff Car Loan and Mortgage Scheme Fund 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 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 National Police Service Commission Staff Car Loan and Mortgage Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether 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 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 such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 the Management.
- Conclude on the appropriateness of the Management's use of applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

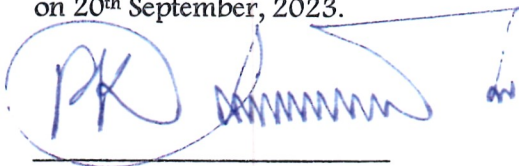
17 November, 2023

*National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

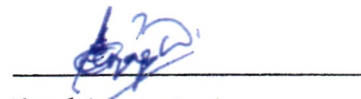
12. Statement of Financial Performance For The Year Ended 30th June 2023

	Note	2022-2023	2021-2022
Revenue from exchange transactions			
Interest income	2	4,687,623	3,656,288
Total revenue		4,687,623	3,656,288
Expenses			
Use of Goods and services	3	3,123,243	1,763,037
Tax on Interest Earned & excise duty	4	234,657	284,723
Total expenses		3,150,803	2,047,760
Accumulated Surplus/(deficit) for the period		1,329,723	1,608,528

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Commission's amended Staff Car Loan & Mortgage Scheme Fund statements were approved and signed by the Accounting Officer on 20th September, 2023.



Administrator of the Fund
Peter Leley
CS/Chief Executive Officer



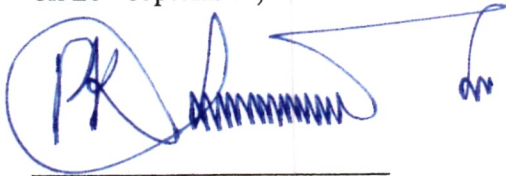
Fund Accountant
Name: Eric Nyaga
ICPAK Staff Number: 18635

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

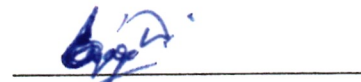
13. Statement of Financial Position as at 30 June 2023

	Note	2022-2023	2021-2022
			Kshs
ASSETS			
Current Assets			
Cash and cash equivalents	7	32,663,277	79,842,060
Receivables from exchange transactions	6	363,526	294,783
Total Current Assets		33,026,804	80,136,843
Non-Current Assets			
Receivables from exchange transactions	6	135,955,692	61,515,930
Total Current Assets		135,955,692	61,515,930
Total Assets		168,982,496	141,652,773
Liabilities			
Housing Finance Corporation Back up A/C		240	240
Total Liabilities		240	240
NET ASSETS & LIABILITIES			
Mortgage Revolving fund	5	164,095,854	138,095,854
Accumulated Surplus		4,886,402	3,556,679
TOTAL NET ASSETS AND LIABILITIES		168,982,496	141,652,773

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Commission's amended Staff Car Loan & Mortgage Scheme Fund statements were approved and signed by the Accounting Officer on 20th September, 2023.



Administrator of the Fund
Peter Leley
CS/Chief Executive Officer



Fund Accountant
Name: Eric Nyaga
ICPAK Staff Number: 18635

*National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

14. Statement of Changes In Net Assets as at 30 June 2023

	Revolving Fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1 July 2020	47,000,000	1,299,444	48,299,444
Accumulated Surplus/(deficit) for the period	-	648,706	648,706
Funds received during the year	39,095,854	-	39,095,854
Balance as at 30 June 2021	86,095,854	1,948,150	88,044,004
Balance as at 1 July 2021	86,095,854	1,948,150	88,044,004
Accumulated Surplus/(deficit) for the period	-	1,608,528	1,608,528
Funds received during the year	52,000,000	-	52,000,000
Balance as at 30 June 2022	138,095,854	3,556,678	141,652,532
Balance as at 1 July 2022	138,095,854	3,556,678	141,652,532
Accumulated Surplus/(deficit) for the period	-	1,329,723	1,329,723
Funds received during the year	26,000,000	-	26,000,000
Balance as at 30 June 2023	164,095,854	4,886,402	168,982,256

*National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2023*

15. Statement Of Cash Flows For The Year Ended 30 June 2023

	N o t e	2022-2023	2021-2022
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Interest received		4,620,943	3,587,291
Total Receipts		4,620,943	3,587,291
Payments			
Use of goods and services		3,123,243	1,762,796
Tax in interest earned	4	234,657	284,723
Total Payments		3,357,900	2,047,519
Net cash flow from operating activities		1,263,043	1,539,772
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from loan principal repayments/Increase in Current receivables		3,978,174	2,238,610
Loan disbursements paid out/Inc in Non-current Receivables		(78,420,000)	(17,906,218)
Net cash generated from/(used in) investing activities		(74,441,826)	(15,667,608)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts into the mortgage revolving fund	1	26,000,000	52,000,000
Net cash generated from/(used in) financing activities		26,000,000	52,000,000
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS		(47,178,783)	37,872,164
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7	79,842,061	41,969,897
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7	32,663,277	79,842,061

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2023**

16. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023

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						
Interest income	4,687,623	-	4,687,623	4,687,623	-	100%
Total Revenue	4,687,623	-	4,687,623	4,687,623	-	100%
Expenses						
Use of goods and services	3,123,243	-	3,123,243	3,123,243	-	100%
Tax on interest earned	234,657	-	234,657	234,657	-	100%
Expenditure	3,357,900	-	3,357,900	3,357,900	-	100%
Surplus for the period	1,329,723	-	1,329,723	1,329,723		100%

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2023***

17. Notes to the Financial Statements

1. General Information

Article 246 of the Constitution establishes the National Police Service Commission with the mandate to recruit, appoint, promote, transfer officers within the National Police Service and to look into their welfare needs. To take care of the welfare of its internal staff, the commission established the Mortgage scheme fund to issue out home and car loans to its staff at low interest rates.

2. Statement of compliance and basis of preparation

The scheme fund's financial statements have been prepared in accordance with and comply with IPSAS. The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the scheme fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

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:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <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

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2023**

Standard	Effective date and impact:
	<p>held;</p> <ul style="list-style-type: none"> • 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>(State the impact of the standard to the Entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <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> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2023**

Standard	Effective date and impact:
	<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>d) 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><i>(State the impact of the standard to the Entity if relevant)</i></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> <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 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</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:
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</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</p>

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2023***

Standard	Effective date and impact:
	<p>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>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>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:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year

4. 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.

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2023***

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 original budget for the FY 2022/2023 was approved. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the scheme fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the scheme fund recorded additional appropriations on the FY 2022/2023 budget following the governing body's approval.

c. 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.

d. Cash and cash equivalents

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

e. Comparative figures

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

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2023***

f. Events after the reporting period

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

g. Ultimate and Holding Fund

The Fund is established under Section 24 (4) PFM Act under the National Police Service Commission. Its ultimate parent is the Government of Kenya.

h. Currency

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

5. 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. (*see IPSAS 1.140.*)

*National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
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6. Transfers from the National Police Service Commission

	2022-2023	2021-2022
Description	Kshs	Kshs
Transfers from government entity	26,000,000	52,000,000
Total	26,000,000	52,000,000

7. Interest income

	2022-2023	2021-2022
Description	Kshs	Kshs
Interest income	1,564,380	1,894,583
Interest repaid	3,123,243	1,761,705
Total	4,687,623	3,656,288

8. Use of goods and services

	2022-2023	2021-2022
Description	Kshs	Kshs
Use of Goods and services	3,123,243	1,763,037
Total	3,123,243	1,763,037

9. Tax on Interest Earned

Description	2022-2023	2021-2022
	KShs	KShs
Withholding Tax	234,657	284,723
Total	234,657	284,723

*National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2023*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. Revolving fund balances

Description	2022-2023	2021-2022
	KShs	KShs
Opening Bal b/f	138,095,854	86,095,854
Funds received during the year	26,000,000	52,000,000
Closing Bal c/f	164,095,854	138,095,854

11. Receivables from exchange transactions

Description	2022-2023	2021-2022
a) Current Receivables	KShs	KShs
Receivables from exchange transactions	363,526	294,783
Total Current receivables	363,526	294,783
Non-Current receivables		
Long term loan repayments	135,955,692	61,515,930
Total Non- current receivables	135,955,692	61,515,930
Total receivables from exchange transactions	136,319,218	61,810,713

12. Cash and Cash Equivalents

Description	2022-2023	2021-2022
	KShs	KShs
Current Account	5,808,087	5,613,304
Short-Term Deposits	26,855,190	74,228,757
Total	32,663,277	79,842,061

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12(a) Detailed Analysis of Cash and Cash Equivalent

Description		2022-2023	2021-2022
Financial Institution	Account Number	KShs	KShs
HFC – Westlands Branch	8406103102-0	5,658,358	5,135,888
KCB Bank – Haile Selassie branch	1274314615	149,730	477,416
KCB Bank - Unutilized Funds	MM20162YZ3VF	26,855,190	74,228,757
Total		32,663,278	79,842,061

13. Short term trade receivables from exchange transactions

Description	2022-2023	2021-2022
	KShs	KShs
Trade receivables	363,526	294,783
Total trade and other receivables	363,526	294,783

14. Long term trade receivables from exchange transactions

Description	2022-2023	2021-2022
	KShs	KShs
Trade receivables	135,955,692	61,515,930
Total trade and other receivables	135,955,692	61,515,930

*National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. Cash generated from operations

	2022-2023	2021-2022
	KShs	KShs
Surplus/ (deficit) for the year before tax	1,329,723	1,608,528
Adjusted for:		
Interest income	4,687,623	3,656,288
Use of goods and services	3,123,243	1,763,037
Tax in interest earned	234,657	284,723
Net cash flow from operating activities	1,329,723	1,608,528

16. Financial risk management

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

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

a) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2023***

receivables, estimated by the Fund's management based on prior experience and their assessment of the current economic environment.

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

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2022				
Receivables From Exchange Transactions- Car loans and mortgages	61,810,712	61,810,712	-	-
Bank Balances	79,842,060	79,842,060	-	-
Total	141,652,772	141,652,772	-	-
At 30 June 2023				
Receivables From Exchange Transactions- Car loans and mortgages	136,319,218	136,319,218	-	-
Bank Balances	32,663,277	32,663,277	-	-
Total	168,982,495	168,982,495	-	-

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

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

b) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the

***National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
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return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is 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.

c) 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.

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as an increase/decrease of Kshs. 294,160 (2021/22: Kshs. 796,094). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs. 1,470,800 (2021/22— Kshs. 3,980,470)

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2023**

d) Capital risk management.

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The Fund capital structure comprises of the following funds:

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Revolving fund	164,095,854	138,095,054
Accumulated surplus (<i>Reserves</i>)	4,886,402	3,556,678
Total funds	168,982,256	141,652,532
Less: cash and bank balances	(32,663,277)	(79,842,061)
Net debt/(excess cash and cash equivalents)	47,178,783	37,872,164
Gearing	35 %	61 %

17. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund 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 related to the following entities:

- a) National government Fund

18. Related party transactions

i. Transfers from related parties

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Receipts into the mortgage revolving fund	26,000,000	52,000,000

19. Events after the Reporting Period

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

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended 30th June 2023**

20. 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
n/a	n/a	n/a	n/a	n/a	n/a

Peter Leley
CS/Chief Executive Officer

Mr. J.M. Wambugu
NPSC Staff Car Loan and
Mortgage Scheme Fund
Chairperson

*National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Annual Report and Financial Statements for the year ended June 30, 2023*

NPSC MORTGAGE TRIAL BALANCE REPORT FOR FY 2022-23

DETAILS	DEBIT BALANCE (Kshs)	CREDIT BALANCE (Kshs)
Revolving fund Opening balance bal B/F	0	141,652,532
Receipts to the mortgage revolving fund	0	26,000,000
Receivables from exchange transactions	135,955,692	0
Current receivables	363,526	0
Interest income	0	4,687,623
Use of goods and services	3,123,243	0
Tax on interest earned	234,657	0
Cash & cash equivalents	32,663,277	0
Housing Finance back up A/C charges	0	240
Total	172,340,395	172,340,395



Fund Accountant

Name: Eric Nyaga

ICPAK Staff Number: 18635





National Police Service Commission



CONTACTS

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