

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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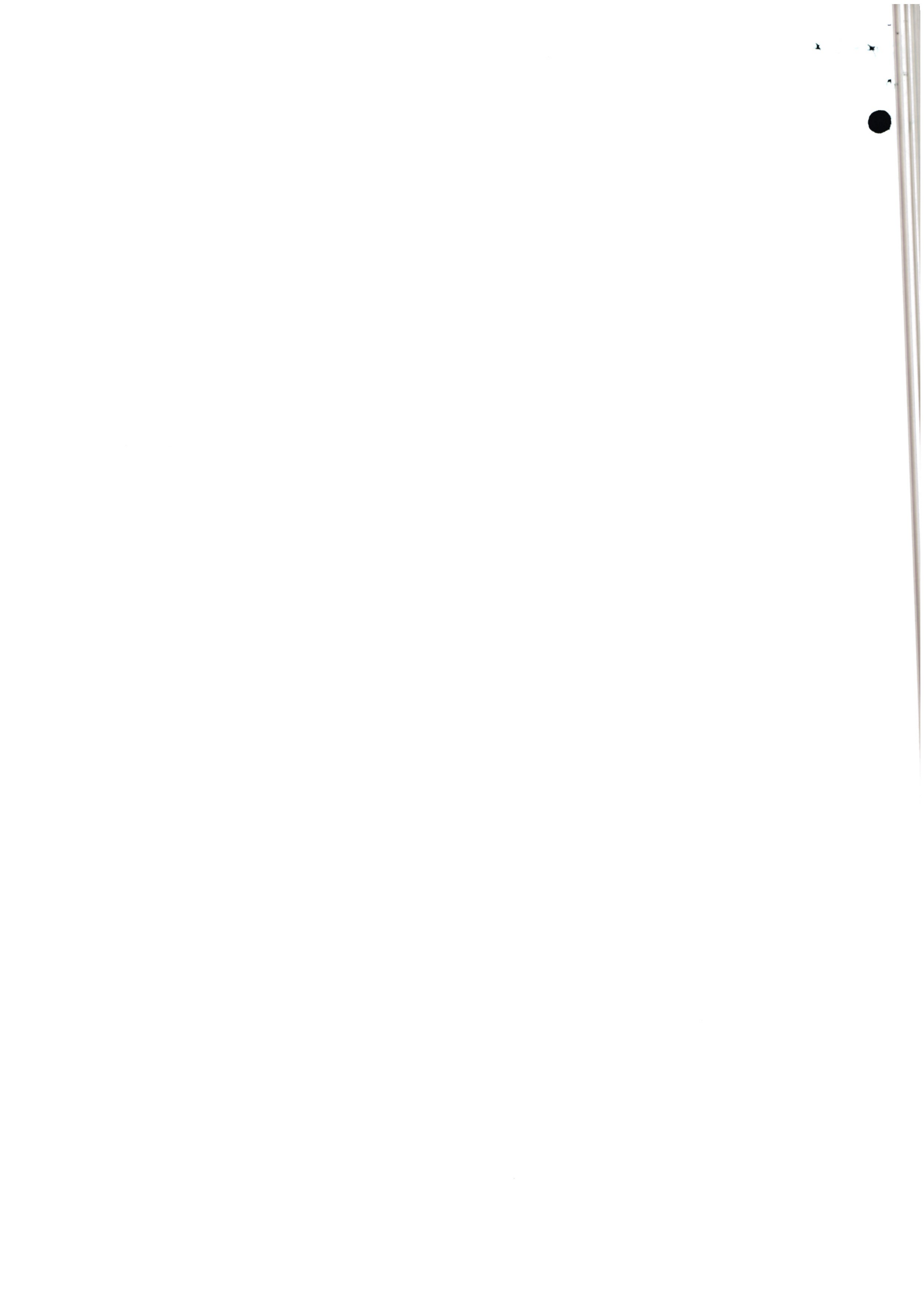
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**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
INDEPENDENT POLICING OVERSIGHT  
AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE 2018**



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

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Independent Policing  
Oversight Authority

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**INDEPENDENT POLICING OVERSIGHT AUTHORITY (IPOA)**

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**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018**

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

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**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

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## **KEY ENTITY INFORMATION AND MANAGEMENT**

### **a) Background information**

#### **Incorporation/Objectives**

The Independent Policing Oversight Authority (IPOA) was established through Act No. 35 of 2011.

The objectives of the Authority are to:

- a) Hold the Police accountable to the public in the performance of their functions;
- b) Give effect to the provision of Article 244 of the Constitution that the Police shall strive for professionalism and discipline and shall promote and practice transparency and accountability; and
- c) Ensure independent oversight of the handling of complaints by the National Police Service.

#### **Principal Functions**

The principal functions of the Authority are to:

- a) Investigate any complaints related to disciplinary or criminal offences committed by any member of the National Police Service, whether on its own motion or on receipt of a complaint, and make recommendations to the relevant authorities, including recommendations for prosecution, compensation, internal disciplinary action or any other appropriate relief, and shall make public the response received to these recommendations;
- b) Receive and investigate complaints by members of the Police Service;
- c) Monitor and investigate policing operations affecting members of the public;
- d) Monitor, review and audit investigations and actions taken by the Internal Affairs Unit of the Police Service in response to complaints against the Police and keep a record of all such complaints regardless of where they have been first reported and what action has been taken;
- e) Conduct inspections of Police premises, including detention facilities under the control of the Service;
- f) Co-operate with other institutions on issues of Police oversight, including other State organs in relation to services offered by them;
- g) Review the patterns of Police misconduct and the functioning of the internal disciplinary process;
- h) Present any information it deems appropriate to an inquest conducted by a court of law;
- i) Take all reasonable steps to facilitate access to the Authority's services to the public;
- j) Subject to the Constitution and the laws related to freedom of information, publish findings of its investigations, monitoring, reviews and audits as it seems fit, including by means of the electronic or printed media;
- k) Make recommendations to the Police Service or any State organ;
- l) Report on all its functions under its Act or any written law; and
- m) Perform such other functions as may be necessary for promoting the objectives for which the Authority is established.

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**KEY ENTITY INFORMATION AND MANAGEMENT (continued)**

**b) Board and Senior Management Staff**

**Members of the Board:**



**Macharia Njeru, Chairman**

*Mr. Njeru is the Chairman of the Independent Policing Oversight Authority. An advocate of the High Court of Kenya, and founding managing partner of Macharia-Mwangi & Njeru Advocates, he has practiced law for the past 23 years. He was a member of the National Task Force on Police Reforms (Ransley Taskforce) that developed the programme for police reforms in Kenya. He subsequently sat in the Police Reforms Implementation Committee (PRIC) where he led the drafting of policing related legislation that was later enacted into law. He has studied policing practices including experiential visits in the UK and Northern Ireland, Sweden, Botswana and South Africa and has attended a course on police accountability at the Centre for Human Rights, University of Pretoria.*



**Jedidah Ntoyai, Vice Chair**

*Jedidah, the Vice Chairperson of the Authority, is a psychologist with vast experience in human resource management. She has worked in the public sector for over 25 years and currently consults for various institutions. She holds an MA in Psychology from the United States International University (USIU). She chairs the Human Resources and Compensation Committee of the Board. Jedidah is a former Commissioner with the Interim Independent Boundaries Review Commission which determined electoral boundaries.*



**Fatuma Ali Saman**

*Fatuma holds a B.Ed and is currently undertaking an Executive MA in Policy and Leadership. She served on the devolved government taskforce and helped develop the Bill of Rights and Devolution chapter. Fatuma represented Muslim women in the National Constitutional Conference and has also worked with national and international faith-based organisations representing interests of marginalised and minority communities. She chairs the Inspections, Research and Monitoring Committee of the Board.*

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**Grace Madoka**

*Grace is a lawyer with long standing experience in legal, communications, advocacy and development work. She served in the Public Complaints Standing Committee the precursor of the Commission on Administrative Justice (Office of the Ombudsman) before being appointed to the Independent Policing Oversight Authority in 2012. She has worked in a number of national taskforce committees and boards on HIV/AIDS, microfinance, pension and education. She chairs the Communications and Outreach Committee of the Board.*



**Rose Bala**

*Rose holds a BA (Hons) in Sociology, an MA in Social Work and another in International Child Welfare. Previously, she worked in the Children's Department of the Ministry of Home Affairs. She initiated a technical co-operation between the Government of Kenya and the Japan International Cooperation Agency (JICA), trained children officers, probation officers and judicial officers on the rehabilitation of children in the justice system. Rose also spearheaded the introduction of child protection units in police stations and the amendment of the Children Act that led to the ban on Corporal Punishment within the Children Act. Rose chairs the Adoption Case Committee at Little Angels Network. She is the Chair of the Risk and Audit Committee of the Board.*



**Tom Kagwe**

*Tom holds an MA in International Studies from the University of Nairobi and a BA (Hons) in Political Science. He has a wealth of experience in research, human rights law and practice. In addition to authoring numerous scholarly works on general reforms and police reforms in particular, Tom participated in the initial conceptualisation of a police oversight framework in Kenya, which led to enactment of the Independent Policing Oversight Authority Act of 2011. He chairs the Finance and Administration Committee of the Board.*

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**Vincent Kiptoo**

*Vincent is a valuer and lead environmental impact assessment expert. He holds an MSc degree in Urban Land Appraisal from the University of Reading (UK), MA Arts in Housing Administration and a BA in Land Economics both from the University of Nairobi. Vincent has extensive experience in criminal and asset tracing investigations having worked with KACA, Anti-Corruption Police Unit, KACC and Ethics and Anti-Corruption Commission for over 10 years. He has also served as a Member of the Pending Bills Closing Committee and as Council Member of the Institution of Surveyors of Kenya (ISK). He is the Managing Director, Afriland Valuers Ltd. He chairs the Investigation, Complaints, Legal and Security Committee of the Board.*



**Njeri Onyango**

*An ardent sportswoman, Njeri is an advocate of the High Court of Kenya and member of the Chartered Institute of Arbitrators. She sits on the Kenya Premier League Independent Complaints Committee, Kenya Volleyball Federation Constitutional Review Committee among other sporting bodies. In 2008/9 Njeri served as a legal consultant to the Kriegler Commission that reviewed the disputed 2007 General Elections. She is the chair of the Information, Communication and Technology Committee of the Board.*

**Senior Management Staff:**



**Maina Njoroge**

**Director, Business Services**

*Mr Njoroge holds a Master in Business Administration (MBA) degree in Finance, and a Bachelor of Commerce (Accounting) degree from the University of Nairobi. He has attended the Senior Management Leadership Programme (SMLP) at Strathmore Business School (Strathmore University) and Antai College of Economics and Management (Shanghai Jiao Tong University, China). He has attended several local, regional and international training courses in finance, management and strategic leadership. He has travelled extensively on official duties and training in countries such as Burkina Faso, Uganda, Tanzania, Ethiopia, USA, China, Malaysia, Turkey, Egypt, UAE, Singapore, Thailand, Hong Kong, South Africa and Zimbabwe.*

## INDEPENDENT POLICING OVERSIGHT AUTHORITY

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*He is a Certified Public Accountant of Kenya, CPA (K), and a Certified Investment and Financial Analyst. He is member of the Institute of Certified Public Accountants of Kenya (ICPAK), Kenya Institute of Management (KIM), Institute of Certified Investment and Financial Analysts (ICIFA), and Institute of Directors (Kenya).*

*He has vast experience in finance and accounting spanning over 20 years. He has a track record of accomplishment in financial management in both private and public sectors. Additionally, he has substantial experience in human resource, strategic and administrative management, and has special interest in corporate governance and investments. He has experience in managing multi-donor grants and writing funding proposals. He has previously worked with an auditing firm, and as Senior Accountant, Chief Accountant and Finance and Administration Manager with large manufacturing and service industry firms.*

*Before joining IPOA in 2013, Mr Njoroge worked with the Kenya Institute for Public Policy Research and Analysis (KIPPRA) as Finance and Administration Manager and later Finance and Investments Manager for nearly seven years where he managed a large donor portfolio, including grants from USAID, EU, ACBF, IDRC/TTI, and Brookings Institution, and several projects commissioned by local and international organizations.*

*He was IPOA's acting CEO from October 2013 to May 2014. He is currently serving as a member of the Audit Committee at the Office of the Director of Public Prosecutions (ODPP).*



**Stephen Wetheo Musau**

#### **Director, Inspections, Research and Monitoring**

*Mr Musau holds an MA Human Rights and Conflict Management from the School of Advanced Studies (Pisa, Italy). He also holds diplomas in International Law and Human Rights (University of Helsinki); Organisation Development and Management (Kenya Institute of Management) and Security in Peacekeeping Missions training at Centre of Excellence for Stability Police Units (CoESPU-Vicenza, Italy).*

*He also holds certificates in Peace Operations from School of Peace Operations (Netherlands); International Investigations; Proposal Writing, Logframe Analysis and Report Writing; Participatory Monitoring, Evaluation and Learning; and a Bachelors of Arts Degree (Economics and Sociology Major) from Egerton University.*

*He has sat on the Boards of several civil society organisations and worked and served in the civil society sector since 1999 in various capacities including being in the Board.*

*He has a wealth of experience in human rights; advocacy and civic engagements and networking. He has a keen interest in monitoring and documentation of human rights issues related to security and law enforcement; most recently in Cambodia with an international non-governmental organisation.*

*Mr Musau's other skills and competencies include facilitation and training on development issues such as change management; Human Rights Based Approaches (HRBA) to programming and development; conflict prevention, management and transformation; and participatory monitoring and evaluation.*

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
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**David Nderitu**  
**Director, Complaints and Legal**

*Mr Nderitu is an advocate of the High Court of Kenya having been called to the bar in 1995. He holds a law degree (LLB) from the University of Nairobi and a post graduate diploma in law from Kenya School of law. He also holds a Master's degree in political science (MPA) from Eastern Washington University (EWU) (USA), specializing in public administration. Mr. Nderitu has been in legal practice in Kenya for over 20 years. Before joining IPOA he served as a senior assistant director of public prosecutions at ODPP.*



**Jeremiah Arodi**  
**Director, Investigations**

*Jeremiah holds a Bachelor of Science Degree from Kenyatta University. He is currently pursuing a Master's Degree at Egerton University. He has extensive experience in Forensics Crime Scene Management and general investigations. Jeremiah served for seven years in the National Police Service in the Directorate of Criminal Investigations. He later joined the EACC where he worked in the Investigations Directorate for six years. Jeremiah has specialised training in Forensic Crime Scene Management by the FBI, Prevention Interdiction and Investigations on acts of Terrorism through the Terrorism Assistance Programme by United States of America Department of Justice. He has also attended FBI training in Crime Scene*

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**c) Fiduciary Management:**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

	<b>Name</b>	<b>Designation</b>
1	Maina Njoroge	Chief Executive Officer/Board Secretary
2	Stephen Musau	Director, Inspections Research and Monitoring
3	Jeremiah Arodi	Director, Investigations
4	David Nderitu	Director, Complaints & Legal Services
5	Agatha Chepkoech	Chief Accountant

**d) Fiduciary Oversight Arrangements**

The Board has seven standing Committees, which meet as required. The Committees have been set up with clear terms of reference to facilitate efficient and effective decision-making of the Board in discharging its duties, powers and authorities. The Committees are aligned in accordance with the Authority's mandate and functions.

The Finance and Administration Committee reviews annual budgets and procurement plans, quarterly and annual financial reports. The Committee also provides oversight on administration issues within the Authority.

The Inspections, Research and Monitoring Committee provides oversight over the Authority's inspections, research and monitoring function.

The Human Resource and Compensation Committee advises the Board on organizational structure, human resource policy and capacity enhancement/building, reviews the salaries, benefit packages and service contracts, recruitment of senior staff ensuring that these are competitively structured and linked to performance. The Committee also makes recommendations for broad guidelines that promote operational efficiency.

The Complaints, Investigations, Legal and Security Committee is charged with the complaints and investigations mandate. The Committee also advises the Board on legal and security matters.

The Communication and Outreach Committee is charged with the Authority's communication and outreach function and programs.

The Risk & Audit Committee works closely with the internal audit unit and plays a critical role in reviewing financial information and ensuring that the system of internal controls is effectively administered. It considers significant audit findings identified by the Authority's internal and external auditors. The Committee maintains oversight on internal controls, and makes recommendations on financial information, risk management, policies and audit issues.

The ICT Committee provides oversight on the implementation of the Authority's ICT strategy.

**Finance & Administration Committee**

Tom Kagwe (Chair)  
 Njeri Onyango  
 Vincent Kiptoo  
 Jedidah Ntoyai

**Inspections, Research & Monitoring Committee**

Fatuma Saman (Chair)  
 Jedidah Ntoyai  
 Rose Bala  
 Vincent Kiptoo  
 Tom Kagwe

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
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**Human Resource Committee**

Jedidah Ntoyai (Chair)  
Grace Madoka  
Fatuma Saman  
Tom Kagwe  
Njeri Onyango

**Investigations, Complaints/Legal and Security Committee**

Vincent Kiptoo (Chair)  
Njeri Onyango  
Tom Kagwe  
Rose Bala  
Grace Madoka

**Communications & Outreach Committee**

Grace Madoka (Chair)  
Fatuma Saman  
Vincent Kiptoo  
Rose Bala  
Njeri Onyango

**Audit & Risk Committee**

Rose Bala (Chair)  
Fatuma Saman  
Grace Madoka  
Willis Okwachko (Treasury representative,  
appointed 24 October 2016)

**ICT Committee**

Njeri Onyango (Chair)  
Fatuma Saman  
Grace Madoka  
Vincent Kiptoo  
Rose Bala  
Jedidah Ntoyai

**e) Headquarters**

**ACK Garden Annex,**  
2<sup>nd</sup>/3<sup>rd</sup> Floor,  
1<sup>st</sup> Ngong Avenue,  
P O Box 23035-00100 GPO,  
**NAIROBI.**

**Contacts**

Telephone: (+254) 20 4906 000  
E-mail: [info@ipoa.go.ke](mailto:info@ipoa.go.ke)  
Website: [www.ipoa.go.ke](http://www.ipoa.go.ke)

**Regional Offices:**

**Garissa:**

IPOA House, Off Kismayu Road,  
Behind Texas Petrol Station,  
P.O Box 1261-70100, Garissa,  
Tel: 0777 040400.  
E-mail: [garissa@ipoa.go.ke](mailto:garissa@ipoa.go.ke)

**Mombasa:**

Jubilee Insurance Building (Arcade) along Moi Avenue,  
P.O Box 99758- 80107 Kilindini, Mombasa,  
Tel: 0799 019998.  
E-mail: [mombasa@ipoa.go.ke](mailto:mombasa@ipoa.go.ke)

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
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**Kisumu:**

Central Square Building, Opposite Barclays Bank,  
P.O Box 3560-40100, Kisumu,  
Tel: 0799 862244.

E-mail: [kisumu@ipoa.go.ke](mailto:kisumu@ipoa.go.ke)

**Kakamega:**

Daaron Foundation Trust Building, Opposite Nala Community Hospital,  
P.O. Box 1642-50100, Kakamega,  
Telephone: 020 440 3549.

Email: [kakamega@ipoa.go.ke](mailto:kakamega@ipoa.go.ke)

**Nakuru:**

Assumption Centre, Opposite St. Paul University,  
P.O. Box 2400-20100, Nakuru,  
Telephone: 020 440 1076.

Email: [nakuru@ipoa.go.ke](mailto:nakuru@ipoa.go.ke)

**Meru:**

Meru Makutano Road, Union Square,  
P.O. Box 203-60200, Meru,  
Telephone: 020 201 7237.

Email: [meru@ipoa.go.ke](mailto:meru@ipoa.go.ke)

**Nyeri:**

County Mall, Next to Veterinary Department,  
P.O. Box 30-10100, Nyeri,  
Telephone: 020 200 4664.

Email: [nyeri@ipoa.go.ke](mailto:nyeri@ipoa.go.ke)

**Eldoret:**

Kerio Valley Development Authority (KVDA) Annex Plaza,  
P.O. Box 109-30100, Eldoret,  
Telephone: 020 440 3548.

Email: [eldoret@ipoa.go.ke](mailto:eldoret@ipoa.go.ke)

**F) Bankers**

**Central Bank of Kenya,**

Haile Selassie Avenue Street,  
P O Box 60000, 00200 City Square,  
Tel: 2860 000,

**NAIROBI.**

**National Bank of Kenya,**

Hill Branch,  
NHIF Building,

**NAIROBI.**

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
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**g) Independent Auditors**

**Auditor General,**

Kenya National Audit Office (KENAO),  
Anniversary Towers,  
P O Box 49384, 00100 GPO,  
**NAIROBI.**

**h) Principal Legal Adviser**

**The Attorney General,**

State Law Office,  
Harambee Avenue  
P.O. Box 40112,  
City Square 00200,  
**NAIROBI.**

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
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**FOREWORD BY THE CHAIRMAN**

During the 2017/18 financial year, the Authority was allocated recurrent budget estimates amounting to Kshs. 600,000,000. The budget was, however, revised upwards by Kshs. 95,860,000 to Kshs. 695,860,000 during Supplementary Estimates. Exchequer releases during the period amounted to Kshs. 588,314,800 or 85% of the revised budget.

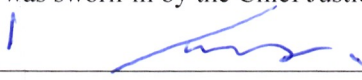
The total expenditure during the period was Kshs. 588,324,800 of which Kshs. 253,340,332 was on compensation of employees, Kshs. 286,035,294 on use of goods and services, and Kshs. 48,929,944 on acquisition of assets. The Authority absorbed 85% of the total budget, as compared to an absorption rate of 89% recorded during the 2016/2017 financial year.

During the period, the Authority received a total of 2,339 complaints from the public and the police, bringing the total complaints received since the Authority was established in 2012 to 10,381. The Authority conducted 240 inspections of police facilities, and investigated 197 cases bringing the total to 950 and 790 respectively since inception.

During the year, the Authority established five additional regional offices in Nakuru, Eldoret, Kakamega, Nyeri and Meru. This is in addition to the three regional offices established in Mombasa, Kisumu and Garissa during the previous year. With eight regional offices, the Authority looks forward to serving the public closer to their areas thus improving the current uptake of complaints against the police.

Looking into the future, the Authority will continue to carry out its work in a transparent, impartial, just and in a fair manner. It will continue to work and cooperate with all its key stakeholders for realization of this objective.

The term of office of the inaugural Board on 21<sup>st</sup> May 2018 upon which the Government initiated the recruitment process of the next Board. The President appointed the Chairperson and Board members vide Gazette Notice No. 9559 and No. 9560 respectively with effect from 1<sup>st</sup> September 2018 for a period of six years. The new Board was sworn-in by the Chief Justice on 21<sup>st</sup> September 2018.

  
**Chairman**  
**September 2018**

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
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**STATEMENT OF MANAGEMENT RESPONSIBILITIES**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

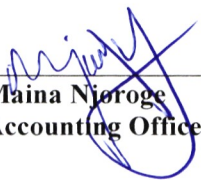
The Accounting Officer in-charge of the Independent Policing Oversight Authority (IPOA) is responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2018. 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 IPOA 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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in-charge of IPOA accepts responsibility for the Authority's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Authority's financial statements give a true and fair view of the state of IPOA's transactions during the financial year ended June 30, 2018, and of the Authority's financial position as at that date. The Accounting Officer in-charge of the Independent Policing Oversight Authority further confirms the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of IPOA confirms that the Authority has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Authority's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further, the Accounting Officer confirms that the Authority's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The Authority's financial statements were approved and signed by the Accounting Officer on *18<sup>th</sup> September 2018*.

  
\_\_\_\_\_  
**Maina Njoroge**  
**Accounting Officer/CEO**

  
\_\_\_\_\_  
**Agatha Chepkoech**  
**Chief Accountant, ICPAK Member No. 10017**

# REPUBLIC OF KENYA

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NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT POLICING OVERSIGHT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

##### **Opinion**

I have audited the accompanying financial statements of Independent Policing Oversight Authority set out on pages 16 to 36, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, summary statement of appropriation – recurrent 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 Independent Policing Oversight Authority as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Independent Policing Oversight Authority Act No. 35 of 2011.

##### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Independent Policing Oversight Authority in accordance with ISSAI 30 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 are no key audit matters to communicate in my report.

## 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 governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and 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 (Cash Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the Independent Policing Oversight Authority's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of

accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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 financial reporting process, reviewing the effectiveness of how the entity 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 the going concern 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 sustaining 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 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.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**03 April 2019**



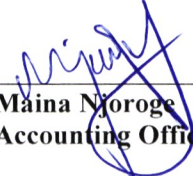
**REPORT OF THE INDEPENDENT AUDITORS**

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**STATEMENT OF RECEIPTS AND PAYMENTS**

	Note	2017/2018 Kshs.	2016/2017 Kshs.
<b>RECEIPTS</b>			
Exchequer releases	1	588,314,800	433,610,000
A.I.A (Sale of Tender documents)	2	10,000	-
<b>TOTAL RECEIPTS</b>		<b>588,324,800</b>	<b>433,610,000</b>
<b>PAYMENTS</b>			
Compensation of employees	3	253,343,332	222,770,601
Use of goods and services	4	286,527,509	164,321,505
Acquisition of assets	5	48,434,728	45,863,674
<b>TOTAL PAYMENTS</b>		<b>588,305,569</b>	<b>432,955,780</b>
<b>SURPLUS/(DEFICIT)</b>		<b>19,231</b>	<b>654,220</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on *18<sup>th</sup> September 2018* and signed by:

  
 Maina Njoroge  
 Accounting Officer/CEO

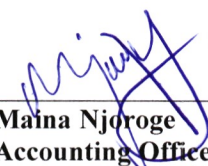
  
 Agatha Chepkoech  
 Chief Accountant, ICPAK Member No. 10017


**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

**STATEMENT OF ASSETS AND LIABILITIES**

	Note	2017/2018 Kshs.	2016/2017 Kshs.
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank balances	6	748,726	1,858,846
<b>Total Cash and Cash Equivalents</b>		<b>748,726</b>	<b>1,858,846</b>
Accounts Receivables -Imprests	7	-	72,800
<b>TOTAL FINANCIAL ASSETS</b>		<b>748,726</b>	<b>1,931,646</b>
<b>LESS: FINANCIAL LIABILITIES</b>			
Accounts payables - deposits	8	729,495	1,277,426
<b>NET FINANCIAL ASSETS</b>		<b>19,231</b>	<b>654,220</b>
<b>REPRESENTED BY:</b>			
Fund balance brought forward	10	654,220	1,151,941
Adjusted for: returns to Exchequer	11	(654,220)	(1,151,941)
<b>Surplus/(Deficit) for the year</b>		<b>19,231</b>	<b>654,220</b>
<b>NET FINANCIAL POSITION</b>		<b>19,231</b>	<b>654,220</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on *18<sup>th</sup> September 2018* and signed by:

  
 Maina Njoroge  
 Accounting Officer/CEO

  
 Agatha Chepkoech  
 Chief Accountant, ICPAK Member No. 10017

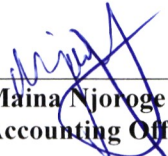
**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

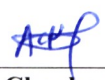
**STATEMENT OF CASH FLOW**

	Note	2017/2018 Kshs.	2016/2017 Kshs.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Exchequer releases from the National Treasury	1	588,314,800	433,610,000
A.I.A (Sale of Tender documents)	2	10,000	-
<b>Total Receipts for operating income</b>		<b>588,324,800</b>	<b>433,610,000</b>
<b>Payments for operating expenses</b>			
Compensation of employees	3	(253,343,332)	(222,770,601)
Use of goods and services	4	(286,527,509)	(164,321,505)
Adjusted for:			
Changes in receivables		72,800	(72,800)
Returns to Exchequer*		(654,220)	(1,151,941)
<b>Net cash flow from operating activities</b>		<b>47,872,539</b>	<b>45,293,153</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of assets	5	(48,434,728)	(45,863,674)
<b>Net cash flows from investing activities</b>		<b>(48,434,728)</b>	<b>(45,863,674)</b>
<b>CASH FLOW FROM BORROWING ACTIVITIES</b>			
Domestic currency/domestic deposits (A/cs payable)		(547,931)	(5,152,225)
<b>Net cash flow from financing activities</b>		<b>(547,931)</b>	<b>(5,152,225)</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENT</b>		<b>(1,110,120)</b>	<b>(5,722,746)</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>1,858,846</b>	<b>7,581,592</b>
<b>Cash and cash equivalent at END of the year</b>		<b>748,726</b>	<b>1,858,846</b>

\*An amount of Kshs. 654,220 being the unutilized funds during the year was returned to the Exchequer on 12<sup>th</sup> September 2017.

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 18<sup>th</sup> September 2018 and signed by:

  
**Maina Njoroge**  
**Accounting Officer/CEO**

  
**Agatha Chepkoech**  
**Chief Accountant, ICPAK Member No. 10017**

**INDEPENDENT POLICING-OVERSIGHT AUTHORITY**

**Reports and Financial Statements**

**For the year ended June 30, 2018**

**SUMMARY STATEMENT OF APPROPRIATION: RECURRENT**


Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on	Budget Utilization	Utilization
	Kshs a	Kshs b	Kshs c=a+b	Comparable Basis Kshs d	Difference Kshs e=c-d	actual Kshs f=d/c %
<b>RECEIPTS</b>						
Exchequer releases from the National Treasury	600,000,000	95,860,000	695,860,000	588,314,800	107,545,200	85%
A.I.A-Sale of Tender documents	-	-	-	10,000	(10,000)	0%
<b>Sub-Total</b>	<b>600,000,000</b>	<b>95,860,000</b>	<b>695,860,000</b>	<b>588,324,800</b>	<b>107,535,200</b>	<b>85%</b>
<b>PAYMENTS</b>						
Compensation of employees	264,000,000	39,829,286	303,829,286	253,343,332	50,485,954	83%
Use of goods and services	313,180,000	(16,172,500)	297,007,500	286,527,509	10,479,991	96%
Acquisition of assets	22,820,000	72,203,214	95,023,214	48,434,728	46,588,486	51%
<b>TOTALS</b>	<b>600,000,000</b>	<b>95,860,000</b>	<b>695,860,000</b>	<b>588,305,569</b>	<b>107,554,431</b>	<b>85%</b>

**Notes:**

- (a) The Authority recorded an overall 85% budget absorption during the year.
- (b) Compensation of employees absorbed 83% of the approved budget. This was due to high staff turnover. This was also due to unavoidable circumstances in replacing vacant positions, and planned recruitment of additional staff.
- (c) On use of goods, the Authority recorded a budget absorption rate of 96%.
- (d) On acquisition of assets, an absorption rate of 51% was recorded. This was mainly due to the office refurbishment budget line earmarked for the regional offices. The interim certificates for the works were submitted late towards the end of June 2018, making it difficult to obtain the required Exchequer issue.
- (e) During the year, the Authority declared savings of Kshs. 150m allocated for Development Vote. The Authority requested the same to be rationalised and reallocated to the Recurrent Vote specifically for establishment of regional offices. The National Treasury allocated Kshs. 95.86m out of the savings to Recurrent Vote.

The financial statements were approved on **18<sup>th</sup> September 2018** and signed by:

  
**Maina Njoroge**  
 Accounting Officer/CEO

  
**Agatha Chepkoech**  
 Chief Accountant, ICPAK Member No. 10017

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**

**Reports and Financial Statements  
For the year ended June 30, 2018**

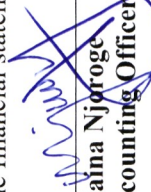
**BUDGET VERSUS ACTUAL AMOUNTS**


Receipt/Expense Item	Original Budget Kshs a	Adjustments Kshs b	Final Budget Kshs c=a+b	Actual on Comparable Basis Kshs d	Budget Utilization Difference Kshs e=c-d	% of Utilization Difference Kshs f=e/c %
<b>RECEIPTS</b>						
Exchequer releases from the National Treasury	600,000,000	95,860,000	695,860,000	588,314,800	107,545,200	15%
A.I.A-Sale of Tender documents	-	-	-	10,000	(10,000)	0%
<b>Sub-Total</b>	<b>600,000,000</b>	<b>95,860,000</b>	<b>695,860,000</b>	<b>588,324,800</b>	<b>107,535,200</b>	<b>15%</b>
<b>PAYMENTS</b>						
Compensation of employees	264,000,000	39,829,286	303,829,286	253,343,332	50,485,954	17%
Use of goods and services	313,180,000	(16,172,500)	297,007,500	286,527,509	10,479,991	4%
Acquisition of assets	22,820,000	72,203,214	95,023,214	48,434,728	46,588,486	49%
<b>TOTALS</b>	<b>600,000,000</b>	<b>95,860,000</b>	<b>695,860,000</b>	<b>588,305,569</b>	<b>107,554,431</b>	<b>15%</b>

Notes:

- (a) Total Exchequer receipts amounted to 85% of the revised budget, or 15% budget utilization difference.
- (b) Compensation to staff recorded a budget utilization of 17%, use of goods and services, 4%, and acquisition of assets, 49%.
- (c) The overall 15% budget utilization difference was mainly due to staff turnover and non-completion of the procurement process especially where bids were non-responsive, particularly on acquisition of assets.

The financial statements were approved on **18<sup>th</sup> September 2018** and signed by:

  
Maina Njoroge  
Accounting Officer/CEO

  
Agatha Chepkoech  
Chief Accountant, ICPAK Member No. 10017

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
**Reports and Financial Statements**  
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**BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES**

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	Kshs	Kshs	Kshs	Kshs	Kshs
Programme 1 : Policing Oversight Services					
Sub-Programme 1 : Policing Oversight Services	600,000,000	95,860,000	695,860,000	588,305,569	107,554,431
<b>Total</b>	<b>600,000,000</b>	<b>95,860,000</b>	<b>695,860,000</b>	<b>588,305,569</b>	<b>107,554,431</b>

Notes:

- a) The Authority has only one Programme; Policing Oversight Services.
- b) The Authority's original approved budget was Kshs. 600,000,000. However, the budget was revised upwards by Kshs. 95,860,000 to Kshs. 695,860,000 during Supplementary Estimates I. The additional funds was meant to be used in establishment of six (6) regional offices.
- c) The total expenditure during the period amounted to Kshs. 588,305,569, leaving Kshs. 107,554,431 as budget utilization difference or 15% of the total revised budget.

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

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**SIGNIFICANT ACCOUNTING POLICIES**

**1. Summary of Significant Accounting Policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

**a) Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash Basis International Public Sector Accounting Standards (IPSAS) financial reporting under the cash basis of Accounting, as prescribed by the Public Sector Accounting Standards Board (PSASB) of Kenya and set out in the accounting policy notes below. In addition, the financial statements are in compliance with the Public Finance Management Act, 2012, Public Finance Management Act Regulations, 2015, Public Audit Act, 2015, and in line with the requirements of IPOA Act, 2011.

This cash basis of accounting has been supplemented with accounting for: a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash Basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Authority. All values are rounded to the nearest Kenya Shilling. The Accounting policies adopted have been consistently applied to all years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

**b) Reporting entity**

The financial statements are for the Independent Policing Oversight Authority (IPOA). The financial statements encompass the entity as specified under section 81 of the PFM Act 2012. The Authority did not implement any development projects during the reporting period.

**c) Recognition of receipts and payments**

**Recognition of receipts:**

- a. Receipts: The Authority recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Authority.
- b. Transfers from the Exchequer: Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the Authority.
- c. Other receipts: These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements at the time the associated cash is received.

**Recognition of payments:**

- d. Expenses: The Authority recognises all expenses when the event occurs and the related cash has actually been paid out by the Authority.
- e. Compensation of employees: Salaries and wages, allowances, statutory contributions for employees are recognized in the period when compensation is paid.

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

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**Use of goods and services:**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

**Acquisition of fixed assets:**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt as a payment.

A fixed asset register is maintained and a summary provided for purposes of disclosure. This summary is disclosed as an annexure to the financial statements.

**d) In-kind contributions**

In-kind contributions are donations that are made to the Authority in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Authority includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**e) 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.

**Restriction of cash:**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in the deposit bank account are restricted for use in refunding third party deposits. As at 30<sup>th</sup> June 2018, this amounted to Kshs. 729,495 compared to Kshs. 1,277,426 in prior period as indicated on Notes 6 and 8.

**f) Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as expenditure when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**g) Accounts Payable**

For the purpose of these financial statements, deposits and retentions held on behalf of third parties has been recognized as accounts payable. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

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Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

**h) Non-current assets**

Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed assets register a summary of which is provided as a memorandum to these financial statements.

**i) Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Authority at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**j) Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Authority's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Authority's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

**k) Comparative figures**

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

**l) Subsequent events**

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of the National Treasury. No material events or circumstances have arisen between the accounting date and the date of this report.

**2. Financial Risk Management Objectives and Policies**

The Authority's activities expose it to a variety of financial risks including liquidity risks. The Authority's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effects of such risks on its performance by setting acceptable level of risks. The Authority has developed an Enterprise Risk Management (ERM) Framework upon which a risk register is maintained and reviewed regularly.

The Board recognizes that management of risk is a key element of sound governance and an important strategy for the achievement of its mission and supporting objectives. The Board further recognizes that risk management is a holistic management process that is to be applied at all levels of activity across the Authority. The Authority is committed to consistent management of risk as an integral part of its operations, focusing on strategies to minimize risks towards achieving strategic goals and objectives.

The Board has the overall responsibility for the establishment and oversight of the enterprise risk management framework. The Board has delegated its risk management to the Risk and Audit Committee.

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

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The Committee is responsible for the implementation and reporting of the framework. The Board Finance and Administration Committee is charged with management of financial risks arising from financial transactions and processes.

The following are financial management objectives and policies:

**a) Market risk**

Market risk is the risk that changes in market prices, such as interest rate, equity prices, and foreign exchanges rates will affect IPOA's income or value of its holding financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Authority's market risk is relatively low, based on its nature of business.

**b) Credit risk**

Credit risk is the risk of financial loss to the Authority if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Authority cash and cash equivalents and deposits with banks, as well as trade and other receivables. Due to the nature of business, the Authority does not have any significant concentrations of credit risk. However, the Authority assesses the credit risk quality of each client, taking into account its financial position, past experience and other critical factors. The Authority's funds received from the Exchequer are usually placed with the Central Bank of Kenya.

**c) Liquidity risk**

Liquidity risk is risk that the Authority will encounter difficulty in meeting its obligations from its financial obligations. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due without incurring unacceptable losses or risk of damaging its reputation. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows, ensuring that Exchequer release requests are made to the National Treasury on timely basis.

**d) Capital risk**

The Authority is not exposed to capital risk as it does not have share capital, being an independent State Agency.

**e) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authorities processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally acceptable standards.

The Authority's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid any control procedures that restrict initiative and creativity in the Authority.

The primary responsibility of the development and implementation of controls to address operational risk is assigned to the Authority's management, with the overall responsibility resting with the Board. This responsibility is supported by the development of overall standards for the management of operational risks in the following areas:

- a. Requirement for appropriate segregation of duties including independent authorization and approval of transactions;

**INDEPENDENT POLICING OVERSIGHT AUTHORITY**  
**Reports and Financial Statements**  
**For the year ended June 30, 2018**

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- b. Requirement for reconciliation and monitoring of transactions;
- c. Documentation of controls and procedures;
- d. Staff training and professional development;
- e. Ethical and business standards;
- f. Compliance with regulatory and other legal requirements;
- g. Requirement for periodic assessment of operational risks faced by the Authority, and adequacy of controls and procedures to address the risks identified;
- h. Requirement for the reporting of operational losses and proposed remedial action;
- i. Development of contingency plans;
- j. Risk mitigation, including insurance where this is effective; and
- k. Review of compliance with the Authority's standards is on an ongoing basis. The Authority has developed a staff code of conduct, which every employee is required to sign an integrity pact for compliance.

**f) Reputational risk**

Reputation risk is risk of failing to meet standards of performance or behaviour required or expected by the stakeholders in commercial activities or the way in which business is conducted. Reputational risk arise as a poor management of problems occurring in one or more of the primary risk areas and/or from social, ethical or environmental risk issues. All Board members and staff have a critical responsibility for maintaining the Authority's reputation through strict adherence of the highest level of personal and corporate conduct.

**g) Governance risk compliance**

Governance risk is risk that the Authority will not identify, measure, report and appropriately manage risks to achieve governance objectives with integrity and confidence. In order to mitigate governance risk, the Board ensures that it fulfils its regulatory obligations, duties and responsibilities. The Authority has developed and implemented a Board Charter, and has organized training on corporate governance for all the Board members.

**h) Compliance and regulatory risk**

Compliance and regulatory risk includes the risk of non-compliance with regulatory requirements. During the period, the Authority complied with all its statutory obligations.

**i) Legal risk**

Legal risk is the risk of unexpected loss, arising from defective transactions or contracts, claims being made or some other event resulting in a liability or the loss for the Authority, failure to protect the title to or liability control the rights to its assets, and changes in law. The Authority manages legal risk through the Risk and Audit Committee, legal department, use of effective internal controls and seeking legal opinion from the State Law Office.

**3. Taxation**

The Authority is not subject to taxation and, therefore, no provision for tax liability has been made in the financial statements.

**4. Retirement benefit obligations**

The Authority makes contributions to a statutory pension scheme, the National Social Security Fund (NSSF), for all its long-term contract employees. Contributions to the scheme are determined by statute at Kshs. 200/- per employee per month for the 12-month period ended 30 June 2017. The employees also

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contribute a similar amount per month. The Authority's obligations to NSSF are charged to the salary costs on monthly basis.

**5. Staff service gratuity**

IPOA employees in Job Grades 1-3 are employed on a four-year renewable period. They are entitled to service gratuity of 31% of their monthly basic salary. The gratuity is payable whenever an employee's contract comes to an end or whenever an employee leaves employment. No provision is made for future gratuity liability, as the Authority uses the cash basis of accounting.

With effect from January 2018, employees in Job Grades 4-9 were transitioned to permanent and pensionable terms. Outstanding accumulated service gratuity for this group was budgeted for in the 2018/19 budget. The Authority contributes 20% of the employees' monthly basic salary to the staff retirement benefits scheme while the employees contribute 10% of their monthly basic salary. The scheme is managed by Jubilee Insurance Company Ltd.

**6. Legal status/going concern**

IPOA is a non-profit state agency. It was established through an Act of Parliament No. 35 of 2011. Its existence is thus anchored on this Constitutive Act. There is no legal threat or otherwise to its existence, and therefore continues to execute its mandate and functions as a going concern.

During the year, the Authority was sued by an ex-employee for alleged wrongful termination of employment. The matter is before the Labour and Employment Court pending determination. The Authority is hopeful that the case will be determined in its favour.

**7. Employees**

As at 30 June 2018, the Authority had a staff compliment of 177.

**8. Use of funds**

The Authority's management ensures that funds received from the Exchequer are utilized with utmost care, and as stipulated in the approved annual estimates. This is done with due attention to economy, efficiency, accountability, and only for the purposes for which the funding was provided.

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**EXPLANATORY NOTES**

**1. EXCHEQUER RELEASES**

	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Total Exchequer Releases for Quarter 1	98,594,420	94,510,000
Total Exchequer Releases for Quarter 2	107,073,180	79,900,000
Total Exchequer Releases for Quarter 3	139,538,000	102,600,000
Total Exchequer Releases for Quarter 4	243,109,200	156,600,000
<b>Total</b>	<b>588,314,000</b>	<b>433,610,000</b>

**2. APPROPRIATION IN AID**

	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Sale of Tender documents	<b>10,000</b>	-
	<b>10,000</b>	-

**3. COMPENSATION OF EMPLOYEES**

	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Basic salaries of permanent employees	161,890,673	133,010,853
Basic wages of temporary employees	20,902,370	17,876,021
Personal allowances paid as part of salary	60,512,203	52,483,424
Compulsory National Social Security Schemes	635,200	502,800
Compulsory National Health Ins. Schemes	2,537,450	2,010,950
Staff Pension	6,865,436	-
Other personnel payments (service gratuity)	-	16,886,553
<b>Total</b>	<b>253,343,332</b>	<b>222,770,601</b>

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**EXPLANATORY NOTES (CONTINUED)**

**4. USE OF GOODS AND SERVICES**

	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Utilities	160,694	25,000
Specialized materials and supplies	887,123	210,400
Communication, supplies and services	8,417,201	5,858,762
Domestic travel and subsistence	35,390,805	32,206,814
Foreign travel and subsistence	2,133,354	1,553,692
Printing, advertising/inform supplies & services	2,370,796	3,669,530
Rentals of produced assets	44,999,946	38,149,317
Training expenses	4,157,610	4,078,034
Hospitality supplies and services	15,698,343	9,574,476
Board Sitting Allowances	14,527,000	19,890,000
Insurance costs	31,380,254	23,488,734
Office and general supplies and services	3,927,120	6,381,465
Other operating expenses	15,025,562	9,261,298
Routine maintenance – motor vehicles	3,871,600	2,760,048
Fuel oil and lubricants	4,978,520	5,016,514
Gratuity	97,054,465	-
Routine maintenance – other assets	1,547,116	2,197,421
<b>Total</b>	<b>286,527,509</b>	<b>164,321,505</b>

**5. ACQUISITION OF ASSETS**

<b>Non-Financial Assets</b>	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Refurbishment of buildings	1,095,968	9,602,135
Purchase of motor vehicles	37,054,796	18,590,000
Purchase of office furniture/equipment	8,578,520	14,920,176
Purchase of specialized plant/equipment	1,705,444	2,751,362
<b>Total</b>	<b>48,434,728</b>	<b>45,863,673</b>

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**EXPLANATORY NOTES (CONTINUED)**

**6. BANK ACCOUNTS**

<b>Name of Bank, Account No. &amp; currency</b>	<b>Type of Account</b>	<b>2017/2018 Kshs.</b>	<b>2016/2017 Kshs.</b>
Central Bank of Kenya, Account No. 1000181559	Recurrent	19,231	581,420
Central Bank of Kenya 165, Account No. 1000182717	CBK165	-	-
Central Bank of Kenya, Account No. 1000182393	Deposit	729,495	1,277,426
National Bank of Kenya, Account No. 01001094661400	Current	-	-
<b>Total</b>		<b>748,726</b>	<b>1,858,846</b>

During 2014/15 financial year, the Authority, through an approval of the National Treasury, opened a commercial bank account with the National Bank of Kenya (Account No. 01001094661400), Hill Branch, NHIF Building, Nairobi. The account remained dormant during the period with no cash balance.

**7. ACCOUNTS RECEIVABLE – OUTSTANDING IMPRESTS**

<b>Description</b>	<b>2017/2018 Kshs.</b>	<b>2016/2017 Kshs.</b>
Temporary imprests	-	72,800
<b>Total</b>	<b>-</b>	<b>72,800</b>

**8. ACCOUNTS PAYABLE**

<b>Description</b>	<b>2017/2018 Kshs.</b>	<b>2016/2017 Kshs.</b>
Retention – office refurbishment	173,623	64,026
IPOA Staff Welfare	555,872	208,900
IPOA Staff Sacco Society	-	1,004,500
<b>Total</b>	<b>729,495</b>	<b>1,277,426</b>

Notes:

- The Authority has established a staff welfare. The staff monthly contributions through the payroll are transferred to the Deposit Account awaiting the Welfare to open its bank account. IPOA Staff Sacco opened its bank account and the Authority transferred its accumulated contribution from Deposit Account to Sacco Account during the financial year.

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**EXPLANATORY NOTES (CONTINUED)**

**10. FUND BALANCE BROUGHT FORWARD**

<i>Description</i>	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Bank accounts	1,858,846	7,581,592
Temporary Imprest	72,800	-
Accounts payables	(1,277,426)	(6,429,651)
<b>Total</b>	<b>654,220</b>	<b>1,151,941</b>

**11. PRIOR YEAR ADJUSTMENTS**

<i>Description</i>	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>Prior Year Adjustments</b>	<b>(654,220)</b>	<b>(1,151,941)</b>

The prior year adjustments related to fund balances brought forward from the previous period and surrendered back to the Exchequer during the subsequent financial year.

**12. RELATED PARTY DISCLOSURES**

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the Independent Policing Oversight Authority:

- Key management personnel that include the Accounting Officer and four directors.

**Related party transactions:**

<i>Description</i>	<b>2017/2018</b>	<b>2015/2016</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Key management compensation	26,070,600	26,488,665
<b>Total</b>	<b>26,070,600</b>	<b>26,488,665</b>

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**EXPLANATORY NOTES (CONTINUED)**

**13 OTHER IMPORTANT DISCLOSURES**

**13.1 PENDING ACCOUNTS PAYABLE (Annex 1)**

<b>Non-Financial Assets</b>	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Office partitioning project	24,758,725	1,095,339
Supply of goods	3,817,183	507,041
Supply of services	1,939,700	82,555
<b>Total</b>	<b>30,534,168</b>	<b>1,684,935</b>

**13.2 PENDING STAFF PAYABLES (Annex 2)**

	<b>2017/2018</b>	<b>2016/2017</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Middle Management	218,749	17,629
Others -Staff payroll deductions	71,793	40,123
<b>Total</b>	<b>290,542</b>	<b>57,752</b>

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**EXPLANATORY NOTES (CONTINUED)**

**13.3 PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS**

The Authority did not have any audit matters arising from the 2016/2017 financial year. Audit matters arising from the 2015/2016 financial year were fully resolved during the 2016/2017.

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**ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE**

**ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2017	Comments
<b>Refurbishment of buildings</b>						
Juba Concrete & Steel Limited	13,926,415	26/06/2018	13,926,415	-	-	Office Refurbishment – Mombasa office
Juba Concrete & Steel Limited	10,832,310	26/06/2018		10,832,310		Office Refurbishment – Kisumu office
<b>Sub-total</b>	<b>24,758,725</b>		<b>13,926,415</b>	<b>10,832,310</b>		
<b>Supply of goods</b>						
Laredo General Suppliers	62,700	26/06/2018		62,700		Toner TN321M
Leeds Solutions	560,000	26/06/2018		560,000	-	LCD Projector
Cosmos Trading Company Ltd	656,000	27/06/2018		656,000		Desktop Computers
MFI Document Solutions	922,800	07/06/2018		922,800		Kyocera Printers
Pioneer Computer Garage	564,330	20/04/2018		564,330		Assorted ICT Accessories
Com21	1,051,353	08/06/2018		1,051,353		Installation of CCTV Cameras in Garissa, Nyeri & Kakamega Office.
<b>Sub-total</b>	<b>3,817,183</b>		-	<b>3,817,183</b>	-	
<b>Supply of Services</b>						
Hatari Security Services	396,280	30/06/2018	396,280	-	-	June 2018 Outstanding Bill.
Long Rock Tours	67,030	25/06/2018	67,030	-	-	Air Ticket for IPOA Officers.
Metrocosmo Limited	1,052,120	13/3/2018	1,052,120	-	-	Rent & Parking for Nakuru Office April-June 2018.
Auto Drive Limited	335,903	17/05/2018	335,903	-	-	Rent Nyeri Office May & June 2018
River Cross Tracking Limited	33,439	23/05/2018		33,439	-	Outstanding VAT
Toyota Kenya	766	05/02/2018		766	-	VAT-February 2018
Toyota Kenya	647	26/02/2018		647	-	VAT-February 2018
Toyota Kenya	647	26/02/2018		647	-	VAT-February 2018

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Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018	Outstanding Balance 2017	Comments
Kenatco Taxis	52,868	31/05/2018	-	52,868	-	May 2018 Outstanding Bill
Auto Drive Limited	18,560	17/05/2018		18,560		Parking service-May & June 2018-Nyeri Office
<b>Sub-total</b>	<b>1,958,260</b>		<b>1,851,333</b>	<b>106,927</b>		
<b>Total</b>	<b>30,534,168</b>		<b>15,777,748</b>	<b>14,756,420</b>	<b>-</b>	

**ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES**

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-date	Outstanding Balance 2018	Outstanding Balance 2017	Comments
<b>Middle Management</b>							
Vicky Ocharo	4	214,435			214,435		April 2018-Outstanding Salary.
Julius Wanyama	8	4,314		4,314	-		Outstanding Per diem
<b>Sub-total</b>		<b>218,749</b>		<b>4,314</b>	<b>214,435</b>		
<b>Others (Payroll deductions)</b>							
ICEA Insurance		55,605	23/05/2018	55,605	-		May 2018 Deduction
Jubilee Insurance		16,188	23/05/2018	16,188	-		May 2018 Deduction
<b>Sub-total</b>		<b>71,793</b>		<b>71,793</b>	<b>-</b>		
<b>Total</b>		<b>290,542</b>		<b>76107</b>	<b>214,435</b>		
<b>Grand Total</b>		<b>30,824,710</b>		<b>15,853,855</b>	<b>14,970,855</b>		

**Notes:**

The pending bills were mainly caused by the following, and not by lack of budgetary provisions:

- Suppliers' invoices were received after the IFMIS commitments module was closed on 31<sup>st</sup> May 2018.
- The payments were processed on time and booked the funds with Exchequer. However, the National Treasury did not issue the requested Exchequer by the close of the financial year.
- The pending bills were within the Authority's budgetary provisions for the year.

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**ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER**

<b>Asset class</b>	<b>Historical Cost 2017/18 Kshs'000</b>	<b>Historical Cost 2016/17 Kshs'000</b>
Office refurbishment (2 <sup>nd</sup> and 3 <sup>rd</sup> Floors, ACK Garden Annex, 1 <sup>st</sup> Ngong Avenue, Nairobi)	77,547,488	76,451,520
Motor vehicles	138,961,114	101,906,318
Office equipment, furniture and fittings	35,011,412	26,432,892
ICT equipment, software and other ICT assets	9,874,950	8,169,506
<b>Total</b>	<b>261,394,964</b>	<b>212,960,236</b>