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REPORT

OF

THE AUDITOR-GENERAL

ON

**PRIVATE SECURITY REGULATORY
AUTHORITY**

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

THE NATIONAL ASSEMBLY
PAPER COPIED

DATE: 26 APR 2023 Wednesday

TITLED

Hon. Naomi Wago
Deputy Majority Whip

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PRIVATE SECURITY REGULATORY AUTHORITY

**Annual Report and Financial Statements
For The Year Ended
30 June, 2022**

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

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June, 2022.

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1. Key Authority Information and Management

a. Background information

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

b. Principal Activities

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

Vision

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

Mission

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

Core Values

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

c. Key Management

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

The Board of Directors.

Chief Executive officer/Director General

Management Staff

d. Fiduciary Management

The key management personnel who held office during the 15 months period ended 30 June, 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Fazul Mahamed
2.	Head of Finance	Philip Leakey
3.	Head of Legal Services	Kevin Ngarari
4.	Head of Registration	Jennifer Njeri

e. Fiduciary Oversight Arrangements

The following are the Authority's oversight arrangements:

Audit and Risk Committee

Finance committee

Human Resource Committee

Registration & licensing Committee

Parliamentary Committee

f. Headquarters

P.O. Box 22565-00100

Lonrho House, 10th Floor,

Standard Street,

Nairobi, KENYA

g. Contacts

Telephone: (+254) 203 209 000

E-mail : info@psra.go.ke

Website: www.psra.go.ke

h. Bankers

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


i. Independent Auditors

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


j. Principal Legal Adviser

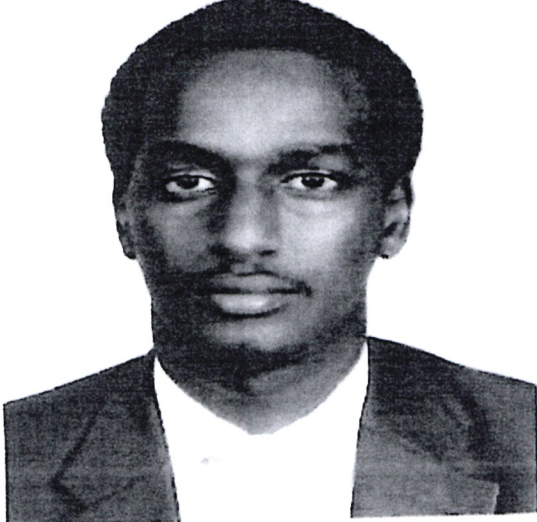
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. The Board of Directors


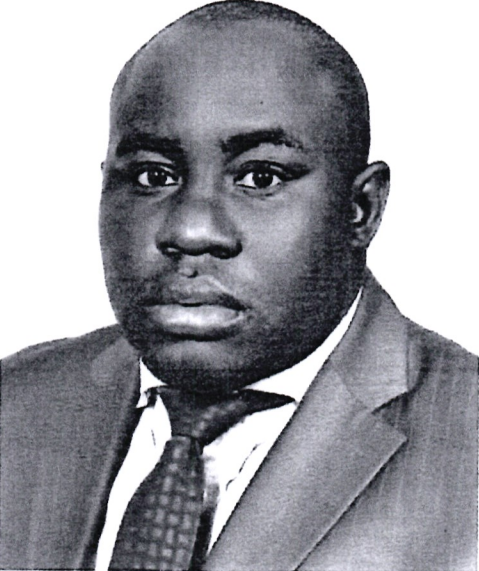
Ref	Directors	Details
1.	 Mr. Jackson Mbutia	Mr. Jackson Mbutia is the current chairman and the Board member representing registered associations of private security firms
2.	Mrs. Nancy Murega	The Principal Secretary, State Department of Interior representative
3.	Mr. Francis Musyimi	Principal Secretary,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



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

Ref	Directors	Details
12.	 Fazul Mahamed	Chief Executive officer/Director General

3. Management Team

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

 <p>Kevin Ngarari; LLB</p>	<p>Head of Legal services</p>
 <p>Jennifer Njeri; BA</p>	<p>Head of Registration</p>

4. Chairman's Statement

On behalf of the Board of Directors, I am pleased to present to you the Private Security Regulatory Authority's annual report and financial statements for the year ended 30th June, 2022.

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

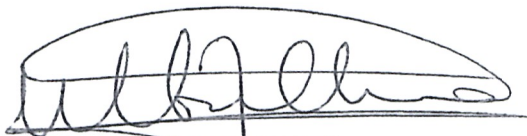
In the past, Private security companies have struggled to run their own internally developed training curriculums. To this end, the Authority successfully launched the Training Curriculum for Private Security Officers Level One that was designed to address key professional development areas in the private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

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

PSRA launched its four-year strategic plan in October 2021. The document highlights the strategic direction of the Private Security Regulatory Authority for the four-year period in its efforts to spearhead the implementation of key policies relating to the Authority's mandate.

In the year under review, despite the effects of Covid 19 being still felt in the Country, the number of security firms registered continued to grow gradually. It is evident that the Authority remained resilient through the tough times and stood committed to its mission.

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



.....
Jackson Muthia, HSC
Chairman, Board of Directors.

5. Report of the Chief Executive Officer

I am delighted to present to you the Private Security Regulatory Authority's (PSRA) annual report and financial statements for year ended 30th June, 2022.

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

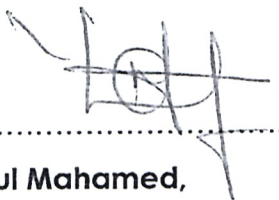
During the year under review, PSRA was allocated Kshs 100,190,000 in its annual budget to finance its activities. A significant proportion of this allocation was spent in facilitating the Board to ensure smooth running of the Authority to achieve its mandate as well as in the development of the vital systems and structures.

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

The Authority is committed to operational excellence, capacity expansion, and stakeholder engagement to ensure the effective administration, supervision, regulation and control of the private security services industry; and enforce standards for the conduct of the private security services industry in Kenya. In the year under review, the Authority received a total of 1,009 requests for registration. Out of this, 200 were issued with the 5-year certificate of registration while 306 were vetted and cleared but lack the 5-year certificate of registration.

The Authority in a bid to improve its operations and to ensure enhanced discharge of its mandate recruited staff to strengthen the secretariat and ensure improved discharge of duties for the benefits of the citizenry.

Despite the challenge of lack of adequate staff, the Authority was able to prepare a strategic plan for 2021- 2024 which was launched in October 2021. I take this opportunity to thank the staff and encourage them to put even greater effort in championing the implementation of the plan once again. The Strategic Plan will serve as the Authority's framework for decision making, a basis for planning, resource mobilization and utilization, performance management, monitoring and evaluation for the next three years.



.....
Fazul Mahamed,
Chief Executive Officer

6. Statement of Performance Against Predetermined Objectives

Section 81 subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting officer to include in the financial statement a statement of performance against predetermined objectives.

Private Securities Regulatory Authority launched its Strategic Plan in October 2021. The Strategic Plan has six strategic objectives as follows:

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

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

The Private Securities Regulatory Authority achieved its performance targets set for the FY 2021/2022 period for the six strategic objectives, as indicated in the table below:

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June, 2022.

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

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June, 2022.

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

7. Corporate Governance Statement

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

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

Private Security Regulatory Authority (PSRA)

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Board diversity

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

Roles and Responsibilities of directors

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

Board composition and Committees

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

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

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

*Chairman of the Board/Committee

** Immediate former Chairman of the Board

Board attendance

Best practice requires that every Board member attends a minimum of 75% of all Board meetings. Below is an extract from the attendance register for the Board meetings held in the period from 1st July 2020 to 30th June 2021:

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

Private Security Regulatory Authority (PSRA)

Annual Reports and Financial Statements for the Year Ended 30 June, 2022.

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

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

Audit and Risk Committee

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

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

*Chairman of the Committee

Finance committee

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

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

Human Resource Committee

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

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June, 2022.

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

Operations and Technical Committee

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

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

Term of Board members

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

Board remuneration

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

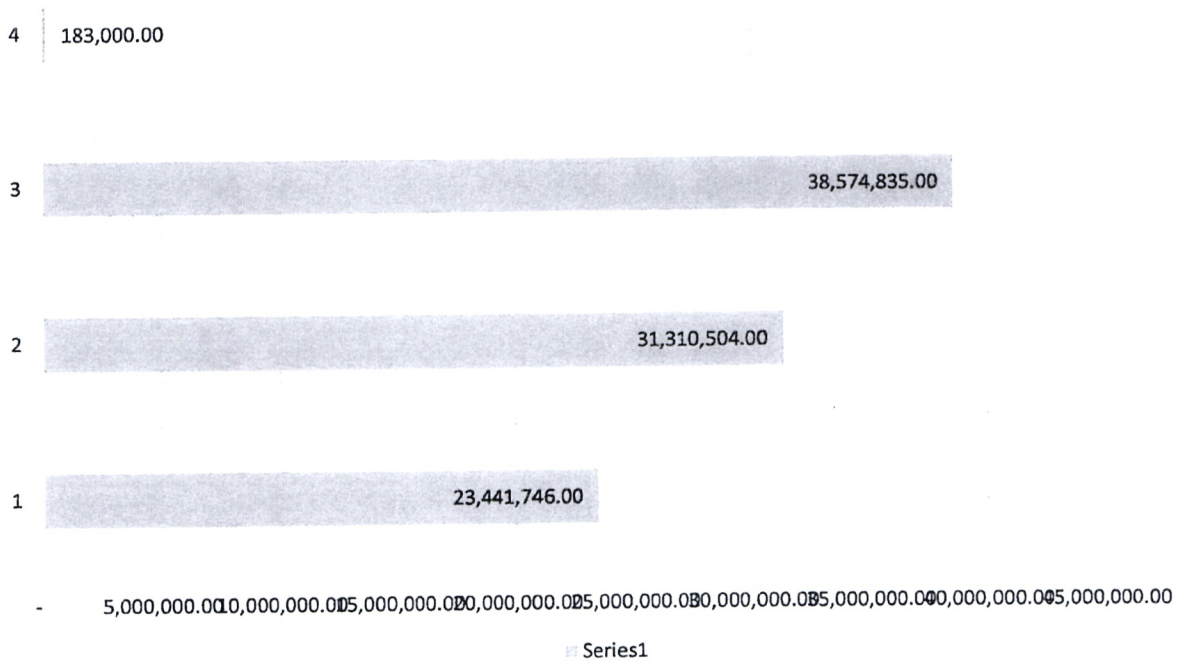
Board Evaluation

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

8. Management Discussion and Analysis

During the year under review the Authority received a total of Ksh 100,190,000 from the exchequer to finance its activities. A big portion of these funds were channelled towards facilitating the Board carry out its roles so as to achieve the mandate of the Authority as well as putting up the Authority's systems and structures to improve efficiency. In the current reporting period, Ksh 23,441,746 was spent on use of goods and services, Ksh 31,310,504 was spent on employee costs and Ksh 38,574,835 on Board members expenses. Going forward the Authority plans to build capacity amongst the staff, put up a fully-fledged compliance, registration and vetting department to enable it to discharge its mandate effectively. The pie chart below summarizes the authority's expenses.

Expenses



9. Environmental and Sustainability Reporting

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

i. Sustainability strategy and profile.

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

ii. Environmental performance

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

iii. Employee welfare

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

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

iv. Market place practices

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

v. Corporate Social Responsibility

In the financial year 2021/22, the Authority was not able to undertake any corporate social responsibility due to Covid-19 protocols and logistical challenges. The Authority will however endeavour to carry out an activity to give back to the Society.

10. Report of The Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022.

Principal activities

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

Results

The results of the Authority for the year ended June 30, 2022, are set out on page 1 to 5 of this financial statement.

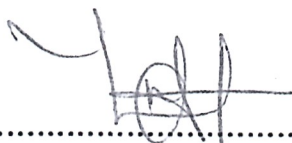
Directors

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

Auditors

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

By Order of the Board.



.....
Fazul Mohammed
Secretary to the Board

10.02.2023
.....

Date

11. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the entity; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

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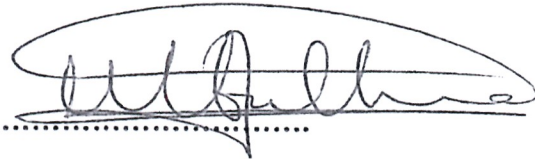
Authority's transactions during the financial year ended June 30, 2022, and of the Private Security Regulatory Authority's financial position as at that date.

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

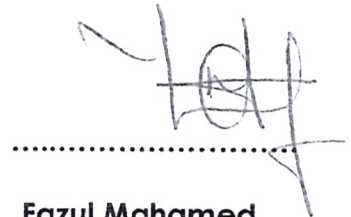
Nothing has come to the attention of the Directors to indicate that the Private Security Regulatory Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Private Security Regulatory Authority's financial statements were approved by the Board on 10.02. 2022 and signed on its behalf by:



Jackson W Mbutia HSC.
Chairman, Board of Director

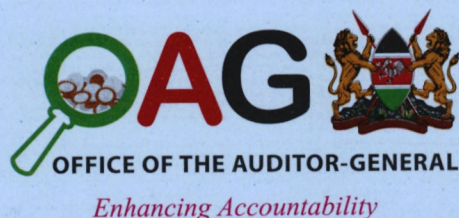


Fazul Mahamed,
Accounting Officer

12. Report of The Independent Auditor

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON PRIVATE SECURITY REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Private Security Regulatory Authority set out on pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statements of comparison of budget and actual amounts for the year then ended, and a summary of significant

accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Private Security Regulatory Authority as at 30 June, 2022, 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 and the Private Security Regulation Act, 2016.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2022 reflects a final receipts budget of Kshs.158,924,956 and an actual receipt of Kshs.100,190,000 resulting to an underfunding of Kshs.58,734,956.

The underfunding resulted to current liabilities exceeding current assets by Kshs.9,302,290 resulting to a negative working capital. In addition, the underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

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

Review of the Authority's records and inquiries from Management indicated the Authority's regulations had not been gazetted and approved by Parliament more than seven years after the enactment of the Private Security Regulation Act, 2016. Management indicated that the Authority in consultation with the Cabinet Secretary drafted the Private Security (General) Regulations in 2019 and forwarded the draft Regulations to undergo the legislative process which had not been completed as at the time of this audit in January, 2023.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Late Submission of Financial Statements

The financial statements of the Private Security Regulatory Authority for 2021/2022 were submitted to the Office of the Auditor General for audit on 31 October, 2022 one month after the statutory deadline of 30 September, 2022. This was contrary to Section 68(2) (k) of the Public Finance Management Act, 2012, which require an Accounting Officer of a National government entity to prepare financial statements within three months after the end of the financial year and submit them to the Auditor-General with a copy to The National Treasury.

In the circumstances, Management was in breach of the law.

2. Non-Operationalization of the Private Security Fidelity Fund

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

In the circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Understaffing of the Authority

Review of the Authority's staff establishment records indicated that the Authority had an approved staff establishment of one hundred and twenty-seven (127) employees. However, as at the time of the audit in February, 2023 the Authority had only forty-two (42) members of staff, resulting to an understaffing by eighty-five (85) employees. The understaffing may affect the efficiency and effectiveness in performance of the Authority's functions. Further, adequate segregation of duties to enhance internal controls may not be possible.

2. Lack of a Risk Management Framework /Policy

Review of the internal control system in place at the Authority revealed that the Management had not established a Risk Management Policy to identify, mitigate and control operational and other risks that the Authority may face from time to time.

As a result, there was no formal approved processes and guidelines on how to identify, assess and mitigate operational, legal and financial risks.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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

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

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

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

Auditor-General's Responsibilities for the Audit

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 applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

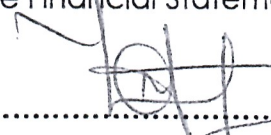
30 March, 2023

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June 2022.

13. Statement of Financial Performance for the Year Ended 30th June 2022


		2021-2022	2020-2021
	Notes	kshs	kshs
Revenue from non-exchange transactions			
Transfers from Other Govt Entities	6	100,190,000	63,448,084
Donations	7		3,000
Total Revenue		100,190,000	63,451,084
Expenses			
Use of Goods and Services	8	23,441,746	18,142,726
Employee costs	9	39,488,342	33,760,903
Board Expenses	10	38,934,963	19,864,739
Depreciation expense	11	183,000	
Total expenses		102,048,051	71,768,368
Surplus/Deficit) for the period		(1,858,051)	(8,317,284)

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



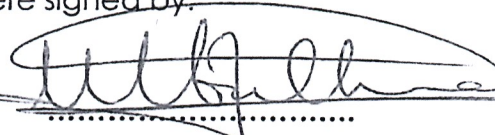
Fazul Mohammed
Chief Executive Officer

Date...10.02.2023



Phillip Leakey
Head of the Finance

Date...10.02.2023



Jackson W Mbutia HSC
Chairman of the Board


Date...10.02.2023

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June 2022.

14. Statement of Financial Position as at 30th June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	12	61,394	220,681
Total Current Assets		61,394	220,681
Non-current assets			
Property, plant, and equipment	13	1,281,000	
Intangible Assets	14	6,383,920	
Total Non-Current Assets		7,664,920	-
Total Assets		7,726,314	220,681
Liabilities			
Current Liabilities			
Trade and other payables	15	17,901,650	8,537,966
Total Liabilities		17,901,650	8,537,966
Net Assets			
Accumulated Surplus		(10,175,335)	(8,317,284)
Total Net Assets and Liabilities		7,726,315	220,682

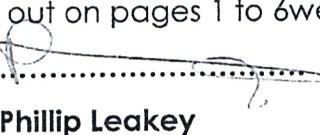
The Financial Statements set out on pages 1 to 6 were signed by:



Fazul Mohammed

Chief Executive Officer

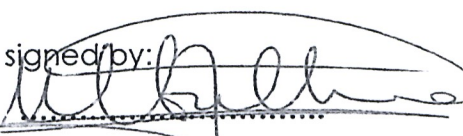
Date...10.02.2023



Phillip Leakey

Head of the Finance

Date...10.02.2023



Jackson W Mbutia HSC

Chairman of the Board

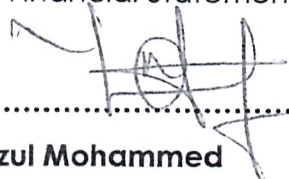
Date...10.02.2023

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June 2022.

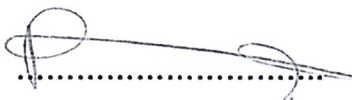
15. Statement of Changes in Net Assets for the Year ended 30th June 2022

	Accumulated Surplus Kshs
At July 1, 2019	
Surplus for the Period	(8,317,284.00)
At 30th June, 2021	(8,317,284.00)
At July 1, 2021	(8,317,284)
Surplus /(Deficit) for the Period	(1,858,051)
As at June 30, 2022	(10,175,335.00)

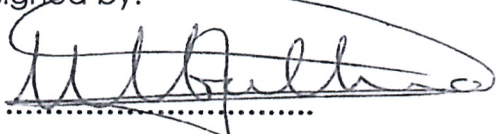
The Financial Statements set out on pages 1 to 6 were signed by:



Fazul Mohammed
Chief Executive Officer
 Date..10.02.2023



Phillip Leakey
Head of the Finance
 Date..10.02.2023



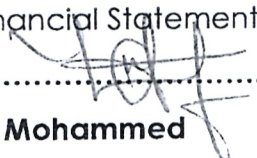
Jackson W Mbutia HSC
Chairman of the Board
 Date..10.02.2023

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June 2022.

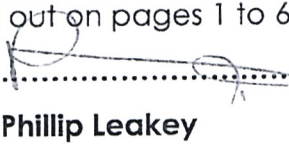
16. Statement of Cash Flows For Year Ended 30th June 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other Govt Entities		100,190,000	63,448,084
Donations			3,000
Total Receipts		100,190,000	63,451,084
Payments			
Use of Goods and Services		23,441,746	15,298,604
Employee costs		30,124,658	28,282,620
Board Expenses		38,934,963	19,649,180
Total Payments		92,501,367	63,230,404
Net cash flows from operating activities	16	7,688,633.00	220,680.00
Cash flows from investing activities			
Purchase of Property & Equipment		(1,464,000)	
Purchase of Intangible Assets		(6,383,920)	
Net cash flows used in investing activities		(7,847,920)	-
Net increase in cash & cash equivalents		(159,287)	220,681
Cash & cash equivalents at Period Start	12	220,681	-
Cash & cash equivalents at Period End	12	61,394	220,681

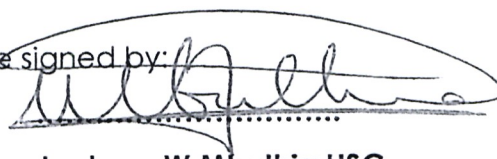
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Fazul Mohammed
 Chief Executive Officer
 Date 10.02.2023



Phillip Leakey
 Head of the Finance
 Date 10.02.2023



Jackson W Mbutia HSC
 Chairman of the Board
 Date 10.02.2023

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June 2022.

17. Statement of Comparison of Budget and Actual Amounts for the year ended 30th June 2022

	Original Budget	Adjustments	Final Budget	Actual basis	Performance Difference	%	Notes
	Kshs	Kshs	Kshs	Kshs	Kshs		
Revenue							
Transfers from Govt	158,924,956	-58,734,956	100,190,000	100,190,000	0	100%	
Total Income	158,924,956	-58,734,956	100,190,000	100,190,000	0	100%	
Expenses							
Employee costs	48,786,900	(14,786,900)	34,000,000	39,488,342	-5,488,342	116%	1
Board Members	8,608,856	26,821,144	35,430,000	38,934,963	-3,504,963	110%	1
Use of Goods and Services	91,379,200	(67,119,200)	24,260,000	23,441,746	818,254	97%	
Depreciation				183,000	-183,000		
Capital Expenditure	10,150,000	(3,650,000)	6,500,000	6,383,920	116,080	98%	
Total Expenditure	158,924,956	-58,734,956	100,190,000	108,431,971	-8,241,971	102%	

Budget Notes

1- The authority had budgeted to spend Kshs. 158,924,956 but the approved budget from the State Department for Interior was Kshs. 100,190,000 resulting to a budget deficit.

18. Notes to the Financial Statements.

1. General Information

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

2. Statement of compliance and Basis of Preparation.

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

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

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

Private Security Regulatory Authority (PSRA)
Annual Reports and Financial Statements for the Year Ended 30 June 2022.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

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

Private Security Regulatory Authority (PSRA)

Annual Reports and Financial Statements for the Year Ended 30 June 2022.

Standard	Effective date and impact:
	<p>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> <p><i>The standard has no impact on the Authority.</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>The standard has no impact on the Authority.</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.

Private Security Regulatory Authority (PSRA)

Annual Reports and Financial Statements for the Year Ended 30 June 2022.

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>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The standard has no impact on the Authority.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p>The standard has no impact on the Authority.</p>
<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</p>

Private Security Regulatory Authority (PSRA)

Annual Reports and Financial Statements for the Year Ended 30 June 2022.

Standard	Effective date and impact:
	<p>of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The standard has no impact on the Authority.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</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> <p>The standard has no impact on the Authority.</p>

iii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2021/2022.

4. Summary of Significant Accounting Policies

a) Revenue Recognition

i) Revenue from non-exchange transactions.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to PSRA and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

b) Budget Information

The original budget for FY 2021-2022 was approved by the National Assembly.

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

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

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

c) Property, plant and Equipment.

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

d) Intangible Assets.

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

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

e) Changes in accounting policies and Estimates.

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

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f) Foreign Currency Transactions.

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

g) Related Parties.

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

h) Cash and cash equivalents.

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

i) Comparative figures.

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

j) Subsequent Events.

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

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Provisions

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

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

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Note 6: Transfers from Other Govt Entities	2021-2022	2020-2021
	Kshs	Kshs
Unconditional grants		
State Department for interior	100,190,000.00	63,448,084
Total	100,190,000	63,448,084

Note 6 B: Name the Entity	Amount Recognized to statement of Financial Performance	2021-2022	2020-2021
State dept for Interior and Citizen Services	100,190,000	100,190,000	63,448,084
Total	100,190,000	100,190,000	63,448,084

Note 7: Donations	2021-2022	2020-2021
	kshs	Kshs
Deposit for account opening		3,000
		-
Total		3,000

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Note 8: Use of Goods and Services	2021-2022	2020-2021
	Kshs	Kshs
Advertising		1,494,881
Hospitality services	1,130,250	990,960
Domestic Travel and Subsistence	3,710,815	6,295,683
Fuel and oil		
Foreign Travel & subsistence	118,305	
General Printing and stationery	520,370	576,000
Repairs and maintenance	403,760	
Rent and Utilities	8,721,824	8,181,020
Telephone		139,359
Motor vehicle maintenance		0
Office internet	626,400	327,023
Bank Charges	9,107	6,850
Training/Workshops	523,415	87,000
Subscription		43,950
Courier Services	100,000	
General office expenses	7,577,500	0
Total	23,441,746	18,142,726

Note 9: Employee Costs	2021-2022	2020-2021
	Kshs	Kshs
Salaries	39,488,342	25,725,703
Gratuity		8,035,200
		-
Total	39,488,342	33,760,903

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Note 10: Board Expenses	2021-2022	2020-2021
	Kshs	Kshs
Chairman's Honoraria		558,263
Sitting Allowances	38,934,963	8,204,000
Subsistence Allowances		8,411,565
Mileage		2,032,911
Other Expenses		658,000
Total Governing Council Expenses	38,934,963	19,864,739

Note 11: Depreciation expense	2021-2022	2020-2021
	Kshs	Kshs
Property, plant and equipment	183,000.00	-
Total depreciation and amortization	183,000.00	-

Note 12: Cash and Cash Equivalents	2021-2022	2020-2021
	Kshs	Kshs
Cash at Bank	61,394.00	219,024
Cash at hand		1,657
Total Cash and Cash Equivalents	61,394.00	220,681

Note 12 B: Detailed Analysis	2021-2022	2020-2021
a) Current account	Kshs	Kshs
National Bank-Current Account	61,394	219,024
Sub- total		
Cash in hand		1,657
Grand total	61,394	220,681

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Note 13: Property & Equipment	Office Equipment	Furniture & Fittings	Total
Rate	12.50%	12.5%	
Cost at 1st July 2021			
additions	70,000	1,394,000	1,464,000
Cost at 30th June 2022	70,000	1,394,000	1,464,000
Depreciation			
As 1st July 2020			
Charge for the period	-	-	-
As at 30th June 2021	-	-	-
As 1st July 2021			
Charge for the period	8,750	174,250	183,000
As at 30th June 2022	8,750	174,250	183,000
Net Book Value 2020-2021			
Net Book Value 2021-2022	61,250	1,219,750	1,281,000

Note 14: Intangible Assets	2021-2022	2020-2021
	Kshs	Kshs
Cost as at 1st July 2021	-	
Additions	6,383,920.00	
Cost as at 30th June 2022	6,383,920.00	
NBV at End of Period	6,383,920.00	

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Note 15: Trade and Other Payables	2021-2022	2020-2021
	Kshs	Kshs
KRA	17,134,750	8,239,066
NHIF	616,700	210,900
NSSF	99,600	37,400
Pension Payable	101,200	50,600
Total	17,901,650	8,537,966

Note 16: Cash Generated from Operations	2021-2022	2020-2021
	Kshs	Kshs
Surplus for the year before tax	(1,858,051)	(8,317,284)
Adjusted for:		
Depreciation	183,000	
Non-cash grants received		
Working Capital adjustments		
Increase/Decrease in Payables	9,363,684	8,537,966
Net cash flow from operating activities	7,688,633	220,682

Other Disclosures

a) Financial Risk Management.

PSRA's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. PSRA's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. PSRA does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

i) Credit risk

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

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

ii) Liquidity risk management

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

iii) Market risk

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

iv) Interest rate risk

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

b) Management of Interest rate risk

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

c) Capital Risk Management

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

d) Related Party Disclosures

Nature of related party relationships

Entities and other parties related to PSRA include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

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

Other related parties include:

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

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Related party transactions	2021-2022
	Kshs
Transactions with related parties	
a) Grants /transfers from the government	
Grants from national govt	100,190,000
Total	
b) Key management compensation	
Board Expenses	38,934,963

e) Events after the reporting period

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

f) Ultimate and Holding Entity

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

g) Currency

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

19. Appendices.

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

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

.....
CEO PSRA

Date

10.02.2023

Private Security Regulatory Authority (PSRA)
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Appendix II: Projects implemented.

PSRA had no Capital project in the year under review

Appendix III: Transfers from Other Government Entities

Name of Entity	Total Amount (Ksh)
Ministry of Interior and Coordination of National Government	100,190,000

Appendix IV: Reporting of Climate Relevant Expenditures

PSRA had no expenditure under climate change

Appendix V: Disaster Expenditure Reporting Template

There was no expenditure under this category.

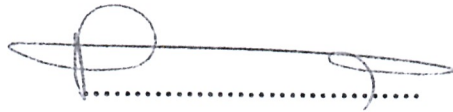
Private Security Regulatory Authority (PSRA)

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Appendix Vi: inter-entity transfers

Breakdown of Transfers from the Ministry of Interior			
12 Month period to June 2022			
Recurrent Grants			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	03-August-2021	25,047,500	2021/2022
	21-Oct-2021	25,047,500	2021/22
	08-Feb-2022	25,047,500	2021/22
	04 April -2022	25,047,500	2021/22
	Total	100,190,000	

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



Head of Finance
PSRA

Date 10.02.2022

.....

HAU
Ministry of Interior

Date.....

**Private Security Regulatory Authority (PSRA)
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Appendix VII: Recording of Transfers from Other Government Entities

	as per bank statement	Nature: Recurrent/Development/ Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Others - must be specific	Total Transfers during the Year
Interior & Coordination	03-Aug-2021	Rec	25,047,500	25,047,500			25,047,500
Interior & Coordination	21-Oct-2021	Rec	25,047,500	25,047,500			25,047,500
Interior & Coordination	08- Feb 2022	Rec	25,047,500	25,047,500			25,047,500
Interior & Coordination	04 April -2022	Rec	25,047,500	25,047,500			25,047,500
Total	Total		100,190,000	100,190,000			100,190,000