

REPUBLIC OF KENYA



REPUBLIC OF KENYA

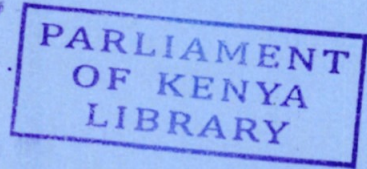


OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



REPORT

OF




THE AUDITOR-GENERAL

ON

**NATIONAL POLICE SERVICE COMMISSION
STAFF HOUSE MORTGAGE SCHEME**

**FOR THE YEAR ENDED
30 JUNE, 2025**

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 10 MAR 2026	DAY: TUESDAY
CABLED BY: HON. DWEN BAYA, MP	
REPRESENTATIVE: CHRISTINE NDIRITU	





National Police Service Commission



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

10 DEC 2025

RECEIVED

**NATIONAL POLICE SERVICE COMMISSION
STAFF HOUSE MORTGAGE SCHEME**

**ANNUAL REPORT & FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2025**

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

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

Table of Contents	Page
1. Acronyms and Definition of Key Terms.....	ii
2. NPSC Staff and Mortgage Scheme Key Information and Management.....	ii
3. Board of Trustees/ Administration Committee.....	vi
4. Report of the Scheme’s Manager.....	viii
5. Chairperson’s Report.....	ix
6. Statement of Performance against Predetermined Objectives.....	x
7. Corporate Governance Statement.....	xi
8. Management Discussion and Analysis.....	xiii
9. Environmental and Sustainability reporting.....	xiv
10. Report of Trustees/Scheme Administration Committee.....	xivi
11. Statement of Management Responsibilities	xvii
12. Report of the Independent Auditor.....	xix
13. Statement of Financial Performance For The Year Ended 30 th June 2025.....	1
14. Statement of Financial Position as at 30 June 2025.....	2
15. Statement of Changes In Net Assets as at 30 June 2025.....	3
16. Statement Of Cash Flows For The Year Ended 30 June 2025.....	4
17. Statement of Comparison of Budget and Actual amounts for the year ended 30 th June 2025.....	5
18. Notes to the Financial Statements.....	6
19. Progress on follow up of prior year auditor’s recommendations.....	19

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

1. Acronyms and Definition of Key Terms

A. Acronyms

CEO – Chief Executive Officer

D/CEO – Deputy Chief Executive Officer

CBK – Central Bank of Kenya

NT – National Treasury

PSASB – Public Sector Accountants Standards Board

KCB – Kenya Commercial Bank

HFC – Housing Finance Corporation

PFM – Public Finance Management

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

2. NPSC Staff House Mortgage Scheme Key Information and Management

a) Background information

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

b) Principal Activities

The principal activity of the scheme is to facilitate Staff of the Commission acquire and build their residential houses to facilitate and enable them discharge their mandate effectively.

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

c) Key Management

REF	POSITION	NAME
1.	Administrator	Peter Leley, EBS
2.	Chairperson	John M. Wambugu, MBS
3.	Vice Chairperson	Christine Rotich
4.	Secretary	Annabel Kuto
5.	Member	Stephen Mbogo
6.	Member	Brenda Opiyo
7.	Accountant	Eric Nyaga
8.	Member	Peter Kamau
9.	Member	Barwaqo Malicha

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

d) Fiduciary Oversight Arrangements

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

e) Registered Offices

The National Police Service Commission Headquarters
CBK Pension Towers, 9th floor
P.O.BOX 47363-00100
Nairobi, Kenya.

f) Contacts

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

g) Bankers

- (i). Housing Finance Group
Westlands Branch
P. O. Box 30088-00100
Nairobi, Kenya

- (ii).Kenya Commercial Bank Limited
Haile Sellassie Mortgage Centre
Ground Floor Agip House
Haile Sellassie Avenue
P.O Box 58992 -00200
Nairobi

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

h) Independent auditor

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084, GPO-00100

Nairobi, Kenya

i) Principal legal adviser

The Attorney General

State Law Office and Department of Justice

Harambee Avenue





P.O. Box 40112

City Square 00200





Nairobi, Kenya

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

3. Board of Trustees/Scheme Administration Committee

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

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

<p>5</p>	 <p>Annabel Kuto</p>	<p>Secretary Finance Officer</p>
<p>6</p>	 <p>Peter Kamau</p>	<p>Member Senior Human Resource Officer - IPPD Officer</p>
<p>7</p>	 <p>Barwaqo Malicha</p>	<p>Member Deputy Director – Administration</p>
<p>8.</p>	 <p>CPA Eric Nyaga</p>	<p>Accountant Manager - Accounts</p>

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

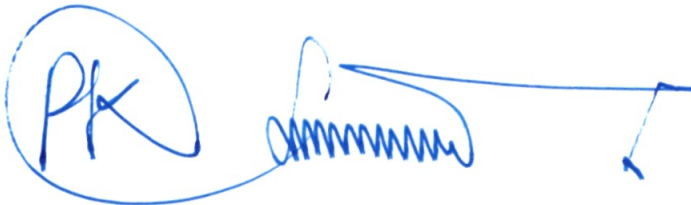
4. Report of the Scheme Manager/Administrator

The NPSC Staff House Mortgage Scheme was established in July 2018. As at the close of the period, the scheme had received a total of **Kshs 200,095,854** in transfers from NPSC during the financial year 2024/2025.

The scheme's funds were utilised in accordance with the provisions of the Public Finance Management (PFM) Act, 2012, the Public Financial Management Regulation, 2015, and all other applicable legislation and for the purpose for which it was intended. I have ensured strict compliance with the provisions of the Act and gave equal opportunity to all interested staff.

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

The scheme's administrators hereby submit their report together with the audited financial statements for the year ended 30th June, 2025, which show the state of the scheme's affairs.



Peter Leley, EBS

CS/Chief Executive Officer

Date: 26th August, 2025

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

5. Chairperson's Report

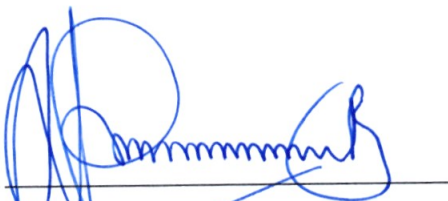
The National Police Service Commission Staff House Mortgage Scheme is established under the National Police Service Commission Staff House Mortgage Scheme Regulations, 2018. The administration of the scheme is carried out by the Housing Finance (HF) Group and the Kenya Commercial (KCB) Bank.

The scheme's Committee members are drawn from all the directorates of the Commission who help in administering the scheme. The National Police Service Commission Staff House mortgage scheme has over the last six (6) years benefitted staff in housing for decent living. In turn this has translated to improved personal financial management and better overall staff performance. The scheme is expected to grow significantly and benefit more Staff in the future with the support of National Treasury funding. In addition, the NPSC Staff House mortgage scheme has better terms compared to similar facilities offered by commercial institution in the market.

The scheme is managed by the Housing Finance (HFC) and Kenya Commercial (KCB) banks and all unutilized funds are credited in a fixed deposit so as to earn interest at the agreed rates. The scheme earns a 3% interest on loans issued. Staff that have benefited from the scheme have utilised the funds to acquire land, construction or purchase houses.

The Commission Staff House Mortgage Scheme committee commits to continue to prudently manage the scheme for the benefit of its Staff and for overall achievement and realization of the staff welfare objectives of the Commission.

Signed: _____



Mr. J.M. Wambugu, MBS

NPSC Staff House Mortgage Scheme

Date: 26th August, 2025

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

6. Statement of performance against predetermined objectives

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

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

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

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

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

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

7. Corporate Governance Statement

Management Committee of the Scheme

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

The functions of the Management Committee Scheme

- vii) Receive and review application for loan and Submit approved loan application to the Service Provider for funding;
- viii) Process and approve all housing development and financing proposals loans in accordance with the existing terms and conditions of borrowing;
- ix) Liaise with the financial institutions to set up a for the disbursements of the loans;
- x) Oversee the management of the scheme;
- xi) Approve annual work programs and procurement plans for the scheme;
- xii) Recommend the investment of any surplus funds not immediately required in

***National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025***

- securities approved by the National Treasury for purposes of realizing the objects for which the is established;
- xiii) Cause to be kept all proper books and records of account of the income, expenditure, assets and liabilities of the scheme;
 - xiv) Receive any gifts, donations, grants or endowments made to the scheme;
 - xv) Consider and recommend approval of the financial statements to the CEO;
 - xvi) Recommend as and when required the procurement of a financial institution to administer the on its behalf;and
 - xvii) Perform any other functions that are auxiliary to the objects and purpose for which the Scheme is established.

Tenure of the Management Committee

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

Management of the Scheme

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

8. Management Discussion and Analysis

Operational and financial performance

As at the close of the FY 2024/25, the scheme's financial position was **Ksh 206, 365,737** in net assets. No funds were received into the revolving fund during the financial year.

Compliance with statutory requirements

The scheme's terms of reference and regulations are anchored on the Commission's guidelines outlined in the NPSC Staff House Mortgage Scheme.

Major risks facing the scheme

Liquidity risk

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

Credit risk

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

The scheme's financial probity and governance issues

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

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

9. Environmental and Sustainability reporting

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

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

a) Sustainability strategy and profile

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

b) Environmental performance

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

c) Employee welfare

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

d) Market place practices-

The Commission has put efforts to ensure the following:

i. Responsible competition practice.

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

ii. Responsible Supply chain and supplier relations

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

iii. Responsible marketing and advertisement

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

iv. Product stewardship

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

e) Community Engagements-

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

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

10. Report of the Trustees/ Scheme Administration Committee

The Trustees/ Scheme Administration Committee submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the scheme's affairs.

Principal activities

The principal activities of the scheme are to provide affordable mortgage loans for staff to acquire residential houses.

Performance

The performance of the scheme for the year ended June 30, 2025, is set out on page twenty-two (22)

Key activities the scheme is undertaking

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

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

Trustees

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

Auditors

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

By Order of the Board



Chair of the Scheme Administration Committee

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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 NATIONAL POLICE SERVICE COMMISSION STAFF HOUSE MORTGAGE SCHEME FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

The three parts of the report 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 National Police Service Commission Staff House Mortgage Scheme set out on pages 1 to 19, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial

Report of the Auditor-General on National Police Service Commission Staff House Mortgage Scheme for the year ended 30 June, 2025

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Police Service Commission Staff House Mortgage Scheme as at 30 June, 2025 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 National Police Service Commission Staff House Mortgage Scheme Regulations, 2018.

Basis for Opinion

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

Other Information

The Management is responsible for the Other Information set out on page iii to xviii which comprise of Entity Key Information and Management, The Board of Trustees/Scheme Administration Committee, Report of the Scheme Manager, Chairperson's Report, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Trustees/Scheme Administration Committee, and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

11. Statement of Management Responsibilities

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

The Administrator of the Public scheme is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the scheme for and as at the end of the financial year ended 30 June 2025.

This responsibility includes:

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

The Administrator of the Public accepts responsibility for the scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012.

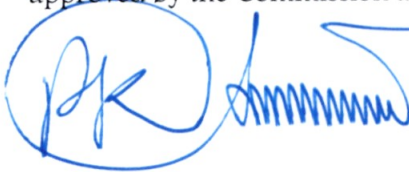
The Administrator of the scheme is of the opinion that the scheme's financial statements give a true and fair view of the state of scheme's transactions during the financial year ended 30 June 2025, and of the scheme's financial position as at that date. The Administrator confirms the completeness of the accounting records maintained for the scheme, which have been relied upon in the preparation of the scheme's financial statements, as well as the adequacy of the systems of internal financial control.

***National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025***


In preparing the financial statements, the Administrator has assessed the scheme's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the scheme will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Commission's House Mortgage Scheme's Financial statements for 30 June 2025 were approved by the Commission and signed on its behalf by:



Peter Leley, EBS
CS/Chief Executive Officer
Date: 26th August, 2025



John.M. Wambugu, MBS
NPSC Staff House Mortgage Scheme
Date: 26th August, 2025

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply 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 Scheme's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

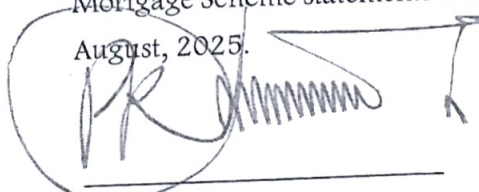
11 December, 2025

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

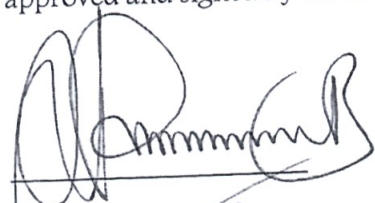
13. Statement of Financial Performance For The Year Ended 30th June 2025

	Note	2024-2025	2023-2024
Revenue from non-exchange transactions		-	-
Revenue from exchange transactions			
Interest income	7	6,545,620	5,675,389
Total revenue		6,545,620	5,675,389
Expenses			
Use of Goods and services	8	6,071,855	4,518,375
KCB – Swift charge		575	0
Total expenses		6,072,430	(4,518,375)
Surplus/(Deficit) before tax		473,190	1,157,014
Tax on Interest Earned & excise duty	9	(73,171)	(173,552)
Surplus/(Deficit) after Tax		400,019	983,462

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Commission's amended Staff House Mortgage Scheme statements were approved and signed by the Accounting Officer on 20th August, 2025.



Peter Leley, EBS
Administrator of the Scheme



John Wambugu, MBS
Chairperson of the scheme



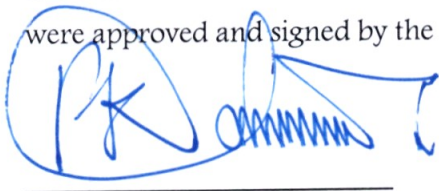
Eric Nyaga
Scheme Accountant
ICPAK Staff Number: 18635

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

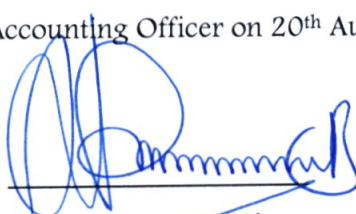
14. Statement of Financial Position as at 30 June 2025

	2024-2025	2023-2024	
ASSETS			
Current Assets			
Cash and cash equivalents	12	3,491,783	46,174,086
Receivables from exchange transactions:			
a) Capital Receivable	11	477,088	154,429
b) Interest Receivable	11	8,647	265,060
Total Current Assets		3,977,518	46,593,576
Non-Current Assets			
Receivables from exchange transactions	11	202,471,433	159,372,195
Total Non-Current Assets		202,471,433	159,372,195
Total Assets		206,448,951	205,965,771
Liabilities			
KCB Utilized principal payable	14	83,214	53
Total Liabilities		83,214	53
Net Assets		206,365,737	205,965,718
Represented by:			
Mortgage Revolving	10	200,095,854	200,095,854
Accumulated Surplus/(Deficit)		6,269,883	5,869,864
NET ASSETS		206,365,737	205,965,718

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Commission's amended Staff House Mortgage Scheme statements were approved and signed by the Accounting Officer on 20th August, 2025.



Peter Leley, EBS
Administrator of the scheme



John Wambugu, MBS
Chairperson of the scheme



Eric Nyaga
Scheme Accountant
ICPAK Staff Number: 18635

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended June 30, 2025*

15. Statement of Changes In Net Assets for the year ended 30 June 2025

	Mortgage/ (Revolving)	Accumulated surplus	Total
	KShs	KShs	KShs
Balance as at 1 July 2022	138,095,854	3,556,678	141,652,532
Accumulated Surplus/(deficit) for the period	-	1,329,723	1,329,723
Funds received during the year	26,000,000	-	26,000,000
Balance as at 30 June 2023	164,095,854	4,886,402	168,982,256
Balance as at 1 July 2023	164,095,854	4,886,402	168,982,256
Accumulated Surplus/(deficit) for the period	-	983,462	983,462
Funds received during the year	36,000,000	-	36,000,000
Balance as at 30 June 2024	200,095,854	5,869,864	205,965,718
Balance as at 1 July 2024	200,095,854	5,869,864	205,965,718
Accumulated Surplus/(deficit) for the period		400,019	400,019
Funds received during the year	-	-	-
Balance as at 30 June 2025	200,095,854	6,269,883	206,365,737

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

16. Statement of Cash Flows For The Year Ended 30 June 2025

		2024-2025	2023-2024
	Note	Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Interest received		6,366,036	5,623,102
Total Receipts		6,366,036	5,623,102
Payments			
Use of goods and services		5,647,115	4,518,375
Tax in interest earned	9	73,171	173,552
Total Payments		5,720,286	4,691,927
Net cash flow from operating activities		645,750	931,175
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from loan principal repayments/Increase in Current receivables		11,751,475	6,971,161
Loan disbursements paid out/Inc in Non-current Receivables		(55,079,529)	(30,391,526)
Net cash generated from/ (used in) investing activities		(43,328,053)	(23,420,365)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts into the mortgage revolving	6	0	36,000,000
Net cash generated from/ (used in) financing activities		0	36,000,000
INCREASE/ (DECREASE) IN CASH & CASH EQUIVALENTS		(42,682,303)	13,510,810
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12	46,174,086	32,663,277
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	3,491,783	46,174,086

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

17. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Budget carryovers from the previous year	-	-	-	-	-	-
Receipts						
Interest income	6,545,620	-	6,545,620	6,545,620	-	100%
Total Revenue	6,545,620	-	6,545,620	6,545,620	-	100%
Expenses						
Use of goods and services	6,071,855	-	6,071,855	6,071,855	-	100%
KCB Bank Swift Charge	575		575	575		
Tax Expense	73,171		73,171	73,171		
Expenditure	6,145,601	-	6,145,601	6,145,601	-	100%
Surplus for the period	400,019	-	400,019	400,019		100%

**National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025**

18. Notes to the Financial Statements

1. General Information

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

2. Statement of compliance and basis of preparation

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

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

3. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

Standard	Effective date and impact
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

Standard	Description and Impact
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(No new standard was applied during the period)</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>(No new standard was applied during the period)</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.

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

Standard	Effective date and impact
	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(No new standard was applied during the period)</i></p>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p><i>(No new standard was applied during the period)</i></p>

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

Standard	Effective date and impact
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is</p>

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

Standard	Effective date and impact
	<p>to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>(No new standard was applied during the period)</i></p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

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

4. Significant Accounting Policies

a. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

ii) Revenue from exchange transactions

Interest income

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

b. Budget information

The original budget for the FY 2024/2025 was approved. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the scheme upon receiving the respective approvals in order to conclude the final budget. Accordingly, the scheme recorded additional appropriations on the FY 2024/2025 budget following the governing body's approval.

c. Related parties

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

d. Cash and cash equivalents

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

e. Comparative figures

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

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

f. Events after the reporting period

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

g. Ultimate and Holding

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

h. Currency

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

5. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions.

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

**National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025**

6. Transfers from the National Police Service Commission

	2024-2025	2023-2024
Description	Kshs	
Transfers from government entity	0	36,000,000
Total	0	36,000,000

7. Interest income – Statement of Financial Performance

	2024-2025	2023-2024
Description	Kshs	Kshs
Interest income	6,545,620	5,675,389
Total	6,545,620	5,675,389

8. Use of goods and services

	2024-2025	2023-2024
Description	Kshs	Kshs
Use of Goods and services	6,071,855	4,518,375
Total	6,071,855	4,518,375

9. Tax on Interest Earned

Description	2024-2025	2023-2024
	KShs	KShs
Tax charged on interest income	73,171	173,552
Total	73,171	173,552

10. Revolving balances

Description	2024-2025	2023-2024
	KShs	KShs
Opening Bal b/f	200,095,854	164,095,854
Funds received during the year	0	36,000,000
Closing Bal c/f	200,095,854	200,095,854

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

11. Receivables from exchange transactions

Description	2024-2025	2023-2024
a) Current Receivables	KShs	KShs
Receivables from exchange transactions	485,735	419,489
Total Current receivables	485,735	419,489
Non-Current receivables		
Long term loan repayments	202,471,433	159,372,195
Total Non- current receivables	202,471,433	159,372,195
Total receivables from exchange transactions	202,957,168	159,791,684

11(a) Short term trade receivables from exchange transactions

Description	2024-2025	2023-2024
	KShs	KShs
Capital Receivables	477,088	154,430
Interest Receivable	8,647	265,300
Total trade and other receivables	485,735	419,730

(b) Long term trade receivables from exchange transactions

Description	2024-2025	2023-2024
	KShs	KShs
Trade receivables	202,471,433	159,372,195
Total trade and other receivables	202,471,433	159,372,195

12. Cash and Cash Equivalents

Description	2024-2025	2023-2024
	KShs	KShs
Current Account	2,573,360	6,513,425
Short-Term Deposits	918,423	39,660,661
Total	3,491,783	46,174,086

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

12. Cash and Cash Equivalents

Description	2024-2025	2023-2024
	KShs	KShs
Current Account	2,573,360	6,513,425
Short-Term Deposits	918,423	39,660,661
Total	3,491,783	46,174,086

12(a) Detailed Analysis of Cash and Cash Equivalent

Description	Financial Institution	Account Number	2024-2025	2023-2024
			KShs	KShs
HFC – Westlands Branch		8406103102-0	2,524,491	6,217,704
KCB Bank – Haile Selassie branch		1274314615	48,869	295,721
KCB Bank - Unutilized Funds		MM20162YZ3VF	918,423	39,660,661
Total			3,491,783	46,174,086

13. Cash generated from operations

	2024-2025	2023-2024
	KShs	KShs
Surplus/ (deficit) for the year before tax	473,190	1,157,014
Adjusted for:		
Interest income	(485,735)	(419,489)
Finance cost	641,379	249,560
Working Capital adjustments		
Increase in Interest receivable	(66,246)	(55,963)
Increase in Payables	83,162	53
Net cash flow from operating activities	645,750	931,175

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

14. Trade payables

Description	2024-2025	2023-2024
	KShs	KShs
Trade Payables – KCB Bank	83,214	-
Total trade and other payables	83,214	-

15. Financial risk management

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

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

a) Credit risk

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

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

presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the scheme's management based on prior experience and their assessment of the current economic environment.

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

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2024				
Receivables From Exchange Transactions- and mortgages	159,372,195	159,372,195	-	-
Receivables from non-exchange transactions	419,489	419,489		
Bank Balances	46,174,086	46,174,086	-	-
Total	205,965,770	205,965,770	-	-
At 30 June 2025				
Receivables From Exchange Transactions- and mortgages	202,471,433	202,471,433	-	-
Receivables from exchange transactions	485,735	485,735		
Payables from exchange transactions	(83,214)	(83,214)		
Bank Balances	3,491,783	3,491,783	-	-
Total	206,365,737	206,365,737	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the scheme has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

b) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the scheme's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

*National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025*

The scheme's Finance Department is responsible for the development of detailed risk management policies (*subject to review and approval by the Audit and Risk Management Committee*) and for the day-to-day implementation of those policies.

There has been no change to the scheme's exposure to market risks or the manner in which it manages and measures the risk.

c) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The scheme analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point.

**National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025**

d) Capital risk management.

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

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Revolving	200,095,854	200,095,854
Accumulated surplus (<i>Reserves</i>)	6,269,883	5,869,864
Totals	206,365,737	205,965,718
Less: cash and bank balances	(3,491,783)	(46,174,086)
Net debt/(excess cash and cash equivalents)	202,873,954	159,791,632
Gearing	98%	78 %

16. Related party balances

a) Nature of related party relationships

Entities and other parties related to the scheme include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The scheme is related to the following entities:

- a) National government

17. Related party transactions

- i. Transfers from related parties

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Receipts into the mortgage revolving fund	0	36,000,000

18. Events after the Reporting Period

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

***National Police Service Commission Staff House Mortgage Scheme
Annual Report and Financial Statements for the year ended 30th June 2025***

19. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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

Peter Leley, EBS
CS/Chief Executive Officer



National Police Service Commission





CONTACTS

National Police Service Commission

2nd Floor, Skypark Plaza,
P.O. Box 47363-00100,
Westlands, Nairobi.
Email: info@npsc.go.ke
Tel: 0709-099-000

Follow Us on Socia Media

Website: www.npsc.go.ke
 Twitter @NPSC_KE
 Facebook/NPSC Kenya,
