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By Hon. Katoo Ole Melito, MP
(Majority Party) on
Tuesday 08, 2016 (pm)
Mmm



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
INDEPENDENT POLICING OVERSIGHT
AUTHORITY (IPOA)**

**FOR THE YEAR ENDED
30 JUNE 2015**

KENYA NATIONAL AUDIT OFFICE
P. O. Box 30084 - 00100, NAIROBI.

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IPOA Independent Policing
Oversight Authority

INDEPENDENT POLICING OVERSIGHT AUTHORITY (IPOA)

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015**

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

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INDEPENDENT POLICING OVERSIGHT AUTHORITY
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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Incorporation/Objectives

The Independent Policing Oversight Authority (IPOA) was established through Act No 35 of 2011
The objectives of the Authority are to

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

Principal Functions

The principal functions of the Authority are to:

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT (continued)

(b) Key Management

Members of the Board:

The IPOA Board had the following eight board members, who provided oversight of the management during the period:

	Name	Designation
1	Macharia Njeru	Chairperson
2	Jedidah Ntoyai	Vice Chairperson
3	Tom Kagwe	Member
4	Fatuma Saman	Member
5	Rose Bala	Member
6	Grace Madoka	Member
7	Vincent Kiptoo	Member
8	Njeri Onyango	Member
9	Kagwiria Mbogori	Ex-Officio Member (KNCHR)

Senior Management Staff:

	Name	Designation
1	Dr Joel Mabonga	Chief Executive Officer/Board Secretary
2	Maina Njoroge	Director, Business Services
3	James Olola	Director, Complaints and Legal Services
4	Stephen Musau	Director, Inspection and Monitoring
5	Elema Halake	Director, Investigations
6	Gillian Mutua	Head, ICT
7	Irene Muasya	Head, Risk and Audit
8	Gladys Some	Head, Communications & Outreach
9	Rhoda Wairioko	Head, Human Capital
10	James Chemiati	Head, Security Services

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

	Name	Designation
1	Dr Joel Mabonga	Chief Executive Officer/Board Secretary
2	Maina Njoroge	Director, Business Services
3	Agatha Cheruiyot	Chief Accountant

(d) Fiduciary Oversight Arrangements

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT (continued)

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

(d) Fiduciary Oversight Arrangements

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

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

The Investigations and Legal Committee is charged with the investigations mandate. The Committee also advises the Board on legal matters.

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

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

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

Finance & Administration Committee

Tom Kagwe (Chair)
Njeri Onyango
Vincent Kiptoo
Jedidah Ntoyai

Inspections, Research & Monitoring Committee

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

Human Resource Committee

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

Investigations & Legal Committee

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

Communications & Outreach Committee

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT (continued)

Audit & Risk Committee

Rose Bala (Chair)
Jedidah Ntoyai
Grace Madoka

ICT Committee

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

(e) Headquarters

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

(f) Contacts

Telephone: (254) 020 4906 000
E-mail: info@ipoa.go.ke
Website: www.ipoa.go.ke

(g) Bankers

Central Bank of Kenya,
Haile Selassie Avenue Street,
P O Box 60000, 00200 City Square,
Tel: 2860 000,
NAIROBI.

National Bank of Kenya,
Hill Branch,
NHIF Building,
NAIROBI.

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

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II. FOREWORD BY THE BOARD CHAIRMAN

During the financial year, IPOA was initially allocated Kshs. 205 1m, which was later increased by Kshs 65 5m and Kshs 20m during 2014/15 Budget Supplementary I and II respectively, bringing the total allocation to the Authority to Kshs 290 6m. Out of the revised budget allocation, only Kshs. 236.2m was disbursed by the Exchequer during the year. Total expenditure for the year amounted to Kshs. 265 1m of which Kshs 176 1m was spent on compensation of employees, Kshs 84 9m on use of goods and services, and Kshs. 4.1m on acquisition of assets. Overall, the Authority absorbed 91% of the total allocated budget for the year. This was an improvement as compared to 78% absorption rate during the previous. The 2014/15 budget utilization would have been higher if not for the delayed approval of Supplement Estimates II. The Authority remains committed towards full utilization of allocated funds, and within the approved annual budgetary allocations.

During the period, the Authority launched its four-year Strategic Plan (2014/18) in September 2014. The Strategic Plan will continue to provide the Authority with direction towards implementation of its mandate during the four-year planning period. The Plan is aimed at achieving the following strategic outcomes: i) compliance by police to human rights standards; ii) restored public confidence and trust in police; iii) improved detention and police premises, iv) a functional Internal Affairs Unit (IAU) of the National Police Service, and v) a model institution in policing oversight in Africa. The Authority's annual work plan for 2014/15 was drawn from this strategy document.

During the year, the Authority received 1,792 complaints from the public and the police, bringing the total complaints received since inception to 3,246. The level of complaints has been on an increasing trend. A large portion of these complaints have been outside the Authority's mandate. This is perhaps due to lack of awareness by the public on IPOA's mandate. To address this, the Authority is rolling out a country-wide awareness and publicity campaign to educate the public and the police on its mandate and functions. Further, we call upon the National Police Service to continue strengthening the Internal Affairs Unit in terms of capacity and other required resources to enable it to deal with complaints forwarded to it by the Authority as well as those it receives directly.

Sixty one cases were investigated and completed during the period. As of 30 June 2015, the Authority had investigated and completed 141 cases. Of the 911 cases received for investigations as of the above date, 540 were awaiting commencement of investigations, 230 were under investigations with 141 completed cases. The high cases pending investigations was mainly due to the Authority's constrained staff and inadequate financial resources. As of 30 June 2015, 21 files had so far been forwarded to the Office of Director of Public Prosecutions (ODPP), 9 of which he agreed with the Authority's recommendations while feedback on the remaining 12 files were being awaited.

During the period, the Authority inspected a total of 199 police premises, bringing the total premises inspected since inception to 264.

In spite of the efforts and achievements recorded so far, the Authority has continued to experience challenges towards full implementation of its mandate due to lack of resources. Funding has remained a major impairment, and the Authority hopes that additional resources will be made available by the national Treasury in the coming years. IPOA is pleased that its budget for 2015/16 was increased to

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Kshs. 419.5m This level of funding will enable the Authority to upscale its activities during the ensuing year. The Authority will also continue to explore other funding options to ease pressure on the Exchequer in carrying out some of its activities. The Authority has also continued to face challenges in its investigations especially due to non-cooperation by the police, and availability of crucial evidence. Further, the Authority continued to experience staff capacity constraints, particularly in investigations. However, this challenge will be addressed by hiring additional staff during 2015/16 financial year to ease the current pressure on existing staff.

The Authority is committed towards its mandate, and looks forward to continue implementing its functions in a transparent, objective, just and in fair manner. The Authority will continue cooperating with all other related agencies in carrying its work especially the National Police Service, National Police Service Commission, the National Government, and all its stakeholders.



Macharia Njeru
August 2015

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III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in-charge of the Independent Policing Oversight Authority (IPOA) is responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of IPOA entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in-charge of IPOA accepts responsibility for the Authority's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Authority's financial statements give a true and fair view of the state of IPOA's transactions during the financial year ended June 30, 2015, and of the Authority's financial position as at that date. The Accounting Officer in-charge of the Independent Policing Oversight Authority further confirms the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved and signed by the Accounting Officer on **19th August 2015**.



Accounting Officer/CEO



Director, Business Services

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT POLICING OVERSIGHT AUTHORITY (IPOA) FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Independent Policing Oversight Authority (IPOA) set out on pages 11 to 28 which comprises of statement of assets as at 30 June, 2015, and the statement receipts and payments, statement of cash flow, summary statement of appropriation (combined), summary statement of appropriation (Recurrent), summary statement of provisioning for the year then ended, and summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

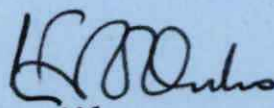
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In

making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluation the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Independent Policing Oversight Authority as at 30 June, 2015, and of its financial performance and its cash flows for the year then ended, in accordance with the international Public Sector Accounting Standards (Cash Basis), Public Finance Management Act, 2012 and comply with the Independent Policing Oversight Authority Act, 2011.



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

Nairobi

9 February 2016

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V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2014/2015 Kshs'000	2013/2014 Kshs'000
RECEIPTS			
Exchequer releases	1	236,200	247,980
Domestic currency and domestic deposits	2	-	6,418
Other receipts	3	5	56
TOTAL RECEIPTS		236,205	254,454
PAYMENTS			
Compensation of employees	4	176,085	113,822
Use of goods and services	5	84,942	53,321
Acquisition of assets	6	4,076	52,021
TOTAL PAYMENTS		265,103	219,164
(DEFICIT)/SURPLUS		(28,898)	35,290

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **19th August 2015** and signed by:

Accounting Officer/CEO

Director, Business Services

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VI. STATEMENT OF ASSETS

	Note	2014/2015 Kshs'000	2013/2014 Kshs'000
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank balances	7	132	34,937
Outstanding imprests	8	-	447
TOTAL FINANCIAL ASSETS		132	35,384
Financial Liabilities			
Payables – deposits	10	64	-
NET FINANCIAL ASSETS		68	35,384
REPRESENTED BY:			
Fund balance brought forward	9	28,966	94
(Deficit)/Surplus for the year		(28,898)	35,290
NET FINANCIAL POSITION		68	35,384

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **19th August 2015** and signed by:

Accounting Officer/CEO

Director, Business Services

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VII. STATEMENT OF CASHFLOW

	Notes	2014/2015 Kshs'000	2013/2014 Kshs'000
Receipts for operating income			
Exchequer releases	1	236,200	247,980
Other revenues (A-I-A)	3	5	56
Payments for operating expenses			
Compensation of employees	4	(176,085)	(113,822)
Use of goods and services	5	(84,942)	(53,321)
Net cash flow from operating activities		(24,822)	80,893
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of assets	6	(4,076)	(52,021)
Net cash flows from Investing Activities		(4,076)	(52,021)
CASHFLOW FROM BORROWING ACTIVITIES			
Domestic currency and domestic deposits (Accounts Payable)		(6,354)	6,418
Net cash flow from financing activities		(6,354)	6,418
NET INCREASE IN CASH AND CASH EQUIVALENT		(35,252)	35,290
Cash and cash equivalent at BEGINNING of the year		35,384	94
Cash and cash equivalent at END of the year		<u>132</u>	<u>35,384</u>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **19th August 2015** and signed by:

Accounting Officer/CEO

Director, Business Services

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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VIII. SUMMARY STATEMENT OF APPROPRIATION: COMBINED

Receipt/Expense Item	Original Budget Kshs'000 a	Adjustments Kshs'000 b	Final Budget Kshs'000 c=a+b	Actual on Comparable Basis Kshs'000 d	Budget Utilization Difference Kshs'000 e=c-d	% of Utilization Kshs'000 f=d/c %
RECEIPTS						
Exchequer releases	205,121	85,500	290,621	236,200	54,421	81%
Other receipts (A-I-A)	-	-	-	5	(5)	0%
Sub-Total	205,121	85,500	290,621	236,205	54,416	81%
PAYMENTS						
Compensation of employees	121,000	65,500	186,500	176,085	10,415	94%
Use of goods and services	79,523	13,830	93,353	84,942	8,411	91%
Acquisition of assets	4,598	6,170	10,768	4,076	6,692	38%
TOTALS	205,121	85,500	290,621	265,103	25,518	91%

Notes:

- (a) The Authority recorded 91% budget utilization during the year. Of the revised budget amounting to Kshs. 290.6 million, only Kshs. 236.2 million or 81% was disbursed by the Exchequer during the period.
- (b) The Authority does not have Development Expenditure Vote.

The financial statements were approved on **19th August 2015** and signed by:



Accounting Officer/CEO



Director, Business Services

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget Kshs'000 a	Adjustments Kshs'000 b	Final Budget Kshs'000 c=a+b	Actual on Comparable Basis Kshs'000 d	Budget Utilization Difference Kshs'000 e=c-d	% of Utilization f=d/c %
RECEIPTS						
Exchequer releases	205,121	85,500	290,621	236,200	54,421	81%
Other receipts (A.I.A)	-	-	-	5	(5)	0%
Sub-Total	205,121	85,500	290,621	236,205	54,416	81%
PAYMENTS						
Compensation of employees	121,000	65,500	186,500	176,085	10,415	94%
Use of goods and services	79,523	13,830	93,353	84,942	8,411	91%
Acquisition of assets	4,598	6,170	10,768	4,076	6,692	38%
TOTALS	205,121	85,500	290,621	265,103	25,518	91%

Notes:

- (a) During 2014/15 financial year, the Authority generated Kshs. 5,000 in form of Appropriation in Aid (A-I-A). The amount was received from sale of tender documents.
- (b) Total budget adjustments amounted to Kshs. 85.5m of which Kshs. 65.5m for personnel emoluments was approved under Supplementary Estimates I, and Kshs. 20m for operations and maintenance under Supplementary Estimates II.

The financial statements were approved on **19th August 2015** and signed by:

Director, Business Services

Accounting Officer/CEO

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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X. SUMMARY STATEMENT OF PROVISIONING

- Details of General Accounts on Vote

	2014/2015 Kshs'000	2013/2014 Kshs'000
GAV Provisioning account balance	54,484	60,524
Total	54,484	60,524

- Details of Exchequer Account

	2014/2015 Kshs'000	2013/2014 Kshs' 000
Exchequer Provisioning account balance	54,416	31,652
Total	54,416	31,652



Accounting Officer/CEO



Director, Business Services

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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XI. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (Kshs'000). The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

2. Recognition of revenue and expenses

The Authority recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Authority. In addition, IPOA recognises all expenses when the event occurs and the related cash has actually been paid out by the Authority.

3. In-kind contributions

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

4. 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.

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Reports and Financial Statements
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XI. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Accounts Receivable

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

6. Accounts Payable

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

7. Non-current assets

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

8. Pending bills

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

9. Budget

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

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10. Comparative figures

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

11. Subsequent events

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of the National Treasury

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XII. EXPLANATORY NOTES

1 EXCHEQUER RELEASES

	2014/2015	2013/2014
	Kshs'000	Kshs'000
Total Exchequer Releases for Quarter 1	30,000	55,000
Total Exchequer Releases for Quarter 2	65,200	25,000
Total Exchequer Releases for Quarter 3	61,000	60,000
Total Exchequer Releases for Quarter 4	80,000	107,980
Total	<u>236,200</u>	<u>247,980</u>

2 DOMESTIC CURRENCY AND DOMESTIC DEPOSITS

	2014/2015	2013/2014
	Kshs'000	Kshs'000
10% Retention amount in relation to office partitioning project)	-	6,418
Total	<u>-</u>	<u>6,418</u>

3 OTHER REVENUES

	2014/2015	2013/2014
	Kshs'000	Kshs'000
Receipts from administrative fees and Charges - Collected as A-I-A	5	56
Total	<u>5</u>	<u>56</u>

4 COMPENSATION OF EMPLOYEES

	2014/2015	2013/2014
	Kshs'000	Kshs'000
Basic salaries of permanent employees	89,437	67,289
Basic wages of temporary employees	36,485	620
Personal allowances paid as part of salary	45,632	44,658
Compulsory national social security schemes	354	176
Compulsory national health insurance schemes	460	141
Other personnel payments	3,717	938
Total	<u>176,085</u>	<u>113,822</u>

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XII. EXPLANATORY NOTES (CONTINUED)

5 USE OF GOODS AND SERVICES

	2014/2015	2013/2014
	Kshs'000	Kshs'000
Specialized materials and supplies	1,852	-
Communication, supplies and services	4,739	2,803
Domestic travel and subsistence	10,971	2,487
Foreign travel and subsistence	578	130
Printing, advertising and information supplies & services	3,144	5,716
Rentals of produced assets	26,584	15,233
Training expenses	998	582
Hospitality supplies and services	3,512	2,270
Insurance costs*	17,424	17,650
Office and general supplies and services	3,054	2,936
Other operating expenses	8,594	2,258
Routine maintenance – vehicles and other transport equipment	2,907	1,139
Routine maintenance – other assets	585	117
Total	84,942	53,321

* *Note: Included in the Insurance costs of Kshs. 17,423,880/- is an amount of Kshs. 13,119,713/- paid during the period but relating to 2015/16 financial year. The staff medical scheme insurance contract commenced from 1st April 2015 and expiring on 31st March 2016, and thus not in line with the current reporting period.*

6 ACQUISITION OF ASSETS

Non-Financial Assets	2014/2015	2013/2014
	Kshs'000	Kshs'000
Refurbishment of buildings	1,161	48,205
Purchase of vehicles and other transport equipment	-	-
Purchase of office furniture and general equipment	1,738	3,032
Purchase of specialized plant, equipment and machinery	1,177	784
Total	4,076	52,021

7 BANK ACCOUNTS

Name of Bank, Account No. & currency	Amount in bank account currency	Exc rate	2014/2015	2013/2014
			Kshs'000	Kshs'000
Central Bank of Kenya, Account No. 1000181559 (Recurrent)	Kshs.	-	68	28,519
Central Bank of Kenya 165, Account No. 1000182717	Kshs.	-	-	-
Central Bank of Kenya, Account No. 1000182393 (Deposit)	Kshs.	-	64	6,418
National Bank of Kenya, Current Account No. 01001094661400	Kshs.	-	-	-
Total			132	34,937

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XII. EXPLANATORY NOTES (CONTINUED)

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

8 OUTSTANDING IMPRESTS

	2014/2015 Kshs'000	2013/2014 Kshs'000
Imprest	-	447
Total	-	447

9 BALANCES BROUGHT FORWARD

	2014/2015 Kshs'000	2013/2014 Kshs'000
Opening Bank Balance Brought Forward	28,519	-
Imprest	447	94
Total	28,966	94

10 ACCOUNTS PAYABLE

	2014/2015 Kshs'000	2013/14 Kshs'000
Domestic Deposits	64	6,418
Total	64	6,418

11 OTHER IMPORTANT DISCLOSURES

11.1 PENDING ACCOUNTS PAYABLE (See Annex 1)

	2014/2015 Kshs'000	2013/2014 Kshs' 000
Office partitioning project	31	8,224
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	4,428
Total	31	12,652

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XII. EXPLANATORY NOTES (CONTINUED)

11.2 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor during 2013/14 financial year, 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 point person to resolve the issue (Name and designation)	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Internal Controls:				
(a)	No laid down processes to hold the audit committee accountable for effective performance of their functions.	Board risk and audit committee constituted during 2012/13 financial year. Head of risk and audit recruited in November 2013 and assistant in April 2014. During 2013/14 financial year, the following operational documents developed: i) Audit charter; ii) Risk management policy; iii) Risk and audit committee terms of reference; iv) Tool for measuring the effectiveness of the risk and audit committee; and v) Enterprise risk management framework. Further, audit charter, risk management policy and risk and audit committee terms of reference approved by the Board. Committee held four meetings during 2013/14.	Dr. Joel Mabonga, CEO and Risk and Audit Committee	Resolved	Immediate.
(b)	Internal audit does not	Risk Management Committee	Irene Muasya, Head of	Resolved	June 2015

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Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Focal point person to resolve the issue (Name and designation)	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	have a risk management process.	<p>established during 2013/14 financial year. Committee's task to implement the Risk Management Policy. Through this Committee, risks in all operational areas were identified and measures put in place to mitigate them.</p> <p>Internal audit unit adopted the Risk Audit approach in line with the National Treasury Circular No. MOF/IAG/GEN/018/(66) of 26th May 2008.</p> <p>Being a newly-established unit, the Board through the Risk and Audit Committee, to continue strengthening it so as to support all operational areas in managing risk.</p> <p>Board approved 2014/15 annual audit plan</p>	Risk and Audit		
(c)	IT department does not have functioning policy and no risk assessments done with any backup in place.	ICT strategy paper and draft ICT policy manual developed. A comprehensive risk assessment already carried out on ICT function. Management continuing to attend to this critical matter.	Gillian Mutua, Head of ICT and Board ICT Committee	Ongoing	June 2015
(d)	HR department does not	In October 2013, the Board	Rhoda Wairioko, Head of	Resolved: Board	June 2015

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Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Focal point person to resolve the issue (Name and designation)	Status: (Resolved/Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	have an approved operational manual.	<p>commissioned the Department of Public Service Management (DPSM) to assist the Authority with development of: optimal staffing levels, organizational structure, development of HR policies and procedures manual, career progression structure, JDs, and job specifications.</p> <p>By June 2014, DPSM had presented final report on optimal staffing levels and proposed organizational structure.</p> <p>During second phase, DPSM was to develop HR manual and other related pending policy matters. Board and management reviewed the draft HR policies and procedures manual on 13th and 14th November 2014.</p>	Human Capital/Dr. Joel Mabonga, CEO and Board.	approved the HR policies and procedures manual during	
2.	Non-registration of Lease Agreement.	<p>The Ministry of Land, Housing and Urban Development was responsible for the preparation and registration of the Lease Agreement</p> <p>Lease signed in July 2014 and submitted by the Ministry to Chief Land Registrar for registration on</p>	Dr. Joel Mabonga, CEO	Resolved: Signed Lease Agreement availed to the auditors.	Immediate

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Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Focal point person to resolve the issue (<i>Name and designation</i>)	Status: (<i>Resolved/Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)
		12 th August 2014. Lease finally registered and submitted to the Authority by the Ministry on 13 th October 2014			

Accounting Officer/CEO

Director, Business Services

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Deposit Account Balance 2015	Outstanding Balance 2015	Comments
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	
	a	b	c	d=a-c		
Construction of buildings (Refurbishment)						
Bowl Plumbers Ltd (Plumbing works)	769	16/05/2013	738	31	31	Office partitioning project – Plumbing works
	-	-	-	31	31	
Sub-Total	769		738	31	31	
Supply of services						
	-	-	-	-	-	
Sub-Total	-	-	-	-	-	
Grand Total	769	-	738	31	31	
Excess amount to be surrendered to Exchequer	-	-	-	-	33	
Total outstanding including 10% retention					64	

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ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost 2014/15 Kshs'000	Historical Cost 2013/14 Kshs'000
Office refurbishment (2 nd and 3 rd Floors, ACK Garden Annex, 1 st Ngong Avenue, Nairobi)	66,849	65,688
Motor vehicles	49,577	49,577
Office equipment, furniture and fittings	6,088	5,763
ICT Equipment, software and other ICT assets	3,342	752
Total	125,856	121,780