

REPUBLIC OF KENYA



Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY PAPERS L.A.T.D.	
DATE: 28 FEB 2024	DAY: WED
REPORT	Hon Naomi Wasoni Deputy Majority Whip
TITLED BY:	A. Shubuko
CLERK AT THE TABLE:	

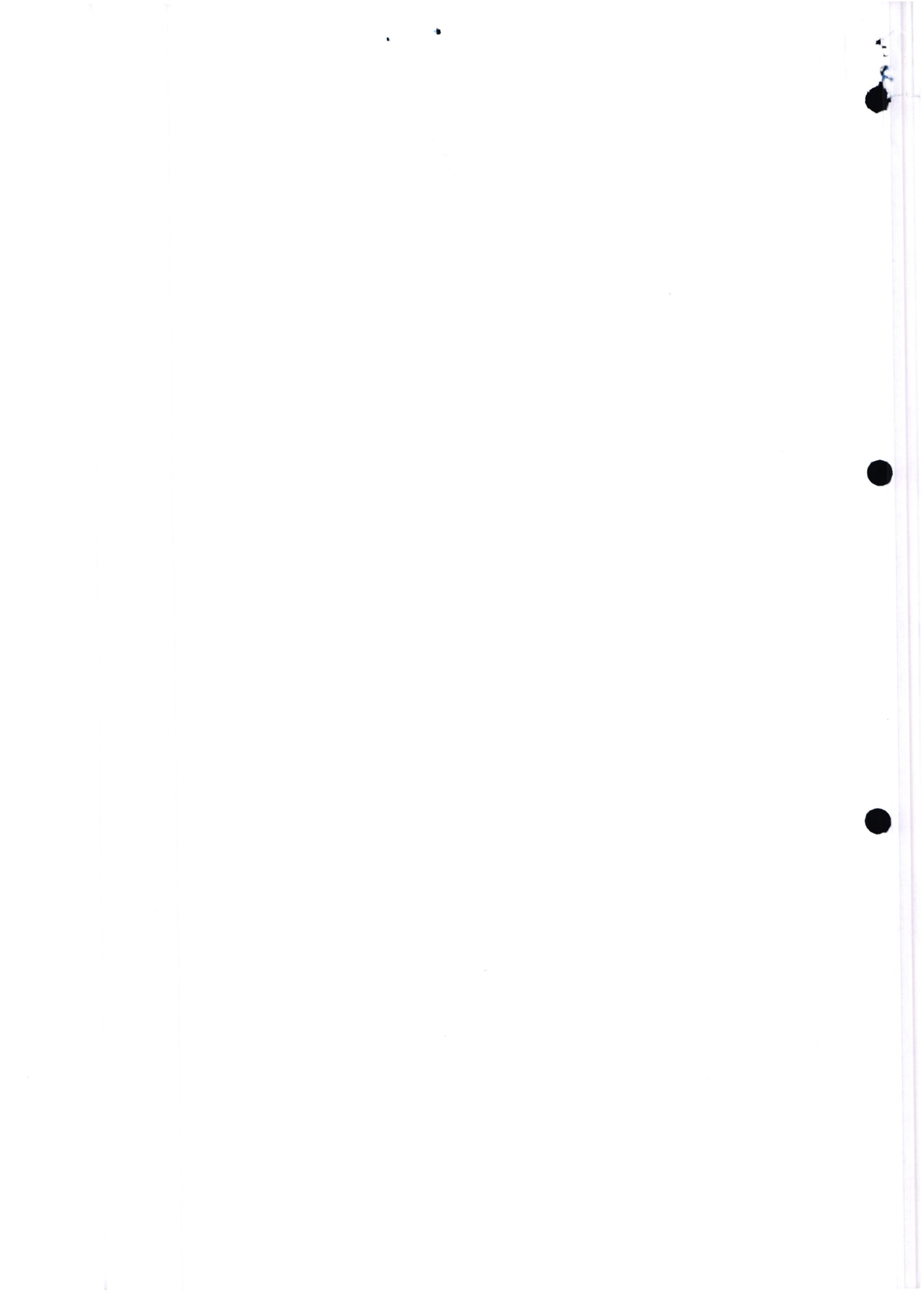
OF

THE AUDITOR-GENERAL

ON

**INDEPENDENT POLICING OVERSIGHT
AUTHORITY STAFF MORTGAGE AND CAR
LOAN SCHEME**

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





IPOA

Independent Policing
Oversight Authority



IPOA MORTGAGE AND CAR LOAN SCHEME

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30TH JUNE, 2023

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

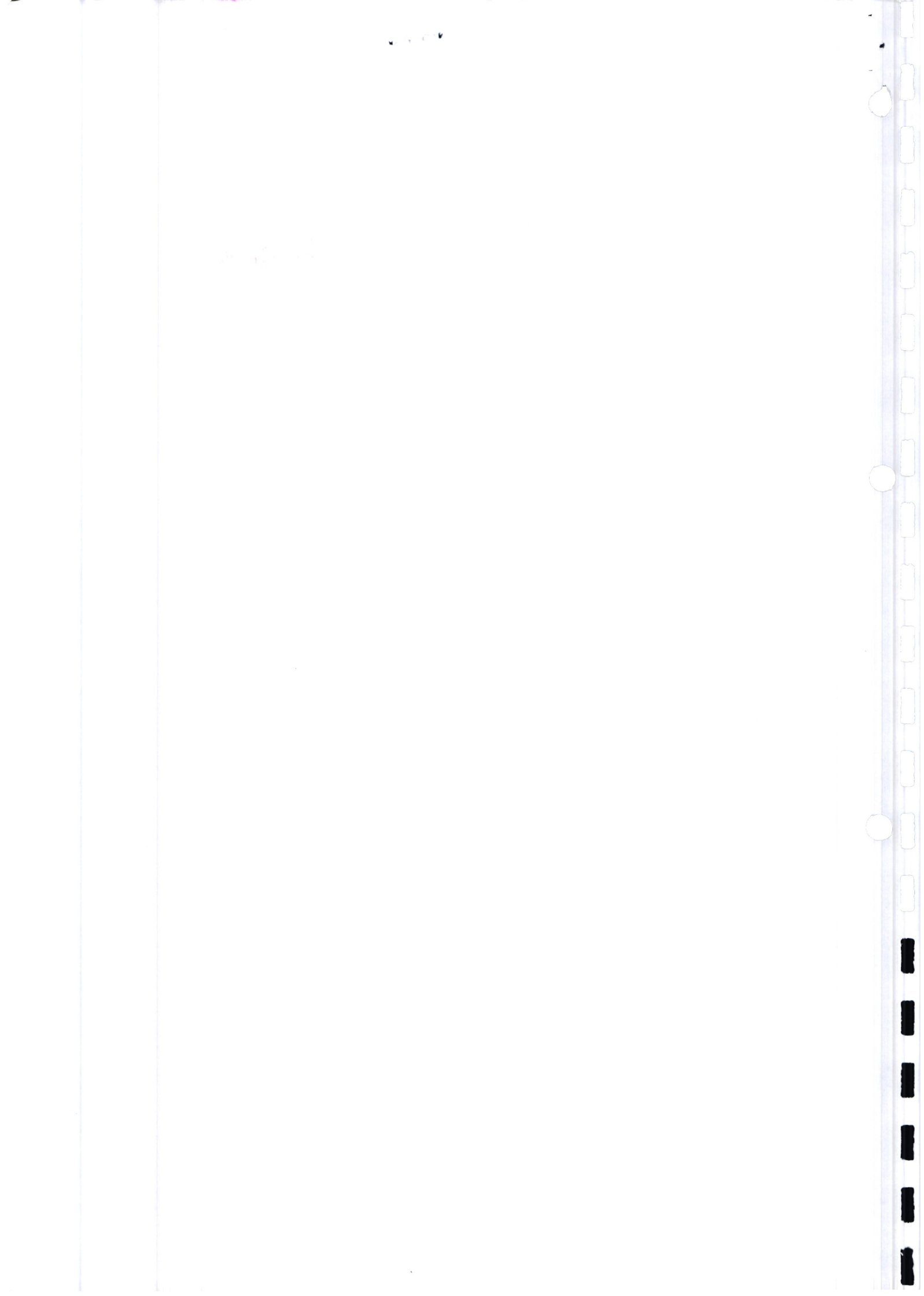


TABLE OF CONTENTS

1. Abbreviations and Acronyms and glossary terms.....	ii
2. Key Scheme information and management	iii
3. The Scheme Administration Committee	v
4. Management Team.....	ix
5. Chairperson’s Report	xi
6. Report of Scheme Manager	xii
7. Statement of Performance against Predetermined Objectives.....	xiii
8. Corporate Governance Statement	xiv
9. Management Discussion and Analysis	xvi
10. Environmental and Sustainability reporting	xvii
11. Report of The Scheme Administration Committee	xviii
12. Statement of Management’s Responsibilities	xix
13. Report of The Independent Auditor	xx
14. Statement of Financial Performance for the year ended 30 th June 2023.	1
15. Statement of Financial Position as at 30 th June 2023	2
16. Statement of Changes in Net Assets for the year ended 30 th June 2023	3
17. Statement of Cash Flows for the year ended 30 th June 2023	4
18. Statement of Comparison of Budget and Actual amounts for the year ended 30 th June 2023.....	5
19. Notes to the Financial Statements.....	6
20. Annexes	17

1. 1. Abbreviations, Acronyms and Glossary of Terms

A. Abbreviations and Acronyms

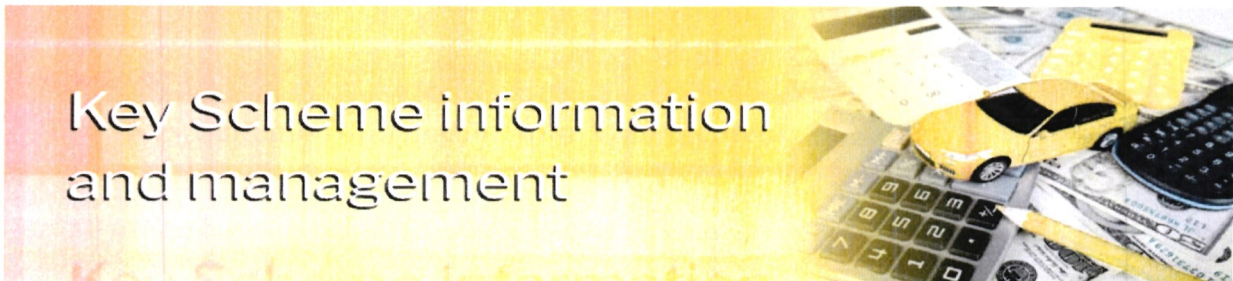
CEO	Chief Executive Officer - Scheme Manager
DBS	Director Business Services-Scheme Accountant
HHC	Head of Human Capital-Scheme Chairperson
Co-op	Co-operative Bank of Kenya-Scheme Administrator
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board

B. Glossary of Terms

Fiduciary management - Members of management entrusted directly with the responsibility and trust for the scheme financial resource

2. Key Scheme Information and Management

Key Scheme information and management



a) Background information

The Authority was established through an Act of Parliament No. 35 of 2011 to provide for civilian oversight of the work of the Police. This was informed by the historical police excesses culminating in post-election violence, which occurred in 2007/2008. It was established within the context of Agenda IV – Commissions and Independent Offices, which preceded the Constitution of Kenya, 2010. As part of the Agenda IV items, which were largely about reforming institutions of the judiciary, police, civil service and such others, the Independent Policing Oversight Authority (IPOA) was instituted.

Pursuant to the Salaries and Remuneration Commission (SRC) circular No. SRC/ADM/CIR/1/13 Vol.III (128) dated 17th December, 2014 and section 3.14.1 of the IPOA Human Resource Policies and Procedure manual, the Authority established IPOA Mortgage and Car loan scheme through internal regulations approved by the Board on 30th March 2016. The scheme is administered by the scheme Manager who is the Director/Chief Executive Officer of the Authority. There is established scheme committee charged with the responsibility of processing loans for applicants in accordance with laid down approved scheme regulations, setting up a revolving fund for the disbursement of loans, and supervising the day- to-day operations of the scheme. The Authority engaged the service of bank for administration of the scheme. Currently, the Authority has memorandum with the Cooperative Bank of Kenya to administer the scheme.

b) Principal Activities

The principal activities of the scheme include the following; facilitate IPOA employees to benefit from Government funded loans to access mortgage facilities; enable employees to acquire or construct residential houses and buy personal cars as this will immensely contribute towards attracting and retaining employees with requisite skills to the Authority.

The scheme is administered by the Authority through the committee charged with the responsibility of processing loans for applicants in accordance with laid down scheme regulations, setting up a revolving fund for the disbursement of loans, and supervising the day-to-day operations of the scheme. The obligations of the bank managing the scheme are: administer the scheme on behalf of the Authority; pay the Authority the agreed return on its deposit; provide credit and loan evaluation services; provide valuation and legal services; and remit quarterly reports on the status of the accounts to the Authority.

Nos.	Present	Designation	Remarks
1.	Elema Halake	Scheme Manager	1st July 2022-30th June 2023
2.	Dr. Lemunen Solomon	Scheme Chairperson	1st July 2022-15th February 2023/ 1st June 2023- 30th June 2023
3.	Sarah Baraza	Scheme Chairperson	15th February 2023-31st May 2023
4.	Mohamed Khalif Adan	Scheme Accountant	16th January 2023-30th June 2023
5.	Agatha Chepkoech	Scheme Accountant	1st July 2022-16th January 2023
6.	Bethuel Sugut	Member	FullYear
7.	Christine Owino	Member	FullYear
8.	Paul Karungo Njihia	Member	Fullyear
9.	Finlay Momanyi	Member	Full year
10.	Josephat Karindi	Scheme Secretary	FullYear

d.) Fiduciary Oversight Arrangements

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

Nos.	Name	Position	Remarks
1.	Enosh Nyabiba	Head of Risk and Audit	Full Year
2.	Boss Mwangi	Principal Risk and Audit Officer	Full Year

e.) Our addresses and Contacts

HEADQUATER



**ACK Garden Annex,
2nd/3rdFloor, 1st Ngong Avenue
P O Box 23035-00100
Nairobi.**

PRINCIPAL LEGAL ADVISOR



**Attorney General
State law office, Harambee Ave.
P O Box 40112-00200
Nairobi..**

SCHEME CONTACTS



**TEL: +254 20 4906 000,
email: info@ipoa.go.ke.
Website: www.ipoa.go.ke**

SCHEME BANKERS



**Cooperative Bank
Co-operative House Branch,
Haile Selassie Avenue,
P.O. Box 48231 -00100
Nairobi.**

INDEPENDENT AUDITOR



**Auditor - General
Office of the Auditor General
Anniversary Tower, University Way
P O Box 30084-00100
Nairobi.i.**

3. The Scheme Administration Committee

Name

Details of qualifications and experience



**Dr. Lemunen
Solomon, PhD**
*Head of Human Capital
Scheme Chairperson*

Dr. Lemunen Solomon has a cumulative experience in Human Resource attained over a period of fifteen years in both the Public Service and Private Sector. Prior to joining IPOA, Dr. Lemunen was employed by the National Industrial Training Authority as Ag. Director Human Resource and Administration.

He also worked with the Ethics and Anti-Corruption Commission (EACC), and Kenya Industrial Estate among others. He holds a Doctoral degree (Ph.D.) in Human Resource Management from the Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Master of Business Administration (Human Resource option) from Kenyatta University (KU), and a Bachelor of Commerce Degree (Human Resource option).

He also has a Higher National Diploma in Human Resource Management and a Diploma in Personnel Management. He is also a Certified Human Resource of Kenya (CHRP-K). Dr. Lemunen is a practicing member of the Institute of Human Resource Management (IHRM).



Mohamed Khalif Adan
*Ag. Director Business
Services
Committee Member*

Adan is a holder of Master's degree in Business Administration (Finance & Accounting option) and a Bachelor of Business Management (Finance & Banking option) First class Honours. He is also holder of CPA-K Certificate and a member of the Institute of Certified Public Accountants of Kenya in good standing. He holds a certificate in senior management course among other certificates.

Adan is a respected financial expert with over 15 years of professional experience in finance, Accounting, auditing and assurance in both Public and Private Sectors. Prior to joining IPOA Adan served as manager Finance and Accounts at Kenya Leather Development Council and in managerial & supervision positions at Garissa University.



Bethuel Sugut
Committee Member



Bethuel Sugut is the Head of Regions at IPOA. He holds a Master of Business Administration Degree in Strategic Management from Moi University, Bachelor of Arts Degree in Social Sciences from Egerton University and a Postgraduate Diploma in Human Resource Management from University of Nairobi. He is an Auditor in Quality Management System, ISO 9001:2008. Bethuel previously served in the Provincial Administration at the Office of the President and International Fund for Agriculture Development (IFAD). Prior to that Sugut served as a Personal Assistant to the Minister of Agriculture and Director of Administration, Planning and Operations at Mt. Kenya University for 9 years and 5 years respectively.

Before joining IPOA, Sugut was the Administration Manager at the Kenya Institute of Mass Communication (KIMC).

Scheme Members Cont'd

Name	Details of qualifications and experience
	<p>He has undertaken various Administrative Programmes with the Kenya School of Government (KSG). He is currently pursuing his PhD in Business Administration with a bias in Strategic Management. He is an Associate member of the Kenya Institute of Management (KIM) and Institute of Human Resource Management (IHRM)</p>
 <p>Christine Akoth Owino <i>Committee Member</i></p>	<p>Christine Akoth Owino is a senior legal officer at IPOA. She is a licensed legal practitioner who has undertaken an Advocates Training Programme at Kenya School of Law and holds a Bachelor of Law from Busoga University, Diploma in Law from Kenya School of Professional studies.</p> <p>Prior to joining IPOA in 2018, she served as a Prosecution Counsel at the Office of the Director of Public Prosecutions four years and had previously held various capacities in private law firms since 2011.</p>
 <p>Paul Karungo Njihia <i>Committee Member</i></p>	<p>PIO Paul Njihia Karung'o holds a Bachelor of Technology in Civil and Structural Engineering from Masinde Muliro University of Science and Technology, Kenya, Diploma in Project Management from Alison Institute, Ireland, a certificate in International Criminal Law and Practice from Partners in Justice International - PJI, Netherlands, a certificate in Computer Hacking Forensic Investigator (CHFI) certification from EC – Council, USA, a certificate in Cellebrite Certified Physical Analyst (CCPA) from Cellebrite, Israel, a certificate in Cellebrite Certified Operator (CCO) from Cellebrite, Israel, a certificate in Victim Support from IPOA/APCOF/CHRIPS.</p> <p>Njihia is a former Inspector of police with an extensive experience in the National Police Service in both general and forensic investigation works. He has experience in both general and forensic investigation, preventing crime, enforcing public safety and maintaining a visible presence for the prevention of crime.</p> <p>He was first enlisted in the General Service Unit before being spot-talented to join the forensic department of the Directorate of Criminal Investigations – DCI where he was promoted to the rank of an inspector of police. He has over the years held the positions of Head of Forensic Crime Scene Investigations in Embu County and Kasarani Police Division.</p> <p>Njihia is also a qualified professional within civil engineering discipline and has had excellent working relations with clients, designers, site managers, sub-contractors, suppliers and the general public in the implementation of civil engineering projects. He is registered as a graduate member of the Engineers Board of Kenya (EBK) and also the Kenya Engineering Technology Registration Board (KETR).</p>

Scheme Members Cont'd

Name	Details of qualifications and experience
 Finlay Momanyi Mocheche <i>Committee Member</i>	<p>Finlay Momanyi Mocheche has served as a Customer Care Officer II at IPOA since February 2014. He holds a Diploma in Front Office and Administration and has worked in the field of public relations and customer care since 2006.</p> <p>He is currently pursuing a Bachelor of Arts degree in Criminology and Security Studies at Mt Kenya University. He is a member of the Professional Criminologists Association of Kenya and Public Relations Society of Kenya.</p>
 Josphat Karindi <i>Committee Secretary</i>	<p>Josphat Karindi, the Principal Human Resource Officer is a Certified Human Resource Professional (CHRP-K) with an Executive Master of Science in Organizational development from United States International University, Bachelor of Science from Moi University and KNEC higher Diploma in Human Resource Management.</p> <p>He has also undertaken a Senior Management Course at KSG. Josphat is a full member of the Institute and has over 12 years' experience as a trainer. Before joining the Authority, he served as a Human Resource Management trainer and course coordinator at Thika Technical Training Institute. He also served as an online capacity building coordinator and trained of Technical and Vocational Trainers on online facilitation.</p>

Scheme Members Cont'd

Name



Elema Halake, SS
*Director/CEO
Scheme Manager*

Details of qualifications and experience

Mr. Elema Halake holds a Master of Arts and a Bachelor of Arts in Development Studies, a Diploma in Wildlife Management, an Advanced Diploma in Social Work and a postgraduate Diploma Certificate in criminal justice from Virginia University, USA. His Public Service career spans over 28 years including at Kenya Wildlife Service (KWS), where he was a Senior Assistant Director and also sat on the Board of the Kenya School of Leadership and Adventure at Mt. Kenya. At KWS, he was part of the leadership that fronted the 1990's anti-poaching strategy that stabilized wildlife conservation, enhanced security, and management.

Earlier, as IPOA's Director of Investigations, Mr. Halake initiated a series of administrative and operational reforms, expanded the investigation capacity, enhanced performance and contributed towards decentralized regional operations. At Anti-Counterfeit Authority (ACA), he spearheaded legal and regulatory reforms including the enactment of the Anti-Counterfeit Act 2018, developed and deployed the AIMS project (Anti-Counterfeit Information Management system) and launched a National baseline survey on the magnitude of counterfeiting and illicit trade in Kenya.

His integrity and high-performance track record in Public Service saw him recognized and decorated with the Silver Star (SS) of Kenya by his Excellency, the President of the Republic of Kenya in 2006, with a citation for courage and commitment to duty

4. Management Team

Name

Details of qualifications and experience

1.



Elema Halake, SS
Scheme Manager

Mr. Elema Halake holds a Master of Arts and a Bachelor of Arts in Development Studies, a Diploma in Wildlife Management, an Advanced Diploma in Social Work and a postgraduate Diploma Certificate in criminal justice from Virginia University, USA. His Public Service career spans over 28 years including at Kenya Wildlife Service (KWS), where he was a Senior Assistant Director and also sat on the Board of the Kenya School of Leadership and Adventure at Mt. Kenya. At KWS, he was part of the leadership that fronted the 1990's anti-poaching strategy that stabilized wildlife conservation, enhanced security, and management.

Earlier, as IPOA's Director of Investigations, Mr. Halake initiated a series of administrative and operational reforms, expanded the investigation capacity, enhanced performance and contributed towards decentralized regional operations. At Anti-Counterfeit Authority (ACA), he spearheaded legal and regulatory reforms including the enactment of the Anti-Counterfeit Act 2018, developed and deployed the AIMS project (Anti-Counterfeit Information Management system) and launched a National baseline survey on the magnitude of counterfeiting and illicit trade in Kenya.

His integrity and high-performance track record in Public Service saw him recognized and decorated with the Silver Star (SS) of Kenya by his Excellency, the President of the Republic of Kenya in 2006, with a citation for courage and commitment to duty

2.




**Dr. Lemunen
Solomon, PhD**
Scheme Chairperson

Dr. Lemunen Solomon has a cumulative experience in Human Resource attained over a period of fifteen years in both the Public Service and Private Sector. Prior to joining IPOA, Dr. Lemunen was employed by the National Industrial Training Authority as Ag. Director Human Resource and Administration.

He also worked with the Ethics and Anti-Corruption Commission (EACC), and Kenya Industrial Estate among others. He holds a Doctoral degree (Ph.D.) in Human Resource Management from the Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Master of Business Administration (Human Resource option) from Kenyatta University (KU), and a Bachelor of Commerce Degree (Human Resource option).

He also has a Higher National Diploma in Human Resource Management and a Diploma in Personnel Management. He is also a Certified Human Resource of Kenya (CHRP-K). Dr. Lemunen is a practicing member of the Institute of Human Resource Management (IHRM).

Management Team Cont.

Name	Details of qualifications and experience
<p data-bbox="183 454 459 495">3.</p> 	<p data-bbox="507 454 1409 656">Adan is a holder of Master's degree in Business Administration (Finance & Accounting option) and a Bachelor of Business Management (Finance & Banking option) First class Honours. He is also holder of CPA-K Certificate and a member of the Institute of Certified Public Accountants of Kenya in good standing. He holds a certificate in senior management course among other certificates.</p> <p data-bbox="507 689 1409 862">Adan is a respected financial expert with over 15 years of professional experience in finance, Accounting, auditing and assurance in both Public and Private Sectors. Prior to joining IPOA Adan served as manager Finance and Accounts at Kenya Leather Development Council and in managerial & supervision positions at Garissa University.</p>

Mohamed Khalif Adan
Scheme Accountant

5. Chairperson's Report

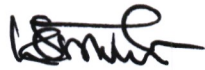
On behalf of the IPOA staff mortgage and car loan scheme, I am pleased to present the Scheme Financial Statements for the year ended 30th June 2023. The Authority operationalized the scheme with a seed capital of Kshs.54 million received National Treasury in FY2021-22. During the period under review, the National Treasury granted IPOA the Authority to open a call deposit account for investing the unutilized funds at the prevailing market interest rate.

The Authority opened a call deposit account with Co-operative Bank of Kenya, Co-op House Branch Nairobi, where it transferred the unutilized funds on 17th April 2023. As at 30th June 2023, 50% of the funds had been advanced to Nine officers for Mortgages and Asset Financing.

The key challenges faced by the Authority in implementing the scheme include; delay in processing the loan applications by the service provider due to lengthy approval process at the bank; Officers being charged late repayment interest because the loan application date is not aligned to the loan repayment date; failure to credit the interest received in IPOA account on time; and slow uptake of the loans by IPOA officers due to lack of proper sensitization on the products offered under the scheme.

To address the above challenges, the Authority convened a meeting with the service provider on 13th November 2021 and agreed on the following: Mortgages to be processed within 90 days upon receipt of the approved applications; Officers Loan application date to be harmonized with the loan repayment date for officers not to be charged late repayment interest by the system; and staff to be sensitized on the products being offered under the scheme.

The Authority appreciates the support received from its key stakeholders Parliament and the National Treasury. This has enabled the Authority to operationalize the scheme. IPOA will continue to seek for additional funds at the sector and the National Treasury in order to enhance the scheme funds. This scheme is aimed at attracting and retaining skilled officers for efficient and effective service delivery.



.....
Dr. Solomon Lemunen, PhD
Scheme Chairperson

6. Report of the Scheme Manager

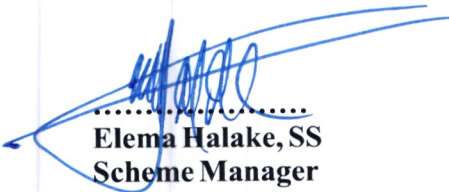
The Authority operationalized IPOA staff mortgage and Car Loan Scheme for its employees effective from June 2020. The scheme is administered by Co-operative Bank of Kenya. The financial statements for IPOA mortgage and car loan scheme are prepared using IPSAS Accrual basis Accounting method. The Authority made a request to the National Treasury in FY 2022-23 to open a call account for investing the unutilized funds at the prevailing market interest rate. IPOA was granted the Authority and invested the funds at the rate of 6% in the call deposit account. The account was operationalized on 17th April 2023.

The scheme revolving fund balance amounted to Kshs. 54 Million. As at 30th June 2023 the scheme's bank balance was at Ksh.29.48 Million. The scheme is meant for advancing mortgages and Asset financing loans to staff in line with the SRC approved interest rates in order to attract and retain skilled officers for efficient and effective service delivery.

The Authority issued loans amounting to Kshs.12.07 Million to officers during the period under review. As at 30th June 2023, 50% of the funds had been advanced to Nine officers for Asset financing and mortgages. IPOA also received Kshs. 1.14 Million interests on loans issued to staff and interest on unutilized funds.

The key challenges faced by the Authority in implementing the scheme include: delay in processing the loan applications by the service provider due to lengthy approval process at the bank; Officers being charged late repayment interest because the loan application date is not aligned to the loan repayment date; failure to credit the interest received in IPOA account on time; and slow uptake of the loans by IPOA officers due to lack of proper sensitization on the products offered under the scheme. To address the above challenges, the Authority convened a meeting with the service provider on 13th November 2021 and agreed on the following: Mortgages to be processed within 90 days upon receipt of the approved applications; Officers Loan application date to be harmonized with the loan repayment date for officers not to charged late repayment interest by the system; and staff to be sensitized on the products being offered under the staff mortgage and car loan scheme.

The Authority appreciates the support received from its key stakeholders Parliament and the National Treasury. This has enabled the Authority to operationalize the scheme. IPOA will continue to seek for additional funds at the sector and the National Treasury in order to enhance the scheme funds.


.....
Elema Halake, SS
Scheme Manager

7. Statement of Performance Against Predetermined Objectives

IPOA mortgage & car loan scheme develops its annual work plans based on the scheme regulation. Assessment of the scheme's performance against its annual work plan is done on a quarterly basis. During the period under review, the scheme absorbed 50% of its funds as at 30th June 2023.

The scheme has one key results areas (KRA) of institutional capacity with specific key strategic objectives to ensure financial sustainability

Strategic Key Result Area	Strategic Objectives	Key performance Indicator	Activities	Achievement
Institutional capacity strengthened	To ensure institutional financial sustainability	Establish and operationalize mortgage and car loan	Mortgage and car loan scheme established and operationalized.	IPOA mortgage and car loan scheme was established with a seed capital of Kshs. 54million.
	To strengthen human resource Capacity.	Mortgages and car loans issued.	No of mortgages and car loans issued.	Absorbed 50% of the scheme funds as at 30 th June 2023 The Authority issued Five (5) car loans and Four(4) mortgages as at 30 th June 2023.

8. Corporate Governance Statement

a.) Process of appointment and removal of scheme Administration Committee Members

The scheme administration committee are members of management drawn from various departments with different expertise. Appointment of the standing committee is done by the Accounting Officer and removal of the members is done by the scheme manager at the end of the financial year or if a member exits the Authority.

b) Roles and functions of the Scheme Committee members,

The committee member's functions include the following: ensuring compliance with the contract between Cooperative Bank, any applicable legal framework, government documents and circulars; implement and monitor compliance with the scheme regulations and recommend review from time to time as may be necessary and make appropriate recommendations; develop rules and guidelines for the application and processing of the scheme funds; draw an implementation plan each financial year based on available funds clearly outlining equitable allocation among all cadres of staff; develop internal checklist for vetting applications for mortgage and car loan; maintain up-to-date records and be custodian of all loan applications, bank statements, and provide all documents required for internal and external audits; Act as link between the Authority and the bank; monitor utilization of the funds deposited with the bank; negotiate with the bank competitive interest rates for unutilized funds; facilitate processing of loans to staff; notify the bank through the scheme manager as staff exits and the nature of determination of the applicable interest rates upon separation; monitor utilization of the loans granted for the intended purpose and notify the Scheme Manager of any misuse for disciplinary action; explore areas of learning and organize for training on scheme procedures, applications, appraisal and disbursements; present quarterly reports to management ;and perform any other duty related to the scheme administration.

c) Number of scheme Administration Committee meetings held and the attendance to those meetings by member

1. IPOA staff mortgage and car loan committee meeting held on 17th November 2022.

Nos.	Present	Apologies	In attendance
1.	Dr. Lemunen Solomon	Finlay Momanyi	
2.	Bethuel Sugut	Paul Njihia	
3.	Christine Owino		
4.	Agatha Chepkoech		
5.	Josphat Karindi		

2.Meeting between Scheme Administration committee and Co-operative Bank held on 15th February 2023

Nos.	Present	Apologies	In attendance
1.	Bethuel Sugut	Dr. Lemunen Solomon	Sarah Baraza – Director Business Services
2.	Christine Owino	Finlay Momanyi	Mohamed Khalif Adan - Head of Finance and Administration
3.	Agatha Chepkoech	Paul Njihia	Wesley Rotich- Co-operative Bank
4.	Josphat Karindi		Josephine–Co-operativeBank Edwin-Co-operativeBank

d. Induction and training, Administration Committee members and member’s performance

The scheme committee was trained by the current service provider in FY2019-2020 on issues like conditions and requirements to be fulfilled before applying for the mortgage and car loan facility; vetting of the loan applications received; interest calculation; and products offered under the scheme. Members appointed to committee are drawn from various departments with varied expertise.

e. Conflict of interest

During vetting of the received applications forms, the committee members always fill the conflict of interest form.

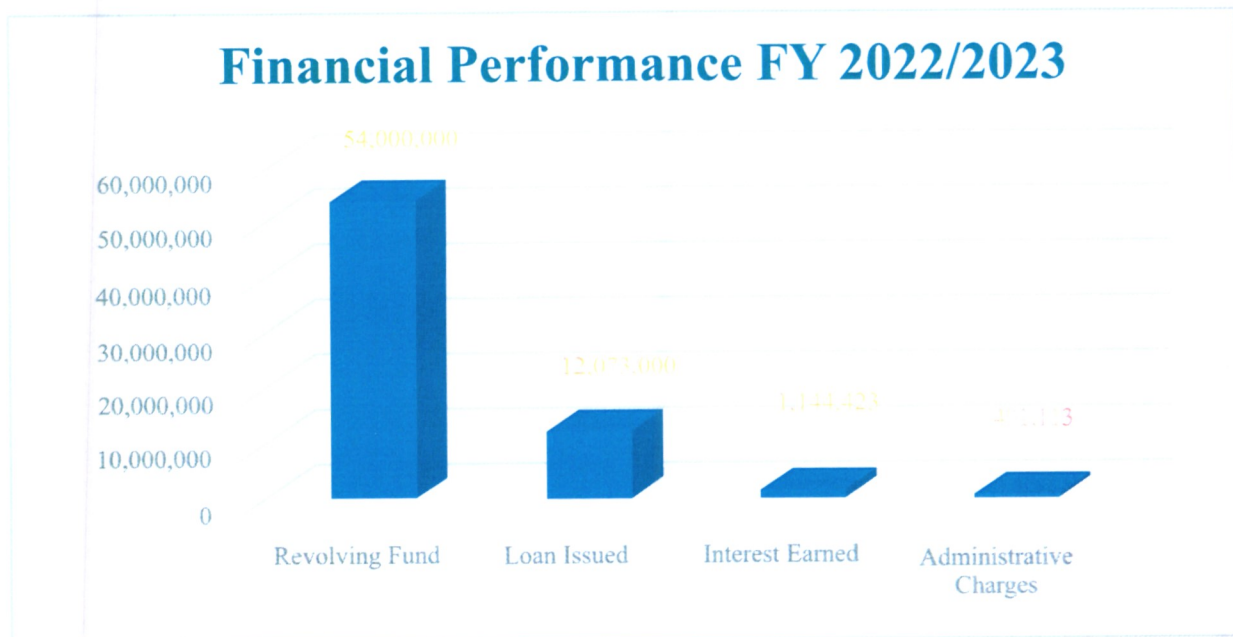
f. Ethics and conduct as well as governance audit undertaken if any

The members of the committee conduct themselves in ethical way. All the activities of the scheme are conducted in a professional and transparent manner through following the laid down scheme regulations. Audit on the scheme operations has been carried out by both the internal and external Auditors.

9. Management Discussion and Analysis

The Authority institutionalize IPOA staff mortgage and Car Loan Scheme for all its employees effective from June 2020. The scheme is administered by Co-operative Bank of Kenya. The financial statements for IPOA mortgage and car loan scheme are prepared using IPSAS Accrual Accounting method.

During the period under review, the Authority issued loans amounting to Kshs.12.07 Million. As at 30th June 2023, 50% of the funds had been advanced to nine Officers. IPOA received Kshs.1.1 Million interest on funds invested and loans issued to officers and incurred Kshs. 491,113 expenditures on use of goods.



Number and amount of Loans issued during the period, loans outstanding at the end of period and loans repaid during the period

The scheme issued one (1) mortgage and three (3) car loans during the period under review amounting to Kshs.12 Million. Loans outstanding as at 30th June 2023 amounted to Ksh.24 Million and loans repaid during the period was Kshs.1.8 Million.

Scheme's compliance with statutory requirements

IPOA staff mortgage and car loan scheme is operated in line with the provisions of the Public Finance Management Act, 2012, Public Finance Management Act Regulations, 2015, IPOA Act, 2011, SRC circular No.SRC/ADM/CIR/1/13Vol.III (128), section 3.14.1 of IPOA Human Resource Policies and procedure manual and other National Treasury guidelines that may be issued from time to time.

All officers who have been issued with the loans met rules of the scheme. Currently there are no major risks or material arrears facing the scheme.

10. Environmental and Sustainability reporting

Below is a highlight of the sustainability activities conducted during the Financial Year:

1. Sustainability Strategy and Profile

IPOA Strategic Plan prioritizes institutional capacity as a critical key result area. This seeks to promote corporate governance, strengthen human resource capacity and ensure institutional financial sustainability. It also aims at strengthening of business systems and internal processes to ensure quality and sustainable focus of all its programmes and activities on professional policing.

The Authority has continued to make sustainable and business continuity efforts to ensure that the scheme remains a going concern. Such efforts have included reaching out to the National Assembly and the National Treasury for enhanced the Mortgage and car loan funds with the aim of attracting and retaining skilled officers for effective and efficient service delivery.

The scheme has also embraced virtual meetings and use of email as a means of communication and this has led to savings in costs and time.

During the period under review, the IPOA Mortgage and car loan scheme did not participate in corporate social responsibility activities but the main IPOA undertook tree planting exercise at the Malindi GK Prison and at the National Police Leadership Academy in Ngong town within Kajiado County.

11. Report of The Scheme Administration Committee

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

Principal activities

The principal activities of the scheme are and continue to be: facilitation of IPOA employees to benefit from Government funded mortgage and car loan facilities and to motivate employees and immensely contribute towards attracting and retaining employees of requisite skills to the Authority; safeguarding the assets of the scheme; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

The Administrator of the scheme 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 International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Salaries and Remuneration Commission (SRC) circular No.SRC/ADM/CIR/1/13 Vol. III (128). 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 June 30, 2023, and of the scheme's financial position as at that date.

The Administrator further confirm 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.

In preparing the financial statements, the Administrator of the scheme 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.

Performance

The performance of the scheme for the year ended June 30, 2023, is set out on page 1-5 of the Annual Report and financial statements.

Scheme Committee

The members of the management and the scheme Committee who served during the year are shown on page (ix-x) and page (v-viii) respectively.

Auditors

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

By Order of the Board


.....
Scheme Chairperson

12. Statement of Management's Responsibilities

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a scheme established to actualize the Salaries and Remuneration Commission (SRC) circular No.SRC/ADM/CIR/1/13 Vol.III (128) and section 3.14.1 of IPOA Human Resource Policies and Procedure Manual shall prepare financial statements for the scheme in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

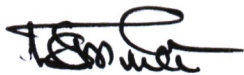
The Scheme Manager is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year ended on June 30, 2023.

This responsibility includes; maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the scheme; 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; safeguarding the assets of the scheme; electing and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

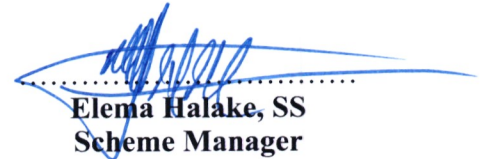
The manager accepts responsibility for the scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Salaries and Remuneration Commission (SRC) circular No.SRC/ADM/CIR/1/13 Vol.III (128). 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 June 30, 2023, and of the schemer's financial position as at that date.

The scheme Manager further confirm 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.

In preparing the financial statements, the manager of the scheme has assessed the scheme's ability to continue as a going concern.



Dr. Solomon Lemunen
Scheme Chairperson

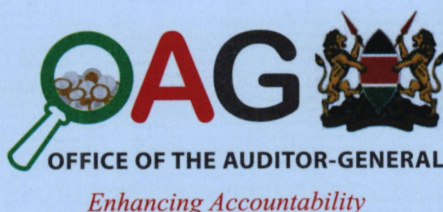


Elema Halake, SS
Scheme Manager



REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT POLICING OVERSIGHT AUTHORITY STAFF MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Independent Policing Oversight Authority Staff Mortgage and Car Loan Scheme set out on pages 1 to 18, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial 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 Independent Policing Oversight Authority Staff Mortgage and Car Loan Scheme as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal 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 Management and those Charged with Governance

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

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

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

Those charged with governance are responsible for overseeing the 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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Scheme to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 December, 2023

14. Statement of Financial Performance for the year ended 30th June 2023

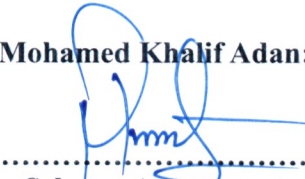
Description	Note	2022/2023 Kshs.	2021/2022 Kshs.
Revenue from exchange transactions			
Interest income		1,144,423	548,742
Total Revenue	6	1,144,423	548,742
Expenses			
Use of goods and Services	7	491,113	275,331
Total expenses		491,113	275,331
Surplus/(deficit) before tax		653,310	273,411
Taxation		-	-
Surplus/Deficit after Tax		653,310	273,411

The financial statements were approved on 15th September 2023 by:

Elema Halake, SS:


Scheme Manager

Mohamed Khalif Adan:


Scheme Accountant
ICPAK M/No. 13129

Dr. Lemunen Solomon:


Scheme Chairperson

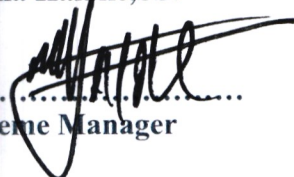
15. Statement of Financial Position as at 30th June 2023

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Assets			
Current Assets			
Cash and cash equivalents	8	29,484,208	38,971,875
Receivables from exchange transactions	9	1,300,855	1,439,720
Total Current Assets		30,785,063	40,411,595
Non-current assets			
Receivables from exchange transactions	9	24,141,658	13,861,816
Total Non-Current Assets		24,141,658	13,861,816
Total assets		54,926,721	54,273,411
Liabilities			
Trade and other payables		--	--
Total liabilities		--	--
Net assets		54,926,721	54,273,411
Mortgage and car loan revolving fund	10	54,000,000	54,000,000
Accumulated surplus (Reserves)		926,721	273,411
Total Net assets and Liabilities		54,926,721	54,273,411

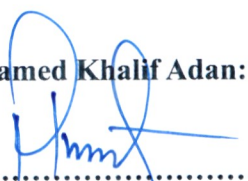
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Scheme financial statements were approved on 15th September 2023 and signed by:


Elema Halake, SS:


.....
Scheme Manager

Mohamed Khalif Adan:


.....
Scheme Accountant
ICPAK M/No. 13129

Dr. Lemunen Solomon:


.....
Scheme Chairperson

16. Statement of Changes in Net Assets for the year ended 30th June 2023

Description	Mortgage and Car Loan Scheme	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
As at 1 July 2021	-	-	-
Surplus/(deficit) for the period	-	273,411	273,411
Funds received during the year	54,000,000	-	54,000,000
As at 30 June 2022	54,000,000	273,411	54,273,411
As at 1 July 2022	54,000,000	273,411	54,273,411
Surplus/(deficit) for the period	-	653,310	653,310
Funds received during the year	-	-	-
As at 30 June 2023	54,000,000	926,721	54,926,721

The reported accumulated surplus is interest received on loans issued to staff during the period under review

17. Statement of Cash Flows for the year ended 30th June 2023

Description	Note	2022/23	2021/22
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Interest received	6	1,224,380	347,206
Total receipts		1,224,380	347,206
Payments			
Use of goods and services	7	(531,091)	(275,331)
Total payments		(531,091)	(275,331)
		-	-
Net cash flow from operating activities	10	693,289	71,875
Cash flows from investing activities			
Proceeds from loan principal repayments		1,892,044	-
Loan disbursements paid out		(12,073,000)	(15,100,000)
Net cash flows used in investing activities		(10,180,956)	(15,100,000)
Cash flows from financing activities			
Receipts into the mortgage and car loan revolving fund		-	54,000,000
Net cash flows used in financing activities		-	54,000,000
Net increase/(decrease) in cash and cash equivalents		(9,487,667)	38,971,875
Cash and cash equivalents at 1 July 8	8	38,971,875	-
Cash and cash equivalents at 30 June	8	29,484,208	38,971,875

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue						
Interest income	3,240,000	-	3,240,000	1,144,423	2,095,577	35%
Total Revenue	3,240,000	-	3,240,000	1,144,423	2,095,577	35%
Expenses						
Use of goods and services	3,240,000	-	3,240,000	491,113	2,748,887	15%
Total Expenditure	3,240,000	-	3,240,000	1,144,423	2,748,887	15%
Surplus for the period	-	-	-	653,310	(653,310)	-

Budget Notes

- i. The scheme received Kshs. 1,144,423 interest income on loans issued to staff and on unutilized funds invested in call deposit account and paid fund administration expenses amounting to Kshs. 491,113 during the period under review.
- ii. The performance difference between the budget and actual amounts was as a result of low uptake of the facility by staff.

19. Notes to the Financial Statements 2023

1. General Information

IPOA Mortgage and car loan scheme is established pursuant to the Salaries and Remuneration Commission (SRC) circular No. SRC/ADM/CIR/1/13 Vol. III (128). The scheme derives its authority and accountability from its regulations 2016. The principal activity for the scheme is to administer the mortgage and car loan scheme through advancing government funded loans to IPOA staff.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present.

The preparation of financial statements in conformity with International Public Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the scheme.

The financial statements have been prepared in accordance with the PFM Act 2012, PMF regulations 2015 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

New and amended standards and interpretations in issue effective in the year ended 30th June 2023.

Notes to the Financial Statements (Continued)

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

New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2023

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of a scheme's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between scheme's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>IPSAS 41 is not relevant to the scheme's operations because the scheme does not transact in any financial instruments</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 Scheme 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 scheme; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Scheme's financial performance, financial position and cash flows. <p><i>This standard is not applicable to the scheme operations</i></p>

Notes to the Financial Statements (Continued)

Standard	Effective date and impact:
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>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.</p> <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>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>This standard is not applicable to the scheme's operations.</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <p>IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January, 2023.</p> <p><i>IPSAS 22 is relevant to the scheme's operations in terms disclosure of financial information to the relevant state actors for transparency and accountability.</i></p>
<p>IPSAS 43</p>	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Scheme.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>This standard is not applicable to the scheme's operations</i></p>

Notes to the Financial Statements (Continued)

Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<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> <p><i>This standard is not applicable to the scheme's operations.</i></p>

iii Early adoption of standards

The Scheme did not early – adopt any new or amended standards in the year 2022/23..

4. Significant Accounting Policies

Revenue recognition

Revenue from non-exchange transactions

i. 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 scheme and can be measured reliably.

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 FY 2022/23 was approved on 1st July 2022. 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 did not record any additional appropriations during the period under review. The scheme's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of financial performance has been presented under item No. 18 of these financial statements.

c. Nature and purpose of reserves

The Scheme creates and maintains reserves in terms of specific requirements. Surplus realized at the end of every financial year is ploughed back into the account as it forms part revolving fund of the scheme.

d. Changes in accounting policies and estimates

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

e. 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 Board, Directors, Scheme Administration Committee, and Scheme Accountant.

f. 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 Co-operative Bank of Kenya.

g. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. There were no changes made to comparative figures during the period under review.

h. Events after the reporting period

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

I. Ultimate and Holding Scheme

The Scheme is established under Section 24 (4) PFM Act under the Independent Policing Oversight Authority. Its ultimate parent is the Government of Kenya.

j. Currency

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

5. Significant judgments and sources of estimation uncertainty

The preparation of the Schemes' financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues and expenses 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. Revenue is recognized when it is earned and expenses recognized when it is incurred.

Notes to the Financial Statements (Continued)

6. Interest income

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Interest Income From Mortgage and car Loans	982,227	548,742
Interest Income on Bank Deposits	162,196	-
Total Interest Income	1,144,423	548,742

7. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Administration fees	491,113	274,371
Bank Charges	-	960
Total	491,113	275,331

8. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs.	Kshs.
IPOA Mortgage and Car Loan scheme Account	362,012	38,971,875
IPOA Call Deposit Account	29,122,196	-
Total Cash and Cash equivalents	29,484,208	38,971,875

8 a) Detailed analysis of the cash and cash equivalents

Financial Institution	Account Type	Account Number	2022/2023	2021/2022
			Kshs.	Kshs.
Co-operative Bank of Kenya	Fund Account	01141865999900	362,012	38,971,875
Cooperative Bank of Kenya	Call Deposit Account	01150865999900	29,122,196	-
Total			29,484,208	38,971,875

Notes to the Financial Statements (Continued)

9. Receivables from exchange transactions

Description	2022/2023	2021/2022		
	Kshs.	Kshs.		
Current Receivables				
Interest Receivables	161,558	201,536		
Current Loan repayment	1,139,297	1,238,184		
Total Current Receivables	1,300,855	1,439,720		
Non-Current Receivables				
Long Term Loan Repayments Due	24,141,658	13,861,816		
Total Non-Current Receivables	24,141,658	13,861,816		
Total Receivables	25,442,513	15,301,536		
Ageing analysis (Receivable from exchange transactions)	Current FY	% of Total	Comparative FY	% of Total
Less than 1 Year	161,558	0.63%	201,536	1.32%
Between 1-2 Years	25,280,955	99.37%	15,100,000	98.68%

10. Net cash flows from operating activities

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Surplus/(deficit) for the year before tax	653,310	273,411
Adjusted for:		
Working capital adjustments		
Decrease in receivables	39,979	(201,536)
Net cash flow from operating activities	693,289	71,875

1. 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:

a. Credit risk

The Scheme 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.

Management assesses the credit quality of each staff, taking into account the officer's ability to repay the loan and other set scheme requirements. 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.

Notes to the Financial Statements (Continued)

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:

Description	Total Amount Kshs	Fully Performing Kshs	Past Due Kshs	Impaired Kshs
At 30th June, 2023				
Receivables from Exchange Transactions - Car Loans & Mortgages	25,442,513	25,442,513	-	-
Bank Balances	29,484,208	29,484,208	-	-
Total	54,926,722	54,926,721	-	-
At 30th June, 2022				
Receivables from Exchange Transactions - Car Loans & Mortgages	15,301,536	15,301,536	-	-
Bank Balances	38,971,875	38,971,875	-	-
Total	54,273,411	54,273,411	-	-

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

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Scheme Administrator, who has built an appropriate liquidity risk management framework for the management of the Scheme's short, medium, and long-term funding and liquidity management requirements. The Scheme manages liquidity risk through continuous monitoring of forecasts and actual cash flows. There were no cash payable by the Scheme under non-derivative financial liabilities at the reporting date.

C.) 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.

Notes to the Financial Statements (Continued)

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 Schemes'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. The scheme does not face any risks relating to market price changes. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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.

d). 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 operations is not affected by the interest rate risk. The interest rate for the mortgage and car loan was determined and fixed by the National Treasury and Salaries and Remuneration Commission.

Management of interest rate risk

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

e). 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 capital structure comprises of the following funds.

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Revolving Fund	54,000,000	54,000,000
Accumulated surplus (<i>Reserves</i>)	926,721	273,411
Total Funds	54,926,721	54,273,411
Less cash and bank balances	(29,484,208)	(38,971,875)
Net debt/(excess cash and cash equivalents)	25,442,513	15,301,875
Gearing	46%	28%

2. 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:

- i) Key management; &
- ii) Board and the Scheme Committee

Notes to the Financial Statements (Continued)

b). Related party transactions

Key management remuneration.

The key management draw their salaries from IPOA Recurrent account.

13. Events after the Reporting Period

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

14. Ultimate and Holding Entity

The Entity is a scheme under the sponsorship of the Independent Policing Oversight Authority which is an Independent Office.

15. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling

20. Annexes

Annex I: Progress on Follow Up of Prior Year Auditor's Recommendations

There were no prior year audit issues raised by the Auditors.

Elema Halake,SS:


.....
Scheme Manager



16. Annexes

Annex I: Progress on Follow Up of Prior Year Auditor's Recommendations

There were no prior year audit issues raised by the Auditors.

Elema Halake,SS:


.....
Scheme Manager

