

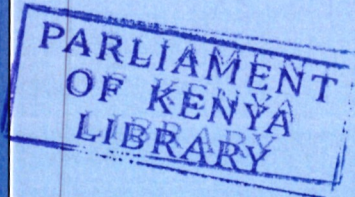


REPUBLIC OF KENYA



*Paper laid by
the leader of majority
Party
12/6/2018*

OFFICE OF THE AUDITOR-GENERAL



REPORT

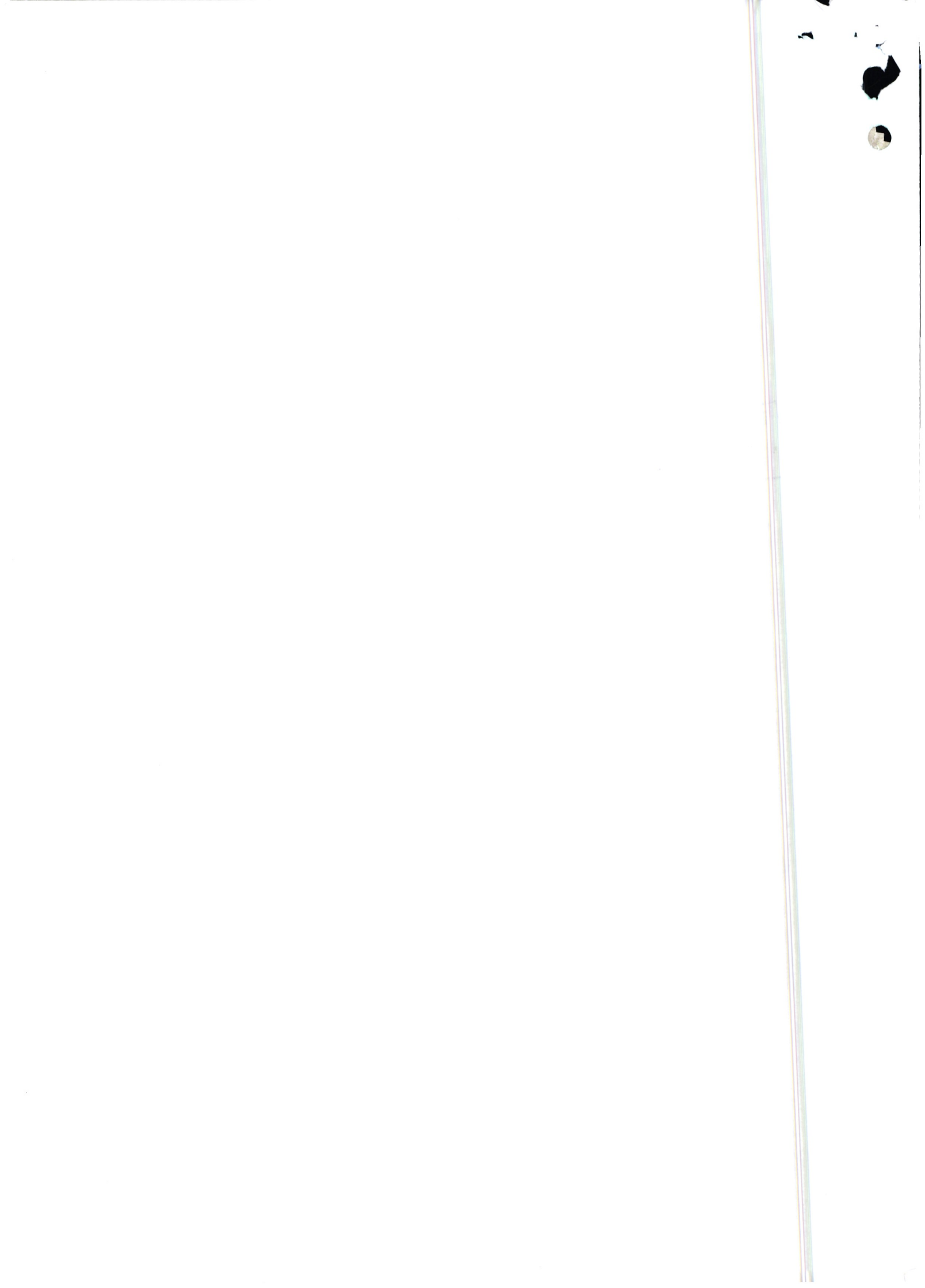
OF

THE AUDITOR-GENERAL

ON

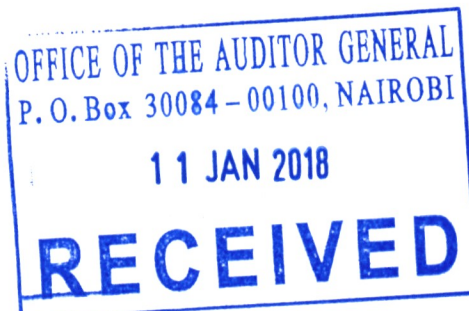
**THE FINANCIAL STATEMENTS OF
INDEPENDENT POLICING OVERSIGHT
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2017**



INDEPENDENT POLICING OVERSIGHT AUTHORITY (IPOA)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**



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

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Incorporation/Objectives

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

The objectives of the Authority are to:

- a) Hold the Police accountable to the public in the performance of their functions;
- b) Give effect to the provision of Article 244 of the Constitution that the Police shall strive for professionalism and discipline and shall promote and 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 Service;
- f) Co-operate with other institutions on issues of Police oversight, including other State organs in relation to services offered by them;
- g) Review the patterns of Police misconduct and the functioning of the internal disciplinary process;
- h) Present any information it deems appropriate to an inquest conducted by a court of law;
- i) Take all reasonable steps to facilitate access to the Authority's services to the public;
- j) Subject to the Constitution and the laws related to freedom of information, publish findings of its investigations, monitoring, reviews and audits as it seems fit, including by means of the electronic or printed media;
- k) Make recommendations to the Police Service or any State organ;
- l) Report on all its functions under its Act or any written law; and
- m) Perform such other functions as may be necessary for promoting the objectives for which the Authority is established.

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KEY ENTITY INFORMATION AND MANAGEMENT (continued)

b) Board and Senior Management Staff

Members of the Board:



Macharia Njeru, Chairman

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



Jedidah Ntoyai, Vice Chair

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



Fatuma Ali Saman

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

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Grace Madoka

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



Rose Bala

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



Tom Kagwe

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

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Vincent Kiptoo

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



Njeri Onyango

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



Dr. Joel Mabonga, CEO/Board Secretary

Dr Mabonga is responsible for the operational management and implementation of board decisions. He holds a PhD from Kenyatta University, an MPhil from Moi University, BEd from Kenyatta University, a Strategic Leadership course from Kenya School of Government and an Executive Directorship from Strathmore University. Joel has extensive senior management experience at the Independent Electoral and Boundaries Commission (IEBC), Kenya Institute of Management (KIM) and as a Lecturer at Kenyatta University and Kenya Education Staff Institute. He also served in the Ministry of Education Science and Technology.

INDEPENDENT POLICING OVERSIGHT AUTHORITY

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Senior Management Staff:



Dr Joel Mabonga
Chief Executive Officer

Dr Joel Mabonga holds a Doctor of Philosophy (Management of Educational change) from Kenyatta University, a Master of Philosophy (Educational Administration) from Moi University, Bachelor Degree in Education from Kenyatta University and other Corporate Governance courses including Strategic Leadership (KSG), Executive Directorship (Strathmore University) and Quality Management Systems which focuses on business processes key to achievement of quality organisational policies and objectives.

Dr Mabonga has extensive experience in corporate management having served as Director Voter Education and Partnerships at the Independent Electoral and Boundaries Commission (IEBC), Chief Examinations Manager at the Kenya Institute of Management, and as a Lecturer at Kenyatta University and Kenya Education Staff Institute (KESI). He also served the Ministry of Education Science and Technology as a Senior Education Officer, Education Officer and as a high school teacher.

Apart from his vast experience in stakeholder partnership management and resource mobilisation, Dr Mabonga has expertise in corporate policy conceptualization and execution, public engagement programmes and organizational strategic planning.

He has spoken at several international workshops and seminars and undertaken international assignments in Zambia, Nigeria and Ghana. He is a member of the Kenya Institute of Management.



Maina Njoroge
Director, Business Services

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

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

He has vast experience in finance and accounting spanning over 20 years. He has a track record of accomplishment in financial management in both private and public sectors. Additionally, he has substantial

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experience in human resource, strategic and administrative management, and has special interest in corporate governance and investments. He has experience in managing multi-donor grants and writing funding proposals. He has previously worked with an auditing firm, and as Senior Accountant, Chief Accountant and Finance and Administration Manager with large manufacturing and service industry firms.

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

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



James Otieno Olola

Director, Complaints Management and Legal Services

Mr. Olola is an Advocate of the High Court of Kenya and has practised law for the past 15 years. He holds an LL.M Degree in Governance and Democracy from the University of Nairobi and an LL.B Degree from the same University. He also holds a Postgraduate Certificate in Corruption Studies from Hong Kong University's School of Professional and Continuing Education (HKU SPACE).

Before joining IPOA, he was an Assistant Director, Legal Services at the Ethics and Anti-Corruption Commission [formerly Kenya Anti-Corruption Commission (KACC)] where he served in various capacities in a period spanning 7 years. He has wide-ranging experience in Civil, Criminal and Constitutional Law litigation.

While in private practice, Mr. Olola served as the Chair of the Rift Valley Law Society, an affiliate of the Law Society of Kenya from March 2005 to March 2007 where he pioneered in the setting up of the Rift Valley Newcastle Justice Project, a child-based Legal Aid Charity partnership program between the Newcastle Law Society of England and the Rift Valley Law Society, Kenya.



Elema Halake

Director, Investigations

Elema holds a BA Development studies degree from Catholic University of East Africa (CUEA) and is currently pursuing a master's degree at the same University. He also has several Diplomas and certificates to his credit. He has a graduate certificate in Criminal justice from FBI National Academy in Virginia, USA. He has also undertaken extensive investigation trainings at International Law Enforcement Academy in Gaborone, Botswana, Georgia and Roswell in USA besides trainings in criminal intelligence, investigation and prosecution at the CID training School, and with National Intelligence Service.

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He has extensive 20 years' experience in wildlife conservation and law enforcement working in various capacities across the country. His experience in law enforcement activities and coordination spans the national, regional and international levels.

Before his appointment, Mr Halake previously served as the Vice Chair for Interpol Wildlife Working group as well as the Chair of the Kenya/Tanzania/Uganda Wildlife enforcement officers' cross border forums. He also served as the Head of Intelligence and Investigation at KWS Hqs. He is decorated with a Silver Star (SS) of Kenya for his courage and commitment to duty. He has travelled in Africa, America and Israel for work-related purposes.



Stephen Wetheo Musau

Director, Inspections, Research and Monitoring

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

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

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

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

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

c) Fiduciary Management:

The key management personnel who held office during the financial year ended 30th June 2017 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

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d) Fiduciary Oversight Arrangements

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

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

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

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

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

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

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

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

Finance & Administration Committee

Tom Kagwe (Chair)
Njeri Onyango
Vincent Kiptoo
Jedidah Ntoyai

Human Resource Committee

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

Communications & Outreach Committee

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

Inspections, Research & Monitoring Committee

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

Investigations, Complaints/Legal and Security Committee

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

Audit & Risk Committee

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

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ICT Committee

Njeri Onyango (Chair)
Fatuma Saman
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.

Contacts

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

Regional Offices:

Garissa:

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

Mombasa:

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

Kisumu:

Central Square Building, Opposite Barclays Bank,
P.O Box 3560-40100, Kisumu
Tel: 0799 862244,
E-mail: kisumu@ipoa.go.ke

F) Bankers

Central Bank of Kenya,

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

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

g) Independent Auditors

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

h) Principal Legal Adviser

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

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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FOREWORD BY THE CHAIRMAN

During the 2016/17 financial year, the Authority was allocated recurrent budget estimates amounting to Kshs. 491,338,899. The budget was, however, revised downwards by Kshs. 6,406,630 to Kshs. 484,935,269 during Supplementary Estimates II. Exchequer releases during the period amounted to Kshs. 433,610,000 or 89% of the revised budget. Total expenditure during the period was Kshs. 432,955,780 of which Kshs. 222,770,601 was on compensation of employees, Kshs. 164,321,505 on use of goods and services, and Kshs. 45,863,674 on acquisition of assets. The Authority absorbed 89% of the total budget, as compared to an absorption rate of 91% recorded during the previous year.

During the year, the Authority continued to execute its mandate and implement its 4-year Strategic Plan. A mid-term review of the Strategic Plan was carried out during the period. The Authority received a total of 2,267 complaints from the public and the police, bringing the total complaints received since the Authority was established in 2012 to 8,042. However, a large proportion of the complaints continued to be outside the Authority's mandate. The Authority conducted 208 inspections of police facilities, and investigated 294 cases bring the total to 710 and 593 respectively since inception.

This is probably due to limited awareness by the public of the Authority's mandate. To address this, the Authority held 65 outreach and public activities to create awareness and to educate both the public and the police on its mandate and functions. As indicated in our previous reports, the Authority requests the National Police Service to strengthen its Internal Affairs Unit in terms of technical staff capacity and other required resources to enable it to deal with complaints referred to it by IPOA in addition to the other cases that it receives directly from the public.

The Authority acknowledges that within the rank and file of the National Police Service, there are committed and deserving officers who have continued to serve the public diligently and with dignity, and made personal sacrifices in their duties. It is for this reason, therefore, that the Authority organized the 3rd edition of the Outstanding Police Service Awards (OPSA) in May 2017 during which 46 police officers were recognized for exemplary service to the public.

In order to bring its services closer to the public, the Authority, in March 2017, commenced implementation of its decentralization strategy by establishing the first three regional offices in Mombasa, Kisumu and Garissa. As of 30 June 2017, the three stations had recorded and acted on a significant number of complaints from the members of the public within their areas of jurisdiction.

Despite the achievements made thus far, the Authority has continued to experience challenges towards full implementation of its mandate. Some of these challenges include difficulties particularly on investigations due largely to non-cooperation by the police, and availability of critical evidence.

The Authority notes with appreciation that its budget for 2017/18 was enhanced to Kshs. 750m, of which Kshs. 150m was allocated for establishment of additional regional offices.

The Authority remains steadfastly committed to its mandate with the objective of guarding public interest in policing in the country. It will continue to carry out its work in a transparent, impartial, just and in a fair manner. IPOA will continue to cooperate and work closely with all its key stakeholders to realize this objective.

Macharia Njeru
September 2017

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

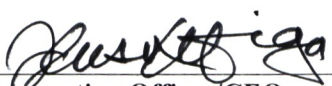
The Accounting Officer in-charge of the Independent Policing Oversight Authority (IPOA) is responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2017. 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, 2017, 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 *12th September 2017*.



Accounting Officer/CEO
Dr Joel Mabonga



Director, Business Services
Maina Njoroge, ICPAK Member No. 2611

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT POLICING OVERSIGHT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Independent Policing Oversight Authority set out on pages 16 to 37, which comprise the statement of assets and liabilities as at 30 June 2017, and the statement of receipts and payments, statement of appropriation-recurrent, 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. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Independent Policing Oversight Authority as at June 30, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standard (Cash Basis) and comply with the Independent Policing Oversight Authority Act No. 35 of 2011.

In addition, as required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that public money has been applied lawfully and in an effective way.

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 in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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 of the Auditor-General on the Financial Statements of Independent Policing Oversight Authority for the year ended 30 June 2017

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standard (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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to cease operations of the Authority, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

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

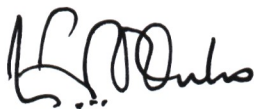
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Authority's internal control.

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

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

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



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

Nairobi

03 May 2018

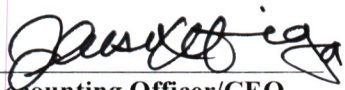


INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2017

STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2016/2017 Kshs.	2015/2016 Kshs.
RECEIPTS			
Exchequer releases	1	433,610,000	361,000,000
TOTAL RECEIPTS		433,610,000	361,000,000
PAYMENTS			
Compensation of employees	2	222,770,601	188,732,531
Use of goods and services	3	164,321,505	129,875,315
Acquisition of assets	4	45,863,674	41,240,213
TOTAL PAYMENTS		432,955,780	359,848,059
SURPLUS/(DEFICIT)		654,220	1,151,941

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on *12th September 2017* and signed by:


 Accounting Officer/CEO
 Dr Joel Mabonga


 Director, Business Services
 Maina Njoroge, ICPAK Member No. 2611

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2017

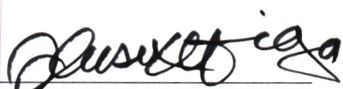
REPORT OF THE INDEPENDENT AUDITORS

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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STATEMENT OF ASSETS AND LIABILITIES

	Note	2016/2017 Kshs.	2015/2016 Kshs.
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank balances	5	1,858,846	7,581,592
Total Cash and Cash Equivalents		1,858,846	7,581,592
Accounts Receivables -Imprests	6	72,800	-
TOTAL FINANCIAL ASSETS		1,931,646	7,581,592
LESS: FINANCIAL LIABILITIES			
Accounts payables - deposits	7	1,277,426	6,429,651
NET FINANCIAL ASSETS		654,220	1,151,941
REPRESENTED BY:			
Fund balance brought forward	8	1,151,941	68,085
Adjusted for: returns to Exchequer	9	(1,151,941)	(68,085)
Surplus/(Deficit) for the year		654,220	1,151,941
NET FINANCIAL POSITION		654,220	1,151,941

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on *12th September 2017* and signed by:


 Accounting Officer/CEO
 Dr Joel Mabonga


 Director, Business Services
 Maina Njoroge, JCPAK Member No. 2611

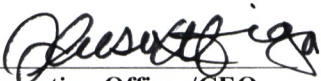
INDEPENDENT POLICING OVERSIGHT AUTHORITY
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For the year ended June 30, 2017

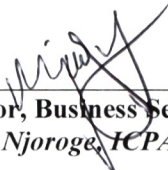
STATEMENT OF CASH FLOW

	Note	2016/2017 Kshs.	2015/2016 Kshs.
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Exchequer releases from the National Treasury	1	433,610,000	361,000,000
Total Receipts for operating income		433,610,000	361,000,000
Payments for operating expenses			
Compensation of employees	2	(222,770,601)	(188,732,531)
Use of goods and services	3	(164,321,505)	(129,875,315)
Adjusted for:			
Changes in receivables		(72,800)	-
Returns to Exchequer*		(1,151,941)	(68,085)
Net cash flow from operating activities		45,293,153	42,324,069
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of assets	4	(45,863,674)	(41,240,213)
Net cash flows from investing activities		(45,863,674)	(41,240,213)
CASH FLOW FROM BORROWING ACTIVITIES			
Domestic currency/domestic deposits (A/cs payable)		(5,152,225)	6,365,625
Net cash flow from financing activities		(5,152,225)	6,365,625
NET INCREASE IN CASH & CASH EQUIVALENT		(5,722,746)	7,449,481
Cash and cash equivalent at BEGINNING of the year		7,581,592	132,111
Cash and cash equivalent at END of the year		1,858,846	7,581,592

*An amount of Kshs. 1,151,941 being the unutilized funds during the year was returned to the Exchequer on 22nd July 2016.

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 12th September 2017 and signed by:


 Accounting Officer/CEO
 Dr Joel Mabonga


 Director, Business Services
 Maina Njoroge, ICPAK Member No. 2611

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements

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SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

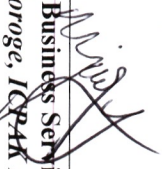
Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on	Budget Utilization	Utilization
	Kshs a	Kshs b	Kshs c=a+b	Comparable Basis Kshs d	Difference Kshs e=c-d	actual Kshs f=d/e %
RECEIPTS						
Exchequer releases from the National Treasury	491,338,899	(6,406,630)	484,935,269	433,610,000	51,325,269	89%
Sub-Total	491,338,899	(6,406,630)	484,935,269	433,610,000	51,325,269	89%
PAYMENTS						
Compensation of employees	256,742,900	(6,403,630)	250,339,270	222,770,601	27,568,669	89%
Use of goods and services	178,785,999	-	178,785,999	164,321,505	14,464,494	92%
Acquisition of assets	55,810,000	-	55,810,000	45,863,674	9,946,326	82%
TOTALS	491,338,899	(6,403,630)	484,935,269	432,955,780	51,979,489	89%

Notes:

- (a) The Authority recorded an overall 89% budget absorption during the year.
- (b) Compensation of employees absorbed 89% of the approved budget. This was due to high staff turnover. This was also due to unavoidable circumstances in replacing vacant positions, and planned recruitment of additional staff.
- (c) On use of goods, the Authority recorded a budget absorption rate of 92%.
- (d) On acquisition of assets, an absorption rate of 82% was recorded.
- (e) During the year, the Authority did not have Development Expenditure Vote.
- (f) The adjustment to the budget was a result of reduction of compensation of employees' allocation during Supplementary Estimates II.

The financial statements were approved on **12th September 2017** and signed by:


 Accounting Officer/CEO
 Dr Joel Mabonga


 Director, Business Services
 Maina Njoroge, ICRAK Member No. 2611

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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BUDGET VERSUS ACTUAL AMOUNTS

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on	Budget Utilization	Utilization
	Kshs a	Kshs b	Kshs c=a+b	Comparable Basis Kshs d	Difference Kshs e=d-c	Difference Kshs f=e/c %
RECEIPTS						
Exchequer releases from the National Treasury	491,338,899	(6,403,630)	484,935,269	433,610,000	51,325,269	11%
Sub-Total	491,338,899	(6,403,630)	484,935,269	433,610,000	51,325,269	11%
PAYMENTS						
Compensation of employees	256,742,900	(6,403,630)	250,339,270	222,770,601	27,568,669	11%
Use of goods and services	178,785,999	-	178,785,999	164,321,505	14,464,494	8%
Acquisition of assets	55,810,000	-	55,810,000	45,863,674	9,946,326	18%
TOTALS	491,338,899	(6,403,630)	484,935,269	432,955,780	51,979,489	11%

Notes:

- (a) Total Exchequer receipts amounted to 89% of the revised budget, or 11% budget utilization difference.
- (b) Compensation to staff recorded a budget utilization of 11%, use of goods and services, 8%, and acquisition of assets, 18%.
- (c) The overall 11% budget utilization difference was mainly due to staff turnover and non-completion of the procurement process especially where bids were non-responsive, particularly on acquisition of assets.

The financial statements were approved on **12th September 2017** and signed by:


Accounting Officer/CEO
Dr Joel Mabonga


Director, Business Services
Maina Njoroge, ICPAK Member No. 2611

INDEPENDENT POLICING OVERSIGHT AUTHORITY

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BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
Programme 1 : Policing Oversight Services	Kshs	Kshs	Kshs	Kshs	Kshs
Sub-Programme 1: Policing Oversight Services	491,338,899	(6,403,630)	484,935,269	432,955,780	51,979,489
Total	491,338,899	(6,403,630)	484,935,269	432,955,780	51,979,489

Notes:

- The Authority has only one Programme: Policing Oversight Services.
- The Authority's original approved budget was Kshs. 491,338,899. However, the budget was revised downwards by Kshs. 6,406,630 to Kshs. 484,935,269 during Supplementary Estimates II. The reduction affected the budgetary allocation to Personnel Emoluments (PE).
- The total expenditure during the period amounted to Kshs. 432,955,780, leaving Kshs. 51,979,489 budget utilization difference or 11% of the total revised budget.

SIGNIFICANT ACCOUNTING POLICIES

1. Summary of Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

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

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

b) Reporting entity

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

c) Recognition of receipts and payments

Recognition of receipts:

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

Recognition of payments:

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

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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Use of goods and services:

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

Acquisition of fixed assets:

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

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

d) In-kind contributions

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

e) Cash and cash equivalents

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

Restriction of cash:

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in the deposit bank account are restricted for use in refunding third party deposits. As at 30th June 2017, this amounted to Kshs. 1,277,426 compared to Kshs. 6,429,651 in prior period as indicated on Notes 5 and 7.

f) Accounts Receivable

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

g) Accounts Payable

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

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

h) Non-current assets

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

i) Pending bills

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

j) Budget

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

k) Comparative figures

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

l) Subsequent events

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

2. Financial Risk Management Objectives and Policies

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

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

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

INDEPENDENT POLICING OVERSIGHT AUTHORITY

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For the year ended June 30, 2017

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

The following are financial management objectives and policies:

a) Market risk

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

b) Credit risk

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

c) Liquidity risk

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

d) Capital risk

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

e) Operational risk

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

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

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

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

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

f) Reputational risk

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

g) Governance risk compliance

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

h) Compliance and regulatory risk

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

i) Legal risk

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

3. Taxation

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

4. Retirement benefit obligations

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

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

5. Staff service gratuity

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

6. Legal status/going concern

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

7. Employees

As at 30 June 2017, the Authority had a staff compliment of 106.

8. Use of funds

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

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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For the year ended June 30, 2017

EXPLANATORY NOTES

1. EXCHEQUER RELEASES

	2016/2017	2015/2016
	Kshs.	Kshs.
Total Exchequer Releases for Quarter 1	94,510,000	79,000,000
Total Exchequer Releases for Quarter 2	79,900,000	90,500,000
Total Exchequer Releases for Quarter 3	102,600,000	97,000,000
Total Exchequer Releases for Quarter 4	156,600,000	94,500,000
Total	433,610,000	361,000,000

2. COMPENSATION OF EMPLOYEES

	2016/2017	2015/2016
	Kshs.	Kshs.
Basic salaries of permanent employees	133,010,853	113,764,944
Basic wages of temporary employees	1,236,019	68,141
Board monthly retainer/transport	16,640,002	17,080,000
Personal allowances paid as part of salary	52,483,424	42,945,278
Compulsory National Social Security Schemes	502,800	433,600
Compulsory National Health Ins. Schemes	2,010,950	1,692,250
Other personnel payments (service gratuity)	16,886,553	12,748,318
Total	222,770,601	188,732,531

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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EXPLANATORY NOTES (CONTINUED)

3. USE OF GOODS AND SERVICES

	2016/2017	2015/2016
	Kshs.	Kshs.
Utilities	25,000	-
Specialized materials and supplies	210,400	137,501
Communication, supplies and services	5,858,762	4,852,355
Domestic travel and subsistence	32,206,814	24,934,097
Foreign travel and subsistence	1,553,692	2,931,073
Printing, advertising/inform supplies & services	3,669,530	3,336,535
Rentals of produced assets	38,149,317	28,517,488
Training expenses	4,078,034	4,426,676
Hospitality supplies and services	9,574,476	6,851,415
Board sitting allowances	19,890,000	19,380,000
Insurance costs	23,488,734	16,325,000
Office and general supplies and services	6,381,465	3,839,395
Other operating expenses	9,261,298	8,415,846
Routine maintenance – motor vehicles	2,760,048	2,582,334
Fuel oil and lubricants	5,016,514	2,333,254
Routine maintenance – other assets	2,197,421	1,012,346
Total	164,321,505	129,875,315

4. ACQUISITION OF ASSETS

Non-Financial Assets	2016/2017	2015/2016
	Kshs.	Kshs.
Refurbishment of buildings	9,602,135	-
Purchase of motor vehicles	18,590,000	33,738,994
Purchase of office furniture/equipment	14,920,176	5,424,497
Purchase of specialized plant/equipment	2,751,362	2,076,722
Total	45,863,673	41,240,213

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EXPLANATORY NOTES (CONTINUED)

5. BANK ACCOUNTS

Name of Bank, Account No. & currency	Type of Account	2016/2017	2015/2016
		Kshs.	Kshs.
Central Bank of Kenya, Account No. 1000181559	Recurrent	581,420	1,151,941
Central Bank of Kenya 165, Account No. 1000182717	CBK165	-	-
Central Bank of Kenya, Account No. 1000182393	Deposit	1,277,426	6,429,651
National Bank of Kenya, Account No. 01001094661400	Current	-	-
Total		1,858,846	7,581,592

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

6. ACCOUNTS RECEIVABLE – OUTSTANDING IMPRESTS

Description	2016/2017	2015/2016
	Kshs.	Kshs.
Temporary imprests	72,800	-
Total	72,800	-

Note:

All the outstanding temporary imprests were recovered during the month of July 2017.

7. ACCOUNTS PAYABLE

Description	2016/2017	2015/2016
	Kshs.	Kshs.
Retention – office refurbishment	64,026	64,026
IPOA Staff Welfare	208,900	80,800
IPOA Staff Sacco Society	1,004,500	-
Late Janice Misoi – service gratuity	-	1,184,825
Late Janice Misoi – group life benefits	-	5,100,000
Total	1,277,426	6,429,651

Notes:

- The Authority has established a staff welfare and a Sacco Society. The staff monthly contributions through the payroll are transferred to the Deposit Account awaiting the Welfare and the Sacco Society to open its bank account.

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EXPLANATORY NOTES (CONTINUED)

8. FUND BALANCE BROUGHT FORWARD

<i>Description</i>	2016/2017	2015/2016
	Kshs.	Kshs.
Bank accounts	7,581,592	132,111
Accounts payables	(6,429,651)	(64,026)
Total	1,151,941	68,085

9. PRIOR YEAR ADJUSTMENTS

<i>Description</i>	2016/2017	2015/2016
	Kshs.	Kshs.
Prior Year Adjustments	(1,151,941)	(68,085)

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

10. RELATED PARTY DISCLOSURES

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

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

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

Related party transactions:

<i>Description</i>	2016/2017	2015/2016
	Kshs.	Kshs.
Key management compensation	26,488,665	27,848,641
Total	26,488,665	27,848,641

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11 OTHER IMPORTANT DISCLOSURES

11.1 PENDING ACCOUNTS PAYABLE (Annex 1)

Non-Financial Assets	2016/2017	2015/2016
	Kshs.	Kshs.
Office partitioning project	1,095,339	-
Supply of goods	507,041	1,538,867
Supply of services	82,555	354,952
Total	1,684,935	1,893,819

11.2 PENDING STAFF PAYABLES (Annex 2)

	2016/2017	2015/2016
	Kshs.	Kshs.
Middle Management	17,629	-
Others -Staff payroll deductions	40,123	123,884
Total	57,752	123,884

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EXPLANATORY NOTES (CONTINUED)

10.3 PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

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


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
1	<p>Included in the statement of receipts and payments of K.shs. 129,471,546.40 expenditure on Use of Goods and Services for the year ended 30 June 2016 was an amount of K.shs. 87,098.00 relating to Confidential Expenditure.</p> <p>The Authority did not provide justification to support the Confidential Expenditure in accordance with the provisions of section 101(6) of the Public Finance Management Regulations (2015).</p> <p>In addition, the Authority did not explain existing control measures in place to mitigate against risks of mismanaging Confidential Expenditure</p>	<p>In carrying out its investigative work, the Authority is usually faced with challenges in obtaining relevant and crucial evidence to sustain a case through to conviction. This evidence is sometimes obtained through intelligence and from witnesses, who in most cases are willing to give evidence for fear of their lives. This is because some of the cases are complex in nature and involving high-ranking police officers. In some cases, the evidence required includes video clips, photos, and other vital information to support investigations.</p> <p>The Management agrees with the audit observation on the utilization of Confidential Expenditure as per Section 101(6) of the Public</p>	<p>Dr Joel Mabonga, Accounting Officer/CEO</p>	<p>Confidential Funds Management Guidelines developed and approved on 19th July 2017.</p>	30 June 2017

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		<p>Finance Management Regulations. Management noted carefully the circumstances upon which Confidential Expenditure should be applied in accordance with the Regulations.</p> <p>The Authority commits that these provisions shall be adhered to in future, paying special attention to applicability and accountability requirements in every case requiring utilization of Confidential Expenditure funds.</p> <p>Going forward, Management will develop and put in place effective control measures to mitigate the risk of mismanagement of such funds by staff. Application of such funds shall thus be strictly guided by Section 101(6) of the Public Finance Management Regulations, 2015.</p>			


Accounting Officer/CEO
Dr Joel Mabonga


Director, Business Services
Maina Njoroge-ICPAK Member No. 2611

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
Refurbishment of buildings						
1. Aventure Limited	1,095,339	30/05/2017	-	1,095,339	-	Office partitioning project, 4th floor
Supply of goods						
1. Office Technologies Ltd	60,320	20/03/2017	60,320	-	-	Supply of Epson projector
2. Kenafic	1,800	30/11/2016	1,800	-	-	Withholding VAT
3. Hilton Hotel	11,255	09/03/2017	11,255	-	-	Withholding VAT
4. Kul Graphics	5,880	19/11/2016	5,880	-	-	Withholding VAT
5. Kul Graphics	3,300	19/05/2016	3,300	-	-	Withholding VAT
Sub-total	82,555		82,555	-	-	
Supply of Services						
1. Toyota Kenya	7,588	16/02/2017	7,588	-	-	Motor vehicle service
2. Koni Technologies	40,600	8/03/2017	-	40,600	-	Image transfer roller for printer
3. Hatari Security Guards	352,640	31/05/2017	352,640	-	-	Security guard services
4. Infoage Business Solution	17,719	23/06/2017	17,719	-	-	Asset tagging services
5. Miles Group	6,300	30/05/2017	6,300	-	-	Withholding VAT
6. African Touch Safaris	25,460	06/06/2017	25,460	-	-	Air ticket
7. Liquid Telecom	17,069	01/06/2017	17,069	-	-	Withholding VAT
8. Liquid Telecom	22,855	01/09/2016	22,855	-	-	Withholding VAT
9. Lexis Investment	810	02/06/2017	810	-	-	Withholding VAT for service charge Kisumu Office
10. Global Training Institute	16,000	07/11/2016	-	16,000	-	Staff training

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Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
Sub-total	507,041		450,441	56,600	-	
Grand Total	1,684,935		532,996	1,151,939	-	

ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
Middle Management							
1. Raphael Nyina	5	829	30/06/2017	829	-	-	Per diem - June 2017
2. Patrick Ronoh	5	16,800	30/06/2017	16,800	-	-	Per diem - June 2017
Sub-total		17,629		17,629	-		
Others (Payroll deductions)							
1. Mwalimu National Sacco Society		20,450	31/05/2017	20,450	-	-	Staff deduction May 2017
2. Pan Africa Life Assurance Limited		14,673	31/05/2017	14,673	-	-	Staff deduction May 2017
3. CIC Insurance		5,000	23/06/2017	5,000	-	-	Staff deduction June 2017
Sub-total		40,123		40,123	-	-	
Total		57,752		57,752	-	-	

Notes:

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

- Suppliers' invoices were received after the IFMIS commitments module was closed on 31st May 2017.
- The payments were processed on time but the transactions failed on the Central Bank of Kenya's Internet Banking system, and thus reversed after 30th June 2017.
- The pending bills were within the Authority's budgetary provisions for the year.

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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost 2016/17 Kshs' 000	Historical Cost 2015/16 Kshs' 000
Office refurbishment (2 nd and 3 rd Floors, ACK Garden Annex, 1 st Ngong Avenue, Nairobi)	76,451,520	66,849,385
Motor vehicles	101,906,318	83,316,318
Office equipment, furniture and fittings	26,432,892	11,512,717
ICT equipment, software and other ICT assets	8,169,506	5,418,143
Total	212,960,236	167,096,563

