

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

Paper Laid
By Leader of
Majority Party
Hon. Alex Ojwang

on Tuesday
10/3/2015
Jed

PARLIAMENT
OF KENYA
LIBRARY

TABLE OFFICE
S/No.
10 MAR 2015
Sign.
PAPER LAID

REPORT

OF

THE AUDITOR-GENERAL

ON

**INDEPENDENT POLICING OVERSIGHT
AUTHORITY (IPOA)**

FOR THE YEAR ENDED 30 JUNE 2014



REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT POLICING OVERSIGHT AUTHORITY (IPOA) FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Independent Policing Oversight Authority (IPOA) which comprise the, statement of financial position as at 30 June 2014 and the statement of statement of receipts and payments, statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with Section 35 of the IPOA Act, 2011 and the provisions of Sections 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

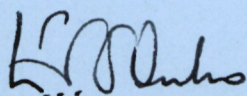
In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the statement.

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

Opinion

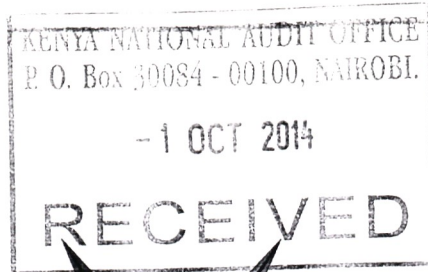
In my opinion, the financial statements present fairly, in all material respects, the financial position of the Independent Policing Oversight Authority (IPOA) as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Independent Policing Oversight Authority Act, 2011.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

2 December 2014



B₂
first
clean copy



IPOA Independent Policing Oversight Authority

INDEPENDENT POLICING OVERSIGHT AUTHORITY (IPOA)

REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

TABLE OF CONTENT

	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	1
II. FORWARD BY THE BOARD CHAIRMAN.....	5
III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES.....	6
IV. REPORT OF THE INDEPENDENT AUDITORS	7
V. STATEMENT OF RECEIPTS AND PAYMENTS.....	8
VI. STATEMENT OF ASSETS.....	9
VII. STATEMENT OF CASHFLOW	10
VIII. SUMMARY STATEMENT OF APPROPRIATION: COMBINED	11
IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT	12
X. SUMMARY STATEMENT OF PROVISIONING	13
XI. SIGNIFICANT ACCOUNTING POLICIES.....	14
XII. EXPLANATORY NOTES	16
ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE.....	21
ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER.....	22

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Incorporation

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

The objectives of the Authority are to:

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

Principal Functions

The principal functions of the Authority are to:

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

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

I. KEY ENTITY INFORMATION AND MANAGEMENT (continued)

(b) Key Management

Board Members:

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

Macharia Njeru	-	Chairman
Jedidah Ntoyai	-	Vice Chair
Tom Kagwe	-	Member
Fatuma Saman	-	Member
Rose Bala	-	Member
Grace Madoka	-	Member
Vincent K. Kiptoo	-	Member
Njeri Onyango	-	Member

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 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	James Olola	Director, Complaints and Legal Services
4	Hared Hassan	Director, Inspection and Monitoring
5	Njeri Waithaka	Ag. Director, Investigations
6	Fernando Wangila	Head, ICT
7	Irene Muasya	Head, Risk and Audit
8	Gladys Some	Head, Communications & Outreach
9	Rhoda Wairioko	Head, Human Capital
10	James Chemiati	Head, Security Services
11	Janice Misoi	Head, Complaints

(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. This report was reviewed by this committee.

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

I. KEY ENTITY INFORMATION AND MANAGEMENT (continued)

(d) Fiduciary Oversight Arrangements (continued)

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

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

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

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

The Audit & Risk 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

Inspections & Monitoring Committee

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

Human Resource Committee

Jedidah Ntoyai (Chair)
Grace Madoka
Fatuma Saman

Investigations & Legal Committee

Vincent Kiptoo (Chair)
Njeri Onyango
Tom Kagwe
Rose Bala

Communications & Outreach Committee

Grace Madoka (Chair)
Fatuma Saman
Macharia Njeru

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

I. KEY ENTITY INFORMATION AND MANAGEMENT (continued)

(d) Fiduciary Oversight Arrangements (continued)

Audit & Risk Committee

Rose Bala (Chair)

Jedidah Mtoyai

Grace Madoka

ICT Committee

Macharia Njeru (Chair)

Grace Madoka

Fatuma Saman

(e) IPOA Headquarters

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

(f) Contacts

Telephone: (254) 020 4906 000

E-mail: info@ipoa.go.ke

Website: www.ipoa.go.ke

(g) Bankers

Bankers:

Central Bank of Kenya,

Haile Selassie Avenue Street,

P O Box 60000, 00200 City Square,

Tel: 2860 000,

NAIROBI.

(h) Independent Auditors

Auditor General,

Kenya National Audit Office (KENAO),

Anniversary Towers

P O Box 49384, 00100 GPO,

NAIROBI

(i) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

II. FORWARD BY THE BOARD CHAIRMAN

During the financial year, IPOA was initially allocated Kshs. 153.9m, which was later increased by Kshs. 59.1m and Kshs. 66.7m during Budget Supplementary I and II respectively, bringing the total allocation to Kshs. 279.7m. Out of this budget allocation, only Kshs. 248m was disbursed by the Exchequer. Total expenditure for the year amounted to Kshs. 219.2m of which Kshs. 113.8m was spent on compensation of employees, Kshs. 53.3m on use of goods and services, and Kshs. 52m on acquisition of assets, mainly on partition of office premises. Overall, the Authority absorbed 78% of the total allocated budget for the year. The low budget performance was mainly due to Supplementary budget disbursement being released past the end of the financial year.

During the period, the Authority commenced implementation of its mandate by receiving and processing complaints from both the public and members of the police service. This led to several investigations being carried out. Due to staff capacity, some of the cases were pending investigations by the end of the financial year. Investigations on one case were completed and file submitted to the Office of the Director of Public Prosecutions upon which a police officer was prosecuted. The case is ongoing before a Court of law. The Authority also inspected 23 police stations and posts during the year. On institutional strengthening, the Authority recruited 73 employees during the period, of whom 20 were investigators and 11 complaints management officers. The Authority also recruited the Chief Executive Officer in addition to senior management staff. Additionally, the Authority developed its 4-year Strategic Plan, 2014/18, which was officially launched on 11th September 2014. This informed the development of the Authority's annual work plan for 2014/15 financial year. The Authority also commenced development of operational manuals such as HR, ICT, financial and administration, and Regulations to guide the implementation of its mandate.

Even with limited resources and staff capacity, the Authority stepped up implementation of its mandate and functions. It is emerging that these cases are on an increase with the public becoming aware of the existence of the Authority and its functions. Despite the efforts and successes recorded so far, the Authority remains underfunded for full implementation of its mandate. Funding has remained a major impediment, and the Authority hopes that additional resources will be made available to enable IPOA realize full implementation of its mandate. The Authority has also continued to face challenges in its investigations especially due to non-cooperation by the police, and availability of crucial evidence. The Authority is committed towards its mandate, and looks forward to continue implementing its functions in a transparent, objective and in fair manner. The Authority will continue cooperating with all other related agencies in carrying its work especially the National Police Service.

Macharia Njeru
Chairman

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed 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, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the 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 the Independent Policing Oversight Authority 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, 2014, and of the Authority's financial position as at that date. The Accounting Officer 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 29th September 2014.


Chief Executive Officer


Director, Business Services

IV. REPORT OF THE INDEPENDENT AUDITORS

We have audited the accompanying financial statements of the Independent Policing Oversight Authority (IPOA) for the year ended June 30, 2014 which comprise: (i) a statement of receipts and payments; (ii) a statement of financial assets and liabilities; (iii) a statement of comparative budget and actual amounts; (iv) a statement of pending bills as at June 30, 2014; and (v) a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at June 30, 2014, and its receipts and payments, as well as cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Auditor General

Date

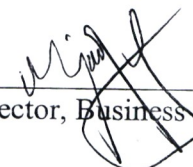
INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2013-2014 Kshs'000	2012-2013 Kshs'000
RECEIPTS			
Exchequer releases	1	247,980	246,000
Domestic Currency and Domestic Deposits	2	6,418	-
Other receipts	3	56	-
TOTAL RECEIPTS		254,454	246,000
PAYMENTS			
Compensation of employees	4	113,822	37,421
Use of goods and services	5	53,321	67,687
Acquisition of assets	6	52,021	69,759
TOTAL PAYMENTS		219,164	174,867
SURPLUS/DEFICIT		35,290	71,133

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29.11.14... September 2014 and signed by:


 Chief Executive Officer


 Director, Business Services

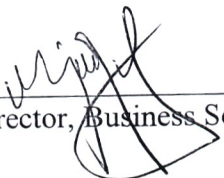
INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

VI. STATEMENT OF ASSETS

	Note	2013-2014 Kshs'000	2012-2013 Kshs'000
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	7	34,937	71,039
Outstanding Imprests	8	447	94
TOTAL FINANCIAL ASSETS		35,384	71,133
REPRESENTED BY			
Fund balance b/fwd	9	94	-
Surplus for the year		35,290	71,133
NET FINANCIAL POSITION		35,384	71,133

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29th September 2014 and signed by:


 Chief Executive Officer

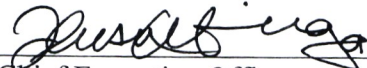

 Director, Business Services

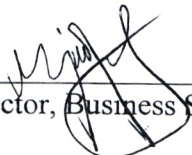
INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

VII. STATEMENT OF CASHFLOW

	Notes	2013-2014 Kshs'000	2012-2013 Kshs'000
Receipts for operating income			
Exchequer Releases	1	247,980	246,000
Other Revenues (A-I-A)	3	56	-
Payments for operating expenses			
Compensation of Employees	4	(113,822)	(37,421)
Use of goods and services	5	(53,321)	(67,687)
Net cash flow from operating activities		80,893	140,892
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	6	(52,021)	(69,759)
Net cash flows from Investing Activities		(52,021)	(69,759)
CASHFLOW FROM BORROWING ACTIVITIES			
Domestic Currency and Domestic Deposits	2	6,418	-
Net cash flow from financing activities		6,418	-
NET INCREASE IN CASH AND CASH EQUIVALENT		35,290	71,133
Cash and cash equivalent at BEGINNING of the year	9	94	-
Cash and cash equivalent at END of the year		35,384	71,133

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29th.....September 2014 and signed by:


 Chief Executive Officer


 Director, Business Services

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014 (Kshs'000)

VIII. SUMMARY STATEMENT OF APPROPRIATION: COMBINED

Receipt/Expense Item	Original Budget Kshs'000	a	Adjustments Kshs'000	b	Final Budget Kshs'000	c=a+b	Comparable Basis Kshs'000	d	Actual on Budget Basis Kshs'000	e=c-d	Budget Utilization Difference Kshs'000	% of Utilization Kshs'000	f=d/c %
RECEIPTS													
Exchequer releases	153,871		125,817		279,688		247,980		31,708		89%		
Other Receipts (A-I-A)	-		-		-		56		(56)				
Sub-Total	153,871		125,817		279,688		248,036		31,652		89%		
PAYMENTS													
Compensation of Employees	60,000		59,117		119,117		113,822		5,295		96%		
Use of goods and services	78,131		-16,013		62,118		53,321		8,797		86%		
Acquisition of Assets	15,740		82,713		98,453		52,021		46,432		53%		
TOTALS	153,871		125,817		279,688		219,164		60,524		78%		

Notes:

- (a) During 2013/14 financial year, the Authority generated Kshs. 56,000 in form of Appropriation in Aid (A-I-A). The amount was received from sale of tender documents.
- (b) The Authority recorded 78% budget utilization during the year. Of the revised budget amounting to Kshs. 279.7 million, only Kshs. 248 million was disbursed during the period.

The entity financial statements were approved on 29th September 2014 and signed by:


 Chief Executive Officer


 Director, Business Services

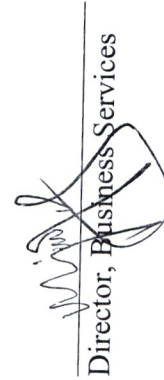
INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget Kshs'000	a	Adjustments Kshs'000	b	Final Budget Kshs'000	c=a+b	Comparable Basis Kshs'000	d	Budget Utilization Difference Kshs'000	e=c-d	% of Utilization	f=d/c %
RECEIPTS												
Exchequer releases	153,871		125,817		279,688		247,980		31,708		89%	
Other Receipts(A.I.A)	-		-		-		56		(56)			
Sub-Total	153,871		125,817		279,688		248,036		31,652		89%	
PAYMENTS												
Compensation of Employees	60,000		59,117		119,117		113,822		5,295		96%	
Use of goods and services	78,131		(16,013)		62,118		53,321		8,797		86%	
Acquisition of Assets	15,740		82,713		98,453		52,021		46,432		53%	
TOTALS	153,871		125,817		279,688		219,164		60,524		78%	

The entity financial statements were approved on 29th September 2014 and signed by:


 Chief Executive Officer


 Director, Business Services

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

X. SUMMARY STATEMENT OF PROVISIONING


- Details of General Accounts On Vote

	2013 - 2014 Kshs'000	2012 - 2013 Kshs'000
GAV Provisioning account balance	60,524	71,039
Total	60,524	71,039

- Details of Exchequer Account

	2013 - 2014 Kshs'000	2012 - 2013 Kshs'000
Exchequer Provisioning account balance	31,652	-
Total	31,652	-


 Chief Executive Officer


 Director, Business Services

XI. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of compliance and basis of preparation

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

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

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Authority.

2. Recognition of revenue and expenses

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

3. In-kind contributions

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

4. Cash and cash equivalents

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

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

XI SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. 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 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.

6. 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.

7. Comparative figures

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

8. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

XII. EXPLANATORY NOTES

1 EXCHEQUER RELEASES

	2013 - 2014	2012 - 2013
	Kshs'000	Kshs'000
Total Exchequer Releases for Quarter 1	55,000	-
Total Exchequer Releases for Quarter 2	25,000	96,000
Total Exchequer Releases for Quarter 3	60,000	150,000
Total Exchequer Releases for Quarter 4	107,980	-
Total	247,980	246,000

2 DOMESTIC CURRENCY AND DOMESTIC DEPOSITS

	2013 - 2014	2012 - 2013
	Kshs'000	Kshs'000
10% Retention amount in relation to office partitioning project)*	6,418	-
Total	6,418	-

*Refer to Annex 1 for breakdown on retention amount

3 OTHER REVENUES

	2013 - 2014	2012 - 2013
	Kshs'000	Kshs'000
Receipts from Administrative Fees and Charges - Collected as AIA	56	-
Total	56	-

4 COMPENSATION OF EMPLOYEES

	2013 - 2014	2012 - 2013
	Kshs'000	Kshs'000
Basic salaries of permanent employees	67,289	29,530
Basic wages of temporary employees	620	-
Personal allowances paid as part of salary	44,658	7,891
Compulsory national social security schemes	176	-
Compulsory national health insurance schemes	141	-
Other personnel payments	938	-
Total	113,822	37,421

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

XII EXPLANATORY NOTES (CONTINUED)

5 USE OF GOODS AND SERVICES

	2013 - 2014	2012 - 2013
	Kshs'000	Kshs'000
Communication, supplies and services	2,803	1,589
Domestic travel and subsistence	2,487	4,198
Foreign travel and subsistence	130	2,636
Printing, advertising and information supplies & services	5,716	12,375
Rentals of produced assets	15,233	24,181
Training expenses	582	932
Hospitality supplies and services	2,270	2,977
Insurance costs	17,650	8,208
Office and general supplies and services	2,936	4100
Other operating expenses	2,258	5,908
Routine maintenance – vehicles and other transport equipment	1,139	572
Routine maintenance – other assets	117	10
Total	53,321	67,687

6 ACQUISITION OF ASSETS

Non Financial Assets

	2013 - 2014	2012 - 2013
	Kshs'000	Kshs'000
Refurbishment of Buildings	48,205	17,483
Purchase of Vehicles and Other Transport Equipment	-	49,577
Purchase of Office Furniture and General Equipment	3,032	2,699
Purchase of Specialized Plant, Equipment and Machinery	784	-
Total	52,021	69,759

7 BANK ACCOUNTS

Name of Bank, Account No. & currency	Amount in bank account currency	Exc rate	2013 - 2014	2012 - 2013
			Kshs'000	Kshs'000
Central Bank of Kenya, Account No. 1000181559 (Recurrent)	Kshs.	-	28,519	71,039
Central Bank of Kenya 165, Account No. 1000182717	Kshs.	-	-	-
Central Bank of Kenya, Account No. 1000182393 (Deposit)	Kshs.	-	6,418	-
Total			34,937	71,039

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

XII EXPLANATORY NOTES (CONTINUED)

8 OUTSTANDING IMPRESTS

Name of Officer or Institution	Date Imprest Taken	Amount Taken	Amount Surrendered	Balance
		Kshs'000	Kshs'000	Kshs'000
Kennedy Muchiri	30/06/2014	10	-	10
Rebecca Jakaiti	30/06/2014	40	-	40
Crobers Onyancha	30/06/2014	48	-	48
Paul Murkomen	30/06/2014	59	-	59
Elizabeth Nyaga	30/06/2014	59	-	59
Abraham Lorot	30/06/2014	65	-	65
Caroline Njeru	30/06/2014	33	-	33
Evans Okeyo	30/06/2014	43	-	43
Vivian Wecheta	30/06/2014	43	-	43
Stephen Kayongo	30/06/2014	47	-	47
Total		447		447

9 BALANCES BROUGHT FORWARD

	2013 - 2014 Kshs'000	2012 - 2013 Kshs'000
Imprest	94	-
Total	94	-

Note: The amount brought forward was outstanding staff imprests in 2012/13, which were surrendered and expensed during 2013/14 financial year.

10 OTHER IMPORTANT DISCLOSURES

10.1 PENDING ACCOUNTS PAYABLE (See Annex 1)

	2013-2014 Kshs'000	2012-2013 Kshs' 000
Office partitioning project	8,224	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	4,428	-
	12,652	-

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

XII EXPLANATORY NOTES (CONTINUED)

11. PROGRESS ON FOLLOW UP OF AUDITOR 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 (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Irregular procurement of goods and services	Due to staff capacity, the Authority had not appointed its required tender committees	Maina Njoroge, Acting CEO	Resolved: All tender committees appointed and commissioned.	June 2014
2	Direct procurement	Authority had not prequalified its suppliers and service providers.	Maina Njoroge, Acting CEO	Resolved: Authority borrowed prequalification lists from three public institutions. Additionally, the Authority advertised for its prequalification of suppliers and service providers in May 2014	June 2014
3	Unsupported rental payments	Lease of office space at KICC was done through the Office of the President that issued an LSO on behalf of IPOA. KICC is a	Maina Njoroge, Acting CEO	Authority has already signed a Lease Agreement through the Ministry of Land, Housing and Urban Development for current premises to avoid a similar issue.	June 2014

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4	Irregular procurement of services	Government institution. Authority paid for services upfront for an event that was not done by 30 th June 2013. This was due to Chief Guest having not confirmed the Baseline Survey launch date. However, the event was eventually done in September 2013.	Maina Njoroge, Acting CEO	Resolved: Authority has ensured that all its procurement process is carried in adherence to the procurement regulations. Additionally, all tenders contracted have been implemented in line with tendering provisions in regard to payments and performance.	June 2014


 Chief Executive Officer


 Director, Business Services

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Deposit Account Balance 2013	Outstanding Balance 2013	Comments
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	
	a	b	c	d=a-c		
Construction of buildings(Refurbishment)						
1. Alfatech Contractors Ltd (Main Contractor)	36,818	16/05/2013	32,963	3,702	153	Office partitioning project
2. Ministry of Land, Housing & Urban Dev. (Project Manager)	600	16/05/2013	-	-	600	Office partitioning project
2. Unicool International Ltd (Air-conditioning)	1,751	16/05/2013	1,403	156	192	Office partitioning project
4. Infinity E.A Ltd (Electrical)	6,885	16/05/2013	5,648	628	609	Office partitioning project
5. Bowl Plumbers Ltd (Plumbing works)	769	16/05/2013	738	31	-	Office partitioning project
6. Pong Agencies Ltd (PABX)	9,838	16/05/2013	8,678	964	196	Office partitioning project
7. Com 21 Ltd (Security system)	8,043	16/05/2013	7,452	591	-	Office partitioning project
8. Mather & Platt (Fire suppression system)	1,220	16/05/2013	1,060	118	42	Office partitioning project
9. Masterpower Systems (UPS)	2,295	16/05/2013	2,053	228	14	
Sub-Total	68,219		59,995	6,418	1,806	
Supply of services						
7. CIC Medical Insurance	13,741	01/04/2014	11,394		2,347	Staff medical insurance
8. Price Water House Coopers Ltd	583	24/06/2013	-		583	Staff recruitment
9. Britam-GPA/GPL	1,498	01/04/2014	-		1,498	Staff GPA and GPL
Sub-Total	15,822		11,394		4,428	
Grand Total	84,041		71,389	6,418	6,234	
Total outstanding including 10% retention					12,652	

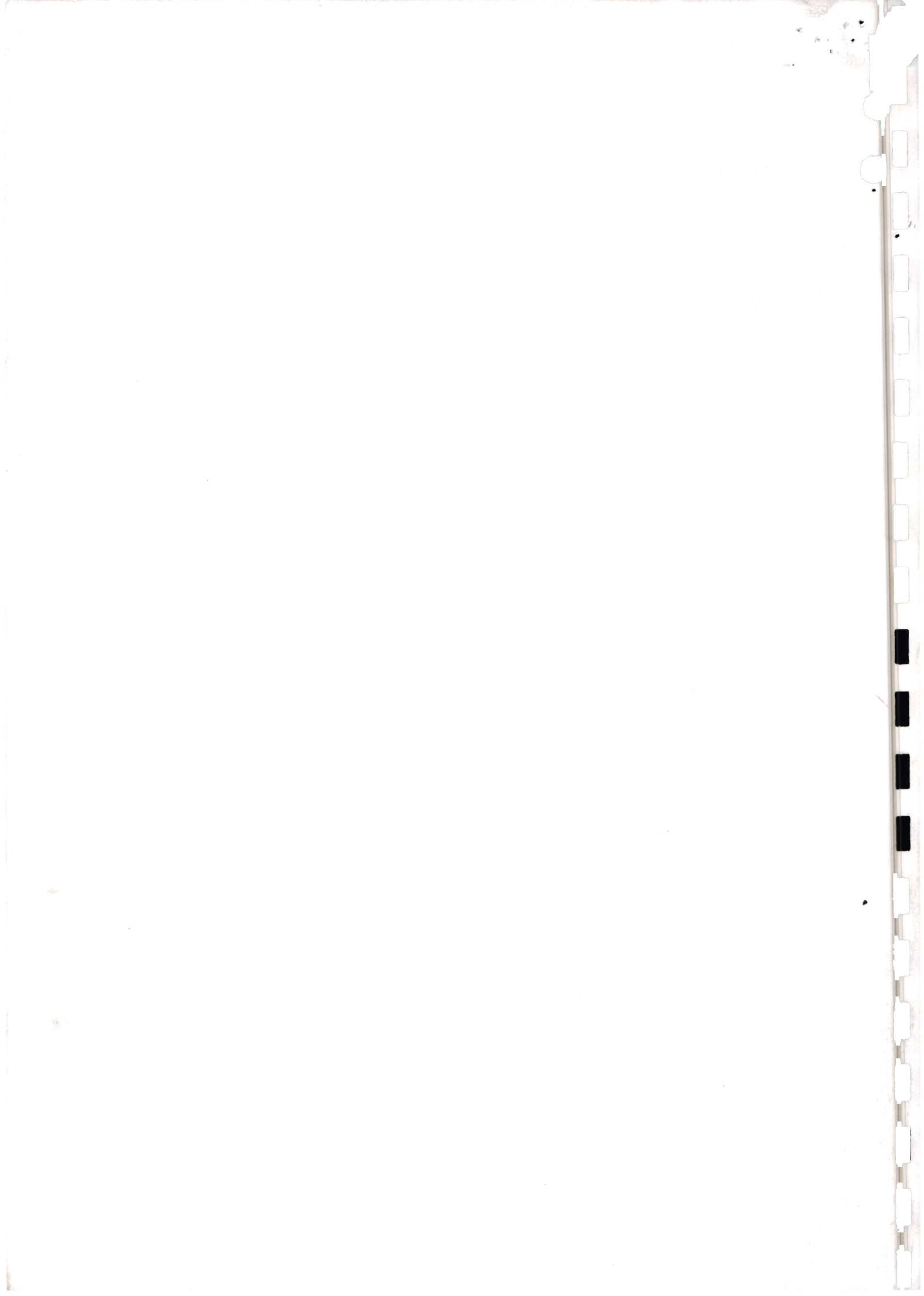
INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2014

ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost 2013/14 Kshs'000	Historical Cost 2012/13 Kshs'000
Office Refurbishment (2 nd and 3 rd Floors, ACK Garden Annex)	65,688	17,483
Motor vehicles	49,577	49,577
Office equipment, furniture and fittings	5,763	2,699
ICT Equipment, Software and Other ICT Assets	752	-
Total	121,780	69,759

ICDC SUBSIDIARIES AND ASSOCIATE COMPANIES AS AT 30TH JUNE 2015

		Number of Total Paid Up Shares	Number of Shares Held By ICDC	% Shareholding By ICDC
	(i) Unlisted Companies			
1	Agro-Chemical and Food Company Limited	3,000,000	845,000	28.17
2	AON Minet Insurance Brokers Limited	1,545,700	309,140	20.00
3	Development Bank of Kenya Limited	17,375,000	15,520,000	89.32
4	East African Coast Fisheries Limited (In Receivership)	1,862,950	511,520	27.46
5	Focus Container Freight Station	100,000	25,000	25.00
6	Funguo Investments Limited	8,193,699	2,190,000	26.73
7	General Motors East Africa Limited	1,567,500	313,500	20.00
8	Kenatco Taxis Limited (In Receivership)	250,000	250,000	100.00
9	Kenatco Transport Co. Limited (In Liquidation)	345,000	345,000	100.00
10	Kenya National Trading Corporation Ltd	1,600,000	1,600,000	100.00
11	Kisii Bottlers Limited	17,866,900	8,421,170	47.13
12	KWA Holdings Limited	96,000,000	44,788,132	46.65
13	Meatland Processing Limited	723,810	227,688	31.46
14	Mount Kenya Bottlers Limited	4,498,293	1,157,819	25.74
15	Mountain Region Poultry Farmers Company Limited	573,000	160,000	27.92
16	Njoka Tanners Limited	3,770,000	1,250,000	33.16
17	Palm Health Care Int. Ltd	216,775	50,000	23.07
18	Polysynthetics Eastern Africa Limited(In Liquidation)	128,580	38,580	30.00
19	Organic Growers & Packers Ltd.(Preferential Shares@20%)	70,000	70,000	100.00
20	Rift Valley Bottlers Limited	18,368,760	5,907,697	32.16
21	Simba Productions Limited	60,000	48,000	80.00
22	South Nyanza Sugar Company Limited	18,000,000	125,000	0.69
23	Trackspa Limited	57,277	14,000	24.44
24	Wananchi Sawmills (1974) Limited	250,000	111,113	44.45
	ii) Listed Companies			
25	Centum Investment Company Limited	665,441,714	152,847,897	22.97
26	Eveready Batteries Kenya Limited	210,000,000	36,583,575	17.42



Notes (continued)

34. Reserves

(a) Statutory reserves

The statutory reserve represents an appropriation from retained earnings to comply with Central Bank of Kenya's prudential guidelines on impairment of loans and advances. It represents the excess loan provisions as computed in accordance with Central Bank of Kenya's prudential guidelines over the impairment arrived at in accordance with International Financial Reporting Standards.

(b) Other reserves

Other reserves comprise of:

- i) Kshs 280,000 of interest reserve established under a lending agreement between the bank and Industrial & Commercial Development Corporation (ICDC). Under the agreement, part of the interest payable on the loan capital balance was retained as interest reserve and is available for furtherance of the bank's business. The interest reserve is not available for distribution.
- ii) Kshs 721,379,000 revaluation reserves on the equity investment in Kenya Hotel properties net of tax.

10