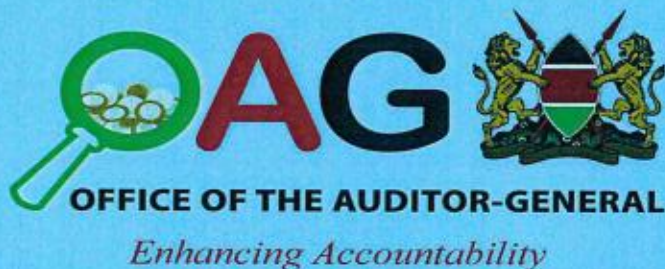


REPUBLIC OF KENYA



## REPORT

DATE: 10 NOV 2022 Thursday

Hon Kimani Ichunguwa OF  
Leader of majority

Samuel Karuma THE AUDITOR-GENERAL

ON

**PRIVATE SECURITY REGULATORY  
AUTHORITY**

**FOR THE FIFTEEN MONTHS PERIOD  
ENDED 30 JUNE, 2021**





**PRIVATE SECURITY REGULATORY AUTHORITY**

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**Annual Report and Financial Statements  
For The 15-Month Period Ended  
30 June, 2021**

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



**Private Security Regulatory Authority (PSRA)**  
**Annual Reports and Financial Statements for the 15-Month Period Ended 30 June, 2021.**

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## **1. Key Authority Information and Management**

### **(a) Background information**

The Private Security Regulatory Authority (PSRA) was established under the Private Security Regulatory Act, No. 13 of 2016. The Authority is domiciled in Kenya under the Ministry of Interior and Coordination of National Government.

### **(b) Principal Activities**

The Authority's core mandate is to provide a framework for cooperation between the private security companies and the national security organs.

### **(c) Key Management**

The Private Security Regulation Authority's day-to-day management is under the following key organs:

1. The Board of Directors.
2. Chief Executive officer/Director General
3. Management Staff

### **(d) Fiduciary Management**

The key management personnel who held office during the 15 months period ended 30 June, 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Fazul Mahamed
2.	Head of Finance	Philip Leakey

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**(e) Fiduciary Oversight Arrangements**

The following are the Authority's oversight arrangements:

1. Audit and Risk Committee
2. Finance committee
3. Human Resource Committee
4. Registration & licensing Committee
5. Parliamentary Committee

**(f) Headquarters**

P.O. Box 22565-00100  
Lonrho House, 10th Floor,  
Standard Street,  
Nairobi, KENYA

**(g) Contacts**

Telephone: (+254) 203 209 000  
E-mail: [psra.kenya@gmail.com](mailto:psra.kenya@gmail.com)  
Website: [www.interior.go.ke](http://www.interior.go.ke)

**(h) Bankers**

National Bank of Kenya  
Harambee Avenue  
P.O. Box 72866-00200  
Nairobi, KENYA

**(i) Independent Auditors**

Auditor General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

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**(j) Principal Legal Adviser**

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




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## 2. The Board of Directors

Ref	Directors	Details
1.	 Mr. Jackson Mbutia	Mr. Jackson Mbutia is the current chairman and the Board member representing registered associations of private security firms
2.	Mrs. Nancy Murega	The Principal Secretary, State Department of Interior representative
3.	Mr. Francis Musyimi	Principal Secretary, National Treasury representative.
4.	Dr. William Kibet Kiprono	Principal Secretary, State Department of Labour representative.



**Private Security Regulatory Authority (PSRA)**  
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Ref	Directors	Details
5.	 <p>Mr. Andrew Solomon</p>	Mr. Andrew Solomon is a board member representing registered associations of private security firms
6.	Mr. James Mwaniki	Board Member representing the National Police Service.
7.	Ms. Mary Chironga	Board member representing the National Intelligence Service.
8.	Mr. Barry Steven Patrick	Board Member representing Private Security Industry Association
9.	Mr. Isaac G. M. Andabwa,	Board Member representing National Private Security Workers' Union.
10.	Mr. Joash Soita,	Board Member representing National Private Security Workers' Union
11.	Mr. Bernard Wanjohi Muriuki (Eng.)	Board Member representing representing the Residents Associations.

**Private Security Regulatory Authority (PSRA)**  
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Ref	Directors	Details
		Chief Executive officer/Director General
12.	Fazul Mahamed	



**Private Security Regulatory Authority (PSRA)**  
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Management Team

Name	Area of Responsibility
 Fazul Mahamed MBA	Chief Executive officer
 Philip Leakey, ACCA Bsc. Accounting & Fin. MBA	Finance Manager

**Private Security Regulatory Authority (PSRA)**  
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 A portrait of Kevin Ngarari, a man with short dark hair and a beard, wearing a brown suit jacket, a red patterned vest, and a red tie.	
Kevin Ngarari; LLB	Head of Legal services
 A portrait of Jennifer Njeri, a woman with dark hair styled in braids, wearing a black top.	
Jennifer Njeri; BA	Head of Registration



### **3. Chairman's Statement**

On behalf of the Board of Directors, I am pleased to present to you the Private Security Regulatory Authority's annual report and financial statements for the 15 months period ended 30<sup>th</sup> June, 2021.

The Private Security in Kenya has always been steered by private security companies with minimal Government intervention. However, with the enactment of "The Private Security Regulation Authority (PSRA) Act No. 13 of 2016", the Government of Kenya through PSRA seeks to provide a framework for cooperation between the private security companies and the national security organs.

In the past, Private security companies have struggled to run their own internally developed training curriculums. To this end, the Authority has successfully launched the Training Curriculum for Private Security Officers Level One that was designed to address key professional development areas in the private security industry. This is embodied as a requirement in the Private Security Regulation Act No. 13 of 2016 which requires all private security officers to undergo the prescribed training, be accredited and certified by the Authority.

Before the enactment of the PSRA Act 2016, Private security officers in Kenya only accessed on-the-job training, coupled with relevant work experience without recognized government accreditation or certification. Employers in this sector have had no standardized curriculum, creating loopholes for the market to adopt curricula borrowed from other countries and authorities. This rendered the industry unbalanced in terms of skills, competency and knowledge base.

Industry players and experts were brought together by PSRA in a consultative forum to develop curricula and address issues to do with standardization of a national

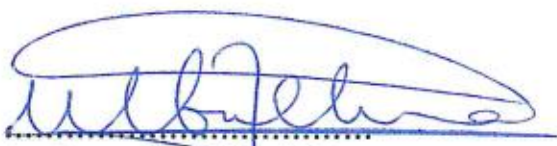
**Private Security Regulatory Authority (PSRA)**  
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curriculum that is recognized internationally. PSRA therefore, is working to address various skills and knowledge gaps that exist in the industry and allow accreditation and certification after approved training and assessment in line with international standards. PSRA is also working to operationalize the Private Security (General) Regulations, 2019, and all stakeholders are called upon to work with in order to have a professional workforce as envisaged in the Private Security Regulation Act No. 13 of 2016.

In the year under review, PSRA has faced a myriad of challenges. The restrictions to movement and person to person interaction imposed by the Ministry of Health due to the COVID-19 greatly impacted on our operations. However, the Authority remained resilient through the tough times and stood committed to its mission.

I take this opportunity to thank my fellow Board of Directors, dedicated staff, the Ministry of Interior and Coordination of National Government, Private Security companies and all our other stakeholders for their continued support to PSRA. We look forward to a better future in the furtherance of PSRA's mandate.



**Jackson Mbutia, HSC**  
**Chairman, Board of Directors.**

**Private Security Regulatory Authority (PSRA)**  
**Annual Reports and Financial Statements for the 15-Month Period Ended 30 June, 2021.**

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#### **4. Report of the Chief Executive Officer**

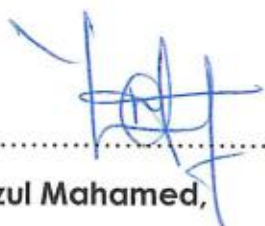
I am delighted to present to you the Private Security Regulatory Authority's (PSRA) annual report and financial statements for 15 months period ended 30<sup>th</sup> June, 2021.

PSRA is committed to standardise Kenya's private security industry and therefore, navigating to a better and safer country. Private security plays a key role in enhancing a country's security therefore providing an enabling environment that spurs economic development. In the few years of its existence PSRA has developed the training curriculum for private security officers' level one. The curriculum development took into account inputs from experts and other stakeholders in the security sector in Kenya.

During the 15 months period under review, PSRA was allocated Kshs.63,448,084 in its annual budget to finance its activities. A significant proportion of this allocation was spent in setting up its secretariat particularly in the development of the vital systems and structures.

PSRA continues to work and consult with other key stakeholders notably the National Security Advisory Committee in the development of its curricula. Further, PSRA implements the overall policy guidance by the Ministry of interior and Coordination of National Government to ensure the private security industry discharges its mandate effectively.

Going forward, we are committed to operational excellence, capacity expansion, and stakeholder engagement to ensure the effective administration, supervision, regulation and control of the private security services industry; and enforce standards for the conduct of the private security services industry in Kenya.



**Fazul Mahamed,**  
**Chief Executive Officer**



## **5. Statement of Performance Against Predetermined**

Section 81 subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting officer to include in the financial statement a statement of performance against predetermined objectives.

Private Securities Regulatory Authority has six strategic objectives as follows:

1. To enhance regulatory, legislative and policy for Private Security Firms.
2. To strengthen compliance with regulations by Private Security Firms and personnel.
3. To strengthen institutional capacity of the Authority;
4. To facilitate establishment and growth of Private Security Providers;
5. To promote strategic partnerships and networking among stakeholders; and
6. To enhance resources mobilization for financial sustainability of the Authority.

The Private Securities Regulatory Authority develops its annual work plans based on the above six strategic objectives.

The Private Securities Regulatory Authority achieved its performance targets set for the FY 2020/2021 period for the six strategic objectives, as indicated in the table below:



**Private Security Regulatory Authority (PSRA)**  
**Annual Reports and Financial Statements for the 15-Month Period Ended 30 June, 2021.**

Strategic pillars and Objectives	Key Performance Indicators	Activities	Achievements
Enhancing regulatory, legislative and policy for Private Security Firms	i. Updated standards of operations ii. Quarterly enforcement reports	Formulate and enforce standards for the conduct of the private security services industry in Kenya	Ongoing
Strengthening compliance with regulations by Private Security Firms and personnel.	i. No. of private security persons/providers registered/ licensed ii. No. of private security firms registered/licensed	Register and license all persons involved in or conducting private security services in Kenya	Ongoing
	iii. Quarterly Updating of the licensed private security personnel details' databank	Maintain a data bank of the operations, conduct and employment history of persons registered and licensed under this Act	Ongoing
Strengthening institutional capacity of the Authority;	i. Quarterly audit of private security providers against the set standards	Ensure that private security service providers act in the public and national interest when rendering their services;	Counties mapped
Facilitating establishment and growth of Private Security Providers.	i. No. of accredited private security training institutions ii. No. of audit reports on the quality of training functions performed by accredited persons iii. No. of partnership collaborations attended iv. No. of training quality assessment reports v. No. of qualifications' standardization categories vi. No. of authentication certificates issued.	Determine, prescribe and enforce minimum standards of occupational conduct in respect of the private security services industry; set standards and accredit institutions offering training of security service providers and prospective security service providers to ensure a high quality of training and in particular with regard to— (i) the accreditation and withdrawal of the accreditation of persons and institutions providing security training; (ii) the monitoring and auditing of the quality of training functions performed by accredited persons; (iii) the participation in the activities of other bodies or persons entitled by law to set standards in respect of training of private security service providers or bodies entitled to formulate, implement or monitor skills development plans for the private security services industry; (iv) the appointment of persons to monitor and assess achievements or outcomes in respect of standards applicable to training;	Ongoing

**Private Security Regulatory Authority (PSRA)**  
**Annual Reports and Financial Statements for the 15-Month Period Ended 30 June, 2021.**

Strategic pillars and Objectives	Key Performance Indicators	Activities	Achievements
		(v) the determination and accreditation of qualifications required by security service providers to perform particular types of security services; and (vi) the taking of reasonable steps to verify the authenticity of training certificates presented by persons for the purposes of this Act;	
Promote strategic partnerships and networking among stakeholders; and	i. No. of documented employment opportunities offered in the private security industry ii. Annual report on private security providers' rights' enforcement iii. Quarterly dissemination of information through IEC iv. No. of sensitization sessions held	i. Set standards to encourage equal opportunity employment practices in the private security services industry; ii. Promote the protection and enforcement of the rights of security guards, private security officers and other employees in the private security services industry; iii. Provide information to the users, prospective users or representatives of users of security services regarding the compliance of private security service providers with the provisions of this Act; iv. Provide or disseminate information promoting and encouraging compliance with this Act and the code of conduct by private security service providers;	Ongoing
To enhance resources mobilization for financial sustainability of the Authority	i. Annual amount raised through licensing of private security providers		In progress



## **6. Corporate Governance Statement**

The Board was gazetted on 3rd February 2017 through a gazette notice – Vol.CXIX-No.15 pursuant to Sections 7 to 20 of the Private Securities Regulatory Act No. 3 of 2016. Various committees of the Board were constituted in May 2018. Composition of the Board The PSRA consists of representatives from eleven institutions who serve on a part time basis. These institutions are: The Ministry of interior and Coordination of National Government, The National Treasury, Ministry Labour, National Police Service, National Intelligence Service, Registered employee associations representing employee organisations, Registered associations representing private security firms, Registered Residents Associations and Kenya Private sector Alliance. These members are nominated by their respective institutions and gazetted by the Cabinet Secretary, National Treasury. The chairman of the Board is appointed by the President. A summary of the members and their nominating institutions is as follows:

No.	Member	Nominating institution
1.	Jackson W. Mbuti, HSC- Ag. Chairman	Office of the president
2.	Andrew Solomon	
3.	Dr. William Kibet Kiprono	PS - Labour
4.	Mr. James Mwaniki	National Police Service.
5.	Ms. Mary Chironga	National Intelligence Service.
6.	Mr.Barry Stephen Patrick	Private Security Industry Association
7.	Mr.Isaac G. M. Andabwa,	Private Security Workers' Union.
8.	Mr.Joash Soita,	Private Security Workers' Union
9.	Mr. Bernard Wanjohi Muriuki (Eng.)	Residents Associations.
10.	Mr. Francis Musyimi	PS – National Treasury
11.	Mrs. Nancy Murega	PS – Interior and Citizen Services

**Private Security Regulatory Authority (PSRA)**  
**Annual Reports and Financial Statements for the 15-Month Period Ended 30 June, 2021.**

**Board diversity**

The Board is constituted by members who have experience in Security governance, engineering the Board's mandate of "Regulating, facilitating, developing capacity and providing policy advice to the Private Security sector." The biographies of the Board members are disclosed on page v of this report.

**Roles and Responsibilities of directors**

The roles and responsibilities of members are outlined in section 14 to 20 of the Private Securities Regulation Act No.13 of 2016. These roles and responsibilities are also detailed in the Authority's Performance Contracting Strategic objectives for the FY 2020/2021. New members, once appointed, are given these documents to familiarise themselves with the roles and responsibilities as outlined in the law. The Private Securities Regulatory (PSRA).

**Board composition and Committees**

The following table represents the Board composition and its committees. There are four committees of the Board and each member is appointed to two committees. Each committee has a total of four members. The table below shows the chairs and members of each committee of the Board.

No.	Board Member	Full Board meeting	Audit & Risk Committee	Human Resource & Administration Committee	Finance committee	Operations & Technical Committee
1.	Jackson W. Mbuti,	√*		√*		
2.	Eng.Benard Wanjohi Muriuki	√				√*
3.	Andrew Solomon	√	√*			
4.	Barry Steven Patrick	√	√			



**Private Security Regulatory Authority (PSRA)**  
**Annual Reports and Financial Statements for the 15-Month Period Ended 30 June, 2021.**

No.	Board Member	Full Board meeting	Audit & Risk Committee	Human Resource & Administration Committee	Finance committee	Operations & Technical Committee
5.	Mrs.Nancy Murega	√	√		√	
6.	Mr.Francis Musyimi	√			√	
7.	Dr.William Kiprono	√		√		
8.	Isaac G. M. Andabwa,	√				√
9.	Joash Soita,	√		√	√*	
10.	James Mwaniki	√			√	
11.	Mary Chironga	√				√

\*Chairman of the Board/Committee

\*\* Immediate former Chairman of the Board

**Board attendance**

Best practice requires that every Board member attends a minimum of 75% of all Board meetings. Below is an extract from the attendance register for the Board meetings held in the period from 1st July 2020 to 30th June 2021:

No.	Board member	Number of Meetings During the year	Number of meetings attended
1.	Jackson W. Mbuthia,	6	6/6
2.	Stephen Barry	6	6/6
3.	Andrew Solomon	6	6/6

**Private Security Regulatory Authority (PSRA)**  
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No.	Board member	Number of Meetings During the year	Number of meetings attended
4.	Nancy Murega	6	6/6
5.	Francis Musyimi	6	6/6
6.	William Kiprono	6	6/6
7.	Jmaes Mwaniki	6	6/6
8.	Isaac G. M. Andabwa,	6	6/6
9.	Joash Soita,	6	6/6
10.	Bernard Wanjohi Muriuki (Eng.)	6	6/6
11.	Mary Chironga	6	6/6

Board committees are established as per Section 14 of the Private Securities Regulation Act No. 13 of 2016. Below are the various Board Committees, their general functions and attendance of Board Committee meetings during the year:

**Audit and Risk Committee**

The Committee's mandate includes: monitor and review the integrity of the Authority's financial statements, internal financial control and risk management; monitor and review the effectiveness of the Authority's internal audit function; monitor and review the External Auditors' (appointed by the Controller and Auditor-General in accordance with Section 2 of the State Corporations Act). review audit issues raised by both the internal and external Auditors and receive, review and evaluate technical, compliance, performance and financial audit reports.

No.	Board member	Number of Meetings During the year	Number of meetings attended
1.	Andrew Solomon *	4	4/4
2.	Barry Steven Patrick	4	4/4



**Private Security Regulatory Authority (PSRA)**  
**Annual Reports and Financial Statements for the 15-Month Period Ended 30 June, 2021.**

3.	Nancy Murega	4	4/4
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*\*Chairman of the Committee*

**Finance committee**

This Committee oversees the corporate finance matters of the Authority, in particular. The Committee's mandate includes; Reviewing policies to do with finance, develop annual budget estimates with secretariat, Approve the budget within the committee, monitor adherence to budget, present financial goals and objectives of the Board. The composition of the committee was as below:

No.	Board member	Number of Meetings During the year	Number of meetings attended
1.	Joash Soita *	4	4/4
2.	James Mwaniki	4	4/4
3.	Francis Musyimi	4	4/4

**Human Resource Committee**

The Committee continually reviews the organizational structure, core functions & optimum establishment, policies and procedures on staff recruitment and selection, staff training and development, the performance and reward system as well as the terms and conditions of service in line with the Authority's strategy. Further, the Committee reviews the Authority's Human Resource Policies and recommends any amendments to the Board for approval. the Committee supports and advises the Board on the appropriate size and composition of the Board that will enable it to discharge its responsibilities and ensures transparent procedures for selecting new staff for appointment. The Committee reviews the Authority's remuneration, recruitment, retention, incentive and termination policies and procedures for the Chief Executive Officer/ Director and Managers, their basic salary. The Committee also considers any recommendations of the Chairman or Chief Executive Officer/

**Private Security Regulatory Authority (PSRA)**  
**Annual Reports and Financial Statements for the 15-Month Period Ended 30 June, 2021.**

Director/ CEO of the Company regarding payment of bonuses or performance related remuneration. The composition of the Human Resource Committee was as below:

No.	Board member	Number of Meetings During the year	Number of meetings attended
1.	Jackson Mbutia*,	4	4/4
2.	Joash Soita	4	4/4
3.	William Kiprono	4	4/4

**Operations and Technical Committee**

The Committee's mandate includes: checking for compliance for all security firms in Kenya, vetting and recommendation for issuance of licenses to only qualifying firms and individuals

No.	Board member	Number of Meetings During the year	Number of meetings attended
1.	Benard Wanjohi Muriuki(Eng)*,	4	4/4
2.	Isaac Andabwa	4	4/4
3.	Mary Chironga	4	4/4



***Private Security Regulatory Authority (PSRA)***  
***Annual Reports and Financial Statements for the 15-Month Period Ended 30 June, 2021.***

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**Term of Board members**

The term of the Board is outlined under Section 13 of Private Securities Regulation Act No. 13 of 2016. The chairman is appointed by the president while Members are appointed by the Cabinet Secretary for the Ministry of Interior and Coordination National Government and serve for a term three years and shall be eligible for reappointment renewable once for a further term of three years. The first term of the 11 Board members has not expired. These members were reappointed by their nominating institutions and gazetted in the Kenya Gazette by the Cabinet Secretary, Ministry of Interior and Coordination National Government.

**Board remuneration**

As per Section 12 of Private Securities Regulation Act No. 13 of 2016, the remuneration payable allowances to the members of the Board are determined by the Salaries and Remuneration Commission. Details of Board and committee allowances are included in these financial statements.

**Board Evaluation**

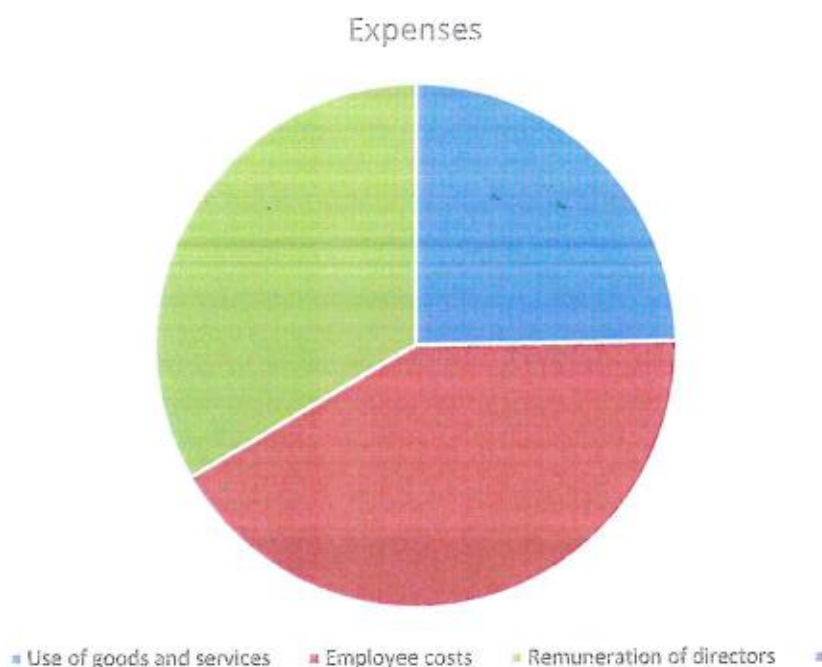
The performance of the Board and its members was evaluated on for the first time by State Corporations Advisory Committee (SCAC). During the year a Board evaluation exercise was carried out in July 2020 under the guidance of the State Corporations Advisory Committee (SCAC).

**Private Security Regulatory Authority (PSRA)**  
**Annual Reports and Financial Statements for the 15-Month Period Ended 30 June, 2021.**

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## 7. Management Discussion and Analysis

During the 15 months period under review the Authority received a total of Ksh 63,448,084 it received from the exchequer to finance its activities. A big portion of these funds were channelled towards putting up the Authority's systems and structures to improve efficiency. In the current reporting period, Ksh 15,300,261 was spent on use of goods and services, Ksh.28,282,620 was spent on employee costs and Ksh. 19,649,180 on directors' remuneration. Going forward the Authority plans to build capacity amongst the staff, put up a fully-fledged compliance, registration and vetting departments to enable it to discharge its mandate effectively. The pie chart below summarizes the authority's expenses.



## **8. Environmental and Sustainability Reporting**

Private Security Regulation authority exists to transform lives. The management is committed to environmental and sustainability reporting as the driving force to deliver its strategy, putting the citizen first, delivering relevant services, and improving operational excellence. Below is an outline of the Authority's activities that promote sustainability.

### **Environmental performance**

PSRA believes in environmental conservation as well as a safe working environment. The Authority adopts various measures to ensure that its employees remain safe from the Pandemic that continues to cause health and economic challenges within the country. The Authority adopts the following measures and protocols as a way of curtailing the transmission of the novel virus; remote working as employees are provided with adequate working tools, such as laptops. Offering psychosocial support through sensitization; Constant communication by giving regular feedback to issues affecting staff through virtual informal staff meetings; provision of masks, adequate and accessible hand sanitizers, among others.

### **Employee welfare**

The human resource and administration function supports the achievement of the Authority's mandate as enshrined in section 9 and 10 of the Act by attracting, training and retaining highly qualified, skilled and motivated staff. The Authority has continued to enhance capacity through the acquisition of talent in order to effectively deliver its mandate. During the year, 23 positions were competitively filled. The current staff establishment is comprised of 11 male and 13 female employees, thus complying with the constitutional gender balance requirement. The percentage of persons with disability (PWDs) in the workforce stood at 0% during the period under review. The Authority endeavours to increase the numbers of the PWDs in the workforce to comply with the requirements of the National Council for Persons with Disability. As part of our continued commitment to supporting PWDs, we



**Private Security Regulatory Authority (PSRA)**  
**Annual Reports and Financial Statements for the 15-Month Period Ended 30 June, 2021.**

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continue to redesign our office premises to make them accessible as per the National Council of Persons with Disability requirements.

The Authority also facilitated staff to undertake Continuous Professional Development Programmes (CPDs) for effective management and career progression.

**Market place practices**

The Authority believes in responsible competition practice, fair competition, and respect for competitors in business practices and treating suppliers responsibly and respecting payment practices. The authority also believes in ethical market practices as well as consumer rights and interests. This is emphasized through adherence to the public procurement and disposal arrangements as enshrined in the PPAD Act.

**Private Security Regulatory Authority (PSRA)**  
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**9. Report of The Directors**

The Directors submit their report together with the audited financial statements for the 15- month period ended June 30, 2021.

**i) Principal activities**

The principal activities of the Authority are to regulate, facilitate, develop capacity, and provide policy advice to the Private Security sector.

**ii) Results**

The results of the Authority for the 15-month period ended June 30, 2021, are set out on page 1 to 8 of this financial statement.

**iii) Directors**

The members of the Board of Directors who served during the period are shown on page (v) - VIII

**iv) Auditors**

The Auditor General is responsible for the statutory audit of the Private Securities Regulatory Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board.

  
.....  
**Fazul Mohammed**  
**Secretary to the Board**

30-06-2021  
.....  
**Date**

## **10. Statement of Directors' Responsibilities**

Section 81 of the Public Finance Management Act, 2012 and section 66 of the Private Security Regulatory Authority require the Directors to prepare financial statements in respect of Private Security Regulatory Authority, which give a true and fair view of the situation of the Authority at the end of the financial year and the operating results for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are 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 entity for and as at the end of the financial year ended on June 30, 2021. 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 entity; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the Private Security Regulatory Authority's financial statements give a true and fair view of the state of Private Security Regulatory



**Private Security Regulatory Authority (PSRA)**  
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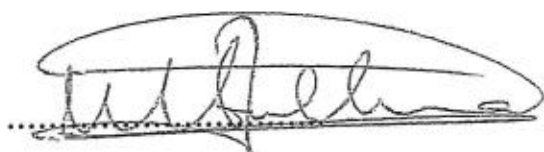
Authority's transactions during the financial year ended June 30, 2021, and of the Private Security Regulatory Authority's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Private Security Regulatory Authority's financial statements as well as the adequacy of the systems of internal financial control.

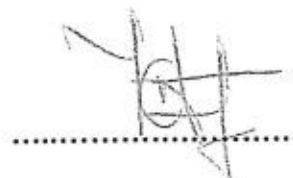
Nothing has come to the attention of the Directors to indicate that the Private Security Regulatory Authority will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Private Security Regulatory Authority's financial statements were approved by the Board on 30-05-2022 2021 and signed on its behalf by:



**Jackson W Mbuthia HSC.**  
**Chairman, Board of Director**



**Fazul Mahamed,**  
**Accounting Officer**



# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON PRIVATE SECURITY REGULATORY AUTHORITY FOR THE FIFTEEN MONTHS PERIOD ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

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

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



## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

I have audited the accompanying financial statements of Private Security Regulatory Authority set out on pages 1 to 29, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statements of comparison of budget and actual amounts for the fifteen months' period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Private Security Regulatory Authority as at 30 June, 2021, and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Private Security Regulation Act, 2016.

### Basis for Opinion

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

### Key Audit Matters

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.



## **Basis for Conclusion**

### **1. Lack of Operating Regulations**

The Private Security Regulation Act, 2016, envisaged drafting and approving general regulations to ensure proper administration and implementation of the provisions of the Act. Review of records indicates that on 6 November, 2019 the proposed Private Security (General) Regulations, 2019 were tabled in Parliament for consideration by the Committee of the Whole House but was subsequently annulled after debate. However, Management has not provided evidence to indicate that the regulations were redrafted and tabled in Parliament two (2) years after they were annulled.

The delay in formulating the regulations is contrary to Section 70 of the Private Security Regulation Act, 2016 which requires the Cabinet Secretary in consultation with the Authority to develop regulations for the purpose of proper administration of the Act.

In the circumstances, Management was in breach of the law.

### **2. Non-Operationalization of the Private Security Fidelity Fund**

The Management has not been operationalized the Private Security Fidelity Fund six (6) years after enactment of the Private Security Regulation Act, 2016. This is contrary to Sections 60(1) and 61 of the Private Security Regulation Act, 2016 which requires the Cabinet Secretary to impose a levy, to be known as Private Security Fidelity Levy, on all private security service firms licensed under the Act to provide private security services.

In the circumstances, Management was in breach of the law.

### **3. Unapproved Over-Expenditure**

The statement of comparison of budget and actual amounts reflects total budgeted expenditure of Kshs.63,830,000 against actual expenditure of Kshs.71,768,368 resulting in an over-expenditure of Kshs.7,938,368 or 12% of the total budget. However, no evidence was provided to confirm that the excess expenditure was approved. This is contrary to Regulation 51(1) of the Public Finance Management (National Government) Regulations, 2015 which requires expenditure commitments for goods and services to be controlled against spending and procurement plans approved by the responsible Accounting Officer, based on allocations and allotments from approved budgets.

In the circumstances, Management was in breach of the law.

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

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## Basis for Conclusion

### 1. Non-Establishment of Regional Offices

Review of records indicated that the Authority's effective operations requires its presence across the Country, but the Authority has not established any regional office so far.

Consequently, the Authority may not effectively supervise and regulate the private security industry in Kenya.

### 2. Under-Staffing of the Authority

Review of the Authority's staff establishment records indicated that the approved staff establishment is one hundred and twenty-seven (127) employees. The Authority currently has only twenty-five (25) members of staff in post, resulting in understaffing by one hundred and two (102) staff members. The understaffing may affect the efficiency and effectiveness in performance of the Authority's functions while adequate segregation of duties may not be possible.

### 3. Lack of Adequate Asset Management System

The Authority received various assets and inventories from the State Department for Interior and Citizen Services in the period under audit to enhance its operations. They included furniture, computers, printers and consumable items such as printing papers. However, the Authority did not maintain an asset register or an inventory list of the items received.

In the circumstances, the lack of an assets register may lead to inadequate recognition and disclosure of the assets and ultimately to losses.

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



## **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 and for its assessment of the effectiveness of internal control, risk management and governance.

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 Management is aware of the intention to terminate the Authority or to cease operations.

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

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

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

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

- Perform such other procedures as I consider necessary in the circumstances.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

19 August, 2022





**Private Security Regulatory Authority (PSRA)**  
**Annual Reports and Financial Statements for the 15-Month period ended June 30, 2021.**

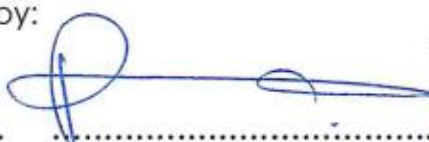
**12. Statement of Financial Performance for the 15 Month Period Ended 30 June 2021**

	Notes	To June 30, 2021 (15-month Period)
		Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from Other Government Entities	6	63,448,084
Donation	7	3,000
<b>Total revenue</b>		<b>63,451,084</b>
<b>Expenses</b>		
Use of goods and services	8	18,142,726
Employee costs	9	33,760,903
Remuneration of directors	10	19,864,739
<b>Total expenses</b>		<b>71,768,368</b>
<b>Surplus/(deficit) for the period/year</b>		<b>(8,317,284)</b>
Remission to National Treasury		-
<b>Net Surplus for the year</b>		<b>(8,317,284)</b>

The notes set out on pages 6 to 30 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

  
 .....  
**Fazul Mohammed**

**Chief Executive Officer**  
 Date 30.05.2022

  
 .....  
**Phillip Leakey**

**Head of the Finance**  
 Date 30.05.2022

  
 .....

**Chairman of the Board**  
 Date 30.05.2022

**Private Security Regulatory Authority (PSRA)**  
**Annual Reports and Financial Statements for the 15-Month period ended June 30, 2021.**

**13. Statement of Financial Position as at 30 June 2021**

	Notes	To June 30, 2021 (15-month Period)
		Kshs
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	11	220,681
<b>Total Current Assets</b>		<b>220,681</b>
<b>Total Assets</b>		<b>220,681</b>
<b>Liabilities</b>		
<b>Accounts Payables</b>	13	8,537,966
<b>Total Liabilities</b>		<b>8,537,966</b>
<b>Net assets</b>		
Accumulated deficit		(8,317,284)
<b>Total Net Assets and Liabilities</b>		<b>220,682</b>

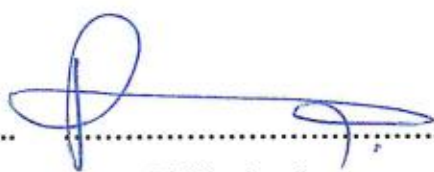
The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



**Fazul Mohammed**

**Chief Executive Officer**

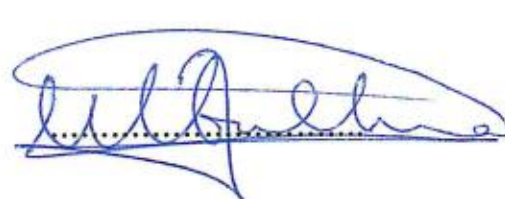
Date 30.06.2022



**Phillip Leakey**

**Head of the Finance**

Date 30.06.2022



**Chairman of the Board**

Date 30.06.2022



**14. Statement of Changes in Net Assets for the 15 Month Period Ended  
30 June 2021**

	Accumulated Surplus/Fund
As at July 1, 2019	-
Deficit for the Period	8,317,284
As at June 30, 2021	8,317,284

**Private Security Regulatory Authority (PSRA)**  
**Annual Reports and Financial Statements for the 15-Month Period Ended 30 June, 2021.**


**15. Statement of Cash Flows for the 15 Month Period Ended 30 June 2021**

		15 months to 30 June 2021
	Notes	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from other governments entities	6	63,448,084
Donation	7	3,000
<b>Total Receipts</b>		<b>63,451,084</b>
<b>Payments</b>		
Use of goods and services	8	15,298,604
Employee costs	9	28,282,620
Remuneration of directors	10	19,649,180
<b>Total Payments</b>		<b>63,230,404</b>
<b>Net cash flows from operating activities</b>		<b>220,680</b>
<b>Cash flows from investing activities</b>		-
<b>Cash flows from financing activities</b>		-
<b>Cash And Cash Equivalents At 30 June</b>	11	<b>220,680</b>

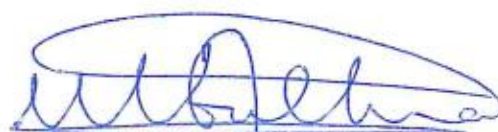
The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

  
 .....  
**Fazul Mohammed**

**Chief Executive Officer**  
 Date 30.05.2022

  
 .....  
**Phillip Leakey**

**Head of the Finance**  
 Date 30.05.2022

  
 .....  
**Chairman of the Board**

**Chairman of the Board**  
 Date 30.05.2022



*Private Security Regulatory Authority (PSRA)  
Annual Reports and Financial Statements for the 15-Month period ended June 30, 2021.*

**16. Statement of Comparison of Budget and Actual Amounts for the 15 Month Period Ended 30**

**June 2021**

	Original budget 2020-21	Adjustments	Final Budget 2019-21	Cumulated Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs		Kshs	Kshs	Kshs	
	a	b	c	d=(a+b+c)	e	f=(d-e)	g= e/d
<b>Revenue</b>							
Transfers from other Govts	28,830,000	25,000,000	10,000,000	63,830,000	63,451,084	378,916	99%
<b>Total income</b>	28,830,000	25,000,000	10,000,000	63,830,000	63,451,084	378,916	99%
<b>Expenses</b>							
Use of goods and services	15,500,000		1,000,000	16,500,000	18,142,726	(1,642,726)	110%
Employee costs	12,000,000	12,000,000	6,200,000	30,200,000	33,760,903	(3,560,903)	112%
Remuneration of directors	1,330,000	13,000,000	2,800,000	17,130,000	19,864,739	(2,734,739)	116%
<b>Total expenditure</b>	28,830,000	25,000,000	10,000,000	63,830,000	71,768,368	(7,938,368)	112%
<b>Surplus for the period</b>	-	-	-	-	(8,317,284.00)		



### **Budget notes**

The difference between the original budget and the final budget was as a result of supplementary budget approved during the year.

The expenditure over and above the budgeted amount for Board expenses was as a result of the extra sittings during staff recruitment.

The expenditure over and above the personnel emolument was as a result of increase in number of employees joining through the year which as per budget was twelve staff, but at the end of the year this number rose to 23. Due to delay in exchequer release and budget constraints, salaries were paid in arrears and the Authority was therefore unable to remit the statutory deductions.

Consequently, as a result of the above two paragraphs, there was a resultant increase in the use of goods.

## **17. Notes to The Financial Statements**

### **1. General Information**

Private Securities Regulatory authority is established by and derives its authority and accountability from The Private Security Regulation Authority (PSRA) Act No. 13 of 2016. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activities are outlined in Section 9 and 10 of the Private Security Regulation Act No. 13 of 2016

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority.

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

**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.  Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.  Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p>
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	<p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p>The standard did not have impact on the Authority.</p> <p>e) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>f) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>g) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>h) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p>The standard did not have impact on the Authority.</p>
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	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>i) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>j) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>k) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>l) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p>The standard did not have impact on the Authority.</p>
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Notes to The Financial Statements (Continued)

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>The standard did not have any impact on the Authority</p>
IPSAS 42: Social Benefits	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided</p>



**Private Security Regulatory Authority**  
**Annual Reports and Financial Statements for the 15 Month Period ended June 30, 2021.**

Standard	Effective date and impact:
	<p>should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p>The standard did not have any impact on the Authority</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The standard did not have any impact on the Authority</p>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020/2021.

#### **4. Summary of Significant Accounting Policies**

##### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions**

###### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

###### **Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

## **Notes to The Financial Statements (Continued)**

### **b) Budget information**

The original budget for FY 2020-2021 was approved by the National Assembly in June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Ksh.25,000,000 on the 2020-2021 budget following the governing body's approval.

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Financial instruments**

**a) Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Held-to-maturity.**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or an entity of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)



## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **b) Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

#### **Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

### **e) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**f) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**g) Contingent liabilities**

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**h) Contingent assets**

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**Notes to the Financial Statements (Continued)**

**i) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements.

**j) Changes in accounting policies and estimates**

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

**k) Employee benefits**

**Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**Notes to the Financial Statements (Continued)**

**l) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**m) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.



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**Notes to the Financial Statements (Continued)**

**n) Related parties**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**o) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**p) 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.

**Notes to The Financial Statements (Continued)**

**q) Comparative figures**

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

**r) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the 15-month period ended June 30, 2021.

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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**Notes to the Financial Statements (Continued)**

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a)** The condition of the asset based on the assessment of experts employed by the Entity.
- b)** The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c)** The nature of the processes in which the asset is deployed.
- d)** Availability of funding to replace the asset.
- e)** Changes in the market in relation to the asset



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6. Transfers from Other Government Entities**

Description	15 months to 30 June 2021
	KShs
<b>Unconditional grants</b>	
Operational grant	63,448,084
<b>Total Unconditional Grants</b>	<b>63,448,084</b>

**b) Transfers from Ministries, Departments and Agencies (MDAs)**

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total transfers to June 2021 KShs
State Department for Interior and Citizen Services	63,448,084	-	-	63,448,084
<b>Total</b>	<b>63,448,084</b>	<b>-</b>	<b>-</b>	<b>63,448,084</b>

**7. Donation**

Description	2021
	KShs
Deposit for account opening	3,000
<b>Total</b>	<b>3,000</b>

Notes to The Financial Statements (Continued)

8. Use of Goods and Services

Description	15 months to June 2021
	KShs
Advertising	1,494,881
Hospitality services	990,960
Domestic Travel and Subsistence	6,295,683
General Printing and stationery	576,000
Rent and Utilities	8,181,020
Telephone	139,359
Office internet	327,023
Bank Charges	6,850
Training/Workshops	87,000
Subscription	43,950
	<b>18,142,726</b>

9. Employee Costs

	15 Months to 30 June 2021
	KShs
Salaries and wages	25,725,703
Gratuity	8,035,200
<b>Employee costs</b>	<b>33,760,903</b>

10. Board Members Expenses

Description	15 Months to 30 June 2021
	KShs
Chairman/Directors' Honoraria	558,263
Sitting Allowances	8,204,000
Subsistence Allowances	8,411,565
Mileage	2,032,911
Other Expenses	658,000
<b>Total</b>	<b>19,864,739</b>

Other expenses relate to lunch allowance, parking fees and related cost born by PSRA on behalf of board members or reimbursed to board members.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11. Cash and Cash Equivalents**

Description	2020-2021
	KShs
Current account	219,024
Cash in hand	1,657
<b>Total cash and cash equivalents</b>	<b>220,681</b>

**11 (a) Detailed Analysis of the Cash and Cash Equivalents**

		2020-2021
Financial institution	Account number	KShs
a) <b>Current account</b>		219,024
National Bank of Kenya		<b>219,024</b>

**12. Cash Generated from Operations**

	2020-2021
	KShs
Net cash flow from operating activities	220,680

**13. Accounts Payables**

	2020-2021
	KShs
Amounts due to KRA	8,239,066
Amounts due to NHIF	210,900
Amounts due to NSSF	37,400
Pensions payable	50,600
<b>Total</b>	<b>8,537,966</b>



## Notes to the Financial Statements (Continued)

### Related Party Disclosures

#### Nature of related party relationships

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

#### Government of Kenya

The Government of Kenya is the principal shareholder of the PSRA, holding 100% of the equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

#### Other related parties include:

- i) The Ministry of Interior and Coordination of National Government
- ii) Board of Directors
- iii) Senior Management

### Related Party's Transactions

	15 Month to June 2021
	Kshs
<b>Transactions with related parties</b>	
<b>Grants /Transfers from the Government</b>	
Grants from National Government	63,448,084
<b>Total</b>	
<b>Key management compensation</b>	
Directors' emoluments	19,649,180
Compensation to key management	28,282,620
<b>Total</b>	47,931,800

**Notes to the Financial Statements (Continued)**

**Events after the Reporting Period**

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

**Ultimate and Holding Entity**

The Authority is a Semi- Autonomous Government Agency under the Ministry of Interior and Coordination of National Government. Its ultimate parent is the Government of Kenya.

**Currency**

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

Appendices

Appendix 1: 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
No Previous Audit Recommendations				

  
.....  
Chief Executive Officer  
Fazul Mahamed

Date...30.05.2022.....



**Private Security Regulatory Authority  
Annual Reports and Financial Statements for the 15 Month Period ended June 30,  
2021.**

**Appendix II: Projects Implemented By The Entity**

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
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There were no Key projects being implemented during the year under review