


REPUBLIC OF KENYA



**REPORT**

 <b>NATIONAL ASSEMBLY</b>	
P.O. BOX 10000 NAIROBI	
DATE: 08 MAR 2023	
DAY: WEDNESDAY	
TABLED OF	Hon. Owen Baya, CBS, MP Deputy Majority Leader
CLERK-AT THE TABLE:	Miriam Mado

**THE AUDITOR-GENERAL**

**ON**

**NATIONAL POLICE SERVICE COMMISSION  
STAFF CAR LOAN AND MORTGAGE  
SCHEME FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2022**







**National Police Service Commission**



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**NATIONAL POLICE SERVICE COMMISSION STAFF  
CAR LOAN AND MORTGAGE SCHEME FUND**

**ANNUAL REPORT & FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2022**

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

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
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**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
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**1. NPSC STAFF CAR LOAN AND MORTGAGE SCHEME FUND KEY INFORMATION AND  
MANAGEMENT**

**a) Background information**

The National Police Service Commission Staff Car Loan & Mortgage Scheme Fund is wholly owned by the Commission and is domiciled in Kenya. Through the Public Finance Management Regulations, 2014, the Commission has established appropriate regulations to guide its implementation for the benefit of its staff. The Fund's principal activity is to facilitate Staff of the Commission to purchase residential houses and motor vehicles at low interest rates.

**b) Principal Activities**

The principal activity of the Fund is to facilitate Staff of the Commission acquire and build their residential houses as well as purchase of motor vehicles to facilitate and enable them discharge their mandate effectively.

The fund is administered by the National Police Service Commission Car & Mortgage Scheme Fund Committee. The committee is charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Fund.

**c) Board of Trustees/Fund Administration Committee**

The NPSC Car & Mortgage Scheme Fund Committee members, who served during the financial year (FY), ended 30<sup>th</sup> June 2022, and who had direct fiduciary responsibility were;

Ref	Position	Name
1.	Chairperson	John M. Wambugu
2.	Vice Chairperson	Christine Rotich
3.	Secretary	Annabel Kuto
4.	Member	Stephen Mbogo
5.	Member	Brenda Opiyo
6.	Member	Eric Nyaga
7.	Member	Vincent Kimani
8.	Member	Peter Kamau
9.	Member	Mary Achola
10.	Member	Barwaqo Malicha

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
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**d) Key Management**

Ref	Position	Name
1.	<b>Fund Administrator</b>	Silas O. Mc'Opiyo, PhD, EBS, OGW
2.	Chairperson	John M. Wambugu
3.	Vice Chairperson	Christine Rotich
4.	Secretary	Annabel Kuto
5.	Member	Stephen Mbogo
6.	Member	Brenda Opiyo
7.	Fund Accountant	Eric Nyaga
8.	Member	Vincent Kimani
9.	Member	Peter Kamau
10.	Member	Mary Achola
11.	Member	Barwaqo Malicha

**e) Fiduciary Oversight Arrangements**

No.	Designation	Name
1.	Accounting Officer	Dr Silas O. Mc'Opiyo, PhD, EBS, OGW
2.	Deputy CEO Finance and Administration	Mr. John M. Wambugu
3.	Director Human Capital Management	Ms. Christine Rotich
4.	Internal Auditor	Ms. Mary Achola
5.	Manager Accounts	Mr. Eric Nyaga
6.	Chairperson – Audit Committee	Mr. Evans Kakai



**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**f) Registered Offices**

The National Police Service Commission Headquarters  
Skypark Plaza, Waiyaki, Nairobi  
P.O.BOX 47363-00100  
Nairobi, Kenya.

**g) Fund Contacts**

Telephone : ( 254) 709099000  
Mail: [info@npssc.go.ke](mailto:info@npssc.go.ke)  
<https://www.npssc.go.ke/>  
[https://twitter.com/npssc\\_ke](https://twitter.com/npssc_ke)

**h) Fund Bankers**

(i). Housing Finance Group  
Westlands Branch  
P. O. Box 30088-00100  
Nairobi, Kenya

(ii). Kenya Commercial Bank Limited  
Haile Sellassie Mortgage Centre  
Ground Floor Agip House  
Haile Sellassie Avenue  
P.O Box 58992 -00200  
Nairobi

**i) Independent auditor**

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






**j) Principal legal adviser**

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







**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**2. Board of Trustees/Fund Administration Committee**

Ref	Name	Details of qualifications and experience
1	 J.M. Wambugu	<b>Chairperson</b> Deputy CEO - Finance Administration and Planning.
2	 Christine Rotich	<b>Vice Chairperson</b> Director – Human Capital Management
3	 Stephen Mbogo	<b>Member</b> Deputy Director – Strategy & Research.
4	 Brenda Opiyo	<b>Member</b> Legal Officer (Legal representative)
5	 Annabel Kuto	<b>Secretary</b> Finance Officer

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

6	 <p>Vincent Kimani</p>	<b>Member</b> Manager - Supply chain management
7	 <p>Peter Kamau</p>	<b>Member</b> Senior Human Resource Officer - IPPD Officer
8	 <p>Mary Achola</p>	<b>Member</b> Manager - internal audit
9	 <p>Barwaqo Malicha</p>	<b>Member</b> Manager – Corporate Services

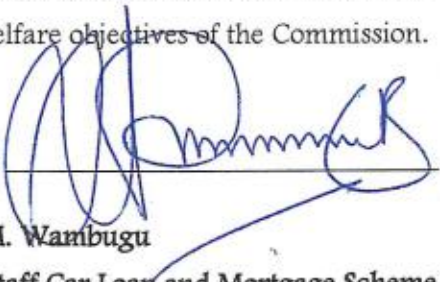
**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**3. Chairperson's Report**

The National Police Service Commission Staff Car Loan & Mortgage Scheme Fund is established under the National Police Service Commission Car loan and Mortgage Fund Scheme Regulations, 2016. The administration of the fund is carried out by the Housing Finance Group and the Kenya Commercial Bank.

The scheme fund's Committee members are drawn from all the directorates of the Commission who help in administering the fund. The National Police Service Commission Staff Car loan and mortgage scheme has in the last 3 years benefitted the Staff in housing for decent living. In turn this has translated to high morale and better performance. The fund is expected to grow significantly and benefit more Staff in the future. In addition, the NPSC car loan and mortgage scheme fund has better terms compared to similar facilities offered by a commercial institution. The fund is managed by the bank and all fund transfers are credited in a fixed deposit so as to earn interest. The fund earns an annual interest of 3% and this will also contribute to the growth of the fund. Staff that have benefited from it have utilised the fund to acquire land, build and purchase houses.

The Commission Staff Car loan and Mortgage Scheme Fund Committee commits to prudently manage the fund for the benefit of its Staffs and for overall achievement and realization of the staff welfare objectives of the Commission.


Signed: 

**Mr. J.M. Wambugu**

**NPSC Staff Car Loan and Mortgage Scheme Fund**

**Date: 26<sup>th</sup> September, 2022**

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

10.	 <p>Eric Nyaga</p>	<p><b>Member</b> Manager - Accounts</p>
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**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**4. Report of the Fund Manager/Administrator**

The Car & Mortgage Scheme Fund was established in July 2018. As at the close of the period, the fund had received a total of **Ksh 138,095,854**.

The scheme funds were utilised in accordance with the provisions of the Public Finance Management (PFM) Act, 2012, the Public Financial Management Regulation, 2015, and all other applicable legislation and for the purpose for which it was intended.

The scheme fund's principal activity is to offer low interest loan facilities to members of the Commission, existing residential property, purchase of land and construction, construction, renovation and improvement of an existing residential property, and takeover of loans on existing mortgages or equity release.

The scheme fund's administrators hereby submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June, 2022, which show the state of the scheme fund's affairs.



Dr. Silas O. Mwachiro, PhD, EBS, OGW  
Ag. CS/Chief Executive Officer  
Date: 26<sup>th</sup> September, 2022

## **National Police Service Commission Staff Car Loan and Mortgage Scheme Fund Report and Financial Statements for the year ended June 30, 2022**

### **5. Statement of Performance against Predetermined Objectives**

Section 81 subsection 2 (f) of the Public Finance Management Act, 2021 requires the Accounting Officer to include in the financial statement, a statement of the national government Fund's performance against predetermined objectives.

The National Police Service Commission Staff Car Loan and Mortgage Scheme Fund is regulated by various laws and regulations. The Fund is committed to ensuring compliance with all the laws and regulations governing government entities.

On Financial reporting, Section 84 of the PFM Act, 2012, financial statements shall be prepared for a public fund established by the constitution, an Act of Parliament or Entity legislation for each financial year in a form prescribed by the Public Sector Accounting Standards Board.

Not later than three months after the end of each financial year, the administrator of the fund shall submit the financial statements prepared under this section to the Auditor General.

The administrator shall submit a copy of the report to the cabinet secretary responsible for the fund.

The Fund has complied with these requirements and submitted the reports within the stipulated timelines.

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**6. Corporate Governance Statement**

**Fund Management Committee of the Scheme fund**

- i) There is an established committee of the Scheme fund known as staff Fund Management Committee to oversee the implementation and administration of the Scheme.
- ii) The committee shall comprise of;
  - a) Officer responsible for Finance and Administration to be the Chairperson;
  - b) Officer in charge of Planning (not below NPSC scale 6) to be the Vice Chairperson;
  - c) Officer in charge of legal services or a representative who shall not be below NPSC scale 4;
  - d) Finance Officer to be the secretary or his or her nominee who shall not be below NPSC scale 4; and
  - e) Two other members to be nominated by the Chief Executive Officer of the Commission.
- iii) The liaison office shall be liaising with the Service Providers.
- iv) The quorum for a meeting of the committee shall be 50%+1 members.
- v) The Chairperson shall convene and preside over meetings of the committee and in the absence of the Chairperson; the vice chairperson will preside over meetings of the committee.
- vi) The decision of the committee shall be by simple majority and in the case of tie; the Chairperson shall have a casting vote.

**The functions of the Fund Management Committee Scheme fund**

- vii) Receive and review application for loan and Submit approved loan application to the Service Provider for funding;
- viii) Process and approve all housing development and financing proposals loans in accordance with the existing terms and conditions of borrowing;
- ix) Liaise with the financial institutions to set up a fund for the disbursements of the loans;
- x) Oversee the management of the fund;
- xi) Approve annual work programs and procurement plans for the fund;
- xii) Recommend the investment of any surplus funds not immediately required in securities approved by the National Treasury for purposes of realizing the objects for which the fund is established;
- xiii) Ensure all proper books and records of account of the income, expenditure, assets and liabilities of the fund are kept.
- xiv) Receive any gifts, donations, grants or endowments made to the fund;
- xv) Consider and recommend approval of the financial statements to the CEO;
- xvi) Recommend as and when required the procurement of a financial institution to administer the fund on its behalf; and

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

- xvii) Perform any other functions that are auxiliary to the objects and purpose for which the Scheme is established.

**Tenure of the Fund Management Committee**

- xviii) The committee except as declared in (ii) below shall serve on a renewal term of 3 years
- xix) The Secretariat shall be a permanent member of the committee.

**Management of the Scheme**

The administration of the Scheme shall be done by the Fund Management Committee.



**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**7. Management Discussion and Analysis**

**Operational and financial performance**

As at the close of the FY 2021/22, the scheme fund's financial position was **Ksh 141,652,772** in total assets. During the year, the scheme fund had received **Kshs 52,000,000**

**Compliance with statutory requirements**

The scheme fund terms of reference and regulations are anchored on the Commission's guidelines on Car & Mortgage Scheme Fund.

**Major risks facing the scheme fund**

**Liquidity risk**

Liquidity risk is the risk that the scheme fund will not be able to meet financial obligations when they fall due. This risk is managed by ensuring that the scheme fund is liquid enough to meet its obligations whenever they fall due. This has been managed by ensuring sufficient budget allocation to the scheme fund.

**Credit risk**

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. The scheme fund's exposure to credit risk is low owing to the fact that properties acquired are charged to the Bank and thus held as security. The administrator also mitigates the risk by strictly scrutinizing the prevailing financial state of the borrower before processing an application.

**The scheme fund's financial probity and governance issues**

The scheme fund operates through a Committee whose main role is to oversee its operations and implementation by both the Administrator and the Commission. The Committee's membership is drawn from all directorates and departments of the Commission for inclusivity purposes.

## **National Police Service Commission Staff Car Loan and Mortgage Scheme Fund Report and Financial Statements for the year ended June 30, 2022**

### **8. Environmental and Sustainability reporting**

National Police Service Commission staff car loan and mortgage scheme fund exists to improve and transform lives of NPSC staff. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which also goes well with the commission's vision: Dignified and Professional Police Officers. We endeavor to have dignified and professional staff as well through improved livelihoods.

Below is a brief highlight of our achievements on Corporate Social Responsibility and Sustainability:

#### **a) Sustainability strategy and profile**

The Commission's mortgage scheme fund has endeavored to remain a going concern through effective planning, budgeting and implementation of its activities. The scheme also ensures continuous training of staff in order to have an informed workforce and also bridge knowledge gaps. By so doing, the Commission has been able to remain solvent and also able to attract beneficiaries to the scheme's products.

#### **b) Environmental performance**

Care for the environment is one of our key responsibilities and an important part of the way in which the scheme operates. The mortgage scheme does this through proper waste management. During the financial year NPSC, National Police Service (NPS) in collaboration with the mortgage scheme undertook a tree planting exercise at the National Police College in Embulbul, Ngong. This will ensure contribution to achieving the constitutionally acceptable forest cover of at least 10% in Kenya.

#### **c) Employee welfare**

The Commission puts employee welfare at the core of its decisions. To this end, the Commission has made several strides aimed at successful improvement of the employee welfare issues. The Commission has established the NPSC Staff Housing Mortgage and Car Loan scheme to enable employees own houses and motor vehicles at affordable costs for better living.

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**d) Market place practices-**

The Commission has put efforts to ensure the following:

**i. Responsible competition practice.**

The National Police Service Commission mortgage scheme fund offers its services to all its clients and does not discriminate on the basis of gender, age, persons living with Disability, race or religion.

**ii. Responsible Supply chain and supplier relations**

The Commission's mortgage scheme ensures all its mortgage appraisal and award processes are done in a transparent and accountable manner with full adherence to provisions of the law and regulations in place.

**iii. Responsible marketing and advertisement**

The commission has a website that contains all the information relating to the organization's scheme and can easily be accessed by the general public.

**iv. Product stewardship**

The scheme upholds the rights and fundamental freedoms as outlined in the Bill of Rights contained in Chapter 4 of the Constitution of Kenya 2010.

**e) Community Engagements-**

The Commission's scheme ensures operational excellence in all its activities. Being a service scheme, the NPSC mortgage scheme ensures prompt and efficient service delivery to all the clients on a timely and satisfactory manner.

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**9. Report of the Trustees/Fund Administration Committee**

The Trustees/Fund Administration Committee submitted their report together with the audited financial statements for the year ended June 30, 2022, which showed the state of the Fund affairs.

**Principal activities**

**Performance**

The performance of the Fund for the year ended June 30, 2022, is set out on page twenty-two (22)

**Key activities the scheme fund is undertaking**

The main reason for setting up the scheme fund is to provide financial support for the acquisition of mortgage facility at a subsidised interest rate relating to;

- a) Purchase of a developed residential house
- b) Construction of a house
- c) Purchase of residential plot
- d) Equity release
- e) Purchase of plot and construction of a house
- f) Purchase of off plan or ongoing development
- g) Takeover of mortgage
- h) Mortgage plus loan / top-up

**Trustees**

The members of the NPSC Staff Car Loan and Mortgage Scheme Fund committees who served during the year are shown on page seven (7)

**Auditors**

The auditor-general is responsible for the statutory audit of the fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**Chair of the Committee/ Fund Administrator Committee**



**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**10. Statement of the Officer Administering Funds Responsibilities**

Section 84 of the PFM Act, 2012, requires that, at the end of each financial year, the Administrator of a Public Fund shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended 30 June 2022.

This responsibility includes:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b) Maintaining proper accounting records, which disclose with reasonable accuracy, at any time the financial position of the Fund;
- c) 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;
- d) Safeguarding the assets of the Fund;
- e) Selecting and applying appropriate accounting policies; and
- f) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012.

The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended 30 June 2022, and of the Fund's financial position as at that date. The Administrator confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements, as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

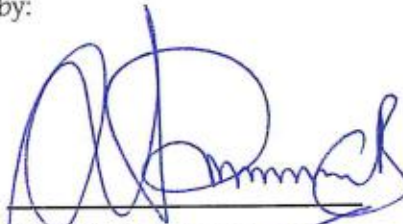
concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Commission's Car & Mortgage Scheme Fund statements for 30 June 2022 were approved by the Commission and signed on its behalf by:



Dr. Silas O. M'Opio, PhD, EBS, OGW  
Ag. CS/Chief Executive Officer  
Date: 26<sup>th</sup> September, 2022



Mr. J.M. Wambugu  
NPSC Staff Car Loan and Mortgage Scheme Fund  
Date: 26<sup>th</sup> September, 2022



# REPUBLIC OF KENYA

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Monrovia Street  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL POLICE SERVICE COMMISSION STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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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 the National Police Service Commission Staff Car Loan and Mortgage Scheme Fund set out on pages 22 to 33,

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*Report of the Auditor-General on National Police Service Commission Staff Car Loan and Mortgage Scheme Fund for the year ended 30 June, 2022*



which comprise of the statement of financial position as at 30 June, 2022, statement of financial performance, statement of changes in net assets and statement of cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Police Service Commission Staff Car Loan and Mortgage Scheme Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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



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

### Conclusion

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

### Basis for Conclusion

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

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

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain its 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 Fund or cease operations.

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls 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 controls 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 controls.
- 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 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 Fund's ability 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 Fund to cease 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 Fund 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 controls that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

25 November, 2022





**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2022**

	Note	2021-2022	2020-2021
Revenue from exchange transactions			
Interest income	2	3,656,288	1,711,716
Total revenue		3,656,288	1,711,716
Expenses			
Use of Goods and services	3	1,763,037	948,427
Tax on Interest Earned & excise duty	4	284,723	114,583
Total expenses		2,047,760	1,063,010
Accumulated Surplus/(deficit) for the period		1,608,528	648,706

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Commission's amended Staff Car Loan & Mortgage Scheme Fund statements were approved and signed by the Accounting Officer on 20<sup>th</sup> September, 2022.

  
 Administrator of the Fund  
 Dr. Silas O. Mc'Opiyo, PhD, EBS, OGW  
 Ag. CS/Chief Executive Officer

  
 Fund Accountant  
 Name: Eric Nyaga  
 ICPAK Staff Number: 18635







**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**13. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	Note	2021-2022	2020-2021 Kshs
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	79,842,060	41,969,897
Receivables from exchange transactions	6	294,783	218,244.49
<b>Total Current Assets</b>		<b>80,136,843</b>	<b>42,188,141</b>
<b>Non-Current Assets</b>			
Receivables from exchange transactions	6	61,515,930	45,855,863
<b>Total Current Assets</b>		<b>61,515,930</b>	<b>45,855,863</b>
<b>Total Assets</b>		<b>141,652,773</b>	<b>88,044,004</b>
<b>Liabilities</b>			
Trade & other liabilities		240	-
<b>Total Liabilities</b>		<b>240</b>	<b>-</b>
<b>NET ASSETS &amp; LIABILITIES</b>			
Mortgage Revolving fund	5	138,095,854	86,095,854
Accumulated Surplus		3,556,679	1,948,150
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>141,652,773</b>	<b>88,044,004</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Commission's amended Staff Car Loan & Mortgage Scheme Fund statements were approved and signed by the Accounting Officer on 20<sup>th</sup> September, 2022.

  
**Administrator of the Fund**  
**Dr. Silas O. M'Opio, PhD, EBS, OGW**  
**Ag. CS/Chief Executive Officer**

  
**Fund Accountant**  
**Name: Eric Nyaga**  
**ICPAK Staff Number: 18635**

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**14. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2022**

	Revolving Fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1 July 2019	17,000,000	49,841	17,049,841
Accumulated Surplus/(deficit) for the period	-	1,249,603	1,249,603
Funds received during the year	30,000,000	-	30,000,000
Balance as at 30 June 2020	47,000,000	1,299,444	48,299,444
Balance as at 1 July 2020	47,000,000	1,299,444	48,299,444
Accumulated Surplus/(deficit) for the period	-	648,706	648,706
Funds received during the year	39,095,854	-	39,095,854
Balance as at 30 June 2021	86,095,854	1,948,150	88,044,004
Balance as at 1 July 2021	86,095,854	1,948,150	88,044,004
Accumulated Surplus/(deficit) for the period	-	1,608,528	1,608,528
Funds received during the year	52,000,000	-	52,000,000
Balance as at 30 June 2022	138,095,854	3,556,678	141,652,532

15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	N o t e	2021-2022	2020-2021
		Kshs	Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Interest received		3,587,291	1,646,428
<b>Total Receipts</b>		<b>3,587,291</b>	<b>1,646,428</b>
<b>Payments</b>			
Use of goods and services		1,762,796	948,427
Tax in interest earned	4	284,723	114,583
<b>Total Payments</b>		<b>2,047,519</b>	<b>1,063,010</b>
<b>Net cash flow from operating activities</b>		<b>1,539,772</b>	<b>583,418</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from loan principal repayments/Increase in Current receivables		2,238,610	1,629,500
Loan disbursements paid out/Inc in Non-current Receivables		(17,906,218)	(40,938,319)
<b>Net cash generated from/(used in) investing activities</b>		<b>(15,667,608)</b>	<b>(39,308,819)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts into the mortgage revolving fund	1	52,000,000	39,095,854
<b>Net cash generated from/(used in) financing activities</b>		<b>52,000,000</b>	<b>39,095,854</b>
<b>INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>		<b>37,872,164</b>	<b>370,453</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>7</b>	<b>41,969,897</b>	<b>41,599,444</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>7</b>	<b>79,842,061</b>	<b>41,969,897</b>



**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Reports and Financial Statements for the year ended June 30, 2022**

**16. NOTES TO THE FINANCIAL STATEMENTS**

**1. General Information**

Article 246 of the Constitution establishes the National Police Service Commission with the mandate to recruit, appoint, promote, transfer officers within the National Police Service and to look into their welfare needs. To take care of the welfare of its internal staff, the commission established the Mortgage scheme fund to issue out home and car loans to its staff at low interest rates.

**2. Statement of compliance and basis of preparation**

The scheme fund's financial statements have been prepared in accordance with and comply with IPSAS. The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the scheme fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

**3. Early adoption of standards**

The Scheme fund did not adopt any new or amended standards in year 2022.

**Summary of significant accounting policies and notes to the financial statement**

**a) Revenue recognition**

**Revenue from exchange transactions**

Revenue is recognised in the period in which it is earned. Income is not accrued if its recoverability is doubtful. Revenue constitutes all incomes accruing to the Fund in the form of interest earned on unutilized fund. The rate applicable during the year was 3%.

**b) Budget information**

The original budget for the FY 2021/2022 was approved. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the scheme fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the scheme fund recorded additional appropriations on the FY 2021/2022 budget following the governing body's approval.



**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

**c) 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, Housing Finance and Kenya Commercial Bank at the end of the financial year.

**d) Fund Account**

The fund is enhanced gradually on an annual basis through appropriations from the Commission's Budget. Further, all interest earned from funds held in the call account is recouped back to the fund. The Fund was mainly established in order to enable members purchase motor vehicles, acquire existing residential property, purchase of land and construct, renovate and improve existing residential property, and takeover loans on existing mortgages or equity release. The facility is extended to applicants at an interest rate of 3% which are funds utilized by the Bank for administration of the Fund.

**e) Comparative figures**

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

**f) Events after the reporting period**

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

**g) Ultimate and Holding Entity**

The scheme fund is a Public Fund established under the Salaries and Remuneration Commission. Its ultimate parent is the Salaries and Remuneration Commission.

**h) Currency**

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

**i) Financial risk management**

The scheme fund's activities expose it to a variety of financial risks, including credit and liquidity risks. The scheme fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The scheme fund does not hedge any risks and has in place policies to ensure that

## **National Police Service Commission Staff Car Loan and Mortgage Scheme Fund Report and Financial Statements for the year ended June 30, 2022**

credit is only extended to borrowers with an established credit history. The scheme fund's financial risk management objectives and policies are detailed below:

### **Credit risk management**

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. The scheme fund's exposure to credit risk is low owing to the fact that properties acquired are charged to the Bank and thus held as security. The administrator also mitigates the risk by strictly scrutinizing the prevailing financial state of the borrower before processing an application.

### **Liquidity risk management**

Liquidity risk is the risk that the scheme fund will not be able to meet financial obligations when they fall due. This risk is managed by ensuring that the scheme fund is liquid enough to meet its obligations whenever they fall due. This has since been managed over the previous years by ensuring sufficient budget allocations are appropriated to the scheme fund.

### **Interest rate risk**

Interest rate risk is the risk that the scheme fund's financial condition may be adversely affected as a result of changes in interest rate levels. The scheme fund's interest rate risk arises from bank deposits. This exposes the scheme fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the scheme fund's deposits.

### **Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with a local commercial Bank and negotiate for favourable interest rates from time to time in tandem with prevailing market rates and economic conditions.

### **Capital risk management**

The objective of the scheme fund's capital risk management is to safeguard the scheme fund's ability to continue as a going concern. The scheme fund capital structure comprises of the following funds:

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Reports and Financial Statements for the year ended June 30, 2022**

**1. Transfers from the National Police Service Commission**

	2021-2022	2020-2021
Description	Kshs	Kshs
Transfers from government entity	52,000,000	39,095,854
<b>Total</b>	<b>52,000,000</b>	<b>39,095,854</b>

**2. Interest income**

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest income	1,894,583	1,711,716
Interest repaid	1,761,705	-
<b>Total</b>	<b>3,656,288</b>	<b>1,711,716</b>

**3. Use of goods and services**

	2021-2022	2020-2021
Description	Kshs	Kshs
Use of Goods and services	1,763,037	948,427
<b>Total</b>	<b>1,763,037</b>	<b>948,427</b>

**4. Tax on Interest Earned**

Description	2021-2022	2020-2021
	KShs	KShs
Withholding Tax	284,723	114,583
<b>Total</b>	<b>284,723</b>	<b>114,583</b>

National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Reports and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. Revolving fund balances

Description	2021-2022	2020-2021
	KShs	KShs
Opening Bal b/f	86,095,854	47,000,000
Funds received during the year	52,000,000	39,095,854
Closing Bal c/f	138,095,854	86,095,854

6. Receivables from exchange transactions

Description	2021-2022	2020-2021
a) Current Receivables	KShs	KShs
Receivables from exchange transactions	294,783	218,244
Total Current receivables	294,783	218,244
Non-Current receivables		
Long term loan repayments	61,515,930	45,855,863
Total Non- current receivables	61,515,930	45,855,863
Total receivables from exchange transactions	61,810,713	46,074,107

7. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	KShs	KShs
Current Account	5,613,304	4,520,013
Short-Term Deposits	74,228,757	37,449,884
Total	79,842,061	41,969,897



**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Reports and Financial Statements for the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

**8. Detailed Analysis of Cash and Cash Equivalent**

Description		2021-2022	2020-2021
Financial Institution	Account Number	KShs	KShs
HFC – Westlands Branch	8406103102-0	5,135,888	4,520,013
KCB Bank – Haile Selassie branch	1274314615	477,416	29,176,788
KCB Bank - Unutilized Funds	MM20162YZ3VF	74,228,756	7,312,274
<b>Total</b>		<b>79,842,060</b>	<b>41,009,075</b>

**9. Short term trade receivables from exchange transactions**

Description	2021-2022	2020-2021
	KShs	KShs
Trade receivables	294,542	218,244
<b>Total trade and other receivables</b>	<b>294,542</b>	<b>218,244</b>

**10. Long term trade receivables from exchange transactions**

Description	2021-2022	2020-2021
	KShs	KShs
Trade receivables	61,515,930	45,855,863
<b>Total trade and other receivables</b>	<b>61,515,930</b>	<b>45,855,863</b>



**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Reports and Financial Statements for the year ended June 30, 2022**

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

**11. Cash generated from operations**

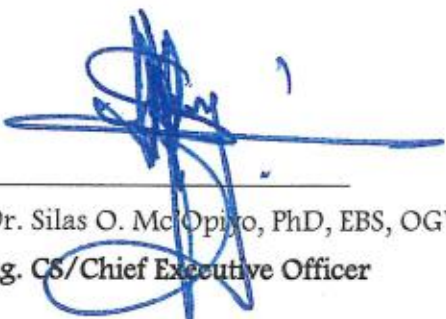
	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
<b>Surplus/ (deficit) for the year before tax</b>	<b>1,608,528</b>	<b>648,706</b>
<b>Adjusted for:</b>		
Interest income	3,656,288	1,711,716
Use of goods and services	1,762,557	948,427
Tax in interest earned	284,723	114,583
<b>Net cash flow from operating activities</b>	<b>1,608,768</b>	<b>648,706</b>

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund  
Report and Financial Statements for the year ended June 30, 2022**

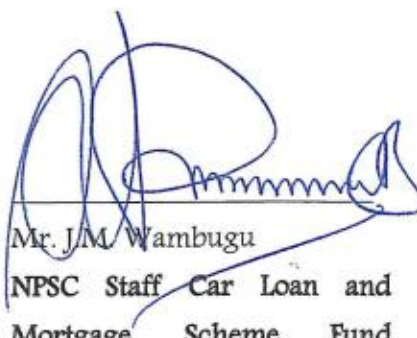
**17. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
n/a	n/a	n/a	n/a	n/a	n/a



Dr. Silas O. McOpiyo, PhD, EBS, OGW  
Ag. CS/Chief Executive Officer



Mr. J.M. Wambugu  
NPSC Staff Car Loan and  
Mortgage Scheme Fund  
Chairperson



# National Police Service Commission



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## CONTACTS

### National Police Service Commission

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