

REPUBLIC OF KENYA



**REPORT DATE:** 12 APR 2023

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BY:

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Hon. Owen Banya

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**OF**

**THE AUDITOR-GENERAL**

**ON**

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

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







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**IPOA STAFF MORTGAGE AND CAR LOAN SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2022**

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## **1. Key Scheme information and management**

### **a) Background information**

IPOA Mortgage and Car loan scheme was established by and derives its authority and accountability from the Salaries and Remuneration Commission (SRC) circular No.SRC/ADM/CIR/1/13 Vol.III (128), IPOA staff mortgage and car loan schemes regulations, and section 3.14.1 of the IPOA Human Resource Policies and Procedure Manual that provides that *“The Authority may negotiate with financial institutions to facilitate employees in acquiring affordable loans for personal developments.* ’dated 1<sup>st</sup> July 2016.

### **b) Principal Activities**

The principal activities of the scheme include the following:

- i) Facilitate IPOA employees to benefit from Government funded loans to access mortgage facilities;
- ii) Enable employees to acquire or construct residential houses and buy personal cars as this will immensely contribute towards attracting and retaining employees with requisite skills to the Authority.

The scheme is administered by the Authority through the committee charged with the responsibility of processing loans for applicants in accordance with laid down approved regulations, setting up a revolving fund for the disbursement of loans, and supervising the day-to-day operations of the scheme.

The obligations of the bank managing the scheme are: administer the scheme on behalf of the Authority; pay the Authority the agreed return on its deposit; provide credit and loan evaluation services; provide valuation and legal services; and remit quarterly reports on the status of the accounts to the Authority.

**c) Scheme Committee**

**Table 1: The committee who held office during the FY ended 30th June 2022**

Ref	Position	Name
1	Chairperson-Director Business Services	Eunice Muyoka Juma
2	<b>Other Committee Members</b>	
	Director Inspections and Monitoring	Stephen Musau
	Head of Regions	Bethuel Sugut
	Principal Human Resource Officer	Josphat Karindi
	Senior Investigations Officer	Eugene Muteshi
	Senior Legal Officer	Christine Owino
	Communications Officer	Finlay Momanyi
3	Scheme Administrator	Elema Halake Maina Njoroge

**d) Key Management:**

**Table 1: Key management personnel in office during the FY ended 30<sup>th</sup> June 2022**

	Name	Designation	Remarks
1	Elema Halake	Director/CEO & Board Secretary	1 <sup>st</sup> April 2022-30 <sup>th</sup> June 2022
		Director Investigations / Ag.CEO & Board Secretary	23 <sup>rd</sup> August 2021- 31 <sup>st</sup> March 2022
2	Maina Njoroge	Director/CEO & Board Secretary	1 <sup>st</sup> July 2021-28 <sup>th</sup> February 2022
3	Eunice Juma	Director, Business Services	Full year
4	Stephen Musau	Director, Inspections Research and Monitoring	1 <sup>st</sup> July 2021-31 <sup>st</sup> October 2021
5	Bethuel Sugut	Head of Regions	Full year
6	Josphat Karindi	Principal Human Resource Officer	Full year
7	Christine Owino	Senior Legal Officer	Full year
8	Eugene Muteshi	Senior Investigations Officer	Full year
9	Finlay Momanyi	Communications Officer	Full year
10	Agatha Chepkoech	Chief Accountant	Full year

**e) Fiduciary Oversight Arrangements**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2022 and who had direct fiduciary responsibility were:

**Table 2: Key management personnel in office during the FY ended 30<sup>th</sup> June 2022**

Ref	Position	Name
1	Scheme Accountants Chief Accountant Senior Accountant	Agatha Chepkoech Benson Masyuki
2.	<b>Key management</b> Director/CEO & Board Secretary-Scheme Administrator Director/CEO & Board Secretary-Scheme Administrator Director Business Services-Scheme Chairperson	Elema Halake Maina Njoroge Eunice Muyoka Juma
3	<b>IPOA Mortgage and car Loan Scheme Advisory Committee</b> Director Business Services-Scheme Chairperson Director, Inspections Research and Monitoring Head of Regions Principal Human Resource Officer Senior Investigations Officer Senior Legal Officer Communications Officer	Eunice Muyoka Juma Stephen Musau Bethuel Sugut Josphat Karindi Eugene Muteshi Christine Owino Finlay Momanyi



**f) Registered Offices**

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

**g) Scheme Contacts**

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

**h) Scheme Bankers**

**The Co-operative Bank of Kenya Ltd,**  
Co-operative House Branch,  
Haile Selassie Avenue,  
P.O. Box 48231 -00100 GPO,  
**NAIROBI. KENYA**

**i) Independent Auditors**


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







### **The Scheme Members**

Name	Details of qualifications and experience
 <p><b>Eunice Juma</b></p>	<p><b>Director Business Services- Scheme Chairperson</b></p> <p>Eunice Juma's experience spans over fifteen years in finance, project management and human resource management. Prior to joining IPOA she was the Board Secretary of the County Public Service Board of Tana River and a council member of the Murang'a University of Technology for a period of four and a half years and two years respectively. Previously she worked in various positions with ICPSK, National Environment Management Authority, Kenya Red Cross Society and Eldoret Hospital among others. She holds Master of Business Administration (MBA) Finance option, Master of Arts in Project Planning &amp; Management both from the University of Nairobi and a Bachelor of Commerce degree (Accounting option) from the Catholic University of Eastern Africa. She is also a Certified Public Accountant of Kenya (CPAK) and a Certified Secretary (CS). She has undertaken training in corporate governance and performance management. Eunice the chair of the IPOA Staff Mortgage and Car Loan Scheme</p>
 <p><b>Stephen Wetheo Musau</b></p>	<p><b>Committee Member</b></p> <p>Stephen Musau was the former Director Inspections, Research and Monitoring at IPOA. He holds a Master degree in Human rights and Conflict Management from School of advanced Studies (Pisa Italy), Bachelor of Arts in Economics and Sociology (Egerton University), Diploma in organisational</p>


	<p>Development and Management (KIM) and has extensive professional training in Human Rights, project Management, peace and security, monitoring and evaluation.</p> <p>He has served in various capacities in the security sector since 1999. At IPOA he served AS Director of Inspections and Monitoring from May 2015 to 1<sup>st</sup> November, 2021.</p>
 <p><b>Bethuel Sugut</b></p>	<p><b>Committee Member</b></p> <p>Bethuel Sugut is the Head of Regions at IPOA. He holds a Master of Business Administration Degree in Strategic Management from Moi University, Bachelor of Arts Degree in Social Sciences from Egerton University and a Postgraduate Diploma in Human Resource Management from University of Nairobi. He is an Auditor in Quality Management System, ISO 9001:2008. Bethuel previously served in the Provincial Administration at the Office of the President and International Fund for Agriculture Development (IFAD). Prior to that Sugut served as a Personal Assistant to the Minister of Agriculture and Director of Administration, Planning and Operations at Mt. Kenya University for 9 years and 5 years respectively. Before joining IPOA, Sugut was the Administration Manager at the Kenya Institute of Mass Communication (KIMC). He has undertaken various Administrative Programmes with the Kenya School of</p>



	Government (KSG). He is currently pursuing his PhD in Business Administration with a bias in Strategic Management. He is an Associate member of the Kenya Institute of Management (KIM) and Institute of Human Resource Management (IHRM).
 <p><b>Christine Akoth Owino</b></p>	<p><b>Committee Member</b></p> <p>Christine Akoth Owino is a senior legal officer at IPOA. She is a licensed legal practitioner who has undertaken an Advocates Training Programme at Kenya School of Law and holds a Bachelor of Law from Busoga University, Diploma in Law from Kenya School of Professional studies.</p> <p>Prior to joining IPOA in 2018, she served as a Prosecution Counsel at the Office of the Director of Public Prosecutions four years and had previously held various capacities in private law firms since 2011.</p>
 <p><b>Eugene Musoga Muteshi</b></p>	<p><b>Committee Member</b></p> <p>Eugene Muteshi is a senior Investigations officer at IPOA. He holds a Master of Arts degree in Counselling Psychology and Bachelor of Arts in Psychology. He joined the Authority in June, 2018 Prior to his appointment, he had served at the Ministry of Interior and Coordination of National government as a deputy Sub County Probation Officer for nine years. He is an Associate Member of the Kenya Counselling and</p>

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



	<p>building coordinator and trained of Technical and Vocational Trainers on online facilitation.</p>
 <p><b>Elema Halake, ss</b></p>	<p><b>Director/CEO &amp; Board Secretary-Scheme Administrator</b></p> <p>Mr. Elema Halake holds a Master of Arts and a Bachelor of Arts in Development Studies, a Diploma in Wildlife Management, an Advanced Diploma in Social Work and a postgraduate Diploma Certificate in criminal justice from Virginia University, USA.</p> <p>His Public Service career spans over 28 years including at Kenya Wildlife Service (KWS), where he was a Senior Assistant Director and also sat on the Board of the Kenya School of Leadership and Adventure at Mt. Kenya. At KWS, he was part of the leadership that fronted the 1990's anti-poaching strategy that stabilized wildlife conservation, enhanced security, and management.</p> <p>Earlier, as IPOA's Director of Investigations, Mr. Halake initiated a series of administrative and operational reforms, expanded the investigation capacity, enhanced performance and contributed towards decentralized regional operations.</p> <p>At Anti-Counterfeit Authority (ACA), he spearheaded legal and regulatory reforms including the enactment of the Anti-Counterfeit Act 2018, developed and deployed the AIMS project (Anti-Counterfeit Information Management system) and launched a National baseline survey on the magnitude of counterfeiting and illicit trade in Kenya.</p> <p>His integrity and high-performance track record in Public Service saw him recognized and decorated with the Silver Star (SS) of Kenya by his Excellency, the President of the</p>

*Republic of Kenya in 2006, with a citation for courage and commitment to duty.*

### **Management Team**

Name	Details of qualifications and experience
 <p><b>Elema Halake, ss</b></p>	<p><b>Director/CEO &amp; Board Secretary –Scheme Administrator</b></p> <p>Mr. Elema Halake holds a Master of Arts and a Bachelor of Arts in Development Studies, a Diploma in Wildlife Management, an Advanced Diploma in Social Work and a postgraduate Diploma Certificate in criminal justice from Virginia University, USA.</p> <p>His Public Service career spans over 28 years including at Kenya Wildlife Service (KWS), where he was a Senior Assistant Director and also sat on the Board of the Kenya School of Leadership and Adventure at Mt. Kenya. At KWS, he was part of the leadership that fronted the 1990's anti-poaching strategy that stabilized wildlife conservation, enhanced security, and management.</p> <p>Earlier, as IPOA's Director of Investigations, Mr. Halake initiated a series of administrative and operational reforms, expanded the investigation capacity, enhanced performance and contributed towards decentralized regional operations.</p> <p>At Anti-Counterfeit Authority (ACA), he spearheaded legal and regulatory reforms including the enactment of the Anti-Counterfeit Act 2018, developed and deployed the AIMS project (Anti-Counterfeit Information Management system) and launched a National baseline survey on the magnitude of counterfeiting and illicit trade in Kenya.</p> <p>His integrity and high-performance track record in Public Service saw him recognized and</p>



	decorated with the Silver Star (SS) of Kenya by his Excellency, the President of the Republic of Kenya in 2006, with a citation for courage and commitment to duty.
 <p><b>Eunice Juma</b></p>	<p><b><i>Director, Business Services-Scheme Chairperson</i></b></p> <p>Eunice Juma's experience spans over fifteen years in finance, project management and human resource management. Prior to joining IPOA she was the Board Secretary of the County Public Service Board of Tana River and a council member of the Murang'a University of Technology for a period of four and a half years and two years respectively. Previously she worked in various positions with ICPSK, National Environment Management Authority, Kenya Red Cross Society and Eldoret Hospital among others. She holds Master of Business Administration (MBA) Finance option, Master of Arts in Project Planning &amp; Management both from the University of Nairobi and a Bachelor of Commerce degree (Accounting option) from the Catholic University of Eastern Africa. She is also a Certified Public Accountant of Kenya (CPAK) and a Certified Secretary (CS). She has undertaken training in corporate governance and performance management.</p> <p>Eunice the chair of the IPOA Staff Mortgage and Car Loan Scheme</p>

## **2. Chairperson's Report**


On behalf of the IPOA staff mortgage and car loan scheme, I am pleased to present the Scheme Financial Statements for the year ended 30<sup>th</sup> June 2022. The Authority was allocated Kshs.54 million by the National Treasury for Staff Mortgage and Car Loan Scheme. We followed the due procurement process and awarded the tender for provision of IPOA staff mortgage and car loan scheme to Cooperative Bank of Kenya Limited.

The Authority opened a scheme account with Co-operative Bank of Kenya, Co-op House Branch Nairobi, where it transferred the funds on 30<sup>th</sup> June 2020. In FY2021/22. As at 30<sup>th</sup> June 2022, 28% of the funds had been advanced to staff for purchase of cars and houses. This is aimed at attracting and retaining skilled officers for efficient and effective service delivery.

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

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



 Solomon Lemunen  
Head of Human Capital/  
Scheme Chairperson

29<sup>th</sup> September 2022



### **Report of the Scheme Administrator**

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

In FY2021/22, the scheme revolving fund amounted to Kshs. 54Million. As at 30<sup>th</sup> June 2022 the scheme balance was at Ksh.38.9 Million. This is aimed at attracting and retaining of skilled officers for efficient and effective service delivery.

The Authority issued loans amounting to Kshs.15.1 Million to officers during the period under review. As at 30th June 2022, 28% of the funds had been advanced to five staff members for purchase of cars and houses. IPOA also received Kshs. 274,371 (3%) interests on loans issued to staff.

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

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



Accounting Officer/CEO

29<sup>th</sup> September 2022

### **3. Statement of Performance Against Predetermined Objectives**

#### **Introduction**

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 the national government Scheme's performance against predetermined objectives.

The Authority has four key results areas (KRA) with specific key strategic objectives in its current Strategic Plan FY (2019- 2024) which include:

#### **KRA 1: Police Accountability**

- 1) To build public confidence and trust in policing
- 2) To enhance compliance with human rights standards and fundamental freedoms

#### **KRA 2: Stakeholder Cooperation and Complementarity**

- 1) To strengthen cooperation with and complement state and non-state actors

#### **KRA 3: Research and Information Management**

- 1) To generate knowledge for evidence-based policy, strategy and decision making
- 2) To facilitate utilization of knowledge for evidence-based policy, strategy and decision making

#### **KRA 4: Institutional Capacity**

- 1) To promote corporate governance
- 2) To strengthen human resource Capacity
- 3) To ensure institutional financial sustainability
- 4) To strengthen business systems and internal processes

The Authority develops its annual work plans cognisant to alignment of the above mentioned key strategic areas to the planned activities. In accordance with section 30 of the IPOA Act; the Authority submits to the Cabinet Secretary, at least once in every six months, a report of the performance in its functions, making such recommendations as it may consider necessary. The Authority achieved its performance targets in the key output areas in the FY 2021/22 as indicated in the diagram below:

<b>Strategic Key Results Area</b>	<b>Strategic objective</b>	<b>Key performance Indicator</b>	<b>Activities</b>	<b>Achievement</b>
Institutional capacity strengthened.	To ensure institutional financial sustainability	Establish and operationalize mortgage and car loan	Mortgage and car loan scheme established and operationalized.	IPOA mortgage and car loan scheme was established with a seed capital of Kshs. 24 million.  The scheme was further enhanced by an additional Kshs.30 Million in FY2021-22 to Kshs.54 Million.
			Proportion of absorbed funds on the Mortgage and car loan scheme	Absorbed 28% of the scheme funds as at 30 <sup>th</sup> June 2022.

#### **4. Corporate Governance Statement**

##### **a. Process of appointment and removal of Board/ Scheme Administration Committee Members.**

Appointment of IPOA Board who are the trustees of IPOA mortgage and Car loan scheme is done by the Head of Public Service for a fixed term of six years. Removal of the board is done through a parliamentary process or resignation.

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

##### **b. Roles and functions of the Scheme Committee members,**

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



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

1. Meeting between IPOA management representatives and Co-operative Bank of on staff on Mortgage and Car Loan Management Held at IPOA board room on 25<sup>th</sup> April 2022

Nos.	Present	Apologies	In attendance
1	Eunice Juma	Finlay Momanyi	Edwin Nyaga (Co-operative Bank)
2	Bethuel Sugut		Rebecca Musee (Co-operative Bank))
3	Christine Owino		
4	Eugene Muteshi		
5	Josphat Karindi		

2. Meeting between IPOA management representatives and Co-operative Bank of on Staff on Mortgage and Car Loan management held at IPOA board room on 13<sup>th</sup> November 2021

Nos.	Present	In attendance
1	Elema Halake	Silvance Nono (Co-operative Bank)
2	Eunice Juma	Wesley Rotich (Co-operative Bank)
3	Josphat Karindi	Edwin Nyaga (Co-operative Bank)

**d. Succession plan**

The Authority is in the process of developing a succession plan for the scheme continuity.

**e. Existence of a service charter**

The Authority is in the process of developing a service charter.

**f. Induction and training, Administration Committee members and member's performance**

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

Members appointed to committee are drawn from various departments with varied expertise.

**g. Conflict of interest**

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

**h. Board remuneration**

IPOA Board receive their salaries through the IPOA recurrent account. The board manages the operations of the scheme through the Finance and Administration Committee of the Board.

**i. Ethics and conduct as well as governance audit undertaken if any**

The members of the committee conduct themselves in ethical way. All the activities of the scheme are conducted in a professional and transparent manner through following the laid down scheme regulations.

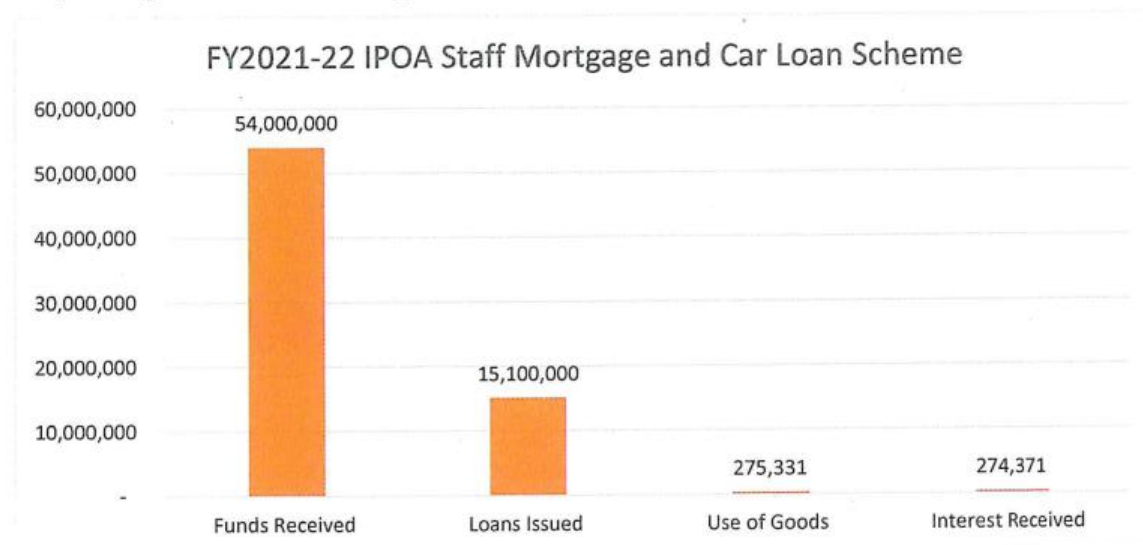
Audit on the scheme operations has been carried out by both the internal and external Auditors.

## 5. Management Discussion and Analysis

### a. Operational and Financial Performance of the Scheme during the period

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

During the period under review, the Authority issued loans amounting to Kshs.15.1 Million. As at 30th June 2022, 28% of the funds had been advanced to Five staff members. IPOA received Kshs. 274,371 interest on loans advanced to officers and incurred Kshs. 275,331 expenditures on use of goods.



### b. Scheme's key product decision implemented or ongoing

The following are the key product decision financed by the scheme;

1. Owner Occupier/Straight purchase. One staff member identified and purchased a residential house. Repayment is ongoing.
2. Buy-Plot-build/Construction loans- One officer purchased a plot and built a residential house. Repayment is ongoing.
3. Purchase of second-hand/new motor vehicles in line with the set bank requirement's-Three officers have so far procured personal cars under the scheme. Repayment is ongoing.

**c. Scheme's compliance with statutory requirements**

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

**d. Major risks facing the Scheme, material arrears in statutory and other financial obligations, and**

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



## **6. Environmental and Sustainability reporting**

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

### **Sustainability Strategy and Profile**

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

The Authority has continued to make sustainable and business continuity efforts to ensure that the institution remains a going concern. Such efforts have included reaching out to the National Assembly and the National Treasury for enhanced annual budgets to sustain operations, and implementation of its mandate. Further, the Authority has engaged development partners to provide technical support in form of training.

For five consecutive financial years, the Authority has received Financial Reporting (FiRe) Award in the Constitutional Commissions and Independent under IPSAs cash accounting category.

To serve the public effectively, the Authority has established 8 regional offices in Mombasa, Kisumu, Garissa, Meru, Nyeri, Nakuru, Eldoret and Kakamega with over 100 officers deployed across these stations to enable them execute the Authority's mandate at the local level. The Authority plans to establish 2 additional regional offices, and is also exploring the option of deploying its services at the Huduma Centres across the country.

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

## **7. Report of The Scheme Administration Committee**

The Scheme Administration Committee submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the scheme affairs.

### **Principal activities**

The principal activities of the scheme are and *continue to be*: facilitation of IPOA employees to benefit from Government funded mortgage and car loan facilities and to motivate employees and immensely contribute towards attracting and retaining employees of requisite skills to the Authority.

### **Performance**

The performance of the scheme for the year ended June 30, 2022, is set out on page 1-5 of the Annual Report and financial statements.

### **Board and Scheme Committee**

The members of the Board and the scheme *Committee* who served during the year are shown on page 4-5 and page 7-14.

### **Auditors**

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

By Order of the Board



.....  
**Head of Human Capital/Scheme Chairperson**

## **8. Statement of Management's Responsibilities**

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

The Administrator of the Scheme is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year ended on June 30, 2022. 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 Scheme, (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 Scheme; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the scheme accepts responsibility for the scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Salaries and Remuneration Commission (SRC) circular No.SRC/ADM/CIR/1/13 Vol.VIII (128). The Administrator of the scheme is of the opinion that the scheme's financial statements give a true and fair view of the state of scheme's transactions during the financial year ended June 30, 2022, and of the schemer's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control.



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

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

During the year under review, the scheme funds stood at Kshs.54 Million which was a 125% increment from the FY 2020-21 to cater for implementation of the Big 4 Agenda projects and enablers as contained in Medium Term Plan II 2018-2022 (Affordable Housing) for staff mortgage scheme paid to Housing Finance Corporation.

#### **Approval of the financial statements**

The scheme's financial statements were approved by the committee on 29<sup>th</sup> **September 2022** and signed on its behalf by:



**Chairperson of the Scheme**

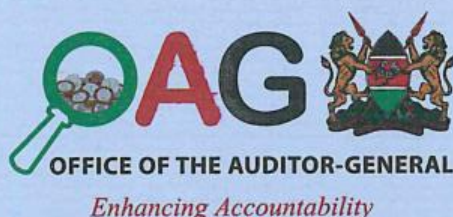


**Accounting Officer/CEO**



# REPUBLIC OF KENYA

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Anniversary Towers  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT POLICING OVERSIGHT AUTHORITY STAFF MORTGAGE AND CAR LOAN SCHEME 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 Independent Policing Oversight Authority Staff Mortgage and Car Loan Scheme set out on pages 27 to 45, which comprise of the statement of financial position as at 30 June, 2022, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended,



and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Independent Policing Oversight Authority Staff Mortgage and Car Loan Scheme as at 30 June, 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 Independent Policing Oversight Authority Staff Mortgage and Car Loan Scheme Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

### **Conclusion**

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



## **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Scheme's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Scheme or cease operations.

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

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

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 controls 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 Scheme'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 Scheme 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 Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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 to 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

08 December, 2022





**10. Statement of Financial Performance for the year ended 30th June 2022:**

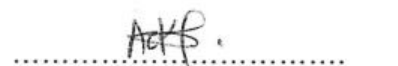
Description	Note	2021/22	2020/21
		Kshs.	Kshs.
<b>Revenue from exchange transactions</b>			
Interest income	1	548,742	-
<b>Total revenue</b>		<b>548,742</b>	<b>-</b>
<b>Expenses</b>			
Use of goods and services	2	275,331	-
<b>Total expenses</b>		<b>275,331</b>	<b>-</b>
<b>Surplus/(deficit) before tax</b>		<b>273,411</b>	<b>-</b>
<b>Taxation</b>		<b>-</b>	<b>-</b>
<b>Surplus/Deficit after Tax</b>		<b>273,411</b>	<b>-</b>

The financial statements were approved on 29<sup>th</sup> September 2022 by:


Elema Halake

  
 Accounting Officer/CEO

Agatha Chepkoech

  
 Ag. Director Business Services  
 ICPAK M/No.10017

 Solomon Lemunen

  
 Head of Human Capital  
 /Scheme Chairperson



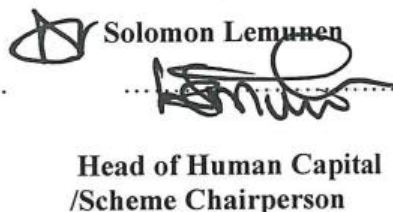
**11. Statement of Financial Position as at 30th June 2022**

Description	Note	2021/22	2020/21
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	38,971,875	-
Receivables from exchange transactions	4	1,439,720	-
<b>Total Current Assets</b>		<b>40,411,595</b>	<b>-</b>
<b>Non-current assets</b>			
Receivables from exchange transactions	4	13,861,816	-
<b>Total Current Assets</b>		<b>13,861,816</b>	<b>-</b>
<b>Total assets</b>		<b>54,273,411</b>	<b>-</b>
<b>Liabilities</b>			
Trade and other payables		-	-
Total Current Liabilities		-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>54,273,411</b>	<b>-</b>
Mortgage and car loan revolving fund		54,000,000	-
Accumulated surplus ( <i>Reserves</i> )		273,411	-
<b>Total net assets and liabilities</b>		<b>54,273,411</b>	<b>-</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Scheme financial statements were approved on 29<sup>th</sup> September 2022 and signed by:

Elema Halake  
  
Accounting Officer/CEO

Agatha Chepkoech  
  
Ag. Director Business  
Services  
ICPAK M/No.10017

  
Solomon Lemunnen  
Head of Human Capital  
/Scheme Chairperson





**12. Statement of Changes in Net Assets for the year ended 30th June 2022**

Description	Mortgage Scheme	Car Loan Scheme	Accumulated surplus	Total
	Kshs.		Kshs.	Kshs.
<b>As at 1 July 2020</b>	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	-		-	-
Transfers	-		-	-
<b>As at 30 June 2021</b>	-	-	-	-
<b>Balance as at 1 July 2021</b>	-	-	-	-
Surplus/(deficit) for the period	273,411	-	-	273,411
Funds received during the year	54,000,000	-	-	54,000,000
Transfers	-			-
<b>As at 30 June 2022</b>	<b>54,273,411</b>	-	-	<b>54,273,411</b>

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

**Elema Halake**  
  
Accounting Officer/CEO

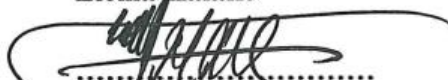
**Agatha Chepkoech**  
  
Chief Accountant  
ICPAK M/No.10017

**Solomon Lemunen**  
  
Head of Human Capital  
/Scheme Chairperson


**13. Statement of Cash Flows for the year ended 30th June 2022**

Description	Note	2021/22	2020/21
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest received	1	347,206	-
<b>Total receipts</b>		347,206	-
<b>Payments</b>			
Use of goods and services	2	(275,331)	-
<b>Total payments</b>		(275,331)	-
<b>Net cash flow from operating activities</b>		71,875	-
<b>Cash flows from investing activities</b>			
Loan disbursements paid out		15,100,000	-
<b>Net cash flows used in investing activities</b>		15,100,000	-
<b>Cash flows from financing activities</b>			
Receipts into the mortgage and car loan revolving fund		54,000,000	-
<b>Net cash flows used in financing activities</b>		54,000,000	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		38,971,875	-
Cash and cash equivalents at 1 July 2021		-	-
<b>Cash and cash equivalents at 30 June 2022</b>		38,971,875	-

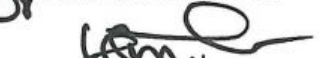
Elema Halake

  
.....  
Accounting Officer/CEO

Agatha Chepkoech

  
.....  
Chief Accountant  
ICPAK M/No.10017

 Solomon Lemunen

  
.....  
Head of Human Capital  
/Scheme Chairperson



**14. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2022**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Interest income	3,240,000	-	3,240,000	548,742	2,691,258	17%
Total Revenue	3,240,000	-	3,240,000	548,742	2,691,258	17%
Expenses						
Use of goods and services	1,620,000	-	1,620,000	275,331	1,344,669	17%
Expenditure	1,620,000	-	1,620,000	275,331	1,344,669	17%
Surplus for the period	1,620,000	-	1,620,000	273,411	1,346,589	17%

**Budget notes**

- The Authority received Kshs. 274,371 (3%) interest income on loans issued to staff during the period under review.
- There were no changes between original and final budget.

**Elema Halake**  
Accounting Officer/CEO

**Agatha Chepkoech**  
Ag. Director Business Services  
ICPAK M/No.10017

**Solomon Lemunnen**  
Head of Human Capital /Scheme  
Chairperson





## **15. Notes to the Financial Statements**

### **1. General Information**

IPOA staff car loan and Mortgage scheme is established by and derives its authority and accountability from the Salaries and Remuneration Commission (SRC) circular No.SRC/ADM/CIR/1/13 Vol.III (128), IPOA staff mortgage and car loan schemes regulations, and section 3.14.1 of the IPOA Human Resource Policies and Procedure Manual. The scheme's principal activity is administering the car loan and mortgage scheme through advancing government funded loans to staff.

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present 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 Scheme's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4

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

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

**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 2022**

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

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2022.**

Standard	Effective date and impact:
<b>IPSAS 41: Financial Instruments</b>	<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 a scheme'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 scheme's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>IPSAS 41 is not relevant to the scheme's operations because the scheme does not transact in any financial instruments</i></p>



Standard	Effective date and impact:
<b>IPSAS 42: Social Benefits</b>	<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 Scheme provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the scheme;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Scheme's financial performance, financial position and cash flows.</li> </ul> <p><i>This standard is not applicable to the scheme operations.</i></p>
<b>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</b>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>This standard is not applicable to the scheme's operations.</i></p>
<b>Other improvements to IPSAS</b>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul>

Standard	Effective date and impact:
	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023. <i>IPSAS 22 is relevant to the scheme's operations in terms disclosure of financial information to the relevant state actors for transparency and accountability.</i></li> </ul>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Scheme.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>This standard is not applicable to the scheme's operations.</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>This standard is not applicable to the scheme's operations.</i></p>

**iii. Early adoption of standards**

The Scheme did not early – adopt any new or amended standards in the year 2021/22.

**4. Significant Accounting Policies**

**a. Revenue recognition**

**i) Revenue from exchange transactions**

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income for each period.

**b. Budget information**

The original budget for FY 2021/22 was approved on 30<sup>th</sup> June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Scheme upon receiving the respective approvals in order to conclude the final budget.

Accordingly, the scheme did not record any additional appropriations during the period under review.

The scheme's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of financial performance has been presented under item No.14 of these financial statements.



**Significant Accounting Policies (Continued)**

**c. Nature and purpose of reserves**

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

**d. Changes in accounting policies and estimates**

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

**e. Related parties**

The Scheme regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Scheme, or vice versa. Members of key management are regarded as related parties and comprise the Board, Directors, Scheme Administration Committee, and Scheme Accountant.

**f. Cash and cash equivalents**

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

**g. Comparative figures**

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

**h. Events after the reporting period**

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

**i. Ultimate and Holding Scheme**

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

**Significant Accounting Policies (Continued)**

**j. Currency**

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

**5. Significant judgments and sources of estimation uncertainty**

The preparation of the Schemes' financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues and expenses at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Revenue is recognized when it is earned and expenses recognized when it is incurred.

**a) 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. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Scheme. Such changes are reflected in the assumptions when they occur.

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

**1. Interest income**

Description	2021/22	2020/21
	Kshs.	Kshs.
Interest Income From Mortgage and car Loans	548,742	-
<b>Total Interest Income</b>	<b>548,742</b>	<b>-</b>

**2. Use of Goods and Services**

Description	2021/22	2020/21
	Kshs.	Kshs.
Administration fees	274,371	-
Bank charges	960	-
<b>Total</b>	<b>275,331</b>	<b>-</b>

**3. Cash and cash equivalents**

Description	2021/22	2020/21
	Kshs.	Kshs.
IPOA Mortgage and Car Loan scheme	38,971,875	-
<b>Total Cash and Cash equivalents</b>	<b>38,971,875</b>	<b>-</b>

**3 a) Detailed analysis of the cash and cash equivalents in banks approved by National Treasury in line with Section 28 of the PFM Act are as follows:**

		2021/22	2020/21
Financial Institution	Account number	Kshs.	Kshs.
<b>Mortgage and Car Loan scheme</b>			
Co-operative Bank of Kenya Account	01141865999900	38,971,875	-
<b>Sub- Total</b>		<b>38,971,875</b>	<b>-</b>
<b>Grand Total</b>		<b>38,971,875</b>	<b>-</b>



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

**4.Receivables from exchange transactions**

Description	2021/22	2020/21
	Kshs.	Kshs.
<b>Current Receivables</b>		
Interest Receivable	201,536	
Current loan repayments due	1,238,184	
<b>Total Current Receivables</b>	<b>1,439,720</b>	<b>-</b>
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	13,861,816	-
<b>Total Non- Current Receivables</b>	<b>13,861,816</b>	<b>-</b>
<b>Total Receivables From Exchange Transactions</b>	<b>15,301,536</b>	<b>-</b>

**5. Net cash flows from operating activities**

	2021/22	2020/21
	Kshs.	Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	<b>273,411</b>	<b>-</b>
<b>Adjusted for:</b>		
<b>Working capital adjustments</b>		
Increase in receivables	(201,536)	-
<b>Net cash flow from operating activities</b>	<b>(71,875)</b>	<b>-</b>

**Other Disclosures**

**1. Financial risk management**

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks. The Scheme's overall risk management programme focuses on unpredictability of changes in 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 does not hedge any risks and has in place policies to ensure that credit is only extended to staff who meet the scheme requirements.

The scheme's financial risk management objectives and policies are detailed below:

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

**a) Credit risk**

The Scheme has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

Management assesses the credit quality of each staff, taking into account the officer's ability to repay the loan and other set scheme requirements. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Scheme's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Scheme's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

<b>Description</b>	<b>Total amount Kshs.</b>	<b>Fully performing Kshs.</b>	<b>Past due Kshs.</b>	<b>Impaired Kshs.</b>
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions- Car loans and mortgages	<b>15,301,536</b>	<b>15,301,536</b>	-	-
Bank Balances	38,971,875	38,971,875	-	-
<b>Total</b>	<b>54,273,411</b>	<b>54,273,411</b>	-	-
<b>At 30 June 2021</b>				
Receivables From Exchange Transactions- Car loans and mortgages	-	-	-	-
Bank Balances	-	-	-	-
<b>Total</b>	-	-	-	-

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

## **Other Disclosures (Continued)**

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

### **b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Scheme Administrator, who has built an appropriate liquidity risk management framework for the management of the Scheme's short, medium, and long-term funding and liquidity management requirements. The Scheme manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Scheme under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 June 2022</b>				
Trade Payables	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2021</b>				
Trade Payables	-	-	-	-
<b>Total</b>	-	-	-	-

### **c) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Scheme on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Schemes's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The scheme does not face any risks relating to market price changes.

#### **Other Disclosures (Continued)**

Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The scheme's Finance Department is responsible for the development of detailed risk management policies *subject to review and approval by the Audit and Risk Management Committee* and for the day-to-day implementation of those policies.

There has been no change to the Scheme's exposure to market risks or the manner in which it manages and measures the risk.

#### **d) Interest rate risk**

Interest rate risk is the risk that the scheme's financial condition may be adversely affected as a result of changes in interest rate levels. The Scheme's operations is not affected by the interest rate risk. The interest rate for the mortgage and car loan was determined and fixed by the National Treasury and Salaries and Remuneration Commission.

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

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

#### **e) Capital risk management**

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

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Revolving fund	54,000,000	-
Accumulated surplus ( <i>Reserves</i> )	273,411	-
<b>Total funds</b>	<b>54,273,411</b>	<b>-</b>
Less: cash and bank balances	( 38,971,875)	-
Net debt/(excess cash and cash equivalents)	15,301,536	-
<b>Gearing</b>	<b>28%</b>	<b>-</b>



**Other Disclosures (Continued)**

**2. Related party balances**

**a) Nature of related party relationships**

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

- a) Key management; &
- b) Board and the Scheme Committee.

**b) Related party transactions**

**i. Key management remuneration**

Description	2021/22	2020/21
	Kshs.	Kshs.
Board	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

The key management draw their salaries from IPOA Recurrent account.


**16. Annexes**

**Annex I: 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.

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

Accounting Officer/CEO

  
Date.....