

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2016**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
- 6 MAR 2017

RECEIVED



Independent Policing
Oversight Authority

INDEPENDENT POLICING OVERSIGHT AUTHORITY (IPOA)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2015

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KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Incorporation/Objectives

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

The objectives of the Authority are to:

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

Principal Functions

The principal functions of the Authority are to:

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

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KEY ENTITY INFORMATION AND MANAGEMENT (continued)

(a) Key Management

Members of the Board:

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

	Name	Designation
1	Macharia Njeru	Chairperson
2	Jedidah Ntoyai	Vice Chairperson
3	Tom Kagwe	Member
4	Fatuma Saman	Member
5	Rose Bala	Member
6	Grace Madoka	Member
7	Vincent Kiptoo	Member
8	Njeri Onyango	Member
9	Jedidah W. Waruhiu	Ex-Officio Member (KNCHR)

Senior Management Staff:

	Name	Designation
1	Dr Joel Mabonga	Chief Executive Officer/Board Secretary
2	Maina Njoroge	Director, Business Services
3	James Olola	Director, Complaints and Legal Services
4	Stephen Musau	Director, Inspection and Monitoring
5	Elema Halake	Director, Investigations

(b) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

	Name	Designation
1	Dr Joel Mabonga	Chief Executive Officer/Board Secretary
2	Maina Njoroge	Director, Business Services
3	Agatha Cheruiyot	Chief Accountant

(c) Fiduciary Oversight Arrangements

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

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KEY ENTITY INFORMATION AND MANAGEMENT (continued)

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

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

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

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

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

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

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

Finance & Administration Committee

Tom Kagwe (Chair)
Njeri Onyango
Vincent Kiptoo
Jedidah Ntoyai

Inspections, Research & Monitoring Committee

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

Human Resource Committee

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

Complaints, Investigations & Legal Committee

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

Communications & Outreach Committee

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

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KEY ENTITY INFORMATION AND MANAGEMENT (continued)

Audit & Risk Committee

Rose Bala (Chair)
Fatuma Saman
Grace Madoka

ICT Committee

Njeri Onyango (Chair)
Grace Madoka
Vincent Kiptoo
Rose Bala
Jedidah Ntoyai

(d) Headquarters

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

(e) Contacts

Telephone: (254) 020 4906 000
E-mail: info@ipoa.go.ke
Website: www.ipoa.go.ke

(f) Bankers

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

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

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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FOREWORD BY THE BOARD CHAIRMAN

During the 2015/16 financial year, the Authority was allocated a budget of Kshs. 419.5m. However, the budget as later revised downwards by Kshs. 23.6m to Kshs. 395.9m during the Supplementary Estimates I. Exchequer releases during the period amounted to Kshs. 361m or 91% of the budgetary allocation. Total expenditure during the year was Kshs. 359.8m of which Kshs. 188.7m was spent on compensation of employees, Kshs. 129.9m on use of goods and services, and Kshs. 41.2m on acquisition of assets. Overall, the Authority absorbed 91% of the total allocated budget for the year. This was at the same level of budget absorption as during the previous year. The Authority will endeavour towards full utilization of the allocated funds during the coming year, and within the approved annual budgetary limits.

During the period, the Authority continued to execute its mandate and implement its 4-year Strategic Plan. During the period under review, a total of 2,529 complaints were received from the public and the police, bringing the total complaints received since the Authority was established in 2012 to 6,978. The number of complaints has been on an increasing trajectory over the past three years. However, a large proportion of the complaints have been outside the Authority's mandate. This is probably due to limited awareness by the public of the Authority's mandate. To address this, the Authority held 19 outreach and public forums in over 15 counties across the country to create awareness and to educate both the public and the police on its mandate and functions. As indicated in previous reports, the Authority requests the National Police Service to strengthen the Internal Affairs Unit in terms of staff capacity and other required resources to enable it to deal with complaints referred to it by IPOA in addition to the cases it receives directly.

A total of 157 cases were investigated and completed during the period, 60 of which were recommended to the Office of the Director of Public Prosecutions, 87 were closed without need for further action, and 10 were referred to other institutions, including the National Police Service Commission for further action. As of 30 June 2016, the Authority had investigated and completed a total of 303 cases since inception. As at that date, 23 cases were before the courts out of which there was one conviction of two police officers sentenced to imprisonment. The Authority looks forward to more convictions arising from the ongoing cases before the courts. During the period, 168 new and 69 follow up inspections of police premises were conducted across the country, bringing the total inspections to date to 442. The Authority also monitored 22 police operations.

The Authority continues to acknowledge that within the National Police Service, there are committed and deserving officers who have served the public with excellence, dignity, and made personal sacrifices. For the second year running, therefore, the Authority organized the second edition of the Outstanding Police Service Awards (OPSA) in March 2016 during which 46 police officers were recognized for exemplary service to the public. Three detention facilities within police stations and police premises were also recognized for cleanliness and service to the members of the public.

In order to bring its services closer to the public, the Authority developed a decentralization strategy to roll out regional offices during the 2016/17 financial year. The Authority expects to establish three regional offices in Mombasa, Kisumu and Garissa by January 2017.

Despite the achievements made so far, the Authority has continued to experience challenges towards full implementation of its mandate largely due to inadequate resources. Funding has remained a major impediment. However, the Authority is pleased to report that its annual budgetary allocations have been growing to reasonable levels during the last two years, and especially during the previous financial year.

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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The Authority hopes that this trend will be maintained during the coming years. The Authority notes with appreciation that its budget for 2016/17 was increased to Kshs. 491m, part of which was allocated for the planned three regional offices. This level of funding will enable the Authority to upscale its activities during the ensuing year. To ease pressure on the Exchequer, the Authority will continue to explore other funding options to finance some of its activities. Additionally, IPOA has also continued to experience difficulties particularly on investigations due to non-cooperation by the police, and availability of critical evidence.

Resulting from the increased budgetary allocation during the year, the Authority was able to enhance its staff capacity through recruitment of additional investigators to deal with the large number of emerging cases. The Authority plans to recruit additional staff during the 2016/17 financial year, some of whom will be deployed to the three regional offices.

The Authority remains committed to its mandate and functions with the objective of guarding public interest in policing in the country. It will continue to carry out its work in a transparent, impartial, just and in a fair manner.



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Macharia Njeru
September 2016

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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STATEMENT OF MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in-charge of the Independent Policing Oversight Authority (IPOA) is responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of IPOA entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in-charge of IPOA accepts responsibility for the Authority's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Authority's financial statements give a true and fair view of the state of IPOA's transactions during the financial year ended June 30, 2016, and of the Authority's financial position as at that date. The Accounting Officer in-charge of the Independent Policing Oversight Authority further confirms the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of IPOA confirms that the Authority has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Authority's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further, the Accounting Officer confirms that the Authority's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Authority's financial statements were approved and signed by the Accounting Officer on *28th September 2016*.


Accounting Officer/CEO


Director, Business Services

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2016

REPORT OF THE INDEPENDENT AUDITORS

We have audited the accompanying financial statements of the Independent Policing Oversight Authority (IPOA) for the year ended June 30, 2016 which comprise: (i) a statement of receipts and payments; (ii) a statement of financial assets and liabilities; (iii) a statement of comparative budget and actual amounts; (iv) a statement of pending bills as at June 30, 2016; and (v) a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at June 30, 2016, and its receipts and payments, as well as cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Auditor General

Date



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT POLICE OVERSIGHT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Independent Police Oversight Authority set out on pages 12 to 27, which comprise the statement of assets as at 30 June 2016, and the statement of receipts and payments 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.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are

Report of the Auditor-General on the Financial Statements of Independent Police Oversight Authority for the year ended 30 June 2016

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

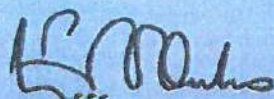
Basis for Qualified Opinion

Included in the statement of receipts and payments Kshs.129,471,546.40 expenditure on Use of Goods and Services for the year ended 30 June 2016 is an amount of Kshs.87,098.00 relating to confidential expenditure.

The Authority has not provided justification to support the Confidential Expenditure in accordance with provisions of section 101(6) of the Public Finance Management Regulations (2015). In addition, the Authority has not explained existing control measures that is in place to mitigate against risks of mismanaging confidential expenditure.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Independent Police Oversight Authority as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.



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

Nairobi

24 February 2017

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2015/2016 Kshs.	2014/2015 Kshs.
RECEIPTS			
Exchequer releases	1	361,000,000	236,200,000
Other receipts	2	-	5,000
TOTAL RECEIPTS		361,000,000.00	236,205,000
PAYMENTS			
Compensation of employees	3	188,732,531	176,084,550
Use of goods and services	4	129,875,315	84,942,383
Acquisition of assets	5	41,240,213	4,076,300
TOTAL PAYMENTS		359,848,059	265,103,233
SURPLUS/(DEFICIT)		1,151,941	(28,898,233)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on **28th September 2016** and signed by:


 Accounting Officer/CEO


 Director, Business Services

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
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STATEMENT OF ASSETS

	Note	2015/2016 Kshs.	2014/2015 Kshs.
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6	7,581,592	132,111
Total Cash and Cash Equivalents		7,581,592	132,111
TOTAL FINANCIAL ASSETS		7,581,592	132,111
LESS: FINANCIAL LIABILITIES			
Accounts payables - deposits	8	6,429,651	64,026
NET FINANCIAL ASSETS		1,151,941	68,085
REPRESENTED BY:			
Fund balance brought forward	7	68,085	28,966,318
Adjusted for: Returns to Exchequer		(68,085)	-
Surplus/(Deficit) for the year		1,151,941	(28,898,233)
NET FINANCIAL POSITION		1,151,941	(68,085)

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on *28th September 2016* and signed by:


 Accounting Officer/CEO


 Director, Business Services

INDEPENDENT POLICING OVERSIGHT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2016

STATEMENT OF CASH FLOW

	Note	2015/2016 Kshs.	2014/2015 Kshs.
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Exchequer releases from the National Treasury	1	361,000,000	236,200,000
Other revenues (AIA)	2	-	5,000
Total Receipts for operating income		361,000,000	236,205,000
Payments for operating expenses			
Compensation of employees	3	(188,732,531)	(176,084,550)
Use of goods and services	4	(129,875,315)	(84,942,383)
Adjusted for:			
Returns to Exchequer*		(68,085)	-
Net cash flow from operating activities		42,324,069.00	(24,821,933)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of assets	5	(41,240,213)	(4,076,300)
Net cash flows from investing activities		(41,240,213)	(4,076,300)
CASH FLOW FROM BORROWING ACTIVITIES			
Domestic currency/domestic deposits (A/cs payable)		6,365,625	(6,354,231)
Net cash flow from financing activities		6,365,625	(6,354,231)
NET INCREASE IN CASH & CASH EQUIVALENT		7,449,481	(35,252,464)
Cash and cash equivalent at BEGINNING of the year		132,111	35,384,575
Cash and cash equivalent at END of the year		7,581,592	132,111

*An amount of Kshs. 68,085 being the unutilized funds during the year was returned to the Exchequer on 10th August 2016.

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28th September 2016 and signed by:


Accounting Officer/CEO


Director, Business Services

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on	Budget Utilization	Utilization
	Kshs	Kshs	Kshs	Comparable Basis	Difference	actual
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchange releases from the National Treasury	419,483,700	(23,589,802)	395,893,898	361,000,000	34,893,898	91%
Sub-Total	419,483,700	(23,589,802)	395,893,898	361,000,000	34,893,898	91%
PAYMENTS						
Compensation of employees	221,630,000	(10,489,520)	211,140,480	188,732,531	22,407,949	89%
Use of goods and services	149,369,700	(10,085,534)	139,284,166	129,875,315	9,408,851	93%
Acquisition of assets	48,484,000	(3,014,748)	45,469,252	41,240,213	4,229,039	91%
TOTALS	419,483,700	(23,589,802)	395,893,898	359,848,059	36,045,839	91%

Notes:

- (a) The Authority achieved an overall 91% budget utilization during the year.
- (b) Compensation of employees absorbed 89% of the approved budget. This was due to staff turnover. This was also due to unavoidable circumstances in replacing vacant positions, and planned recruitment of additional staff.
- (c) On use of goods, the Authority recorded a budget absorption rate of 93%. This was due to technical problems experienced in making payments at the end of the year in June 2016. This resulted in pending bills carried forward into 2016/17 financial year. Otherwise, the absorption rate would have been higher.
- (d) In acquisition of assets, an absorption rate of 91% was recorded. The rate would have been higher if not for the technical problems in making payments experienced in June 2016.
- (e) The Authority does not have Development Expenditure Vote.

The financial statements were approved on 28th September 2016 and signed by:


 Accounting Officer/CEO


 Director, Business Services

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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BUDGET VERSUS ACTUAL AMOUNTS

Receipt/Expense Item	Original Budget Kshs a	Adjustments Kshs b	Final Budget Kshs c=a+b	Actual on Comparable Basis Kshs d	Budget Utilization Difference Kshs e=d-c	% of Utilization Difference Kshs f=e/c %
RECEIPTS						
Exchequer releases from the National Treasury	419,483,700	(23,589,802)	395,893,898	361,000,000	(34,893,898)	-9%
Sub-Total	419,483,700	(23,589,802)	395,893,898	361,000,000	(34,893,898)	-9%
PAYMENTS						
Compensation of employees	221,630,000	(10,489,520)	211,140,480	188,732,531	(22,407,949)	-11%
Use of goods and services	149,369,700	(10,085,534)	139,284,166	129,875,315	(9,408,851)	-7%
Acquisition of assets	48,484,000	(3,014,748)	45,469,252	41,240,213	(4,229,039)	-9%
TOTALS	419,483,700	(23,589,802)	395,893,898	359,848,059	(36,045,839)	-9%

Notes:

(a) The Authority recorded 91% budget utilization during the period.

(b) The absorption of the budget was mainly due to staff turnover, limited access to budget provisions particularly during the second half of the year, and non-completion of the procurement process especially where bids were non-responsive.

The financial statements were approved on **28th September 2016** and signed by:


 Accounting Officer/CFO


 Director Business Services

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SUMMARY STATEMENT OF PROVISIONING

- Details of General Accounts on Vote

GAV Provisioning account balance

Total

- Details of Exchequer Account

Exchequer Provisioning account balance

Total

	2015/2016 Kshs	2014/2015 Kshs
GAV Provisioning account balance	36,045,839	54,484,250
Total	36,045,839	54,484,250
Exchequer Provisioning account balance	34,893,898	54,416,165
Total	34,893,898	54,416,165


 Accounting Officer/CEO


 Director, Business Services

SIGNIFICANT ACCOUNTING POLICIES

1. Summary of Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board (PSASB) of Kenya. In addition, the financial statements are in compliance with the Public Finance Management Act, 2012, Public Finance Management Act Regulations, 2015, Public Audit Act, 2015, and in line with the requirements of IPOA Act, 2011.

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

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts.

b) Recognition of revenue and expenses

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

c) In-kind contributions

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

d) Cash and cash equivalents

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

e) Accounts Receivable

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Accounts Payable

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

g) Non-current assets

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

h) Pending bills

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

i) Budget

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

j) Comparative figures

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

k) Subsequent events

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

2. Financial Risk Management Objectives and Policies

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

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

The Board has the overall responsibility for the establishment and oversight of the enterprise risk management framework. The Board has delegated its risk management to the Risk and Audit Committee. The Committee is responsible for the implementation and reporting of the framework. The Board Finance and Administration Committee is charged with management of financial risks arising from financial transactions and processes.

The following are financial management objectives and policies:

a) Market risk

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

b) Credit risk

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

c) Liquidity risk

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

d) Capital risk

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

e) Operational risk

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

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

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

- i. Requirement for appropriate segregation of duties including independent authorization and approval of transactions;
- ii. Requirement for reconciliation and monitoring of transactions;
- iii. Documentation of controls and procedures;
- iv. Staff training and professional development;
- v. Ethical and business standards;
- vi. Compliance with regulatory and other legal requirements;
- vii. Requirement for periodic assessment of operational risks faced by the Authority, and adequacy of controls and procedures to address the risks identified;
- viii. Requirement for the reporting of operational losses and proposed remedial action;
- ix. Development of contingency plans;
- x. Risk mitigation, including insurance where this is effective; and
- xi. Review of compliance with the Authority's standards is on an ongoing basis. The Authority has developed a staff code of conduct, which every employee is required to sign an integrity pact for compliance.

f) Reputational risk

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

g) Governance risk compliance

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

h) Compliance and regulatory risk

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

i) Legal risk

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

3. Taxation

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

4. Retirement benefit obligations

The Authority makes contributions to a statutory pension scheme, the National Social Security Fund (NSSF), for all its long-term contract employees. Contributions to the scheme are determined by statute at Kshs. 200/- per employee per month for the 12-month period ended 30 June 2016. The employees also contribute a similar amount per month. The Authority's obligations to NSSF are charged to the salary costs on monthly basis.

5. Staff service gratuity

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

6. Legal status/going concern

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

7. Employees

As at 30 June 2016, the Authority had a staff compliment of 114.

8. Use of funds

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

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EXPLANATORY NOTES

1. EXCHEQUER RELEASES

	2015/2016 Kshs.	2014/2015 Kshs.
Total Exchequer Releases for Quarter 1	79,000,000	30,000,000
Total Exchequer Releases for Quarter 2	90,500,000	65,200,000
Total Exchequer Releases for Quarter 3	97,000,000	61,000,000
Total Exchequer Releases for Quarter 4	94,500,000	80,000,000
Total	361,000,000	236,200,000

2. OTHER REVENUES

	2015/2016 Kshs.	2014/2015 Kshs.
Receipts from admin. fees and charges (AIA)	-	5,000
Total	-	5,000

3. COMPENSATION OF EMPLOYEES

	2015/2016 Kshs.	2014/2015 Kshs.
Basic salaries of permanent employees	113,764,944	89,437,069
Basic wages of temporary employees/Board ^A	17,148,141	36,485,044
Personal allowances paid as part of salary	42,945,278	45,631,769
Compulsory National Social Security Schemes	433,600	354,000
Compulsory National Health Ins. Schemes	1,692,250	459,840
Other personnel payments (Gratuity)	12,748,318	3,716,828
Total	188,732,531	176,084,550

Note A: The Authority's Board members are entitled to a monthly retainer, transport allowance and airtime as approved by the Salaries and Remuneration Commission (SRC).

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EXPLANATORY NOTES (CONTINUED)

4. USE OF GOODS AND SERVICES

	2015/2016	2014/2015
	Kshs.	Kshs.
Specialized materials and supplies	137,501	1,852,000
Communication, supplies and services	4,852,355	4,738,772
Domestic travel and subsistence	24,934,097	10,970,584
Foreign travel and subsistence	2,931,073	577,772
Printing, advertising/inform. Supplies & services	3,336,535	3,144,188
Rentals of produced assets ¹	28,517,488	26,584,140
Training expenses	4,426,676	998,190
Hospitality supplies and services ²	26,231,415	3,512,187
Insurance costs ³	16,325,000	17,423,880
Office and general supplies and services	3,839,395	3,054,124
Other operating expenses	8,415,846	8,593,973
Routine maintenance – Motor Vehicles	2,582,334	850,022
Fuel oil and lubricants	2,333,254	2,057,482
Routine maintenance – other assets	1,012,346	585,069
Total	129,875,315	84,942,383

Note 1: Included in the Rentals of produced assets of Kshs. 28,517,488 is an amount of Kshs. 720,243 paid during the period but relating to 2016/17 financial year. This relates to a new Lease Agreement for additional office space on the 4th floor acquired during the year. The Lease commenced on 1st June 2016. The prepaid amount was for the months of July and August 2016.

Note 2: The amount includes Kshs. 19,380,000 Board sitting allowances paid during the year. During 2014/15 financial year, the Board sitting allowances were budgeted under personnel emoluments. However, during 2015/16 financial year, the expenditure was appropriately budgeted under board expenses as part of operations and maintenance. The Board sitting allowance has been determined by the Salaries and Remuneration Commission. The Commission has approved Board sittings up to a maximum of eight per month.

Note 3: Included in the Insurance costs of Kshs. 16,325,000 is an amount of Kshs. 9,007,881 paid during the period but relating to 2016/17 financial year. The staff medical scheme insurance contract commenced on 1st April 2016 and ending on 31st March 2017, and thus not in line with the current reporting period.

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EXPLANATORY NOTES (CONTINUED)

5. ACQUISITION OF ASSETS

Non-Financial Assets	2015/2016 Kshs.	2014/2015 Kshs.
Refurbishment of buildings	-	1,160,799
Purchase of motor vehicles	33,738,994	-
Purchase of office furniture/equipment	5,424,497	1,738,612
Purchase of specialized plant/equipment	2,076,722	1,176,889
Total	41,240,213	4,076,300

6. BANK ACCOUNTS

Name of Bank, Account No. & currency	Type of Account	2015/2016 Kshs	2014/2015 Kshs
Central Bank of Kenya, Account No. 1000181559	Recurrent	1,151,941	68,085
Central Bank of Kenya 165, Account No. 1000182717	CBK165	-	-
Central Bank of Kenya, Account No. 1000182393	Deposit	6,429,651	64,026
National Bank of Kenya, Account No. 01001094661400	Current	-	-
Total		7,581,592	132,111

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

7. BALANCES BROUGHT FORWARD

Non-Financial Assets	2015/2016 Kshs.	2014/2015 Kshs.
Bank accounts	132,111	28,519,036
Imprest	-	447,282
Payables - deposits	(64,026)	-
Total	68,085	28,966,318

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EXPLANATORY NOTES (CONTINUED)

8 ACCOUNTS PAYABLE

	2015/2016 Kshs.	2014/2015 Kshs.
Domestic deposits	6,429,651	64,026
Total	6,429,651	64,026

9 OTHER IMPORTANT DISCLOSURES

9.1 PENDING ACCOUNTS PAYABLE (Annex 1)

Non-Financial Assets	2015/2016 Kshs.	2014/2015 Kshs.
Office partitioning project	-	30,530
Supply of goods	1,538,867	-
Supply of services	354,952	-
Total	1,893,819	30,530

9.2 PENDING STAFF PAYABLES (Annex 2)

	2015/2016 Kshs.	2014/2015 Kshs.
Staff payroll deductions	123,884	-
Total	123,884	-

10. PRESENTATION RESTATEMENT NOTE ON PRIOR YEAR STATEMENT OF CASH FLOWS

	Audited 2014/2015 Kshs.	Adjustment Kshs.	Restated 2014/2015 Kshs.
Adjustments during the year: Change in Accounts Payable	-	(6,354,231)	(6,354,231)
Cash flow from borrowing activities	(6,354,231)	6,354,231	-
Total	(6,354,231)	-	(6,354,231)

NB: The previous year comparative amounts as audited have been restated due to change in presentation in the current year.



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EXPLANATORY NOTES (CONTINUED)

9.3 PROGRESS ON FOLLOW UP OF AUDITOR'S RECOMMENDATIONS

All audit issues raised by the external audit during the 2014/15 financial year were resolved and settled during the audit process. As such, there were no audit issues that were carried forward.

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

	Supplier of Goods or Services	Original Amount Kshs a	Date Contracted Kshs b	Amount Paid To- Date Kshs c	Outstanding Balance 2015 Kshs d=a-c	Outstanding Balance 2016 Kshs	Comments
1	Supply of Goods Cita Creations	29,000	18/02/2016	-	-	29,000	Printing of research reports
2	Computech Ltd	186,516	02/03/2016	-	-	186,516	Supply of Anti-Virus software
3	Aimtech Kenya Ltd	280,000	23/06/2016	-	-	280,000	Supply of protective helmets
4	Jofrin Investment Ltd	22,950	23/06/2016	-	-	22,950	Supply of extension cables
5	Kul Graphics Ltd	63,800	19/05/2016	-	-	63,800	Printing of annual report
6	National Oil Corporation of Kenya	177,500	31/05/2016	-	-	177,500	Supply of fuel and lubricants, May 2016
7	National Oil Corporation of Kenya	359,969	30/06/2016	-	-	359,969	Supply of fuel and lubricants, June 2016
8	Aniteho Auto and General Supplies	36,000	28/06/2016	-	-	36,000	Supply of printing paper
9	Century Media Ltd	180,000	28/06/2016	-	-	180,000	Supply of envelopes
10	Colouprint Ltd	143,625	17/06/2016	-	-	143,625	Printing of annual report
11	Demi Systems Kenya Ltd	30,000	23/06/2016	-	-	30,000	Supply of RFID cards
12	Withholding VAT - Lloyd Masika Ltd	4,320	30/06/2016	-	-	4,320	Rent - Withholding VAT
13	Withholding VAT - Lloyd Masika Ltd	4,320	30/06/2016	-	-	4,320	Rent - Withholding VAT
14	Withholding VAT - McBull	1,035	30/06/2016	-	-	1,035	Withholding VAT
15	Withholding VAT - Ace Paper Print	12,279	30/06/2016	-	-	12,279	Withholding VAT
16	Withholding VAT - Jepro Cleaning Services	7,553	30/06/2016	-	-	7,553	Withholding VAT
	Sub-Total	1,538,867		-	-	1,538,867	

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Supplier of Goods or Services		Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2015	Outstanding Balance 2016	Comments
		Kshs	Kshs	Kshs	Kshs	Kshs	
1	Supply of services						
	Pong Agencies						
2	KENATCO Taxi Services	48,720	30/03/2016	-	-	48,720	Upgrade of PABX system
3	Harrem General Merchants	171,753	30/06/2016	-	-	171,753	Provision of taxi services
4	Raydoll Tours & Travel	8,000	16/06/2015	-	-	8,000	Plumbing services
5	Tripple Tours & Travel	26,850	29/10/2015	-	-	26,850	Provision of air tickets
6	Tripple Tours & Travel	10,715	27/10/2015	-	-	10,715	Provision of air tickets
7	Tripple Tours & Travel	13,945	18/06/2015	-	-	13,945	Provision of air tickets
8	Toyota Kenya	9,275	22/10/2015	-	-	9,275	Provision of air tickets
9	Toyota Kenya	18,435	10/03/2016	-	-	18,435	Service of motor vehicles
10	African Touch Safaris	19,549	20/02/2016	-	-	19,549	Service of motor vehicles
		27,710	06/04/2016	-	-	27,710	Provision of air tickets
	Sub-Total	354,952				354,952	
	Grand Total	1,893,819				1,893,819	

Notes:

- The pending bills were mainly caused by the following, and not lack of budgetary provisions or exchequer releases:
1. Suppliers' invoices were received after the IFMIS payment module was closed on 24th June 2016, and after 30th June 2016.
 2. The payments were processed on time but the transactions failed on the Central Bank of Kenya's Internet Banking system, and thus reversed
 3. The pending bills were within the Authority's budgetary provisions for the year.
 4. All the pending bills were subsequently settled in full by 31st August 2016.

INDEPENDENT POLICING OVERSIGHT AUTHORITY
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ANNEX 2 - ANALYSIS OF PENDING STAFF PAYABLES

Name of Staff	Job Group	Original Amount <i>a</i>	Date Payable Contracted <i>b</i>	Amount Paid To-Date <i>c</i>	Outstanding Balance 2015 <i>d=a-c</i>	Outstanding Balance 2016	Comments
Others (Deductions)							
1. Jorgeo Sacco		12,150	30/06/2016	-	-	12,150	Staff deduction
2. Maureen Maina	5	2,500	30/06/2016	-	-	2,500	Per diem balance
3. Mazigira Welfare		600	30/06/2016	-	-	600	Staff deduction
4. IPOA Sacco		93,500	30/06/2016	-	-	93,500	Staff deduction
5. Britam Insurance		15,134	30/06/2016	-	-	15,134	Staff deduction
	Sub-Total	123,884		-	-	123,884	
	Grand Total	123,884		-	-	123,884	

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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost 2015/16 Kshs'000	Historical Cost 2014/15 Kshs'000
Office refurbishment (2 nd and 3 rd Floors, ACK Garden Annex, 1 st Ngong Avenue, Nairobi)	66,849,385	66,849,385
Motor vehicles	83,316,318	49,577,325
Office equipment, furniture and fittings	11,512,717	6,088,219
ICT Equipment, software and other ICT assets	5,418,143	3,341,421
Total	167,096,563	125,856,350