

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
DATE: 03 NOV 2022 Wednesday Afternoon
TABLED
Hon. Kimani Ichungwa, MP
Leader of majority party
Mainah Wanjiku

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2020**



National Police Service Commission



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

**ANNUAL REPORT & FINANCIAL STATEMENT
FOR THE YEAR ENDED
JUNE 30, 2020**

Prepared in accordance with the Accrual and basis of Accounting Method
under the international Public Sector Accounting Standards (IPSAS)

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements for the year ended June 30, 2020**

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ABBREVIATIONS AND ACRONYMS

FY	Financial Year
HR	Human Resource
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
Ksh	Kenya Shillings
MOU	Memorandum of Understanding
PFM	Public Finance Management Act / Regulations
NPSC	National Police Service Commission

National Police Service Commission Staff Car Loan and Mortgage Scheme Fund Reports and Financial Statements for the year ended June 30, 2020

1.0. NPSC STAFF CAR LOAN AND MORTGAGE SCHEME FUND INFORMATION AND MANAGEMENT

1.1. Background information

National Police Service Commission Staff Car Loan & Mortgage Scheme Fund is established from Article 246 of the constitution and National Police Service Commission Act, 2012. The Fund is wholly owned by the Commission and is domiciled in Kenya. Through the Public Finance Management (National Police Service Commission Staff Car Loan and Mortgage Scheme Fund) Regulations, 2014, the Commission has established appropriate regulations to guide the implementation for the benefits to its staff. The Fund's principal activity is to facilitate Staff of the Commission to purchase residential houses and motor vehicles.

1.2. Principal Activities

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

1.3. Key Management

The Car Loan & Mortgage Scheme Fund Committee, which is made up of the management team representatives and officers of the Commission, execute the scheme fund's day-to-day operations.

The scheme fund's Committee members, who served during the financial year (FY), ended 30th June 2020, and who had direct fiduciary responsibility were;

- | | |
|---------------------|---|
| a) Christine Rotich | Director Human Resource Management (Chairperson) |
| b) Stephen Mbogo | Deputy director Strategy and research and Planning (Vice Chairperson) |
| c) Sarah Muthiga | Manager Legal (Member) |
| d) Pauline Ngari | Senior Finance Officer (Secretary) |
| e) Vincent Kimani | Manager Supply Chain Management (Member) |
| f) Salome Ringera | Manager IPPD (Member) |
| g) Mary Acholah | Manager Internal Audit (Member) |
| h) Esther Kitonyi | Manager Accounts(Member) |

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements for the year ended June 30, 2020**

1.4. Fund Headquarters

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

1.5. Contacts information

Telephone :(254) 709099000
Mail: info@npsc.go.ke
<https://www.npsc.go.ke/>
https://twitter.com/npsc_ke

1.6. Fund Bankers and Administrators

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

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

1.7. Independent auditor




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

1.8. Principal legal adviser


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

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
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1.9. Car Loan and Mortgage Scheme Fund Board of trustees

Ref	Name	Position
1	 Christine Rotich	Chairperson Officer in charge of Planning (not below NPSC scale 6) to be the Vice Chairperson;
2	 Stephen Mbogo	Vice Chairperson Member to be nominated by the Chief Executive Officer of the Commission.
3	Sarah Muthiga	Manager Legal Officer in charge of legal services or a representative who shall not be below NPSC scale 4;
4	Pauline Ngari	Senior Finance Officer to be the secretary or his or her nominee who shall not be below NPSC scale 4
5	 Vincent Kimani	Manager Supply chain management Member to be nominated by the Chief Executive Officer of the Commission.
6	Salome Ringera	IPPD Manager Member to be nominated by the Chief Executive Officer of the Commission.

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
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7	 Mary Acholah	Manager Internal Audit Member to be nominated by the Chief Executive Officer of the Commission.
8	Esther Kitonyi	Manager Accounts Member to be nominated by the Chief Executive Officer of the Commission.

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements for the year ended June 30, 2020**

2.0. CHAIRPERSON'S REPORT

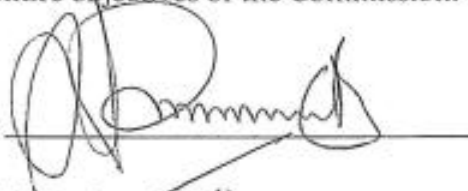
The National Police Service Commission Staff Car Loan & Mortgage Scheme Fund is established under the National Police Service Commission Car loan and Mortgage Fund Scheme Regulations, 2016. The administration of the fund is done by Housing Finance Group and Kenya Commercial Bank.

The scheme fund's Committee members are drawn from all the directorates of the Commission who help in administering the fund. The National Police Service Commission Staff Car loan and mortgage scheme has benefitted the Staff in housing for decent living. In turn this has translated to high morale and better performance. The fund is expected to grow significantly and benefit more Staff in the future. In addition, the NPSC car loan and mortgage scheme fund has better terms compared to similar facilities offered by commercial institution

The fund is managed by the bank and all fund transfers are credited in a fixed deposit so as to earn interest. The fund is earns the 3% interest and this will also contribute to the growth of the fund. Staff that have benefited from it have utilised the fund to acquire land, build and purchase houses.

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

Signed: _____



Mr. J.M. Wambugu

NPSC Staff Car Loan and Mortgage Scheme Fund

Date: 20th June, 2022

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements for the year ended June 30, 2020**

3.0. REPORT OF THE OFFICER ADMINISTERING THE FUND

The Car Loan & Mortgage Scheme Fund was established in July 2018. As at the close of the period, the fund had received Ksh 47,000,000.

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

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

The scheme fund's administrators hereby submit their report together with the audited financial statements for the year ended 30 June 2020, which show the state of the scheme fund's affairs.



Dr. Silas O. M'Opiso, PhD, EBS, OGW

Ag. CS/Chief Executive Officer

Date: 20th June, 2022

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements for the year ended June 30, 2020**

4.0. STATEMENT OF COMPLIANCE

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

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

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

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

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

5.0. STATEMENT OF THE OFFICER ADMINISTERING FUNDS RESPONSIBILITIES

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

The Administrator of the Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended 30 June 2020.

This responsibility includes:

- a) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b) Maintaining proper accounting records, which disclose with reasonable accuracy, at any time the financial position of the Fund;
- c) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- d) Safeguarding the assets of the Fund;
- e) Selecting and applying appropriate accounting policies; and
- f) Making accounting estimates that are reasonable in the circumstances.

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

The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended 30 June 2020, and of the Fund's financial position as at that date. The Administrator confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements, as well as the adequacy of the systems of internal financial control.

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements for the year ended June 30, 2020**

In preparing the financial statements, the Administrator has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Commission's Car Loan & Mortgage Scheme Fund statements for 30 June 2020 were approved by the Commission and signed on its behalf by:



Dr. Silas O. Mc'Obiyo, PhD, EBS, OGW
Ag. CS/Chief Executive Officer
Date: 20th June, 2022



Mr. J.M. Wambugu
NPSC Staff Car Loan and Mortgage Scheme Fund
Date: 20th June, 2022

6.0. MANAGEMENT DISCUSSION AND ANALYSIS

6.1. Operational and financial performance

As at the close of the FY 2019/20, the scheme fund's financial position was Ksh 47,000,000 in capital and Ksh 1,246,603 as interest earned from utilised funds held in the deposit account. During the year, scheme fund had disbursed Kshs 6,700,000

Compliance with statutory requirements

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

6.2. Key activities the scheme fund is undertaking

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

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

6.3. Major risks facing the scheme fund

Liquidity risk

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

Credit risk

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

6.4. The scheme fund's financial probity and governance issues

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

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON NATIONAL POLICE SERVICE COMMISSION STAFF CAR LOAN AND MORTGAGE SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the National Police Service Commission Staff Car Loan and Mortgage Scheme Fund set out on pages 15 to 25, which comprise the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows, 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 National Police Service Commission staff car loan and mortgage scheme Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund'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 Fund or cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide 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

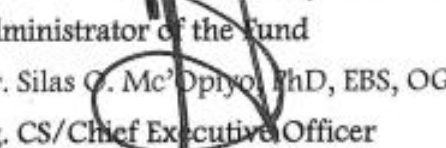
06 July, 2022


**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements for the year ended June 30, 2020**

8.0. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30thJUNE 2020

	Note	2019-2020	2018-2019
Revenue from exchange transactions			
Interest income	1	1,461,616	58,636
Other income			
Total revenue		1,461,616	58,636
Expenses			
Tax on Interest Earned	2	211,173	8,795
Bank Charges	3	840	
Total expenses		212,013	8,795
Other gains/(losses)			
Accumulated Surplus/(deficit) for the period		1,249,603	49,841

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


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

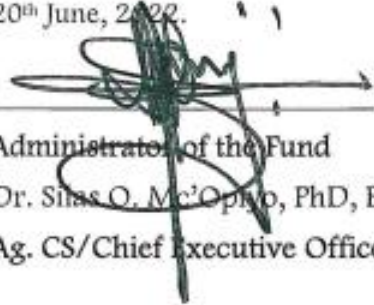

 Fund Accountant
 Name: Philip Kirwa
 ICPAK Staff Number: 13763


**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements for the year ended June 30, 2020**

9.0. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
ASSETS			
Non-Current Assets			
Long term receivables from exchange transactions	4	6,700,000	
Total Non-Current Assets			
Current Assets			
Trade and other receivables-Balances on Loan			
Accrued interest			
Cash and cash equivalents	5	41,599,445	17,049,841
Total Current Assets		41,599,445	17,049,841
Total Assets		48,299,445	17,049,841
EQUITY AND LIABILITIES			
Capital and Reserves			
Revolving fund		47,000,000	17,000,000
Accumulated Surplus		1,299,443	49,841
Capital and Reserves		48,299,445	17,049,841
Non-Current Liabilities			
Total Non-Current Liabilities			
Current Liabilities			
Total Current Liabilities			
TOTAL NET ASSETS AND LIABILITIES		48,299,445	17,049,841

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


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


Fund Accountant
Name: Philip Kirwa
ICPAK Staff Number: 13763

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements for the year ended June 30, 2020**

10.0. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluati on Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	-	-		-
Accumulated Surplus/(deficit) for the period		-	49,841	49,841
Funds received during the year	17,000,000	-	-	17,000,000
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	17,000,000		49,841	17,049,841
Balance as at 1 July 2019	17,000,000	-	49,841	17,049,841
Accumulated Surplus/(deficit) for the period			1,249,603	1,249,603
Funds received during the year	30,000,000			30,000,000
Balance as at 30 June 2020	47,000,000		1,299,444	48,299,444

National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
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11.0. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Interest received		1,461,616	58,636
Total Receipts		1,461,616	58,636
Payments			
Tax in interest earned		211,173	8,795
Bank Charges		840	
Total Payments		212,013	8,795
Net cash flow from operating activities		1,249,603	49,841
CASH FLOWS FROM INVESTING ACTIVITIES			
Transfers from the Commission-		30,000,000	17,000,000
Increase in receivables from investing activities		(6,700,000)	
Net cash generated from/ (used in) investing activities		23,300,000	17,000,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Car Loan & Mortgage Scheme Fund advanced to staff			
Loans repayments			
Interest from fixed deposits			
Net cash generated from/(used in) financing activities			
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		24,549,604	17,049,841
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		17,049,841	0
Effects of foreign exchanges rate fluctuations			
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		41,599,445	17,049,841

National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements for the year ended June 30, 2020

12.0. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Sale of goods					
Sale of services					
Transfers from the Government and reserves	30,000,000	0	30,000,000	30,000,000	100%
Finance Income-interest on loan					
Other income- Interest from fixed deposits	1,461,616		1,461,616	1,461,616	100%
Total income	31,461,616		31,461,616	31,461,616	100%
Expenses					
Tax on Interest Earned	211,173	0	211,173	211,173	100%
Bank Charges	840		840	840	100%
Total expenditure	212,013	0	212,013	212,013	100%
Surplus for the period	1,249,603	0	1,249,603	1,249,603	100%

**National Police Service Commission Staff Car Loan and Mortgage Scheme Fund
Reports and Financial Statements for the year ended June 30, 2020**

13.0. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Article 246 of the Constitution establishes the National Police Service Commission with the mandate to recruit and appoint persons to hold or act in offices in the Service; to confirm appointments within the National Police Service; to determine promotions and transfers within the National Police Service, to exercise disciplinary control over and remove persons holding and acting in offices within the Service and to perform any other functions prescribed by national legislation

2. Statement of compliance and basis of preparation

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

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

3. Early adoption of standards

The Scheme fund did not adopt any new or amended standards in year 2020.

Summary of significant accounting policies and notes to the financial statement

a) Revenue recognition

Revenue from exchange transactions

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

b) Budget information

The original budget for the FY 2019/2020, was approved. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the scheme fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the scheme fund recorded additional appropriations on the FY 2019/2020 budget following the governing body's approval.

c) Cash and cash equivalents

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

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

d) Fund Account

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

e) Comparative figures

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

f) Events after the reporting period

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

g) Ultimate and Holding Entity

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

h) Currency

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

i) Financial risk management

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

Credit risk management

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. The scheme fund's exposure to credit risk is low owing to the fact that properties acquired are charged to the Bank and thus held as security. The

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administrator also mitigates the risk by strictly scrutinizing the prevailing financial state of the borrower before processing an application.

Liquidity risk management

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

Interest rate risk

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

Management of interest rate risk

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

Capital risk management

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

1. Interest income from loans

	2019-2020	2018-2019
Description	Kshs	Kshs
Interest Earned from Fund Balance	1,461,616	58,636
Interest Earned from Mortgage Balances		
Total	1,461,616	58,636

2. Tax on Interest Earned

Description	2019/2020	2018/2019
	KShs	KShs
Withholding Tax	211,173	8,795
Total	211,173	8,795

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3. Bank charges

Description	2019/2020	2018/2019
	KShs	KShs
Bank Charges	840	
Total	840	

4. Receivables from exchange transactions

Description	2019/2020	2018/2019
a) Current Receivables	KShs	KShs
Interest receivable	-	
Current loan repayments due	-	
Total Current receivables		
Non-Current receivables		
b) Long term loan repayments	6,700,000	-
Total Non- current receivables	6,700,000	-
Total receivables from exchange transactions	6,700,000	-

5. Cash and Cash Equivalentents

Description	2019/2020	2018/2019
	KShs	KShs
Current Account	8,545,650	17,049,841
Fixed Deposit Account	33,053,795	
Short-Term Deposits		
Total	41,599,445	17,049,841

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6. Detailed Analysis of Cash and Cash Equivalent

Description		2019/2020	2018/2019
Financial Institution	Account Number	KShs	KShs
HFC – Westlands Branch	8406103102-0	8,545,650	17,049,641
KCB – Haile Selassie branch	1274314615	53,795	
KCB - Unutilized Funds	MM20162YZ3VF	33,000,000	
Total		41,599,445	17,049,841

7. Cash generated from operations


	2019/2020	2018/2019
	KShs	KShs
Surplus/ (deficit) for the year before tax	49,840	0
Adjusted for:		
Interest income	1,461,616	58,636
Tax in interest earned	211,173	
Bank Charges	840	
Total Payments	212,013	
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Increase in payables		
Net cash flow from operating activities	1,249,603	

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

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

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



Dr. Silas O. Mc'Opayo, PhD, EBS, OGW
Ag. CS/Chief Executive Officer



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



REPUBLIC OF KENYA

National Police Service Commission



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