

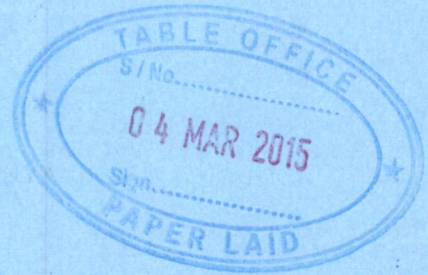
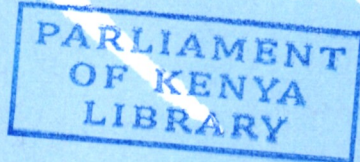
REPUBLIC OF KENYA



Paper Laid by Hon.
Aden Duale, MP - Leader
of Majority Party on
Wednesday 4/3/2015
(Afternoon sitting)

RAK

KENYA NATIONAL AUDIT OFFICE



REPORT

OF



KENYA NATIONAL AUDIT OFFICE

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
SALARIES AND REMUNERATION
COMMISSION

FOR THE YEAR ENDED
30 JUNE 2014

Volume 12





SALARIES AND REMUNERATION COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

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

Table of Content

Page

I. KEY COMMISSION INFORMATION AND MANAGEMENT ii

II. MEMBERS OF THE COMMISSION v

III. MANAGEMENT TEAM viii

IV. CHAIRPERSON’S STATEMENT x

V. REPORT OF THE CHIEF EXECUTIVE OFFICER xiii

VI. CORPORATE GOVERNANCE STATEMENT xiv

VII. REPORT OF THE COMMISSIONERSxiviii

VIII. STATEMENT OF COMMISSION’S RESPONSIBILITIESxixix

IX. REPORT OF THE INDEPENDENT AUDITORS ON THE *COMMISSION (KENAO)*xx

X. STATEMENT OF FINANCIAL PERFORMANCE 1

XI. STATEMENT OF FINANCIAL POSITION..... 2

XII. STATEMENT OF CHANGES IN NET ASSETS..... 3

XIII. STATEMENT OF CASH FLOWS 4

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS 5

XV. NOTES TO THE FINANCIAL STATEMENTS 6

XVI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS..... 13

I. KEY COMMISSION INFORMATION AND MANAGEMENT

(a) Background information

Salaries and Remuneration Commission was established by the Constitution of Kenya 2010; under Article 230 and is a body corporate with perpetual succession and a seal with the constitutional mandate to:

- i) Set and regularly review the remuneration and benefits of all state officers; and
- ii) Advise the National and County Governments on the remuneration and benefits of all other public officers.

(b) Principal Activities

Besides the functions set under Article 230 (4) in the Constitution of Kenya, the Salaries and Remuneration Commission Act, 2011 states the following functions:

- i) Inquire into and advise on the salaries and remuneration to be paid out of public funds;
- ii) Keep under review all matters relating to the salaries and remuneration of Public Officers;
- iii) Advise the national and county governments on the harmonization, equity and fairness of remuneration for the attraction and retention of requisite skills in the public sector;
- iv) Conduct comparative surveys on the labour markets and trends in remuneration to determine the monetary worth of the jobs of Public Officers;
- v) Determine the cycle of salaries and remuneration review upon which Parliament may allocate adequate funds for implementation;
- vi) Make recommendations on matters relating to the salary and remuneration of a particular State or Public Officer;
- vii) Make recommendations on the review of pensions payable to holders of Public Offices; and
- viii) Perform such other functions as may be provided by the Constitution or any other written law.

The Commission under the Act Section 12 is further compelled to comply with the principle of equal remuneration to persons for work of equal value.

(c) Key Management

The Commission's day-to-day management is under the following key organs:

- Commission Secretary;
- Deputy Commission Secretary; and
- Directors.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Commission Secretary	Mrs. Grace. A. Otieno, MBS
2.	Deputy Commission Secretary	Mrs. Anne Gitau
3.	Director Research, Compliance P & P	Mr. Nicodemus Odongo
4.	Director, Corporate Services	Mrs. Janet Mabwa
5.	Director, Remuneration Analysis	Mr. Nicholas Siwatom
6.	Deputy Director Finance	Mr. Wycliffe Wasike

(e) Fiduciary Oversight Arrangements

Technical committee of the Commission
 Corporate services Committee of the Commission
 Audit committee of the commission

(f) Commission Headquarters

P.O. Box 43126-00100
 Williamson House, 6th floor
 4th Ngong Avenue
 Nairobi, KENYA

(g) Contacts

Telephone: (254) 2710071/73
 E-mail: src@kenya.go.ke
 Website: www.src.go.ke

(h) Commission Bankers

Central Bank of Kenya
 Haile Selassie Avenue
 P.O. Box 60000
 City Square 00200
 Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

II. THE MEMBERS OF THE COMMISSION



Sarah J. C. Serem, EBS

Sarah Jepkemboi Chumo Serem (EBS), the Chairperson of the Salaries and Remuneration Commission has been with the commission since December 2011. She is a holder of an MBA in Human Resource Management and a BA degree (Sociology & Political Science), both from the University of Nairobi.

Mrs. Serem is an experienced HR practitioner, having served as Head of HR Division for over 20 years in the Kenya Post Office Savings Bank. She serves as a Non- Executive Director of Mumias Sugar Company Ltd and has sat in various school boards. In addition, she also serves in the Board of ADRA International, one of the leading humanitarian agencies that operate in 125 countries in the world.



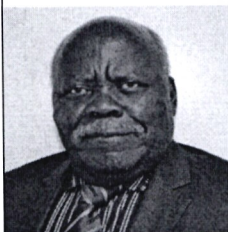
Mr. Daniel Omondi Ogutu

Daniel Ogutu is the Vice Chairperson of Salaries and Remunerations Commission and holds a Masters Degree from University of Eastern and Southern Africa Management Institute and Maasterich School of Management in Business Administration (MBA) and Bachelors Degree in Education from Kenyatta University. He has over twenty years of working experience in Human Resource Management and Development. He is currently an Assistant Commission Secretary-Human Resource Management at Commission for University Education. He has a wealth of experience having worked with the Commission for Higher education (CHE), Agricultural Finance Corporation (AFC), Ministry of State for Public Service, Ministry of State for Provincial Administration and Internal Security, Directorate of Personnel Management (DPM), and Teachers Service Commission.



Mrs Serah Knyua

Serah Kinyua holds a Masters Degree from University Connecticut U.S.A. in Public Administration (MPA) and Bachelors Degree in Literature in English, Political Science and Philosophy at Makerere University in Uganda. She served as a Chief Human Resource Manager at the Teachers Service Commission between 1997 and 2002. She served at the Task force Reviewing Labour Laws representing Teaching Service.



Hon. Peter Oloo Aringo

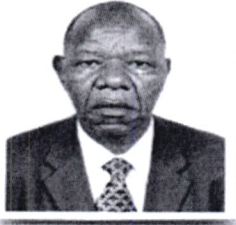
Hon. Peter Oloo Aringo holds a Masters Degree from University of Toronto, Canada. He also served as a Cabinet Minister in the following Ministries:-

Information and Broadcasting, 1980 – 1982.
 Environment and Natural Resources – 1982.
 Ministry of Labour, 1985 – 1986.
 Ministry of Education, 1986 – 1991.
 Ministry of Manpower Development 1991, and
 An Assistant Minister for Education in 1979 – 1980.



Mrs. Jacqueline Mugo

Jacqueline Mugo holds Bachelor of Law (LLB, Hons), from University of Nairobi. She is the Executive Director/ Chief Executive, Federation of Kenya Employers. She was admitted as an advocate of the High Court on 21st February 1983. She was, awarded with the Honours of Order of the Grand Warrior of Kenya, (OGW) on 12th December, 2008



Mr. Jason Namasake MBS

Jason Namasake holds a Bachelor of Law Degree (LLB. Hons) from the University of Dar es salam and a Masters (LLM.) from the University of London. He is an Advocate of the High Court of Kenya and has been a lecturer at the University of Nairobi – 1974 – 1980 and the Catholic University of Eastern Africa from 2007. Previously, Namasake worked at the Federation of Kenya Employers for twenty six years, where he served among other things in the Task Force to review Labour Laws the year 2000. He also served as a member of the Akiwumi Tribunal to review terms and conditions of service for Members of Parliament and staff of the National Assembly in 2009.



Mrs. Sellestine Kiuluku

Sellestine Kiuluku holds a Masters in Business Administration - Strategic Management from ESAMI and Maastricht School of Management – Netherlands. She further holds a BED degree from Kenyatta University and CPS. She is the Director Human Resources and Administration with the IEBC. Prior to the above appointments she served as the Director Human Resources and Administrative services with the Nairobi Water Company. Mrs. Kiuluku also worked as the Chief Human Resources and Administration Manager with the National Water Conservation and Pipeline Corporation (NWPC). Previously she served the National Museums of Kenya (NMK) as Principal Administrative Officer and as a Personnel Officer with Agricultural Development Corporation (ADC).

Mrs. Kiuluku has a wealth of experience and competency in Human Resources Management, Industrial Relations, Performance Management and Strategic Planning.



Brig Samuel N. Kirugi

Brig Samuel N. Kirugi was nominated to the Commission by the Defence Council, Kenya Defence Forces. He holds the degrees of B. Ed Hons and MA of the University of Nairobi. He retired from the former Kenya Armed Forces (now KDF) in January 2004 after twenty five years of service having gained wide experience in command, training, logistics and human resources administration for which he was awarded the Moran of Burning Spear (MBS) in 1994. Since retirement he worked with the Armed Forces Pay Review Board (AFRPRB) until he was nominated to the SRC in January 2012.



Mrs. Anne Elizabeth Owuor

Anne Elizabeth Owuor was nominated by the Association of Professional Societies of East Africa (APSEA) and appointed a Member of the Salaries and Remuneration Commission (SRC) on 17th December 2012 by the President of the Republic of Kenya. She has Masters in Science in Audit Management & Consultancy from University of Central England Birmingham, a Masters in Business Administration, a Post Graduate Diploma in Audit Management & Consultancy – University of Central England Birmingham and is currently pursuing a doctorate in Commerce-UNISA. She is currently employed by Kenya Power Company Limited and has worked there since 1990, holding various managerial positions since 1997, including, Chief Accountant, Internal Audit Manager and Debt Control Manager & Gender Coordinator. Previously she worked in the Office of the President and Public Service Commission from 1984-1990.



Mr. Isaiah Kubai

Isaiah Kubai holds a Bachelor of Law (LLB HONS) from University of Nairobi. He worked as a Banker from 1972 to 1986 and served as a General Secretary of Banking, Insurance & Finance Union (K). He is an endowed resource person in para-legal training of labour leaders



Mr. Joseph Kinyua

Joseph Kinyua, the Permanent Secretary to the Treasury, is a non-voting member of the Board of Directors, Central bank of Kenya. He holds a B.Sc (Econ.), and an MA (Econ from the University of Nairobi. Mr. Kinyua's career began in 1978 as an assistant lecturer at the University of Nairobi. He joined the Central Bank of Kenya in 1980 as an Economist and rose to the rank of Director of Research. Between 1985 and 1990, he worked as an economist with the International Monetary Fund before returning back to the Central Bank of Kenya. He was appointed Financial Secretary to the Treasury in June 1995, a position he held until July 1999 when he rejoined the Central Bank of Kenya as Director of Financial Markets. He was appointed the Chief Economist of the Central Bank of Kenya in October 2000



Mrs. Grace A. Otieno, MBS

Mrs Grace Otieno holds a Master's degree in Public Management from the (Maxwell School of Citizenship and Public Affairs)Syracuse University New York, USA and a Bachelor of Arts degree from the University of Nairobi, she is also a certified Public secretaries, Kenya (CPSK). Mrs Otieno has a wealth of experience in labour relations and Human Resource Management, having worked for 32 years in the Civil Sevice. She was the CEO and Commission Secretary from February 2012 to March 2014

III. MANAGEMENT TEAM

 <p>Mrs. Grace A. Otieno, MBS</p>	<p>Commission Secretary/CEO till 19th March 2014</p>
 <p>Mrs. Anne Rwamba Gitau</p>	<p>Deputy Commission Secretary/ Acting Commission Secretary/CEO</p>
 <p>Mr. Nicodemus Odongo</p>	<p>Director, Research, Compliance, Policy and Planning</p>
 <p>Mrs. Janet Mabwa</p>	<p>Director, Corporate Services</p>



Mr. Nicholas Siwatom

Director, Remuneration Analysis

IV. CHAIRPERSON'S STATEMENT

It is my pleasure to once again present the Salaries and Remuneration Commission Annual Report on Performance and Audited Financial Statements for the Financial Year 2013/2014. The Commission continues to diligently perform its constitutional mandate of setting, reviewing and advising on fair, competitive and sustainable remuneration and benefits in the Public Service. This is undertaken through informed decisions made out of a comprehensive process of research and analysis with an objective of an equitable, competitive, harmonized and sustainable remuneration and benefits for State and public officers in Kenya. The activities that lead to these decisions are undertaken in full adherence to the principles and legal provisions within the Constitution and other written laws of the land.

Since inception, the Commission has presented to Government two Annual Reports on Remuneration and benefits management in the Public Service. These Reports entails recommendations on how to improve remuneration management and subsequently service delivery in the public service. Key among them include; strict adherence to the constitutional principles of pay management, development of policy on public service remuneration and benefits entrenched in law, ensuring the affordability of the Public Service compensation bill which is a function of staff numbers and the amount of money they earn, the need to rationalize the central and devolved functions so as to avoid duplication, ensuring that future employment process are coordinated to make sure that human resources are effectively allocated to areas where they are most competent for optimal performance and output, as well as instituting measures that would enhance compliance and ensure effective discharge of the Commission's mandate amongst others. The Commission is pleased to report that majority of these recommendations are under implementation by different relevant Government institutions including the Commission.

In delivering on its mandate over the reporting period, the Commission received several appeals on the set remuneration levels especially for State officers serving at the county governments. Subsequently, the remuneration and benefits for all State offices were re-analyzed and some common benefits introduced that would bridge the disparity gap that had been realized and facilitate the officers to serve the people better. The Commission nevertheless, undertook a job-re-evaluation for both the Executive and Legislature Arms of the County Governments and other sampled senior public officers with jobs comparable to State officers. This was necessitated by the fact that the earlier job evaluation was done to the State offices at the County prior to devolution of services and with limited understanding of the respective job worth for appropriate remuneration setting. This culminated into a review of their remuneration and benefits structure. The process for undertaking similar comprehensive job evaluation process for all other public officers has also been initiated and the result is expected to bring out the job worth in the Public Service upon which a possible review would be advised.

Further, the Commission after receiving several requests for review of allowances existing in the Public Service has undertaken a study of allowances payable in the Public Service with a view of understanding their relevance and possible review where necessary. The study was necessary not only to identify the number of allowances payable in the Service, but also to help understand the current trends of payment of these allowances in public institutions and the implications on the budgets of each institution. The result of the study would help the Commission define the criteria for determination and eligibility of the allowances, establish the influence on the national wage bill and thereafter, review the entire spectrum of allowances to harmonized levels. The allowances whose payments are no longer justifiable would be targeted for abolition while others would be consolidated depending on the nature of the allowances. The report of the study is being finalized and would be implemented promptly.

In addition, the Commission is also in the process of developing a national wage bill policy. The process began with public participation which is a Constitutional requirement in the development of such critical policies. The public wage bill debate was organized and launched by His Excellency the President, before being rolled out to all the 47 counties. The main aim was to involve Kenyans in suggesting practical solutions and ways of managing the bulging wage bill. The public opinions were consolidated together with reports of other surveys done by the Commission and is being used to enrich the proposed remuneration and benefits management policy. The Commission is also in the process of finalizing other remuneration related policy documents which include; National Pension's Review Policy, County Pension Scheme, and Research Strategy and Compliance Policy and other internal operations policy documents and structures. It is important to note that all these achievements are realized within an environment of prudent management and utilization of the available resources. This is supported by the fact that the Commission was among the few Public Service Institutions that got a clean bill of audit from the Auditor General in the last Financial Year. The Commission subsequently, received the audit certificate which was incorporated in its Second Annual Report to the National Assembly and the President and anticipates similar audit results this time round.

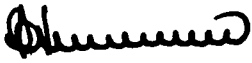
In light of these tremendous achievements however, the Commission continues to face a number of challenges. First, huge wage bill relative to Government revenues and expenditure contributes to fiscal deficit and severely compresses outlays on operations and maintenance and inevitably hampers the ability of the Government to invest in priority areas. Secondly, continuous clamour for high pay by public servants premised on difficult economic times and constant pressure of trade unions resulting in threats or frequent industrial disputes/unrest continue to be a challenge. In addition, the mindset that a creation of an entity to undertake specific assignments for Government is a license to high pay is prominent and need to be addressed to reduce the wage disparities across different sub-sectors of the Public Service, especially in State corporations.

Similarly, lack of compliance in implementing the decisions and advice of the Commission still remains a challenge. There are some Public Service organizations that still implement remuneration structures without evidence of advice from the Commission. These include organizations that are negotiating and signing Collective Bargaining Agreements before any advice is obtained from the Commission. This goes against the Commission's Regulations that prescribe the manner in which these negotiations ought to be handled. Other challenges include expansion of the public service in terms of creation of new organizations and recruitment of additional staff and lack of productivity and performance measurement tools especially to enable appropriate reward based on output and for inclusion into the wage negotiations process.

The Commission has nevertheless, initiated structures and processes intended to increase awareness of the Commission's mandate and develop tighter policies and regulations to remedy the issues of non-compliance. Also, implementation of the 4 year review cycle as set by the Commission would minimize persistent agitation for salary review as it will provide fiscal space within which the institutions and the economy would grow its revenue base. The planned Job Evaluation for all other public officers would also facilitate development of a harmonized remuneration and benefits structure and address the existing disparity problem. Similarly, the ongoing public service personnel audit by the Government is a positive step in rationalizing staff and would help in efficient allocation of human resources both at the national and county Governments. Moreover, the public sector should create a more favourable work environment for career advancement and job satisfaction, widen the scope of non-monetary incentives while ensuring equality in access among potential beneficiaries and link public sector pay to levels of competencies and productivity.

I wish to finally assure all Kenyans that the Commission remains fully committed to undertaking its mandate in the best interest of this Country and for quality service delivery to all. It remains the duty of every Kenyan to individually and collectively play a role in transforming the public sector

wage bill management and this far the Commission appreciates the support of various State organs, development partners and all other stakeholders in the respective specific roles each has played to support the Commission in performing its functions. Please note that the Commission is utterly committed to continuous engagement with all its stakeholders in seeking sustainable reforms in the public sector remuneration and benefits management in a fair and transparent manner and therefore, looks forward to continued support in achieving its mandate of serving Kenyans.



**Mrs. Sarah J. Serem, EBS
CHAIRPERSON**

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Salaries and Remuneration Commission continues to progressively deliver on its mandate through its professional and committed Secretariat staff premised on the Commission's work culture informed by integrity, team work, objectivity, accountability and responsiveness. The Secretariat provides critical analysis of the remuneration and benefits issues that subsequently, enabled informed and timely decisions of the Commission.

In making policy decisions, the Commission: collects, collates and analyses both primary and secondary data/information; undertakes studies on the labour market and surveys on trends in remuneration and factors affecting attraction and retention of staff in the Public Service; undertakes job evaluation exercises for the Public Service; and constantly liaises with primary stakeholders and members of the public to ensure wage sustainability, adequate budgetary provision and general acceptability of the decisions and advice it gives.

In the last financial year, the Commission developed strategic themes as key performance pillars of excellence in order to achieve its mission and vision, and deliver value to customers. The strategic themes include: policy and legal framework; remuneration and benefits management; compliance; stakeholder's engagement; corporate image; and institutional capacity. The Commission continues to operationalize the tenets upon which the realization and success of these strategic themes would be anchored. There are progressive successes and achievements within these thematic areas albeit amidst few challenges both institutional based and externally generated.

In pursuit of the set objectives and to meet stakeholder expectations, the Commission is managed professionally and in line with good corporate governance principles. This involves putting in place adequate facilities to promote efficiency and effectiveness as a necessary condition powered by an adequate and highly skilled and motivated human resource. Further, the Commission ensures prudent administration of financial and accounting systems, preparations of periodic accounting statements, planning of financial services and expenditure controls. This is undertaken through: development and implementation of financial policies, standards, systems and procedures; coordinating accounting activities for improvement and enforcement of internal controls; preparation of annual budget and monitoring its execution; and installation and operationalization of the ICT infrastructure, equipment and software aimed at digitizing the entire operations of the Commission and maintenance of SRC database and Integrated Financial Management and Information System (IFMIS).

Finally, the Commission recognizes stakeholder's engagement as one of the key ingredients for its past success and will continue to engage with key stakeholders in the development of all its major policies. The Commission therefore, is thankful to its stakeholders especially the National Treasury for its continued technical and data support that has enhanced the Commission's ability to undertake its mandate effectively within the requisite fiscal space. In addition, the Commission is greatly indebted to the various levels and arms of Government, State Agencies, Development Partners and all the people of Kenya who supported the Commission during this period. With your financial, technical and moral support, major milestones of success have been made in the short period of the Commission's existence and we continue to encourage such sustained and fruitful engagements.


ANNE R. GITAU (MRS.)
AG. COMMISSION SECRETARY/CHIEF EXECUTIVE

VI. CORPORATE GOVERNANCE STATEMENT

Besides the objects and authority provided in the Constitution of Kenya, 2010 under Article 249, the Commission is also accountable at all times to the public and all the stakeholders for ensuring that the Commission complies with the highest standards of corporate governance and operation ethics.

The Commission believes in embracing Corporate Governance through creation of the right corporate culture and values. The Commission exercises the most reasonable care to ensure that the management of the Commission is carried out in the best interest of the government and the public at large. The overall affairs of the Commission are the responsibility of the Members of the Commission who are appointed by the President following approval by Parliament. The Members of the Commission and management possess a range of requisite skills, qualifications and experience to manage the Commission and work in compliance with the provision of Chapter Six of the Constitution of Kenya 2010.

Responsibilities

Due care is taken by the members of the commission in managing affairs of the Commission. In recognition of their ultimate responsibility, the commissioner's focal point to guide their decisions and actions is based on a foundation of good governance, and on our core values which are integrity, objectivity, accountability and transparency and teamwork.

The Commission's Manual sets out the members of the commission's roles and responsibilities which include but are not limited to the following:

- Formulation and approval of the Commissions Vision, Mission and core values and formulation and approval of the Commission's strategy and work plans
- Approval of annual budget and the final financial statements
- Approval of operational policies and manuals

The Commission further delegates selected responsibilities to the Secretariat and appointed service providers.

Role of the Chairperson

The Chairperson of the Commission is appointed by the president of the Republic of Kenya in accordance with provisions of the Constitution section 230(1). Her roles and responsibilities are distinct and separate from those of the Commission Secretary.

The Chairperson is responsible for the overall Commission leadership and its effectiveness and his decisions are binding on the principles of collective responsibility for Commission decisions. She ensures key tasks of the Commission are properly understood, and maintains a separate independent working relationship with the Commission Secretary.

Role of the Commission Secretary

The Commission Secretary is the head of the Commission's secretariat and is responsible for the overall leadership and day-to-day management of the Commission's operations. She is answerable to the Commission and is tasked with the effective and efficient running of the secretariat, under the Commission's direction. She acts as Secretary to the Commission overseeing performance management and ensuring the Commission meets its performance targets, operational controls, ethical conduct, good corporate governance and compliance with regulations. In consultation with the Commissioners and other stakeholders, she develops and implements the strategic plan as well as enhancing communication between the Commission and stakeholders.

Commission Structure and Composition

Functions of the Commission are carried out under a defined structure made up of Committees that assist it in discharging its mandate. Committees assist the Commission in its responsibilities and obligations which help to ensure there is an independent oversight of internal controls and risk management.

Commissioner's Remuneration

All Members of the Commission are paid a sitting allowance for the meetings they attend up to a maximum of 8 meetings per month. The Chairperson of the Commission and the Members are also paid a monthly retainer through the consolidated fund by the National Treasury. The retainers is not recognized in these financial statements

Commission Meetings

The Commission and its Committees meet regularly in accordance with the annual calendar subject to a maximum of 8 meetings in a month, to deliberate on the remuneration and wage bill sustainability issues.

Commission Committees

The Commission has a structured system of operation made up of committees to assist it in discharging its responsibilities and obligations. It delegates specific functions to selected Committees with defined formal terms of reference, without abdicating its ultimate responsibility. The terms of reference clearly identify matters reserved for the Commission and Committees for decisions.

The membership and Chairmanship of these Committees is regularly reviewed by the Commission, who are responsible for filling any vacancies. The Commission is cognizant that members collectively have sufficient qualifications and experience to fulfil the duties of the respective Committees. The elected Chairman appraises the full Commission of their activities on a regular basis through oral and/or written report. The Chairman of the Committees participates in setting and agreeing on the agenda for meetings. During the year 2013, the Commission had four (4) Committees as follows:

Audit Committee

The Audit Committee is an independent Committee and was chaired by Commissioner Isaiah M. Kubai, MBS during the year 2013. Other Members were Serah Kinyua, Francis Anyona, Christine Agimba and Anne Owuor. The Committee met 6(six) times in the year.

The mandate of this Committee includes but is not limited to:

- Meeting with internal and external auditors on the nature, scope and priorities of audits and the major findings of audits;
- Monitors and reviews the integrity of the Commission's financial statements;
- Make recommendations to the Commission on enterprise risks, internal controls and compliance;
- Reviewing the effectiveness and reliability of management information systems, risk and internal controls systems and the efficiency and effectiveness of both external and internal audit.

Corporate Services Committee

The Corporate Committee is an independent Committee and was chaired by Commissioner Jason N. Namasake, MBS during the year 2013. Other Members were Mr Daniel Ogutu, Mrs Anne Owuor, Samuel Kirugi, and Francis Anyona... The Committee met 19(nineteen) times in the year.

The mandate of this Committee includes but is not limited to Providing oversight and governance on issues pertaining to administration, human resource management and Financial services

Technical Services Committee

The Committee is an independent Committee and was chaired by Commissioner Daniel Ogutu during the year 2013. Other Members were Mrs Anne Owuor, Samuel Kirugi, Francis Anyona Serah Kinyua, Sellestine Kiuluku, Jackline Mugo, Isaiah Kubai, Oloo Aring, Jason Mamasake, Titus Ndabuki and Joseph Kinyua. The Committee met 26 (twenty six) times in the year.

The mandate of this Committee includes but is not limited to oversight on all the mandated responsibilities of the Commission as laid down on the Act.

Statement of Compliance and Conflict of Interest

Conscious of its responsibilities to members, service providers, suppliers, creditors, employees and society, the Commissioners issued a statement at the end of the year confirming that they have complied with the law, conducted their affairs in accordance with the best principles and practices of corporate governance and that to the best of the knowledge of the Commission and management, no person, employee or agent acting on behalf of the Commission with the knowledge of authority of the Commission or management, committed any offence under the Prevention of Corruption Act or indulged in any unethical behaviour in the conduct of the Commission's business, or been involved in money laundering, or any practice or activity contrary to national laws or international conventions.

Code of Conduct

Each Commissioner derives his or her authority and position from a legitimate nomination procedure. However, on becoming a Member, each Commissioner becomes bound by the overriding fiduciary duty to act in good faith in pursuit of the best interests of the Commission members as a whole. In the discharge of their duties, Commissioners operate within the framework of a collective Commission. In order to enable the Commissioners to operate effectively and in the best interest of the Commission, all Commissioners observe rules and regulations governing the conduct of Commissioners as contained in the Commission manual.

Risk Management

The Commissioners are committed to a process of Enterprise Risk Management that will manage identified strategic and operational risks through a structured, systematic, proactive and integrated process. This is done through a risk management framework which enables management to focus in a comprehensive and holistic manner on all risks faced by the Fund. A risk management policy established by the Commissioners is one of the important steps in ensuring that management identifies and manages all risks and Commissioners provide oversight as well as policy direction in managing risks.

Risk Management Structure and Roles

Risk management on an enterprise wide basis requires an integrated approach between the various risk-related specialists, department and staff. The risk management structure of the Commission is comprised of the Audit Committee, the management team and a risk committee at the Secretariat level composed of representatives from each department.

Role of the Audit Committee

The Commission has established committees among them being the audit committee whose mandate is to implement and monitor implemented risk management framework established by the Commission. The Committee also ensures that risk management system implemented by management meets the requirements set out in the policy.

Role of Internal Auditor

In addition to the implementation of risk management framework, the Commission has appointed independent internal auditors whose function is to provide independent assurance to the Trustees and management through general specific audits, reviews, testing and other techniques, carrying out a risk based audit from time to time, report on effectiveness of and efficiency of risk management process as well as report on Commission's compliance with the risk policy. A risk assurance audit was conducted during the year to review the risk status. A review of the strategic and operational risk registers was conducted.

Role of Management Team

The Management team's role in risk management is that of implementing the risk framework established by the Commissioners. In addition the management receive and approve the quarterly reports on operational risk management issues, report any strategic risks identifies to the Audit Committee and the Commission. The management team also approves risk mitigating actions to be taken by the secretariat risk committee and contribute to the development of the Risk Management system and arranges internal audits on the risk management process at appropriate intervals on behalf of the Commission.

Risk Categories

- The Commission has identified and categorized risks as follows:
- Strategic risks: These risks arise out of the Commission's strategic plan
- Financial risks: Risks associated with financial aspect of the Commission
- Operational risk: This refers to all the risks associated with the operations of the Commission
- Legal and regulatory risks: Legal risks can arise non-compliance with the legal and regulatory requirements.

Risk Training and Awareness

The Commission's commitment to risk management has also been evidenced by the awareness and training given to the members of the Commission, management and the staff of the Commission.

VII. REPORT OF THE COMMISSIONERS

Members of the Commission submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of affairs of the Commission.

Principal activities

The principal activities of the Commission continue to be:

- i) Inquire into and advise on the salaries and remuneration to be paid out of public funds;
- ii) Keep under review all matters relating to the salaries and remuneration of Public Officers;
- iii) Advise the national and county governments on the harmonization, equity and fairness of remuneration for the attraction and retention of requisite skills in the public sector;
- iv) Conduct comparative surveys on the labour markets and trends in remuneration to determine the monetary worth of the jobs of Public Officers;
- v) Determine the cycle of salaries and remuneration review upon which Parliament may allocate adequate funds for implementation;
- vi) Make recommendations on matters relating to the salary and remuneration of a particular State or Public Officer;
- vii) Make recommendations on the review of pensions payable to holders of Public Offices; and
- viii) Perform such other functions as may be provided by the Constitution or any other written law.

The Commission under the Act Section 12 is further compelled to comply with the principle of equal remuneration to persons for work of equal value.

Results

The results of the Commission for the year ended June 30, 2013 are set out on page 1 to 5 below

Commissioners

The members of the Commission who served during the year are shown on the page v-vii in accordance with the SRC Act, 2011.

Auditors

The Auditor General is responsible for the statutory audit of the Commission in accordance with the Section ... of the Public Finance Management (PFM) Act, 2012.

By Order of the Commission


Anne R. Gitau (Mrs.)
Ag. Commission Secretary

Date:.....19th Dec. 2014.....

VIII. STATEMENT OF COMMISSION'S RESPONSIBILITIES

The Public Finance Management Act, 2012 and the SRC Act, require the Commission to prepare financial statements in respect of the Salaries and Remuneration Commission, which give a true and fair view of the state of affairs of the Commission at the end of the financial year and the operating results of the Commission for that year. The Commissioners are also required to ensure that the Commission keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Commission. The Commissioners are also responsible for safeguarding the assets of the Commission.

The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission; (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 Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2014, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Commissioners to indicate that the Commission 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 financial statements were approved by the Commission on _____
2014 and signed on its behalf by:



Chairperson

Vice Chairperson

Commissioner

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON SALARIES AND REMUNERATION COMMISSION FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Salaries and Remuneration Commission, set out on pages 1 to 13, which comprise statement of financial position as at 30, June 2014, the statement of financial performance, statement of changes in net assets, statement of cash flows, and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003 and the Salaries and Remuneration Commission Act, 2011. I have obtained 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 (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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 4 of the Public Audit Act, 2003.

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 9 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

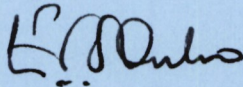
An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 Commission'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 opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respect, the financial position of the Salaries and Remuneration Commission as at 30 June 2014, 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 Salaries and Remuneration Commission Act, 2011.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

29 December 2014

X. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2014

	Note	2013-2014	2012-2013
		Kshs	Kshs
Government Grant			
Exchequer releases	3	295,000,000	516,000,000
Other revenues	4	422,679	675,240
Total revenue		295,422,679	516,675,240
Expenses			
Employee costs	5	137,045,150	89,646,868
Remuneration of Commissioners	6	51,127,574	48,752,829
Depreciation and amortization expense	7	13,558,505	5,283,218
Repairs and maintenance	8	4,304,729	1,580,571
General expenses	9	188,193,445	119,791,639
Total expenses		394,229,404	265,055,125
Surplus before tax		(98,806,726)	251,620,115
Taxation		-	-
Surplus/(Deficit) for the period*		(98,806,726)	251,620,115

*The Deficit of Ksh 98,806,726 resulted from the fact that the revenue from Government grant is recognized on cash basis, that is, on actual transfer of exchequer to the Commission. The Commission had Ksh 175 Million in its back account at the close of the financial year 2012/13 which formed part of available funds to carry out operations.


The notes set out on pages 6 to 12 form an integral part of the Financial Statements

XI. STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Assets			
Current assets			
Cash and cash equivalents	10	30,863,651	176,722,748
Receivables from non-exchange transactions	11	14,157,467	5,895,766
		45,021,118	182,618,514
Non-current assets			
Property, plant and equipment	12	122,354,047	77,762,768
Intangible assets	13	3,550,663	852,059
		125,904,710	78,614,826
Total assets		170,925,828	261,233,340
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	14	3,937,765	2,625,769
Employee benefit obligation	15	10,890,081	6,987,456
Total liabilities		14,827,846	9,613,225
Net assets			
Reserves		254,904,708	-
Accumulated surplus		(98,806,726)	251,620,115
Total net asset		156,097,982	251,620,115
Total net assets and liabilities		170,925,828	261,233,340

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Commission of Commissioners by:


Anne R. Gitau (Mrs)
 Ag. Commission Secretary


Sarah Serem (Mrs) EBS
 Chairperson of the Commission

Date.....**19th Dec: 2014**.....

Date.....**19/12/2014**.....

XII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014

	Reserves Accumulated Surplus Kshs '000	Total Kshs '000
Balance as at 30 June 2012		
Surplus/(deficit) for the period	251,620,115	251,620,114
Balance as at 30 June 2013	251,620,115	251,620,114
Surplus/(Deficit) for the period	(98,806,726)	(98,806,726)
Transfers to/(from) accumulated surplus	3,284,593	3,284,593
Balance as at 30 June 2013	156,097,982	156,097,982

XIII. STATEMENT OF CASH FLOWS

	Note	2013-2014 Kshs	2012-2013 Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies		295,000,000	516,000,000
Other revenues		422,679	675,240
		295,422,679	516,675,240
Payments			
Compensation of employees		131,887,932	83,159,413
Goods and services		175,087,880	99,189,247
Rent Paid		22,330,000	24,952,960
Other payments		51,127,574	48,752,829
		380,433,386	256,054,449
Net cash flows from operating activities	16	<u>(85,010,707)</u>	<u>260,620,791</u>
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		60,848,390	83,898,043
Proceeds from sale of property, plant and equipment		-	-
Decrease in non-current receivables		-	-
Net cash flows used in investing activities		60,848,390	83,898,043
Cash flows from financing activities		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		<u>(145,859,097)</u>	<u>176,722,748</u>
Cash and cash equivalents at 1 July 2013		176,722,748	-
Cash and cash equivalents at 30 JUNE 2014	8	<u>30,863,651</u>	<u>176,722,748</u>

KIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2013-2014 Kshs '000	Adjustments 2013-2014 Kshs '000	Final budget 2013-2014 Kshs '000	Actual on comparable basis 2013-2014 Kshs '000	Performance difference 2013-2014 Kshs '000
Revenue					
Government grants and subsidies	346,761,703	159,812,363	506,574,066	470,017,012	36,557,054
Sale of goods (Sale of tenders)	100,000.00	-	100,000	400,000	(300,000)
Total income	346,861,703	159,812,363	506,674,066	470,417,012	36,257,054
Expenses					
Compensation of employees	185,000,000.00	(63,775,492.00)	121,224,508.00	116,374,890.00	4,849,618.00
Goods and services	138,737,878.00	168,211,680.00	306,949,558.00	249,784,357.00	57,165,201.00
Rent paid	20,910,000.00	5,090,000.00	26,000,000.00	18,270,000.00	7,730,000.00
Other payments	2,213,825.00	50,286,175.00	52,500,000.00	50,802,137.95	1,697,862.05
Total expenditure	346,861,703.00	159,812,363	506,674,066.00	435,231,384.95	71,442,681.05
Surplus for the period	-	-	-	35,185,627.00	(35,185,627.00)

XV. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The Commission's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Commission and all figures are stated at the absolute values. 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.

2. Summary of significant accounting policies

a) Revenue recognition

Revenue from non-exchange transactions

Revenues are recognized in the period when they fall due. The exchequer grants are realised on receipt.

b) Budget information

The annual budget is prepared on the cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Commission.

c) Property, plant and equipment

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

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Provisions

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

f) Contingent liabilities

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

g) Nature and purpose of reserves

The Commission creates and maintains reserves in terms of specific requirements. Commission to state the reserves maintained and appropriate policies adopted.

h) Changes in accounting policies and estimates

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

i) Employee benefits : Retirement benefit plans

The Commission provides retirement benefits for its employees in form of contributory pension scheme, where the employees contribute 10% of their basic salary and the commission matches with 20% of the basic salary. The pension scheme is managed by Jubilee Insurance. The Commission Secretary and the Deputy Commission secretary are however on gratuity at 31% of the basic salary payable at the end of the contract term. The employers' contribution to the retirement fund is charged against income as expense while the gratuity is charged as provision in the year in which they are incurred.

j) 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 at the end of the financial year.

k) Comparative figures

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

l) Significant judgments and sources of estimation uncertainty

1. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Commission based its assumptions and estimates on parameters available when the financial statements were prepared.

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

2. Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 13.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

m) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

3. Government Grants

	2014 Shs	2013 Shs
Actual releases		
1st Quarter - 01/08/2012	145,000,000	169,000,000
4th Quarter - 25/04/2013	150,000,000	347,000,000
	295,000,000	516,000,000

4. Other Incomes

	2014 Shs	2013 Shs
Sale of tender	400,000	661,000
Commission on check off	22,679	14,240
Total other incomes	422,679	675,240

5. Employee costs

	2014 Shs	2013 Shs
Basic Salaries	64,836,430	38,725,149
House Allowance	16,121,427	9,405,131
Special duty allowance	39,581	-
Responsibility Allowance	144,887	103,500
Entertainment Allowance	1,474,194	1,305,000
Commuter Allowances	6,100,594	3,411,263
Extraneous Allowance	7,449,535	4,682,938
Domestic Servant	322,568	280,800
Leave travel Allowance	1,174,271	675,000
Acting Allowance	968,459	-
Arears	-	5,925,110
Pension	11,546,606	3,925,962
Top ups to seconded staff	2,969,938	4,444,005
Gratuity	2,317,924	3,202,863
Leave allowance provision	2,839,295	3,284,593

Medical Insurance Expenses	10,713,326	7,146,334
retreat allowance	773,000	1,126,000
Staff allowances	-	1,778,666
staff Uniforms	265,675	224,554
Tender committee allowance	860,000	-
Task force allowance	5,893,600	-
Professional subscription	233,843	-
Employee costs	137,045,150	89,646,868

6. Remuneration of Commissioners

	2014	2013
	Shs	Shs
Sitting Allowances	41,039,800	39,010,000
Perdiem Commissioners	4,709,597	3,301,874
mobile phone expenses	1,290,000	1,591,296
Travel expenses	4,082,177	4,507,659
Meal Allowances-Commissioners	6,000	342,000
Total commissioner's remuneration	51,127,574	48,752,829

7. Depreciation and amortization expense

	2014	2013
	Shs	Shs
Property, plant and equipment	13,195,111	5,258,898
Intangible assets	363,395	24,319
Total depreciation and amortization	13,558,505	5,283,218

8. Repairs and maintenance

	2014	2013
	Shs	Shs
Equipment	2,876,793	512,306
Vehicles	1,427,936	1,068,265
Total repairs and maintenance	4,304,729	1,580,571

9. General expenses

The following are included in general expenses:

	2014	2013
	Shs	Shs
Advertising and Promotion	11,446,594	34,496,399
Audit fees	500,000	500,000
Catering services	2,568,057	1,832,947
Cleaning	2,078,477	1,087,103

Computer Expenses	2,093,793	640,644
Conference/ seminar facility	41,835,635	9,729,891
Consultancy / Professional Fees	45,495,193	12,400,146
Dues and Subscriptions	1,527,830	531,860
Foreign Travelling	3,268,446	4,208,141
Fuel and oils	2,106,971	2,058,697
Insurance Expense	1,643,483	1,423,605
Local Travelling	12,589,394	2,933,025
Meals and Entertainment	2,966,886	2,756,015
Other Expenses	1,273,919	199,956
Postage and Delivery	1,139,294	284,870
Printing and Stationery	8,971,231	8,884,404
Rent and Rates	24,360,000	24,952,960
Security Services	1,225,000	732,000
Telecommunication Expenses	5,670,280	4,838,469
Training	15,432,962	5,300,507
Total general expenses	<u>188,193,445</u>	<u>119,791,639</u>

10. Cash and cash equivalents

	2014	2013
	Shs	Shs
Central Bank of Kenya	28,495,223	175,448,028
CBK Deposit Account	479,277	-
Cash-on-hand	1,889,151	1,274,720
Total cash and cash equivalents	<u>30,863,651</u>	<u>176,722,748</u>

11. Receivables from non-exchange contracts

	2014	2013
	Shs	Shs
Staff Imperest/Advances	3,156,720	502,324
Prepayments	10,960,747	5,353,442
Deposits	40,000	40,000
Total current receivables	<u>14,157,467</u>	<u>5,895,766</u>

12. Property, plant and equipment

	Furniture & fittings Shs	Office Equip Shs	Motor vehicles Shs	Computer Equip Shs	WIP Shs	Total Shs
Cost						
At 1 July 2013	17,305,135	6,005,650	22,419,385	-	37,291,496	83,021,666
Additions	54,983,686	32,077,994	-	8,016,206	-	95,077,886
Disposals	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	(37,291,496)	(37,291,496)
At 30 June 2014	72,288,821	38,083,644	22,419,385	8,016,206	-	140,808,056
Depreciation and impairment						
At 1 July 2013	721,047	334,216	4,203,635	-	-	5,258,898
Depreciation	3,100,851	3,922,495	5,604,846	566,919	-	13,195,111
Impairment	-	-	-	-	-	-
At 30 June 2014	3,821,898	4,256,711	9,808,481	566,919	-	18,454,009
Net book values						
At 30 June 2014	68,466,923	33,826,933	12,610,904	7,449,287	-	122,354,047
At 30 June 2013	16,584,088	5,671,434	18,215,750	-	37,291,496	77,762,768

13. Intangible assets - software

	2013 Shs
Cost	
At 1 July 2013	876,377
Additions	3,062,000
At 30 June 2014	3,938,377
Amortization and impairment	
At 1 July 2013	24,319
Amortization	363,395
At 30 June 2014	387,714
Net book values	
At 30 June 2014	3,550,663
At 30 June 2013	852,059

14. Trade and other payables from exchange transactions

	2014 Shs	2013 Shs
Trade payables	3,449,838	301,817
Third-party payments-Retention	467,417	2,323,952
Payroll Liabilities	20,511	-
Total trade and other payables	3,937,765	2,625,769

15. Current provisions

	Gratuity	Leave Provision	Rent Accrued	Audit fees	Total
	Shs	Shs	Shs	Shs	Shs
Balance at the beginning of the year	3,202,863	3,284,593	-	500,000	6,987,456
Additional provisions raised	2,317,924	2,839,295	2,030,000	500,000	7,687,219
Provision utilized/reversed	-	(3,284,593)	-	(500,000)	(3,784,593)
Balance as at 30 June 2014	5,520,787	2,839,295	2,030,000	500,000	10,890,081

16. Cash generated from operations

	2014	2013
	Shs	Shs
Surplus for the year before tax	(98,806,726)	251,620,115
Adjusted for:		
Depreciation	13,558,505	5,283,218
Contribution to Provisions	7,187,219	6,987,456
Working capital adjustments:		
Increase in receivables	(8,261,701)	(5,895,766)
Increase in payables	1,311,996	2,625,769
Net cash flows from operating activities	(85,010,707)	260,620,792

17. Contingency liability

The Commission has a litigation case in the court relating to the claim by the Former CEO of Ksh 16,519,706 in respect to terminal dues and damages.

XVI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

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)
1(i) Unconfirmed cash balance	The Commission did not have Board of Survey hence could not confirm the cash balance	There was existing Board of Survey and the certificate was provided for verification by the Auditor	Caren Oduor- Chief Accountant	Resolved and dropped
1(ii) Bank Reconciliation as at 30 June 2014	An cleared Payment of Ksh 448,740 outstanding for 1 month	It was a rejected payment by Central Bank which could not be resubmitted as the system was closed in July 2014	Caren Oduor- Chief Accountant	Resolved and cleared in August 2013 and dropped
2. Re allocation of Expenses	Re allocation of funds amounting to 3.6M without authority	The expense was not actually re allocated since it was an expense relating to the vote that was charged and hence was correctly charged	Wycliffe Wasike- Deputy director Finance	Resolved and dropped
3. Administrative expenses -Professional fees understatement	Misclassification of professional fees to program costs thus understating Professional fees Expenses	The Management reclassified the expenses correctly as proposed by the auditor	Caren Oduor- Chief Accountant	Resolved and dropped
4. Differences between ledger balances and Financial statement figures	There was difference between the ledger balances and the financial statements hence the authenticity of the balances could not be relied upon	The difference resulted from management re classifying accounts in the Financial Statements. This was corrected and financial statements amended accordingly	Caren Oduor- Chief Accountant	Resolved and dropped
5. Other income	Income of Ksh. 14000 could not be traced in the ledger while it was disclosed in the financial statements	The amounts were actually in the ledger and the trial balance	Caren Oduor- Chief Accountant	Resolved and dropped
6a. Payment of sitting allowances	Payment of sitting allowances to the Commission Secretary of Ksh 680,000	Explanation was provided to the satisfaction of the Auditor	Mrs. Grace Otieno - CEO	Resolved and dropped
6b. Sitting Allowance for Commissioners	Payment of sitting allowances to the Commissioners of Ksh 1,290,000	Explanation was provided to the satisfaction of the Auditor	Mrs Grace Otieno - CEO	Resolved and dropped
6c. Transport/Mileage claim for Commissioners	Payment of transport /mileage claim to the Commission Secretary of Ksh 2,550,000	The management instituted recoveries from the said commissioners in Sept 2013	Mrs Grace Otieno - CEO	Resolved and dropped

Ag Commission Secretary/CEO..... *Angi*

Date..... *19th Dec: 2014*

Chairperson..... *[Signature]*

Date..... *19/12/2014*