REPUBLIC OF KENYA






# REPORT

# OF

# THE AUDITOR-GENERAL

# ON

# INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION STAFF MORTGAGE AND CAR LOAN SCHEME

# FOR THE YEAR ENDED 30 JUNE, 2023

(Copy)

INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
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Ref: IEBC/ 40/OAG/01/(37)

24th November, 2023

The Auditor – General
P.O. Box 30084 -00101
Anniversary Towers
**NAIROBI**

Attn: Josephine Warega

**RE: IEBC MORTGAGE AND CAR LOAN REVISED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2023**

Reference is made to the above subject matter.

Enclosed herewith, please find the IEBC Mortgage and Car loan Scheme Revised Annual Report and Financial Statements for the period ended 30th June, 2023 and responses to the Management letter.

Thank you for your continued support.

Marjan Hussein Marjan, MBS
Commission Secretary/CEO

Encl.

**address:** Anniversary Towers, 6th Floor, off University Way, P.O Box 45371-00100 Nairobi, Kenya
**phone:** +254 (0) 2769000, **fax:** +254 (0) 20 2219185, **email:** info@iebc.or.ke, **website:** www.iebc.or.ke

IEBC
Your Vote, Your Future
INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION



# INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION
# STAFF MORTGAGE AND CAR LOAN SCHEME
# ANNUAL REPORT AND FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2023

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

ISO/IEC 27001:2022 MANAGEMENT SYSTEM
MSECB CERTIFIED

@IEBCKenya

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# 1. ABBREVIATIONS, ACRONYMS AND GLOSSARY OF TERMS

## A. Acronyms and Abbreviations

| | |
|---|---|
| CEM: | County Elections Manager |
| CEO: | Chief Executive Officer |
| COB: | Controller of Budget |
| CPA: | Certified Public Accountant |
| CRA: | Commission of Revenue Allocation |
| ECK: | Electoral Commission of Kenya |
| HFC: | Housing Finance Corporation |
| IEBC: | Independent Electoral and Boundaries Commission |
| IFMIS: | Integrated Financial Management Information System |
| IPSAS: | International Public Sector Accounting Standards |
| KCB: | Kenya Commercial Bank |
| KRA: | Kenya Revenue Authority |
| PAC: | Parliamentary Accounts Committee |
| PFMA: | Public Finance Management Act |
| PPADA: | Public Procurement and Disposal Act |
| PSASB: | Public Sector Accounting Standards Board |
| SRC: | Salaries and Remuneration Commission |

## B. Glossary of Terms

**Fiduciary Management**- Members of Management directly entrusted with the responsibility of financial resources of the organization. Commonly referred to as AIE holders.

**Comparative Year** - Means the prior financial year i.e. 2021/2022 financial year.

# 2. KEY FUND INFORMATION AND MANAGEMENT

## a) Background information

The Independent Electoral and Boundaries Commission is a Constitutional body established under Article 88 of the Constitution of Kenya and is a body corporate pursuant to Article 253 of the Constitution of Kenya.

The Independent Electoral and Boundaries Commission Staff Mortgage and Car Loan Scheme was established and derives its authority and accountability from the provisions under Section 84(1), Section 24(4)(5) (6)(7) of the PFM Act,2012 and Section 127(1) (2) of the PFM (National Government ) Regulations,2015.

The IEBC Staff Mortgage and Car Loan Scheme was set up in March 2017 as a revolving fund pursuant to the Salaries and Remuneration Commission (SRC) Circular REF. No. SRC/ADM/CIR/1/13 Vol. III (128) of 17th December, 2014 on Mortgage and Car Loan Schemes for State Officers and other Public Officers of the Government of Kenya.

The scheme is wholly owned by the Independent Electoral and Boundaries Commission and is domiciled in Kenya.

The financial year of the scheme is a period of twelve months ending on 30th June each year.

The Commission is required to prepare and submit the Scheme's Annual Report and Financial Statements to the Auditor General by 30th September every year and a copy to the Controller of Budget, the National Treasury and the Commission Revenue Allocation as stipulated in Section 81 of the Public Finance Management Act, 2012.

## b) IEBC Staff Mortgage and Car Loan Principal Activities

The Principal activity of the IEBC Mortgage and Car Loan Scheme is to provide;

i) Mortgage Loans to IEBC Staff for the sole purpose of;
   - Facilitating the purchase of existing residential property;
   - Facilitating the purchase of land and construct residential property;
   - Constructing, renovate and improve existing residential property;
   - Taking over loans on existing mortgages;
   - Providing equity release on existing mortgage properties.

ii) Car Loans to IEBC Staff for the sole purpose of;
   - Purchasing motor cars for personal use; and
   - Taking over existing car loans.

# KEY SCHEME INFORMATION AND MANAGEMENT (CONT'D)

### c) Board of Trustees/Scheme Advisory Committee

The Scheme Advisory Committee administers the Staff Mortgage and Car Loan Scheme.

The following officers had fiduciary responsibility during the financial period ended 30th June, 2023:

| No. | Name | Scheme Position |
|---|---|---|
| i) | CPA Obadiah K. Keitany.<br>Deputy Commission Secretary –Support Services. | Chairperson, IEBC Mortgage and Car Loan Scheme. |
| ii) | Lorna A. Onyango.<br>Director Human Resources & Administration. | Vice Chairperson, IEBC Mortgage and Car Loan Scheme. |
| iii) | Michael Ouma, HSC.<br>Director Information & Communication Technology. | Member, IEBC Mortgage and Car Loan Scheme. |
| iv) | Nancy Koros,<br>Senior Legal Officer. | Member, IEBC Mortgage and Car Loan Scheme. |
| v) | Albert Nguma Gogo ,<br>County Elections Manager (CEM). | Member, IEBC Mortgage and Car Loan Scheme. |
| vi) | Beatrice Muli,<br>Senior Elections Coordinator (SEO). | Member, IEBC Mortgage and Car Loan Scheme. |
| vii) | CPA Zipporah Wachera Ndirangu<br>Regional Accountant. | Member, IEBC Mortgage and Car Loan Scheme. |

The Scheme Advisory Committee members and the Secretariat/Liason officers are appointed by the CEO/accounting officer of the Commission. They are charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving fund for the disbursement of loans and supervising the day to day operations of the scheme.

The Mortgage and Car Loan Scheme's secretariat and the advisory committee members are drawn from the Independent Electoral and Boundaries Commission (IEBC) but its management is under the Housing Finance Corporation and the Kenya Commercial Bank. The role of the banks is to manage the scheme and provide administrative services as per the agreements signed.

# KEY SCHEME INFORMATION AND MANAGEMENT (CONT'D)

**d) Scheme Management**

The Staff Mortgage and Car Loan Advisory Committee has a fiduciary responsibility and comprise of the following members: -

| No. | Designation | Institution /Name |
|---|---|---|
| 1. | Scheme Service Providers, Scheme Managers/ Administrators | Housing Finance and Kenya Commercial Bank. |
| 2. | Chairperson, Scheme Advisory Committee | CPA Obadiah K. Keitany. |
| 3. | Vice Chairperson, Scheme Advisory Committee | Lorna A. Onyango. |
| 4. | Member, Scheme Advisory Committee | Michael Ouma. |
| 5. | Member, Scheme Advisory Committee | Albert N. Gogo. |
| 6. | Member, Scheme Advisory Committee | Beatrice Muli. |
| 7. | Member, Scheme Advisory Committee | Zipporah W. Ndirangu. |
| 8. | Member, Scheme Advisory Committee | Nancy C. Koros. |
| 9. | Secretariat | Pauline Njambi. |
| 10. | Secretariat | Peter Mulele. |
| 11. | Liason Officer | CPA Clifford K. Rono. |
| 12. | Liason Officer | Mary W. Waruiru. |
| 13. | Liason Officer | CPA Elizabeth A. Omolo. |

**e) Fiduciary Oversight Arrangements**

| No. | Designation | Institution /Name |
|---|---|---|
| 1. | Ag. Director Internal Audit | CPA Reuben K. Chirchir. |
| 2. | Staff Mortgage and Car Loan Advisory Committee | Members of the Advisory Committee. |

**f) Registered Offices**

The Independent Electoral and Boundaries Commission
Anniversary Towers, 6th Floor,
P.O Box 45371-00100
Nairobi, Kenya.

**g) Scheme Contacts**

Telephone: +254 20 - 2877000 / +254 20 -2769000

Email: info@iebc.or.ke

Website: https://www.iebc.or.ke

Email Address: cmortgage@IEBC.OR.KE

# KEY SCHEME INFORMATION AND MANAGEMENT (CONT'D)

**h) Scheme Bankers**

1. Housing Finance Company
Rehani House, Kenyatta Avenue
P.O. Box 30088 - 00100
Nairobi, Kenya.

2. Kenya Commercial Bank Ltd.
University Way Branch
P.O. Box 4012-00300
Nairobi, Kenya.

**i) Independent Auditor**

The Auditor General
Kenya National Audit Office
Anniversary Towers
P.O. Box 30084- 00100
Nairobi, Kenya.

**j) Principal Legal Advisor**

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

# 3. SCHEME ADVISORY COMMITTEE

**CPA Obadiah K. Keitany**

**Deputy CEO/ Deputy Commission Secretary – Support Services**

**Chairperson of the IEBC Mortgage and Car Loan Advisory Committee**

**Profession/Qualifications:**

- MBA in Finance – University of Nairobi (UoN);
- BCom (Insurance Option) - University of Nairobi (UoN);
- Certified Public Accountant (CPA-K);
- Certified Internal Auditor (CIA);
- Certified Information Systems Auditor (CISA);
- Certified Public Secretary (CPS-K);
- Certified Quality Assessor (CQA);
- Post Graduate Diploma in Corporate Governance (KCA);
- Member of ICPAK in good standing;
- Member of Information Systems Audit & Control Association (ISACA);
- Member of Institute of Internal Auditors (IIA);
- Member of Institute of Certified Secretaries of Kenya.

**Lorna A. Onyango**

**Vice-Chairperson of the IEBC Mortgage and Car Loan Advisory Committee.**

**Profession/Qualifications:**

- Master of Business Administration (HRM);
- Post Graduate Diploma;
- Bachelor of Arts (Sociology) (UoN);
- Certificate, Human Resource Audit;
- Certificate, Payroll Management;
- Member, Institute of Human Resource Management (IHRM);

**Michael Ouma, HSC**

**Member of the IEBC Mortgage and Car Loan Advisory Committee**

**Profession/Qualifications:**

- MBA, Strategic Management (UoN);
- B.Tech-Electrical & Communications Engineering– Moi University;
- Professional Scrum Master I, Scrum.org;
- Member of Information Systems Audit & Control Association (ISACA);
- Member, Kenya Institute of Management;
- Fellow, Computer Society of Kenya;

**Albert Nguma Gogo**

**Member of the IEBC Mortgage and Car Loan Advisory Committee**

**Key Academic Qualifications:**

- Master of Science in Computer Based Information Systems
- Bachelor of Education (Science).
- Professional membership: Member – Computer Society of Kenya.

**Beatrice Muli**

**Member of the IEBC Mortgage and Car Loan Advisory Committee**

**Profession/Qualifications:**

- MA (Arts) Project Planning and Management, UoN.
- Bachelors of Education (Arts), Moi University.
- Member of Kenya Association of Project Managers (KAPM).

**CPA Zipporah W. Ndirangu**

**Member of the IEBC Mortgage and Car Loan Advisory Committee**

**Profession/Qualifications:**

- Bachelor of Commerce, (Hons), Finance- Africa Nazarene University.
- Certified Public Accountant (CPA-K).
- Member of ICPAK in good standing.

**Nancy C. Koros**

**Member of the IEBC Mortgage and Car Loan Advisory Committee**

**Profession/Qualifications:**

- LIB (Hons) Moi University.
- Dip Kenya School of Law.
- Member of the Law Society of Kenya.
- Member of the International Police Association.
- Advocate of the High Court of Kenya.
- Commissioner of Oaths and Notary public.

# 4. MANAGEMENT TEAM

**CPA Marjan H. Marjan, MBS**

**CEO/Commission Secretary**

**Profession/Qualifications:**

- MBA in Strategic Management - University of Nairobi (UoN);
- BCom (Accounting Option) - (UoN);
- Certified Public Accountant (CPA-K);
- Certified Information Systems Auditor (CISA);
- Certified Internal Auditor (CIA);
- Certification in Control Self-Assessment (CCSA);
- Certified Quality Assessor (CQA);
- Practicing Member of ICPAK in good standing;
- Member of Information Systems Audit & Control Association (ISACA);
- Member of Institute Internal Auditor (IIA).

**CPA Obadiah K. Keitany**

**Deputy CEO/ Deputy Commission Secretary – Support Services**

**Profession/Qualifications:**

- MBA Finance – University of Nairobi (UoN);
- BCom Insurance (UoN);
- Certified Public Accountant (CPA-K);
- Certified Internal Auditor (CIA);
- Certified Information Systems Auditor (CISA);
- Certified Public Secretary (CPS-K);
- Certified Quality Assessor (CQA);
- Post Graduate Diploma in Corporate Governance (KCA);
- Member of ICPAK in good standing;
- Member of Information Systems Audit & Control Association (ISACA);
- Member of Institute of Internal Auditors (IIA);
- Member of Institute of Certified Secretaries of Kenya.

**Ruth Kulundu**

**Deputy CEO/Deputy Commission Secretary - Operations**

**Profession/Qualifications:**

- MBA –Strategic Management - (UON);
- Bachelor of Commerce BCOM - (UoN);
- Associate of Chartered Insurance Institute - ACII (London);
- Associate of Chartered Insurance Institute - AIIK (Kenya);
- Associate of Chartered Institute of Arbitrators (Kenya Chapter).

**CPA Osman H. Ibrahim, HSC, OGW**

**Director Finance**

**Profession/Qualifications:**

- Master's in business administration in Finance (MBA);
- Bachelor of Commerce from the University of Nairobi;
- Certified Public Accountant (CPA-K);
- Member of ICPAK in good standing;
- Member of IIA –Kenya in good standing;

**Chrispine Owiye, OGW**

**Director Legal Services.**

**Profession/Qualifications:**

- Master of Law in Law Governance and Democracy -University of Nairobi;
- Bachelor of Law degree (LLB) – Moi University;
- Post Graduate Diploma in Legal Education (Kenya School of Law);
- Certificate in Prosecution (CID Training School);
- Advocate of the High Court of Kenya;
- Member of the Law Society of Kenya;
- Commissioner for Oaths and Notaries Public;
- Member of the International Commission of Jurists;
- Member of the International Police Association;

**Dr. Meshack Korir, PhD**

**Ag. Director Research, Electoral Boundaries & Risk Management**

**Profession/Qualifications:**

- PhD in History, Kenyatta University;
- MA in International Relations, USIU Kenya;
- Bachelor of Arts in Sociology, UON;
- Member of America Evaluation Association(AEA);
- Member of Africa Evaluation Association(AfREA);
- Member of International Research Association of Talent Development(IRATDE);
- Member of Evaluation Society of Kenya(ESK);
- Certificate in Strategic Management and Leadership;

**Moses Sunkuli.**

**Director Voter Registration and Electoral Operations**

**Profession/Qualifications Profession/Qualifications:**

- MBA, Strategic Management-Kenyatta University;
- Bachelor of education, Arts –Moi University;
- Diploma in Business Management- Kenya Institute of Management;
- Certificate, Management of Democratic Elections in Africa - UNISA;
- Strategic Leadership Management Course - Kenya School of Government;
- Member (KIM) Kenya Institute of Management.

**Jacktone Nyonje**

**Ag. Director Voter Education, Partnerships & Communication**

**Profession/Qualifications:**

- Master of Arts – Project Planning & Management -UoN;
- Master of Arts in Swahili Studies -UoN;
- Bachelor of Education, Arts – University of Nairobi.

**Dr. Harley Kisyula Mutisya, PhD**

**Director Supply Chain Management**

**Profession/Qualifications:**

- PHD in Business Administration (UoN);
- MBA in Procurement & Supply Chain Management (UoN);
- BCOM in Supply Chain Management (UoN);
- Diploma in Logistical Management from Cerford Institute;
- Certified Procurement and Supply Professional (CPSP-K);
- Chartered Associate (ACIArb);
- Member Kenya Institute of Supplies Management (KISM);
- Fellow Logistics Society of Kenya;
- Member Chartered Institute of Procurement and Supply (UK);

**Michael Ouma, HSC**

**Director ICT**

**Profession/Qualifications:**

- MBA, Strategic Management (UoN)
- B.Tech-Electrical & Communications Engineering–Moi University;
- Professional Scrum Master I, Scrum.org;
- Member of Information Systems Audit & Control Association (ISACA);
- Member, Kenya Institute of Management;
- Fellow, Computer Society of Kenya;

**CPA Reuben Chirchir**

**Ag. Director Audit & Compliance**

**Profession/Qualifications:**

- Master's in Business Administration in Finance (MBA)- USIU;
- Bachelor of Arts, BA(Hons), Economics - University of Nairobi;
- Certified Public Accountant (CPA-K);
- Member of ICPAK in good standing;
- Member of IIA – Kenya in good standing;

**Lorna A. Onyango**

**Director Human Resource & Administration**

**Profession/Qualifications:**

- Master of Business Administration (HRM);
- Post Graduate Diploma;
- Bachelor of Arts (Sociology) (UoN);
- Certificate, Human Resource Audit;
- Certificate, Payroll Management;
- Member, Institute of Human Resource Management (IHRM);

# 5. REPORT OF THE ADVISORY COMMITTEE CHAIRPERSON

It gives me great pleasure to present the IEBC Staff Mortgage and Car Loan Scheme Annual Report and Financial Statements for the 2022/2023 financial year.

Staff welfare is a major concern for robust Commission culture. In this respect, the Commission has continued to implement the Staff Mortgage and Car Loan scheme in line with Government regulations. The Commission's Mortgage and Car Loan Scheme was created pursuant to the Salaries & Remuneration Commission (SRC) approval for state officers and other public officers to benefit from government-funded loans.

In the 2022/2023 financial year, the Commission was allocated fifteen million shillings (Kshs.15,000,000) to finance the Commission staff mortgage scheme. No budget provision was made for the Car Loan Scheme. The total funds so far received from the National Treasury amounts to eight hundred and eighteen million, fifty seven thousand and seven hundred and forty one (Kshs.818,057,741).

During the year under review, Commission engaged the services of the Kenya Commercial Bank to offer scheme administration services as an alternative to the Housing Finance Corporation. This will go a long way in offering additional products to the Commission staff and act as Scheme risk diversification and management.

Since inception, eighty-three (83) mortgage applicants and forty-six (46) car loans applicants have benefited from the IEBC Staff Mortgage and Car Loan scheme respectively. In total, one hundred and twenty-nine (129) members of staff have benefited from the Scheme. No cases of default has been reported. A total of six hundred and thirty-nine million, eight hundred one thousand and eight hundred thirty shillings (Kshs.639,801,830) had been disbursed to finance eighty-three (83) staff mortgage loans while eighty-eight million, three hundred and seventy four thousand, four hundred and seventy two shillings (Kshs.88,374,472) had been disbursed to finance forty six (46) staff car loans.

I encourage all Commission staff members to optimally utilize the facility for improvement of their welfare and to utilize the Commission's scheme to actualize the vision of affordable housing and facilitate staff mobility.

My gratitude goes out to the National Treasury, the Housing Finance Corporation Group, the members of the Scheme Advisory Committee and the staff of the Commission for their support towards fulfilling the Scheme mandate.

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**CPA OBADIAH K. KEITANY**

**CHAIRPERSON OF THE SCHEME**

# 6. REPORT OF THE FUND MANAGER/ADMINISTRATOR

The Commission hereby submits the IEBC Mortgage and Car Loan Scheme's Annual report and financial statements for the financial year ended 30th June, 2023. The Annual Financial Statements comprise of the Statement of the Financial Performance, Statement of the Financial Position, Statement of Changes in Net Assets, Statement of Cash Flows and Statement of Comparison of Budget and Actual amounts.

The Commission has continued to ensure probity and prudence in the management of its resources in accordance with the provisions of the Public Finance Management Act (PFM), 2012 and the attendant regulations.

During the period under review, the Commission was allocated Kshs. 15 million to fund the Mortgage Scheme activities. Over time, the total funding from the National Treasury into the IEBC Staff Mortgage and Car Loan scheme have grown to Kshs. 818,057,741. The Scheme earned Kshs. 9.22 million from high interest earning bank balances as compared with Kshs 16.05 million earned in the previous year. Further, the Scheme earned interest on loans amounting Kshs.14.12 million. The interest on loans earned is used to offset the administration costs of the Scheme.

Since inception, the Scheme has facilitated one hundred and twenty nine (129) members of staff. Eighty three (83) of the Commission staff have benefited from mortgages whereas forty-six (46) have benefited from car loans scheme. I wish to report that during the period under review, ten (10) mortgage applicants and four (4) car loan applicants benefited from the Scheme. The Scheme continues to meet its objective of improving the staff welfare by providing affordable housing and facilitating staff mobility. This creates an enabling environment for optimal productivity and enhanced staff morale.

As regards risks management and assurance, the Commission recognizes that the two are important corporate governance pillars. To this end, the Commission has embedded a robust risk management framework in the Scheme operations and functions. As part of risk management, the scheme loanee is required to have a valid group life assurance during the entire repayment period and the property acquired is also insured against fire. Further, the Commission has put in place continuous risks assessment and mitigation strategies to enhance internal controls and compliance.

Finally, I wish to sincerely appreciate the Commissioners and members of staff for their relentless dedication and commitment in the realization of the Commission's set-out goals and objectives. I am also obliged to all partners and stakeholders for their immense support towards the fulfilment of the Commission mandate.

.....

**CPA MARJAN H. MARJAN, MBS**

**COMMISSION SECRETARY/CEO**

# 7. STATEMENT OF PERFORMANCE AGAINST OBJECTIVES FOR FY2022/2023

Section 81 Sub-section 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

The Scheme's current objective is to offer affordable Housing and Car Loans to staff.

The Commission develops annual work plans based on the above Strategic Focus Arears. Assessment of the Commission's performance against its annual work plan is done on a quarterly basis. The Commission achieved its performance targets set for its 2020-2024 strategic pillars cum strategic Focus Areas, as indicated in the table below:

| Strategic Pillar/Key Result Area | Objective | Key Performance Indicators | Activities | Achievements |
|---|---|---|---|---|
| **1. Strengthening Corporate Governance** | To strengthen corporate governance in the in the Management of the Scheme. | A risk-based Annual Internal Audit Plan developed and implemented. | Development of annual audit plan. | 1. |
| | | A risk-based Quarterly Internal Audit developed and implemented. | Continuous audit reviews. | 4. |
| | | Quarterly progress reports on risk management Developed. | Quarterly Risk review plans Desktop reviews. | 4. |
| | | Number of risk assessment and monitoring reports. | Continuous assessment and review. | 9. |
| | Enhance Resource mobilization. | % of funds mobilized for the IEBC Mortgage and Car Loan Scheme. | MTEF budget Supplementary budget. | 100% |
| | Enhance accountability, fairness, transparency. | Renewal of the Mortgage and Car Loan Scheme Committee Members. | Appointment of new Mortgage and Car Loan Scheme Committee. | 1. |
| | | Review of the IEBC and the HFC Agreement. | Meetings and workshops. | 1. |

| Strategic Pillar/Key Result Area | Objective | Key Performance Indicators | Activities | Achievements |
|---|---|---|---|---|
| **2. Strengthening the Legal Framework.** | Strengthen Scheme Legal Framework. | Review the adequacy of the regulation and agreement with the Service Providers. | Stakeholder engagement. | Held (1) one meeting with the Scheme Service Providers. |
| | | Review of the Car and Mortgage Regulation. | Meetings and workshops. | 1. |
| | | Review of the IEBC and the HFC Agreement. | Meetings and workshops. | 1. |
| **3. Public Outreach.** | To enhance participation of members in the management and benefits. | Number of Members Sensitized and educated. | Online Meetings and engagements. | 1. |

# 8. CORPORATE GOVERNANCE STATEMENT

The Commission is accountable to the public and stakeholders through Parliament for ensuring that it complies with the highest standards of corporate governance and operational ethics. The Commission has embraced corporate governance by promoting the right corporate culture and values in the management of the Schemes.

The Commission exercises reasonable care to ensure that the management of the Scheme is carried out in the best interest of the members and citizens of Kenya. The Independent Electoral and Boundaries Commission Staff Mortgage and Car Loan Scheme was established and derives its authority and accountability from the provisions under Section 84(1), Section 24(4)(5)(6)(7) of the PFM Act,2012 and Section 127(1) (2) of the PFM (National Government) Regulations,2015.

The overall management of the Scheme is the responsibility of the Advisory Committee and the Liason Office. The Committee meets regularly to consider loans applications and make recommendations to the Service providers.

The Advisory Committee recognizes the need to conduct its affairs with integrity and in accordance with generally accepted corporate practices and internationally developed principles of corporate governance.

### a) Process of Appointment and Removal of the Advisory Committee Members

The Members of the Staff Mortgage and Car Loan Advisory Committee are appointed by the Commission Secretary of the Independent Electoral and Boundaries Commission (IEBC) in accordance with Section 9 (2) of the IEBC (Staff Mortgage and Car Loan Scheme) Regulations, 2016.

The Commission Secretary appoints three (3) heads of the directorates, and six (6) other members of staff, two (2) of whom represent the field staff. The Commission Secretary also appoints the Chairperson and Vice Chairperson from among the Committee membership.

The Committee serves on a renewal term of three (3) years.

The Liason Office shall be drawn from the Finance and Human Resource Directorates.

### b) Roles and Functions of the Advisory Committee

Under Regulation 11, the Advisory Committee responsibilities are to:-

- Select competitively the service provider for the administration of the scheme;
- Liaise with the service provider to establish a revolving fund for the disbursement of loans;
- Process applications for loans in accordance with the existing terms and conditions of borrowing;
- Forward the successful applications with recommendations to the service provider for approval among others.
- Supervise day-to-day running of the Scheme in liason with the service provider.
- Identify and accredit valuation firms for the purpose of rendering valuation services.

### c) Number of Scheme Advisory Committee Meetings

In the year under review, the Advisory Committee held five (5) meetings as indicated below;

| S/No. | Date of Meeting | Membership | Percentage |
|---|---|---|---|
| 1. | 7th June, 2023 | 6/7 | 86% |
| 2. | 8th February, 2023 | 4/7 | 57% |
| 3. | 13th April, 2023 | 7/7 | 100% |
| 4. | 8th February 2023 | 4/7 | 57% |
| 5. | 22nd -27th November, 2023 (Incoming Members) | 7/7 | 100% |
| 6. | 22nd -27th November, 2023 (Outgoing Members) | 6/7 | 86% |

### d) Succession Plan

The tenure of the Mortgage and Car Loan advisory committee is three (3) years renewable and the Scheme has put mechanisms for continuity of the Advisory Committee. During the year under review, four (4) Advisory Committee members ended their three year tenure and four (4) new members were appointed by the Commission Secretary. A handing over ceremony was held on 22nd to 27th November, 2023.

### e) Compliance with Existing Laws and Regulations

The Advisory Committee complied with all the relevant laws and regulations which included the Constitution, Public Finance and Management Act 2012, IEBC (Staff Mortgage and Car Loan Scheme) Regulation 2016, Public Procurement and Asset Disposal Act 2015 among others.

### f) Audit of the Scheme

This IEBC Mortgage and Car Loan Scheme is subjected to regulatory and system audit, annual statutory audit by the Office of the Auditor General (OAG). The Commission's Internal Audit directorate audits the Scheme's quarterly and annual financial statements.

### g) Impartiality and Independence of Members

Every member of the Commission and employee shall perform their functions impartially and independently without influence from any person, authority or organization.

### h) Disclosure of Conflict of Interests

A member of the Advisory Committee or Liason Office whose personal interest conflicts with their official duties shall in writing, declare as soon as practicable the personal interests to their supervisor or other appropriate person or body and comply with any directives given to avoid the conflict and refrain from participating in any deliberations with respect to the matter.

# 9. MANAGEMENT DISCUSSION AND ANALYSIS

### a) Operational and Financial Performance

The Staff Mortgage and Car Loan Scheme was set up in March 2017 to provide the Commission staff with opportunity to buy or build /own house/or improve residential property through affordable mortgage and to facilitate staff to acquire car for commuting transport to and from work place.

As part of risk management, the scheme loanee is required to have a valid group life assurance during the repayment period and the property acquired is also insured against fire.

The Mortgage and Car Loan revolving scheme is currently managed by Housing Finance Corporation of Kenya on behalf of the Commission. The Commission has also engaged the services of the Kenya Commercial Bank to manage the mortgage and car loan as part of scheme portfolio diversification and risk management.

**Table 1: National Treasury Funds Allocation over the Years.**

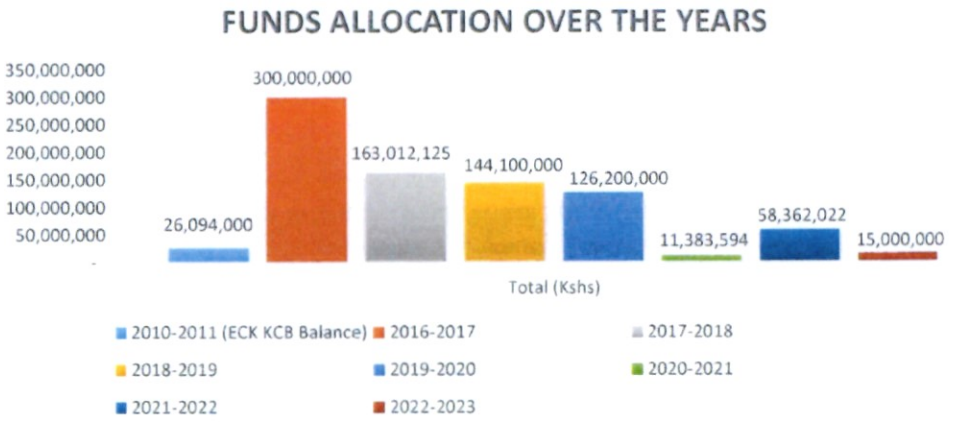
| S/NO. | FINANCIAL YEAR | FUNDING | MORTGAGE SCHEME | CAR LOAN SCHEME | TOTAL |
|---|---|---|---|---|---|
| 1 | 2010-2011 | ECK KCB Balance | - | 26,094,000 | 26,094,000 |
| 2 | 2016-2017 | National Treasury | 200,000,000 | 100,000,000 | 300,000,000 |
| 3 | 2017-2018 | National Treasury | 63,012,125 | 100,000,000 | 163,012,125 |
| 4 | 2018-2019 | National Treasury | 113,000,000 | 31,100,000 | 144,100,000 |
| 5 | 2018-2019 | Inter Fund Transfers | 150,000,000 | (150,000,000) | - |
| 6 | 2019-2020 | National Treasury | 121,000,000 | 5,200,000 | 126,200,000 |
| 7 | 2020-2021 | National Treasury | 9,583,594 | 1,800,000 | 11,383,594 |
| 8 | 2021-2022 | National Treasury | 58,362,022 | - | 58,362,022 |
| 9 | 2022-2023 | National Treasury | 15,000,000 | - | 15,000,000 |
| **TOTAL** | | | **729,957,741** | **114,194,000** | **844,151,741** |

At inception, there was an initial ECK Car Loan Scheme balance of Kshs. 26.094 million that was inherited by Interim Independent Electoral Commission (IIEC) from the defunct Electoral Commission of Kenya (ECK). This amount was used as Mortgage scheme's seed capital.

Over the years, the Scheme has received funds from the National Treasury amounting to Kshs.818.058 million as tabulated above. As at the end of the period under review, the Scheme's core capital stood at Kshs.844.152 million.

Since inception, the retained Mortgage and Car loan reserves were Kshs.53.457 million and 114.194 million respectively. As at 30th June, 2023, the Scheme financial position stood at Kshs.932.384 million.

**Figure 1 below show cumulative allocated funds to the IEBC Mortgage and Car Loan Scheme in financial years.**




### b) Number of Beneficiaries and Value of Mortgages and Car Loans Issued

Since inception, one hundred and twenty nine (129) members of staff have benefited from the IEBC mortgage and car Loan scheme. Eighty three (83) Commission staff have benefited from mortgage loans whereas forty-six (46) members of staff have benefited from car loans scheme.

**Table 2: Number of Beneficiaries and Value of Mortgages and Car Loans Issued**

| 2022/2023FY | No. of applications made | Successful applications | Value of the Issued Mortgages and Car Loans (Kshs). |
|---|---|---|---|
| IEBC Mortgage Loan Scheme | 101 | 83 | 639,801,830 |
| IEBC Car Loan Scheme | 46 | 46 | 88,374,472 |
| **Total** | **147** | **129** | **728,176,302** |

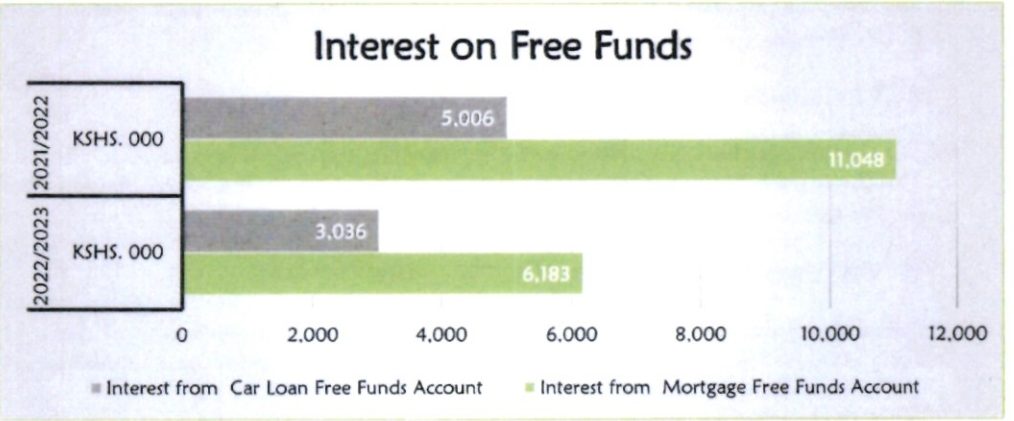
### c) Interest on Free Funds

During the period under review, the scheme earned Kshs. 9.2 million from high interest earning bank balances as compared with Kshs 16.1 million earned in the previous year. The interest is ploughed back to the Scheme on a revolving basis.

**Table 3: Interest on Free Funds**

| Interest on Free Funds | 2022/2023 | 2021/2022 |
|---|---|---|
| | Kshs. 000 | Kshs. 000 |
| Interest from Mortgage Free Funds Account | 6,183 | 11,048 |
| Interest from Car Loan Free Funds Account | 3,036 | 5,006 |
| **Total** | **9,218** | **16,053** |

**Figure 2 below shows Interest on Free Funds**



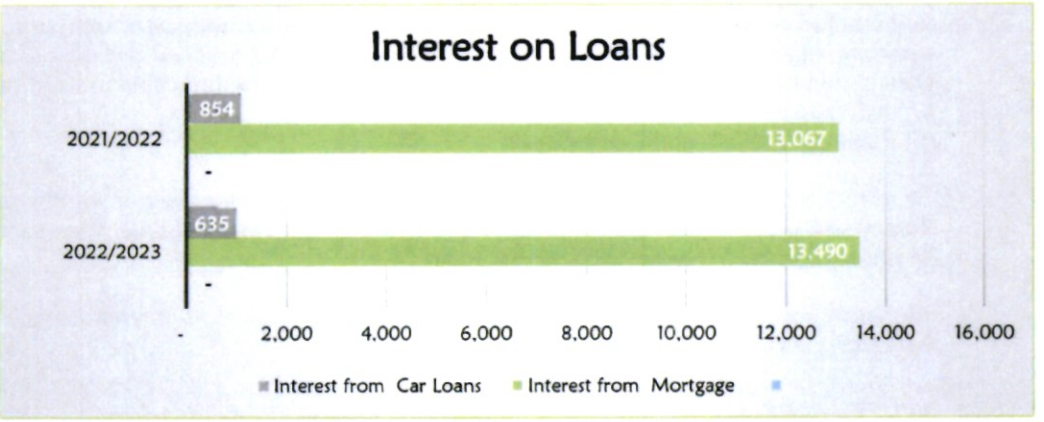

### d) Interest on Loans

During the period under review, the Scheme earned interest on loans amounting Kshs.14.12 million as compared to Kshs.13.92 million earned in the previous financial year. The interest earned is used to offset the administration costs of the Scheme.

**Table 4: Interest on Loans**

| Interest on Loans | 2022/2023 | 2021/2022 |
|---|---|---|
| | Kshs. 000 | Kshs. 000 |
| Interest from Mortgage | 13,490 | 13,067 |
| Interest from Car Loans | 635 | 854 |
| **Total** | **14,124** | **13,921** |

**Figure 3 below shows Interest on Loans**



### e) Compliance with Statutory Requirements

The Scheme complied with its tax obligations and all its statutory obligations in the implementation of its mandate.

### f) Key Projects and Investment

The Commission has continued to invest in the mortgage and car loan schemes for the staff. This is intended to provide affordable housing for the staff while at the same time facilitating the staff to conveniently commute to and from work.

### g) Risk Management Activities

The Commission has put in place a risk management framework for risk identification and mitigation. Further, it has embedded risk management in all its planning, execution, evaluation and business continuity arrangements.

**Some of the key risks facing the Scheme include:**

- **Default Risk:** The Scheme takes this risk that a borrower will not make the required payments on a debt obligation. The scheme is exposed to default risk in virtually all forms of credit offerings.
- **Strategic Risks:** These are risks that affect the ability to carry out the long-term goals and objectives as articulated in the Scheme Policy.
- **Compliance Risks:** These are risks associated with non-compliance with applicable laws and regulations, which could result in litigation and conflicts of interest.
- **Financial Risks:** The risk of financial loss that may include ineffectiveness of internal controls, inadequate funding, inability to service the loans and delay in financial reporting due reliance on third party financial information. The delayed funding may also result in the commission's inability to fund all the applications hence the delay in issuing of loans and acquisition of the properties.
- **Operational Risks:** The risk of direct or indirect loss or inability to provide core services, especially to stakeholders, resulting from inadequate or failed internal processes, resources and systems.

### h) Statutory and Financial Obligations

In the period under review, the scheme was able to satisfy all the applications, except where the necessary information to support compliance and due diligence was not available. Further, the Commission complied with all the necessary laws and regulations applicable in the management of the funds.

### i) Financial Probity and Governance

To obtain assurance on compliance and prudence in the management scheme finances, the Commission prepares the financial statements for the Mortgage and Car Loan Scheme, which are, be subjected to both internal and external audit.

The audit findings and recommendations enable the Commission to strengthen the Scheme's operational and financial systems.

# 10. ENVIRONMENTAL & SUSTAINABILITY REPORTING

The Independent Electoral and Boundaries Commission is a credible electoral management body that strives to meet the democratic aspirations of the people of Kenya.

Our Mission is to conduct transparent, efficient, and impartial elections; and undertake boundary delimitation for equitable representation and sustainable democracy.

In its endeavors to achieve its mandate, the Commission is guided by the following principles and core values:

- Adherence to the rule of law - We conduct our businesses within the law.
- Inclusivity - We respect gender, race, class and disability in the conduct of electoral activities.
- Integrity - We conduct our affairs with utmost honesty.
- Accountability - We endeavor to be responsible for our actions.
- Teamwork - We work collaboratively as colleagues to achieve Commission goals.
- Innovativeness - We transform the electoral process by exceeding the expectations of Kenyans.

### a) Sustainability Strategy and Profile

The Independent Electoral and Boundaries Commission is a Constitutional body established under Article 88 of the Constitution of Kenya and is a body corporate pursuant to Article 253 of the Constitution of Kenya.

The Constitution of Kenya 2010, IEBC Act 2011 and the Elections 2011 have been the greatest sustainability pillars of the Commission and the achievements of its mandate. The National Assembly has enacted and or amended several Statutes that enable the Commission to carry out its mandate. The role-played by the State and Non-State Stakeholders and Partners in the election process have sustained the operations and the implementation of the key Commission strategies.

To effectively sustain its operations, the Commission has put in place policies, structures and procedures to support its operations. In the achievement of its mandate, the Commission has anchored its operations and strategy in three main pillars: Strengthening corporate governance, Strengthening the legal framework, Effective conduct of elections, Public outreach, Equitable representation and Strengthening strategic operations.

The Commission, over the years, has developed well-trained and experienced staff on matters election operations and technology. To this end, it has received benchmarking delegations from Africa and beyond. Further, it has well established structures in its county and constituency offices spread across country.

### b) Employee Welfare

The Commission's policy on recruitment ensures commitment to the two third-gender rule is observed as well promotes affirmative action to ensure diversity in the workplace. The Commission's Shortlisting and Interview Guidelines ensure that recruitment processes are geared towards observing and promoting regional and gender balance.

Currently, the percentage of gender distribution is 36% female and 64% male, while the ethnic representation within the Commission is forty-three (43) ethnic tribes out of the forty-six (46) existing ethnic communities.

The Commission had seven (7) workers with disabilities of which two were female while five (5) were male. The Commission supports officers to be in good professional standing with their professional bodies by facilitating their Annual Subscription and Continuous Professional Development (CPD) training. In addition, the staff are trained in career development courses, specialized skills and seminars and workshops.

The Commission has a Performance Management System (PMS) that include Target Setting and the Annual Performance Appraisals. The Commission also recommend honors, awards, and issues commendation letters in recognition of exemplary performance. During the period under review the Chairman, two Commissioners, two directors and two managers received state commendation by the president as a recognition of exemplary conduct of the 2022 general election.

### c) Market Place Practices

Scheme operates in an environment with a wide range of risk profiles. The Commission has consistently applied the most competitive procurement methods based on the prevailing procurement laws and regulation with emphasis on maximizing value for money and equity in the procurement processes. The Scheme also conducts due diligence on third parties to ensure that it engages the right suppliers in its procurement.

It has established responsible supplier relationship by strict compliance to the public procurement and asset disposal processes and principles as laid down in the Regulations. Further, the Scheme has enhanced its communication as a tool in bettering the management of the existing suppliers.

### d) Corporate Social Responsibility/ Community Engagements

The Commission's overriding Corporate Social Responsibility theme is "Connecting with the Voter". In the period under review, the Commission undertook several CSR initiatives most of which include humanitarian initiatives such as donation of sanitary towels to various Schools, donation of books, geometrical Sets, pens and white boards to schools, sponsoring football tournaments for schools, open-air markets clean up, cleaning of the environment and donation of football materials for a local football team.

Further, the Commission has institutionalized the management of school student council elections, where the Commission uses the opportunity to inculcate democratic tenets in the learner's minds. The school council elections are regularly coordinated by the Commission's County and constituency offices in their respective electoral area.

The Commission further visited the Smile Community Centre children's home in Embakasi South Constituency in Nairobi in June, 2023 where the Commission donated food stuff, sanitary pads, toiletries, clothes to children and care givers.

# 11. REPORT OF THE SCHEME ADVISORY COMMITTEE

The Scheme Advisory Committee submit the Annual Report together with the Annual Financial Statements for the period ended 30th June, 2023, which show the state of affairs of the Scheme.

The objective of the IEBC Mortgage and Car Loan Scheme is to empower Commission staff through the provision of affordable mortgage and car loans for non-commercial use.

It is expected that the schemes will continue to motivate and contribute towards attraction and retention of requisite skills in the Commission. I encourage all Commission staff to optimally utilize the Mortgage and Car Loan facility for improvement of their welfare.

**Scheme Principal Activities**

The principal activities of the IEBC Staff Mortgage and Car Loan Scheme are to;

- Facilitate the purchase of existing residential property;
- Facilitate the purchase of land and construct residential property;
- Construct, renovate and improve existing residential property;
- Takeover loans on existing mortgages;
- Provide equity release;
- Purchase cars; and
- Take-over of existing car loans and mortgages.

**Scheme Performance**

The financial performance of the Scheme for the year ended 30th June, 2023, is set out on pages 1-4 of this report.

**Scheme Trustees**

The members of the Scheme Advisory Committee and the management who served during the 2022/2023 financial year are shown on page (vii) – (xii).

**Scheme Auditors**

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

.....

**CPA OBADIAH K. KEITANY**

**CHAIRPERSON OF THE SCHEME**

# 12. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the Scheme established by IEBC Staff Mortgage Regulations, 2016 and IEBC Staff Car Loan Scheme Regulations, 2016 shall prepare financial statements for the Scheme in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Accounting Officer is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial period ended on 30th June, 2023.

This responsibility includes:

(i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period,

(ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the scheme,

(iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud,

(iv) Safeguarding the assets of the scheme;

(v) Selecting and applying appropriate accounting policies, and

(vi) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for the Scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and IEBC Staff Mortgage Regulations, 2016 and IEBC Staff Car Loan Scheme Regulations, 2016. The Administrator of the Scheme is of the opinion that the Scheme's financial statements give a true and fair view of the state of Scheme's transactions during the financial period ended 30th June, 2023, and of the Scheme's financial position as at the end of the same period.

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

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

Nothing has come to the attention of the Accounting Officer to indicate that the Scheme 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 Scheme's Financial Statements were approved by the Management and signed on its behalf by:

| | |
|---|---|
| ..... | ..... |
| **CPA OBADIAH K. KEITANY** | **CPA MARJAN H. MARJAN, MBS** |
| **CHAIRPERSON OF THE SCHEME** | **COMMISSION SECRETARY/CEO** |

# REPUBLIC OF KENYA

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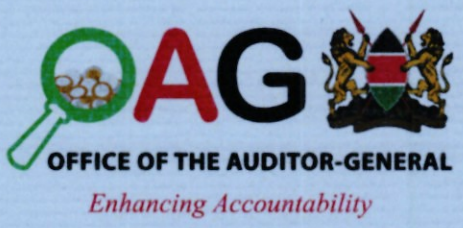


**HEADQUARTERS**
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION STAFF MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly defined and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

**Opinion**

I have audited the accompanying financial statements of Independent Electoral and Boundaries Commission Staff Mortgage and Car Loan Scheme set out on pages 1 to 22, which comprise of the statement of financial position, as at 30 June, 2023, and the

statement of financial of performance, statement of changes in net assets, statement of cash flows and the 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 Independent Electoral and Boundaries Commission Staff Mortgage and Car Loan Scheme as at 30 June, 2023, and its financial performance and its cash flows for the year then ended, in accordance with Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

**Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Independent Electoral and Boundaries Commission Staff Mortgage and Car Loan Scheme Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with 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 overall 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 controls, 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 maintaining effective 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 controls, risk management and overall governance.

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

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

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

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

## Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Scheme to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

**FCPA Nancy Gathungu, CBS**
**AUDITOR-GENERAL**

**Nairobi**

**14 December, 2023**

## 14. STATEMENT OF FINANCIAL PERFORMANCE

| FOR THE YEAR ENDED 30TH JUNE, 2023 | | | |
|---|---|---|---|
| | Note | 2022/2023 Unaudited Kshs 000 | 2021/2022 Audited Kshs 000 |
| **Revenue from Exchange Transactions** | | | |
| Interest on Free Funds | 1 | 9,218 | 16,053 |
| Interest on Loans | 2 | 14,124 | 13,922 |
| **Total Revenue** | | **23,342** | **29,975** |
| **Expenses** | | | |
| Use of Goods and Services | 3 | (14,124) | (13,922) |
| Taxes on Interest Earned | 4 | (1,383) | (2,408) |
| **Total Expenses** | | **(15,507)** | **(16,330)** |
| **Surplus for the Period** | | **7,835** | **13,645** |

The significant accounting policies and notes to the financial statements on page 6 to 21 form an integral part of these Annual Financial Statements.

The Scheme Financial Statements from page 1 to 5 were approved and authorized by the management and signed on its behalf by:

| | | |
|---|---|---|
| ..... | ..... | ..... |
| **CPA MARJAN H. MARJAN, MBS** | **CPA OSMAN H. IBRAHIM, HSC,** | **CPA OBADIAH K. KEITANY** |
| **ICPAK M/NO. 2786** | **ICPAK M/ NO. 2544** | **ICPAK M/NO. 3055** |
| **COMMISSION SECRETARY** | **DIRECTOR FINANCE** | **CHAIRPERSON OF THE SCHEME** |

## 15. STATEMENT OF FINANCIAL POSITION

| AS AT 30TH JUNE, 2023 | | | |
|---|---|---|---|
| | Note | 2022/2023 Unaudited Kshs 000 | 2021/2022 Audited Kshs 000 |
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and Cash Equivalents | 5 | 450,213 | 411,827 |
| Current Receivables | 6 | 2,076 | 24,324 |
| | | **452,289** | **436,151** |
| **Non-Current assets** | | | |
| Long Term Receivables | 7 | 480,095 | 473,397 |
| **Total Assets** | | **932,384** | **909,548** |
| **Liabilities** | | | |
| Current Liabilities | | - | - |
| Non-Current Liabilities | | - | - |
| **Total Liabilities** | | - | - |
| **Net Assets:** | | | |
| Mortgage Revolving Fund | | 729,958 | 714,958 |
| Car Loan Revolving Fund | | 114,194 | 114,194 |
| Mortgage Reserves | | 53,475 | 48,219 |
| Car Loan Reserves | | 34,757 | 32,177 |
| **Total Net Assets and Liabilities** | | **932,384** | **909,548** |

The significant accounting policies and notes to the financial statements on page 6 to 21 form an integral part of these Annual Financial Statements.

The Scheme Financial Statements from page 1 to 5 were approved and authorized by the management and signed on its behalf by:

| | | |
|---|---|---|
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| **ICPAK M/NO. 2786** | **ICPAK M/NO. 2544** | **ICPAK M/NO. 3055** |
| **COMMISSION SECRETARY** | **DIRECTOR FINANCE** | **CHAIRPERSON OF THE SCHEME** |

# 16. STATEMENT OF CHANGES IN NET SCHEME ASSETS

FOR THE YEAR ENDED 30TH JUNE, 2023

| | Mortgage Fund | Car Loan Fund | Mortgage Reserve | Car Loan Reserve | Total |
|---|---|---|---|---|---|
| | KShs. 000 | KShs. 000 | KShs. 000 | KShs. 000 | KShs. 000 |
| **Balance as at 30th June 2016** | - | 26,094 | - | - | 26,094 |
| Surplus for the Year | - | - | 2,492 | 1,775 | 4,267 |
| National Treasury Funding | 200,000 | 100,000 | - | - | 300,000 |
| **Balance as at 30th June 2017** | 200,000 | 126,094 | 2,492 | 1,775 | 330,361 |
| Surplus for the Year | - | - | 8,418 | 7,999 | 16,417 |
| National Treasury Funding | 63,012 | 100,000 | - | - | 163,012 |
| **Balance as at 30th June 2018** | 263,012 | 226,094 | 10,910 | 9,774 | 509,790 |
| Surplus for the Year | - | - | 6,524 | 10,307 | 16,831 |
| Inter-fund transfers | 150,000 | (150,000) | - | - | - |
| National Treasury Funding | 113,000 | 31,100 | - | - | 144,100 |
| **Balance as at 30th June 2019** | 526,012 | 107,194 | 17,434 | 20,081 | 670,721 |
| Surplus for the Year | - | - | 9,174 | 3,426 | 12,600 |
| National Treasury Funding | 121,000 | 5,200 | - | - | 126,200 |
| **Balance as at 30th June 2020** | 647,012 | 112,394 | 26,608 | 23,507 | 809,521 |
| Surplus for the Year | - | - | 12,222 | 4,415 | 16,637 |
| National Treasury Funding | 9,584 | 1,800 | - | - | 11,384 |
| **Balance as at 30th June. 2021** | 656,596 | 114,194 | 38,830 | 27,922 | 837,541 |
| Surplus for the Year | - | - | 9,390 | 4,255 | 13,645 |
| National Treasury Funding | 58,362 | - | - | - | 58,362 |
| **Balance as at 30th June, 2022** | 714,958 | 114,194 | 48,220 | 32,176 | 909,548 |
| Surplus for the Year | - | - | 5,255 | 2,580 | 7,836 |
| National Treasury Funding | 15,000 | - | - | - | 15,000 |
| **Balance as at 30th June, 2023** | 729,958 | 114,194 | 53,475 | 34,757 | 932,384 |

The significant accounting policies and notes to the financial statements on page 6 to 21 form an integral part of these Annual Financial Statements.

# 17. STATEMENT OF CASH FLOW

| FOR THE YEAR ENDED 30TH JUNE, 2023 | | | |
|---|---|---|---|
| | Note | 2022/2023 Unaudited Kshs 000 | 2021/2022 Audited Kshs 000 |
| **Cash flows from Operating Activities:** | | | |
| **Receipts** | | | |
| Interest received | 1 | 9,218 | 16,053 |
| Other Income | 2 | 14,124 | 13,922 |
| **Total Receipts** | | **23,342** | **29,976** |
| **Payments** | | | |
| Scheme Administrative costs | 3 | (14,124) | (13,921) |
| Taxes on Interest Earned | 4 | (1,383) | (2,408) |
| **Total Payments** | | **(15,507)** | **(16,330)** |
| **Net Cash Flow from Operating Activities** | | **7,835** | **13,646** |
| **Changes in Working Capital:** | | | |
| (Increase)/Decrease in Current Receivables | 6 | 22,248 | (12,336) |
| **Net Cash Flow from Operating Activities** | | **22,248** | **(12,336)** |
| **Cash flows from Investing Activities:** | | | |
| Long Term Receivables | 7 | (6,698) | (25,045) |
| **Net Cash Flow from Investing Activities** | | **(6,698)** | **(25,045)** |
| **Cash flows from Financing Activities:** | | | |
| Receipts into the Mortgage Scheme | 13 | 15,000 | 58,362 |
| Receipts into the Car Loan Scheme | 13 | - | - |
| **Net Cash Provided by Financing Activities** | | **15,000** | **58,362** |
| Net Increase in Cash & Cash Equivalent | | 38,386 | 34,625 |
| Cash & Cash Equivalent at Beginning | 5 | 411,826 | 377,201 |
| **Cash & Cash Equivalents at the End** | | **450,213** | **411,826** |

The significant accounting policies and notes to the financial statements on page 6 to 21 form an integral part of these Annual Financial Statements.

# 18. STATEMENT OF COMPARISON OF BUDGET & ACTUAL

| BUDGET EXECUTION STATEMENT AS AT 30TH JUNE, 2023 | | | |
|---|---|---|---|
| Item | Budget | Actual | Performance |
| Receipts | KShs '000 | KShs '000 | KShs '000 |
| Housing Loans to Public Servants | 15,000 | 15,000 | 100% |
| Car Loans to Public Servants | - | - | 0% |
| **Total Receipts** | **15,000** | **15,000** | **100%** |
| Housing Loans to Public Servants | 15,000 | 15,000 | 100% |
| Car Loans to Public Servants | - | - | 0% |
| **Total Payments** | **15,000** | **15,000** | **100%** |

The significant accounting policies and notes to the financial statements on page 6 to 21 form an integral part of these Annual Financial Statements.

# 19. SIGNIFICANT ACCOUNTING POLICIES

## 1. IEBC Mortgage and Car Loan Scheme General Information

The IEBC Mortgage and Car Loan Scheme is established by and derives its authority and accountability from IEBC Staff Mortgage Regulations, 2016 and IEBC Staff Car Loan Scheme Regulations, 2016. The Mortgage and Car Loan Scheme Regulations were revised in 2020. The Scheme is wholly owned by the Government of Kenya and is domiciled in Kenya. The Scheme's principal activity is to provide the Commission staff with an opportunity to buy or build a house/or improve residential property using a mortgage that is affordable or buy a private car using a loan that is affordable.

## 2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Scheme's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the IEBC Mortgage and Car Loan Scheme.

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

# SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## 3. Adoption of New and Revised Standards

### *i.* New and amended standards and interpretations in issue effective in the year ended 30 June 2022

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

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

| Standard | Effective date and impact: |
|---|---|
| **IPSAS 41: Financial Instruments** | **Applicable: 1st January 2023:**<br><br>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the Scheme's future cash flows.<br><br>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:<br><br>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;<br><br>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and<br><br>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between the Scheme's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |
| **Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments** | **Applicable: 1st January 2023:**<br><br>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs, which were inadvertently omitted when IPSAS 41 was issued.<br>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.<br>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.<br>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS, which were inadvertently omitted when IPSAS 41 was issued. |

# SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

| | |
|---|---|
| **Other improvements to IPSAS** | **Applicable 1st January 2023**<br>• **IPSAS 22 Disclosure of Financial Information about the General Government Sector.**<br>Amendments to refer to the latest System of National Accounts (SNA 2008).<br>• **IPSAS 39: Employee Benefits**<br>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.<br>• **IPSAS 29: Financial instruments: Recognition and Measurement**<br>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. |
| **IPSAS 43** | **Applicable 1st January 2025**<br>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Scheme.<br>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities. |
| **IPSAS 44:**<br>**Non- Current Assets Held for Sale and Discontinued Operations** | **Applicable 1st January 2025**<br>The Standard requires,<br>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:<br>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. |

*iii.* **Early adoption of standards**

The Scheme did not early – adopt any new or amended standards in the year 2021/2022.

# SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**4. Significant Accounting Policies**

**a. Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Scheme and can be measured reliably.

**ii) Revenue from exchange transactions**

**Interest income**

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

**b. Budget information**

The original budget for FY 2022/2023 was approved in June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Scheme upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Scheme recorded additional appropriations of Kshs.15 Million for the FY 2022/2023 budget following the governing body's approval. The Scheme's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements.

# SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

**c. Property, plant, and equipment (PPE)**

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 Scheme 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. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

# SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

## e. Financial instruments

### 1) Financial assets

***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments; Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Scheme determines the classification of its financial assets at initial recognition.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Scheme has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, with less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

# SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

***Impairment of financial assets***

The Scheme assesses at each reporting date whether there is objective evidence that a financial asset or a Scheme of financial assets is impaired. Management then follows the procedure required by Regulation 145 of the PFM Act. A financial asset of the Scheme is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (*an incurred 'loss event')* and that loss event has an impact on the estimated future cash flows of the Scheme that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors of the Scheme are experiencing significant financial difficulty.
- Default or delinquency in interest or principal payments.
- The probability that debtors will enter bankruptcy or other financial reorganization.
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

**2) Financial liabilities**

***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Scheme determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

# SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**f. Contingent liabilities**

The Scheme 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. Contingent assets**

The Scheme does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Scheme in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**h. Nature and purpose of reserves**

The Scheme creates and maintains reserves in terms of specific requirements.

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

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

**j. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

# SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**k. Related parties**

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

**l. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call, and 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 various commercial banks at the end of the financial year.

**m. Comparative figures**

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

**n. Events after the reporting period**

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

**o. Ultimate and Holding Scheme**

The Scheme is established under Section 24 (4) PFM Act and the IEBC Staff Mortgage Regulations, 2016 and IEBC Staff Car Loan Scheme Regulations, 2016. Its ultimate parent is the Government of Kenya.

**p. Currency**

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

# SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The preparation of the Scheme's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Scheme. Such changes are reflected in the assumptions when they occur.

**b) Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

i) The condition of the asset is based on the assessment of experts employed by the Scheme.
ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
iii) The nature of the processes in which the asset is deployed.
iv) Availability of funding to replace the asset.
v) Changes in the market in relation to the asset.

# 20. NOTES TO THE FINANCIAL STATEMENTS

### 1. Interest on Free Funds

The interest on free funds are incomes earned by the scheme on bank balances that had not been issued to the IEBC Staff. During the period under review, the scheme earned interest as shown below:

| Description | 2022/2023 Unaudited Kshs. 000 | 2021/2022 Audited Kshs. 000 |
|---|---|---|
| Interest from Mortgage Free Funds | 6,183 | 11,048 |
| Interest from Car Loan Free Funds | 3,036 | 5,006 |
| **Total** | **9,218** | **16,053** |

### 2. Interest on Loans

The IEBC staff mortgage accounts are charges a concessionary interest rate of 3% per annum.

The loan repayment deductions are effected monthly from the staff members' salary.

| Description | 2022/2023 Unaudited Kshs. 000 | 2021/2022 Audited Kshs. 000 |
|---|---|---|
| Interest on Mortgage Loans | 13,490 | 13,067 |
| Interest on Car Loans | 635 | 855 |
| **Total** | **14,124** | **13,922** |

During the period under review, the Scheme earned interest on loans amounting Kshs.14.124 million as compared to Kshs.13.921 million earned in the previous financial year. The interest earned is used to offset the administration costs of the Scheme.

### 3. Use of Goods and Services

During the period under review, the Housing Finance Corporation earned the concessionary interest charged from the mortgage and car loan accounts as shown below:

| Description | 2022/2023 Unaudited Kshs. 000 | 2021/2022 Audited Kshs. 000 |
|---|---|---|
| Mortgage Administration Costs | 13,490 | 13,067 |
| Car Loan Administration Costs | 635 | 855 |
| **Total** | **14,124** | **13,922** |

Other additional costs are met by the beneficiaries and are not borne by the IEBC Mortgage and Car Loan scheme. These additional costs include land and property valuation fees, legal fees, insurance premiums, car tracking fees and stamp duty.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 4. Tax Costs on Interest Earned

| Description | 2022/2023 Unaudited Kshs. 000 | 2021/2022 Audited Kshs. 000 |
|---|---|---|
| Tax Costs on Mortgage Interest | 927 | 1,657 |
| Taxes on Car Scheme Interest | 455 | 751 |
| **Income Tax Expense** | **1,383** | **2,408** |

## 5. Cash & Cash Equivalents

| Description | 2022/2023 Unaudited Kshs. 000 | 2021/2022 Audited Kshs. 000 |
|---|---|---|
| HFCK IEBC Mortgage A/c -2172923102 | 271,539 | 237,461 |
| HFCK IEBC Car Loan A/c -2172923103 | 120,312 | 116,003 |
| KCB IEBC Mortgage A/c -1312241888 | 58,362 | 58,362 |
| KCB IEBC Car Loan A/c - 1312242035 | - | - |
| **Total** | **450,213** | **411,827** |

## 6. Current Receivables from Exchange Transactions

| Description<br>Current Receivables: | 2022/2023 Unaudited Kshs. 000 | 2021/2022 Audited Kshs. 000 |
|---|---|---|
| Opening Receivables Balance | 24,324 | 11,988 |
| Repaid Mortgage Receivable | (19,647) | (8,557) |
| Repaid Car Loan Receivable | (4,677) | (3,431) |
| Current Mortgage Receivables/(Prepayment) | (2,380) | 19,647 |
| Current Car Loan Receivables | 4,456 | 4,677 |
| **Total** | **2,076** | **24,324** |

## 7. Long Term Receivables from Exchange Transactions

| Description<br>Non-Current Receivables: | 2022/2023 Unaudited Kshs. 000 | 2021/2022 Audited Kshs. 000 |
|---|---|---|
| Long Term Mortgage Receivables | 455,912 | 447,707 |
| Long Term Car Loan Receivables | 24,183 | 25,690 |
| **Total** | **480,095** | **473,397** |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. No. of Beneficiaries

The following table provides the number of beneficiaries from the Schemes creation date:

| Description | 2022/2023 Unaudited | 2021/2022 Audited |
|---|---|---|
| Staff who have benefited from Mortgage Fund | 83 | 74 |
| Staff who have benefited from Car Loan Fund | 46 | 33 |
| **Total** | **129** | **107** |

As at 30th June, 2023, four (4) mortgage accounts and sixteen (16) car loan accounts had been fully repaid.

## 9. Mortgage and Car Loans Issued

As at the end of the period under review, the value of mortgages and car loans issued to IEBC staff since inception were as disclosed below:

| Description | 2022/2023 Unaudited Kshs. 000 | 2021/2022 Audited Kshs. 000 |
|---|---|---|
| Mortgage Loan | 639,802 | 566,823 |
| Car Loans | 88,374 | 49,330 |
| **Total** | **728,176** | **616,153** |

## 10. Entity Tax Status

The IEBC Mortgage and Car Loan Scheme is a government agency, fully funded by the government and is therefore tax exempt. The Commission pays taxes on interest income as per the regulations.

## 11. Subsequent Events

The Commission is not aware of any matter or circumstances arising after the end of the financial year, not otherwise dealt with in the financial statements, which would significantly affect the financial position and the results of its operations as laid out in these financial statements.

## 12. Financial Risk Management

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Scheme's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The Scheme does not hedge any risks and has in place policies to ensure that credit is only extended to Commission staff with an established credit history.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

### a) Credit Risk

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

Management assesses the credit quality of each Commission staff, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors.

The Scheme beneficiaries under the fully performing category are paying their mortgage and car loans as per the mortgage and loan agreements. The credit risk associated with these receivables is minimal and no allowance for uncollectible amounts have been recognized in the financial statements.

### b) Liquidity Risk Management

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

### c) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates, which will affect the Scheme's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### d) Interest rate risk

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

### e) Management of interest rate risk

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

### f) Capital risk management

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

| Capital Risk Management | 2022/2023 Unaudited Kshs. 000 | 2021/2022 Audited Kshs. 000 |
|---|---|---|
| Revolving fund -Mortgage Scheme | 729,958 | 714,958 |
| Revolving fund - Car Loan Scheme | 114,194 | 114,194 |
| Accumulated surplus -Mortgage Scheme (Reserves) | 53,475 | 48,220 |
| Accumulated surplus -Car Loan Scheme (Reserves) | 34,757 | 32,176 |
| **Total Scheme Funds** | **932,384** | **909,548** |
| Cash and bank balances | 450,213 | 411,827 |
| Net Debt | - | - |
| **Gearing (Net debt/Excess cash & cash equivalents)** | 0% | 0% |

## 13. Related party balances

### a) Nature of related party relationships

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

The IEBC Mortgage and Car Loan scheme is related to the following entities:

a) National Treasury (National Government);
b) Independent Electoral and Boundaries Commission (IEBC) (includes key management);
c) Mortgage and Car Loan Scheme Advisory Committee;

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**b) Related Party Transactions**

**i. Transfers from Related Parties**

The scheme received Kshs.15 million and Kshs.58.362 million from the Sponsor (IEBC) in the 2022/2023FY and 2021/2022FY respectively.

**ii. Key Management Remuneration**

The Scheme advisory members and liason officers are IEBC staff drawn from various directorates of the Commission and did not receive any form of remuneration and/sitting allowances in the 2022/2023 financial year.

**14. Events after the Reporting Period**

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

**15. Ultimate And Holding Entity**

The IEBC Mortgage and Car Loan Scheme is a Scheme under the sponsorship of Independent Electoral and Boundaries Commission (Vote 2031) which is a Constitutional Commission.

**16. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling.

## 21. PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

The IEBC Staff Mortgage and Car Loan Scheme did not have any audit follow up issues for the previous financial years.

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**CPA MARJAN H. MARJAN, MBS**
**ICPAK M/ NO. 2786**
**COMMISSION SECRETARY/CEO**

# 22. ADDITIONAL INFORMATION TO THE INTERIM ACCOUNTS

## ANNEX I : HFC CERTIFICATE OF BANK BALANCES

HFC
Dreams Made Possible

Head Office: Rehani House
Koinange Street/ Kenyatta Avenue
P. O. Box 30088 - 00100
Nairobi, Kenya
Tel:(+254 20) 3262000, 0709 438000
Email: mybank@hfgroup.co.ke
Website: www.hfgroup.co.ke

**July 21, 2023**

**Our Ref.: BJH/PM/ 2172923102, 2172923105,**
**2172923103 & 2172923104**

**COMMISSION SECRETARY,**
**INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION,**
**P.O. BOX 45371-00100,**
**NAIROBI**

Dear Sir/Madam,

**RE: CERTIFICATE OF BALANCE: INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION-IEBC**

The above client operates Mortgage Scheme deposit accounts whose full title and balances **as at 30th June 2023** is as follows (see attached statements).

| Type of Account | Title of account | Account Number | Balance as at 30th June 2023 | Interest Accrued and not included |
|---|---|---|---|---|
| Mortgage Scheme Dep | IEBC Scheme Mortgage High Interest Account | 2172923102 | Kshs. 271,538,883.54 | Kshs. 0.0 |
| Mortgage Scheme Dep | IEBC Scheme Mortgage Back Up Account | 2172923105 | Kshs. 453,531,527.23 | N/A |
| Mortgage Scheme Dep | IEBC Scheme High Interest Account | 2172923103 | Kshs. 120,311,996.75 | Kshs. 0.0 |
| Mortgage Scheme Dep | IEBC Scheme Car Loan Back Up Account | 2172923104 | Kshs. 28,638,957.98 | N/A |

We trust the information provided will be of importance to you.

Yours faithfully,
**FOR: HFC**

**PHILIP MANYENGO**
**SCHEMES RELATIONSHIP MANAGER.**

# ANNEX II : KCB CERTIFICATE OF BANK BALANCE

Results 1 - 1 of 1

KCB BANK

1218 CA 41 BRANCHES
CERTIFICATE OF BALANCE

KCB Bank Limited
(Incorporated in Kenya)

CERT2318700248

KCB UNIVERSITY WAY 06 JUL 2023

Certified that the balance at the CREDIT Of IEBC - MORTGAGE SCHEME

A/C 1312241888

at the close of business on 30 JUN 2023 Was KES

FIFTY EIGHT MILLION THREE HUNDRED AND SIXTY TWO THOUSAND AND TWENTY TWO

KES 58,362,022.00

Examined by For: KCB BANK KENYA LTD. Manager SQC UNIVERSITY WAY, NAIROBI

Manager Service Quality & Compliance Branch Manager

# ANNEX III: SUMMARY OF INTER – ENTITY TRANSFERS

| INTER -ENTITY TRANSFERS | | | |
|---|---|---|---|
| ENTITY NAME : INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION (IEBC) | | | |
| BREAK DOWN OF TRANSFERS | | | |
| FY 2022/2023 | | | |
| BANK STATEMENT DATE | AMOUNT (KSHS) | SWIFT REF. NO. | FY TO WHICH THE AMOUNTS RELATE |
| 29-Jun-23 | 15,000,000.00 | FT231804K79T | 2022/2023 FINANCIAL YEAR |
| SUB TOTAL | 15,000,000.00 | | |
| | | | |
| FY 2021/2022 | | | |
| 1.DIRECT PAYMENTS TO IEBC KCB ACCOUNT (FOR NEW KCB MORTGAGE & CAR LOAN SCHEME) | | | |
| BANK STATEMENT DATE | AMOUNT (KSHS) | SWIFT REF. NO. | FY TO WHICH THE AMOUNTS RELATE |
| 21-Jun-22 | 29,181,011.00 | FT22172YW973 | 2021/2022 FINANCIAL YEAR |
| 16-Mar-22 | 29,181,011.00 | FT22075V4GGK | 2021/2022 FINANCIAL YEAR |
| SUB TOTAL | 58,362,022.00 | | |
| | | | |
| 2.DIRECT PAYMENTS TO HOUSING FINANCE CORPORATION (HFC)-CAR LOAN FUND | | | |
| BANK STATEMENT DATE | AMOUNT (KSHS) | SWIFT REF. NO. | FY TO WHICH THE AMOUNTS RELATE |
| | - | | 2022/2023 FINANCIAL YEAR |
| SUB TOTAL | - | | |
| TOTAL | 58,362,022.00 | | |
| FY 2020/2021 | | | |
| 1.DIRECT PAYMENTS TO HOUSING FINANCE CORPORATION (HFC) -MORTGAGE FUND | | | |
| BANK STATEMENT DATE | AMOUNT (KSHS) | SWIFT REF. NO. | FY TO WHICH THE AMOUNTS RELATE |
| 22-Oct-20 | 2,443,148.50 | FT20296X9CX0 | 2020/2021 FINANCIAL YEAR |
| 21-Apr-21 | 2,443,148.50 | FT21111684MR | 2020/2021 FINANCIAL YEAR |
| 5-Jul-21 | 4,697,297.00 | FT21186ZDK01 | 2020/2021 FINANCIAL YEAR |
| SUB TOTAL | 9,583,594.00 | | |
| | | | |
| 2.DIRECT PAYMENTS TO HOUSING FINANCE CORPORATION (HFC)-CAR LOAN FUND | | | |
| BANK STATEMENT DATE | AMOUNT (KSHS) | SWIFT REF. NO. | FY TO WHICH THE AMOUNTS RELATE |
| 22-Oct-20 | 450,000.00 | FT20296LML3N | 2020/2021 FINANCIAL YEAR |
| 21-Apr-21 | 450,000.00 | FT21111684MR | 2020/2021 FINANCIAL YEAR |
| 5-Jul-21 | 900,000.00 | FT21186J2P48 | 2020/2021 FINANCIAL YEAR |
| SUB TOTAL | 1,800,000.00 | | |
| TOTAL | 11,383,594.00 | | |
| | | | |
| FY 2019/2020 | | | |

**1.DIRECT PAYMENTS TO HOUSING FINANCE CORPORATION (HFC) -MORTGAGE FUND**

| BANK STATEMENT DATE | AMOUNT (KSHS) | SWIFT REF. NO. | FY TO WHICH THE AMOUNTS RELATE |
|---|---|---|---|
| 18-Oct-19 | 30,250,000.00 | FT192919JF2K | 2019/2020 FINANCIAL YEAR |
| 2-Mar-20 | 60,500,000.00 | FT20062HYQB7 | 2019/2020 FINANCIAL YEAR |
| 15-Jun-20 | 30,250,000.00 | FT20167SFH15 | 2019/2020 FINANCIAL YEAR |
| **SUB TOTAL** | **121,000,000.00** | | |

**2.DIRECT PAYMENTS TO HOUSING FINANCE CORPORATION (HFC)-CAR LOAN FUND**

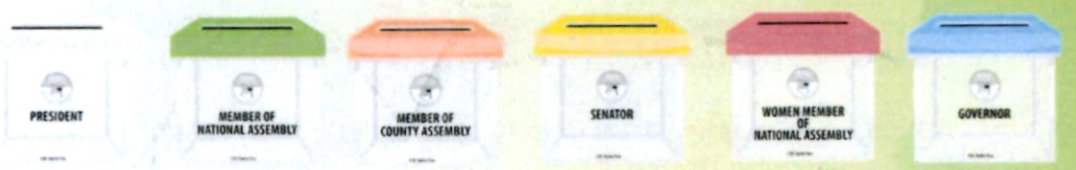
| BANK STATEMENT DATE | AMOUNT (KSHS) | SWIFT REF. NO. | FY TO WHICH THE AMOUNTS RELATE |
|---|---|---|---|
| 18-Oct-19 | 1,300,000.00 | FT19291H6JTG | 2019/2020 FINANCIAL YEAR |
| 2-Mar-20 | 2,600,000.00 | FT20062S0RHK | 2019/2020 FINANCIAL YEAR |
| 16-Jun-20 | 1,300,000.00 | FT20168BV2Z6 | 2019/2020 FINANCIAL YEAR |
| **SUB TOTAL** | **5,200,000.00** | | |

The above amounts have been communicated to and reconciled with the relevant party.

# ANNEX IV: IEBC SCHEME TRIAL BALANCE AS AT 30TH JUNE,2023

INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION

| IEBC MORTGAGE & CAR LOAN SCHEME<br>SCHEME TRIAL BALANCE AS AT 30TH JUNE,2023 | | | |
|---|---|---|---|
| **Description** | **Note** | **DR (KShs 000)** | **CR (KShs 000)** |
| Interest from Mortgage Free Funds Account | 1 | - | 6,183 |
| Interest from Car Loan Free Funds Account | 1 | - | 3,036 |
| Interest on Mortgage | 2 | - | 13,490 |
| Interest on Car Loans | 2 | - | 635 |
| Tax Costs on Mortgage Interest | 3 | 927 | - |
| Taxes on Car Scheme Interest | 3 | 455 | - |
| Mortgage Scheme Administration Costs | 4 | 13,490 | - |
| Car Loan Scheme Administration Costs | 4 | 635 | - |
| HFCK IEBC Mortgage A/c - 2172923101 | 5 | 271,539 | - |
| HFCK IEBC Car Loan A/c - 2172923103 | 5 | 120,312 | - |
| KCB IEBC Mortgage A/c - 1312241888 | 5 | 58,362 | |
| Short Term Receivables - Mortgage Capital | 6 | - | 2,380 |
| Short Term Receivables -Accrued Car Loan Capital | 6 | 4,456 | - |
| Long Term Receivables -Staff Mortgage Receivables | 7 | 455,912 | - |
| Long Term Receivables -Staff Car Loan Receivables | 7 | 24,182 | - |
| Mortgage Fund | | - | 729,958 |
| Car Loan Fund | | - | 114,194 |
| Mortgage Fund Reserves | | - | 48,220 |
| Car Loan Fund Reserves | | - | 32,176 |
| **TOTAL** | | **950,271** | **950,271** |




**Your Vote, Your Future**

# IEBC

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Instagram: @iebckenya | Youtube.com/iebcpage | Linkedin: /company/iebckenya

ISO/IEC 27001:2022 MANAGEMENT SYSTEM
MSECB CERTIFIED