

REPUBLIC OF KENYA



*Approved
By the leader
of majority party
Hon. Aden Duale
on trust
14.3.2017
[Signature]*

OFFICE OF THE AUDITOR-GENERAL

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REPORT

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OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
INDEPENDENT ELECTORAL AND BOUNDARIES
COMMISSION (IEBC)

FOR THE YEAR ENDED
30 JUNE 2016





INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION

Independent Electoral and Boundaries Commission Revised Financial Statements

For the year ended 30th June 2016

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

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KEY COMMISSION INFORMATION AND MANAGEMENT

1. Background information

The Independent Electoral and Boundaries Commission (IEBC) is established by Articles 88 and 248 of the Constitution of Kenya. The Articles set out the mandate of the Commission. The Commission is responsible for conducting and supervising referenda and elections for any elective body or office established by the constitution and any other elections as prescribed by an Act of Parliament.

2. General Information

The Independent Electoral and Boundaries Commission is established under Article 88 of the Constitution of Kenya and is a legal entity. It is operationalised through IEBC Act 2011.

The IEBC Act provides that the funds of the Commission are held in a fund known as the Independent Electoral and Boundaries Commission Fund.

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

The Commission is mandated to submit its financial statements to The National Treasury and Auditor General within the statutory timelines of as stipulated in section 83 of the Public Finance Management Act (PFM Act, 2012). The Act requires the financial reports to be submitted by 30th September each year to The National Treasury, Controller of Budget and the Office of the Auditor General.

3. Key Management

The Commission's day-to-day activities are run by the Secretariat. The secretariat's management was as follows:

(a) Ezra Chiloba	Commission Secretary/CEO.
(b) Marjan Hussein Marjan	Deputy Commission Secretary-Support Services.
(c) Beatrice Nyabuto	Deputy Commission Secretary –Operations.
(d) Osman Hassan Ibrahim	Director Finance.
(e) Sellestine Kiuluku	Director Human Resources and Administration.
(f) Immaculate Kassait	Director Voter Registration and Elections Operations.
(g) Decimah M'mayi	Director Research and Development.
(h) James Muhati Buyekane	Director Information and Communication Technology.
(i) Rasi Masudi	Director Voter Education and Partnerships.
(j) Praxedes Tororey	Director Legal Affairs and Public Affairs.
(k) Obadiah Keitany	Director Audit Risk and Compliance.

KEY COMMISSION INFORMATION AND MANAGEMENT (CONT)

4. Commission Bankers

Central Bank of Kenya
Haile Sellasie Avenue
P.O. Box 60000-00200
NAIROBI.

Kenya Commercial Bank Ltd.
University Way Branch
P.O. Box 4012-00300
NAIROBI.

5. Commission Auditors

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

6. Commission Headquarters

The Independent Electoral and Boundaries Commission
Anniversary Towers, 6th Floor,
P.O Box 45371-00100 G.P.O
Nairobi, Kenya.
Email: info@iebc.or.ke

7. Principal Legal Adviser

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

THE IEBC COMMISSION



Ahmed Isaack Hassan
Chairperson



Lilian Bokeeye Mahiri-Zaja
Vice Chairperson



Mohamed Alawi Hussun
Commissioner



Joyce Muthoni Wangai
Commissioner



Kule Galma Godana
Commissioner



Amb. Yusuf A Nzibo
Commissioner



Eng. Abdullahi Sharawe
Commissioner



Albert C O Bwire
Commissioner



Thomas Letangule
Commissioner

THE IEBC MANAGEMENT TEAM



Ezra Chiloba
CEO/Commission Secretary



Betty Sungura
Deputy CEO - Operations



Marjan H. Marjan
Deputy CEO -Support



Osman H Ibrahim
Director Finance



Praxedes Tororey
Director Legal and Public Affairs



Decimah M'mayi
Director Research
and Development



Rasi Masudi
Director Voter Education



Sellestine Kiuluku
Director Human Resource and Administration



James Buyekane
Director ICT



Immaculate Kassait Njenge
Director Voter Registration and Electoral Operations



Obadiah Keitany
Director Audit Risk and Compliance

CORPORATE GOVERNANCE STATEMENT

The Commission is accountable to the public and stakeholders 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.

The Commission exercises reasonable care to ensure that the management of the Commission is carried out in the best interest of the citizens of Kenya. The overall management of the Commission is the responsibility of the Commissioners.

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

The Commission

The size, composition and appointment of the Commission is prescribed by Article 250 of the Constitution and by the IEBC Act 2011. There are nine Commissioners who work on a full time basis. Each member serves for a single term of six years.

The Commission is well composed in terms of range and diversity of skills, knowledge, age and experience in various sectors which makes it effective and provides an appropriate skills balance for the oversight of the Commission's mandate.

The Commission's Committees and their Responsibilities

The Commission delegates certain functions to committees without abdicating its own responsibilities. The Commission has developed a committee structure that assists in the execution of its duties, powers and authorities. The Committees are appropriately constituted drawing membership from amongst the Commissioners who contribute the appropriate set of skills and experience. The Commission has the following committees;

- (a) Finance and Procurement
- (b) Audit, Risk and Compliance
- (c) Human Resources, Training and Administration
- (d) Elections, Technical and Operations
- (e) Boundaries Delimitation
- (f) Legal Reforms, Enforcement of Code of Conduct and Compliance
- (g) ICT, Research and Development
- (h) Political Parties Liaison and Campaign Finance Control
- (i) Voter Education Partnerships and Media
- (j) Dispute Resolutions

CORPORATE GOVERNANCE STATEMENT (CONT)

Impartiality and Independence of Members

Every member and employee of the Commission shall perform their functions impartially and independently without influence from;

- i. Any arm of the Government
- ii. Any State officer
- iii. Any public officer
- iv. Any political party
- v. Candidate participating in an election
- vi. Any other person, authority or organization.

Disclosure of Conflict of Interests

If a member or an employee is directly or indirectly interested in any contract, proposed contract or other matter before the Commission and is present at any meeting of the Commission at which the contract, proposed contract or other matter is the subject of consideration, the member or employee shall, at the meeting and as soon as practicable after the commencement thereof, disclose the fact and shall not take part in the consideration or discussion of, or vote on, any questions with respect to the contract or other matter or be counted in the quorum of the meeting during consideration of the matter.

A member or employee whose personal interest conflicts with their official duties shall in writing, declare the personal interests to their supervisor or other appropriate person or body and comply with any directions given to avoid the conflict and refrain from participating in any deliberations with respect to the matter.

CORPORATE SOCIAL RESPONSIBILITY

The Commission is committed to support social activities that promote electoral democracy in Kenya. During the financial year, the Commission conducted over 50 student council elections across the country and also supervised the Kenya Children Assembly elections. The objective of the initiative was to nurture a culture of fair competition as well as orient the young minds to embracing democratic tenets as they grow up and to educate the children/pupils on how to vote, transparency in the electoral process, acceptance of results and peaceful campaigns.

The Commission also co-sponsored the scholar's festival organized by the Kenya National Debating Council and supported peace initiatives through sponsoring and awarding participants trophies during various football tournaments. Through such youth forums, the Commission was able to relay targeted voter education messages on issues of governance, politics, peaceful co-existence and elections.

REPORT OF THE CEO/COMMISSION SECRETARY

The Public Finance Management Act, 2012, Section 81 (1) requires the Accounting Officer to prepare financial statements in respect of the Commission, which give a true and fair view of the state of affairs of the Commission at the end of each financial year and the operating results for that year. This report shall contain financial information prepared in a form that complies with the standards prescribed and published by the Public Sector Standards Board (PSASB).

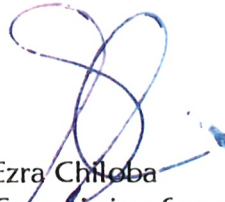
The Accounting Officer is also required to ensure that the Commission maintains proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Commission.

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

The Accounting Officer accepts responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the IEBC Act 2011.

The Accounting Officer is of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions for the financial year ended 30th June 2016, and of the Commission's financial position as at 30th June 2016. The Commission further confirms the accuracy and completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial controls.

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



Ezra Chiloba
Commission Secretary/CEO

REPORT OF THE CHAIRPERSON

It gives me great pleasure to present the Commission's annual financial report for the year 2015/16.

The last financial year has been an activity packed one for the Commission. This included the development and subsequent launch of both the Strategic Plan 2015-2020 and the Elections Operations Plan (EOP). The former being the Commission's roadmap and detailed calendar of activities in preparations for the 2017 general elections. The two documents were developed with lengthy consultations with all relevant electoral stakeholders.

Although the Commission's implementation of the EOP has been affected by external political processes, there has been consistent and commendable effort by the staff to ensure timely execution and ultimately a free, fair and credible process in 2017.

In an effort to enroll all eligible Kenyans as voters, the Commission carried out a Mass Voter Registration program between the months of February and March 2016. A second phase of the same is scheduled for later this year.

The Commission has also embarked on an internal restructuring process following our Post Evaluation of the 2013 general election and benchmarking with other Elections Management Bodies in the region and beyond. The restructuring which is aimed at addressing gaps and strengthening capacity of the Secretariat, will no doubt better the conduct of the 2017 general elections and ultimately strengthen the Elections Management Body (EMB).

During the financial year, the Commission received Kshs.4.3 billion for recurrent expenditure and KShs.26.5 million for development expenditure in form of exchequer from the National Treasury. The funds were applied to finance the mass voter registration, by-elections, general operational activities and capital projects.

Despite the changing dynamics in the Country's political scene, the Commission is optimistic that the environment will remain conducive for a credible management of the 2017 general elections. For this to happen, each of our electoral stakeholders including political parties and the electorate has a role to play.

My gratitude goes out to the National Government, the National Treasury, Parliament, the Judiciary, other Commissions and independent offices, development partners, fellow commissioners and the secretariat for their support towards fulfilling our mandate.



Ahmed Issack Hassan, EBS
Chairperson

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION (IEBC) FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Independent Electoral and Boundaries Commission (IEBC) set out on pages 14 to 34, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of combined budget execution for the year then ended, and a summary of significant accounting and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgement, including the assessments of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

Report of the Auditor-General on the Financial Statements of Independent Electoral and Boundaries Commission (IEBC) for the year ended 30 June 2016

opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1.0 Biometric Voter Registration (BVR) System Vendor Support and Maintenance Services

The statement of financial performance as disclosed in note 9 to the financial statements reflects Kshs.245,145,000.00 against other operating expenses which includes a figure of Kshs.152,623,000.00 described as contracted technical services of which Kshs.141,282,554.00 includes payments in relation to biometric system vendor support and maintenance services. However, the following anomalies were noted: -

1.1 Award of Contract

Examination of Tender No. IEBC/02/2014-2015 together with Minute Number 43/2013-2014 of the tender committee meeting held on 11 June, 2014 reveals that the Commission approved the direct procurement of BVR system vendor support and maintenance services. A negotiation team was appointed on 9 October 2014 and reviewed on 11 November 2014 when the membership changed. The Committee which was mandated to negotiate terms of reference engaged the vendor and recommended award of contract at Euro 1,399,000 (equivalent to Kshs.157,224,237.00).

1.2 Cancellation and Re-award of Contract

Tender Committee minutes for a meeting held on 7 October 2015 indicate that the recommended award contract was cancelled due to lack of funds and also due to the fact that the Commission wanted to revise the scope of service. The same tender was re-introduced before Tender Committee on 8 October 2015 under a separate tender number. The Tender Committee approved direct procurement for BVR vendor support and maintenance services through Min No. 06/9/2015 – 2016 of a meeting held on 13 October, 2015. Another Tender Processing Committee appointed in November, 2015 recommended on 7 December, 2015 that the tender be awarded to the same company at Euro 4,569,260 (equivalent to Kshs.513,508,493.00) spread over a period of five years.

1.3 Vendor Support

Information and records availed indicate that the rates submitted by the Vendor in separate contracts varied as follows: -

- (i) In 2012 Contract, the Vendor Support amount was Euro 254,004 per annum.

- (ii) In the cancelled tender of 2013, the Vendor amount was Euro 316,000 per annum.
- (iii) In the finally awarded contract, the Vendor amount is Euro 746,049 per annum.

Although the Commission has explained that Vendor support is important in realizing the benefits of the huge investment in the BVR system, the basis upon which these rates were determined has not been explained and justified.

In view of matters disclosed above, it is evident that the contract contents were altered contrary to the requirements of Article 227 (1) of the Constitution of Kenya on fairness, equity, transparency, competitiveness and cost effectiveness. In consequence, it is not possible to comment on the adequacy of the procurement procedures and controls in relation to this specific tender award.

2.0 Legal Fees

2.1 Irregular Payment of Legal Dues, Arbitration & Compensation

The commission as at 30 June 2013 had outstanding pending bills relating to legal fees totaling Kshs.1,054,889,114.50 summarized as follows: -

Description	Amount (Kshs.)
Legal Fees- Presidential Petition	568,612,359.00
Legal Fees- Other Petitions	486,276,755.50
Total	1,054,889,114.50

However, a sample test of sixty eight (68) advocates that the Commission instructed to represent them reveals that they have been paid Kshs.2,145,632,115.26 as part of the pending bills since 30 June 2013. The procurement and payments of these private legal services were without the prior approval or concurrence of the Attorney General contrary to Section 17 of the Office of the Attorney Act No.9 of 2012 and Article 156 of the Constitution. The Commission has not provided documentary evidence of cases represented and payments thereof to justify and support payments in excess of recorded pending bills.

In addition, audit has established that letters of instructions were signed and owned by the director of legal services and not for the Commission contrary to Section 8.16.4 on External Communication as specified in the Commission's Human Resources and Administration Policies and Procedures Manual, revised in June 2014.

2.2 Use of Law Firms that were not Prequalified

The Commission paid Kshs.17,756,345.00 to five (5) law firms that were not prequalified and were single sourced contrary to Sections 78 to 85 (1)(b) of the Public Procurement and Disposal Act, 2005.

2.3 Representation Without Valid Contracts

Although the Commission explains that there were cases of misfiling of documents, availed documentary evidence indicates that 30 law firms were paid

Report of the Auditor-General on the Financial Statements of Independent Electoral and Boundaries Commission (IEBC) for the year ended 30 June 2016

Kshs.328,314,976.91 during the year under review with no lawful contracts as required by Section 68 (2) (d) of Public Finance Management Act, 2012.

In this regard therefore, it is not possible to confirm validity of the Kshs.328,314,976.91 payment to these law firms. In addition, the procurement of these services was not fair, equitable, transparent, competitive and cost effective as required under Article 227(1) of the Constitution of Kenya.

3.0 Nugatory Payment

As reported in the previous year audit report, the Commission paid Kshs.220,400,000 for supply of 290 printers instead of 337 contracted. Information availed in the year under review indicates that due to the delay in payment, the supplier sued the Commission and an interest of Kshs.54,223,524.00 was awarded for payment by the Commission. The Commission, therefore, incurred wasteful expenditure.

4.0 Late Delivery of Election Materials

The statement of financial performance reflects expenditure of Kshs.1,005,365,000.00 in relation to general expenses of which an amount of Kshs.36,058,000.00 relates to specialized materials and supplies. Included in the expenditure for specialized materials are goods valued at Kshs.26,696,006.70 purchased for use in mass voter registration exercise and by-elections in Nyangores and Masongaleni County Assemblies, Kericho Senatorial and Malindi Constituency. However, these goods were delivered when the by-elections had been undertaken. It was noted that records on stores cards were falsified to purport that these goods were received before the by-elections and used for the intended purpose. In consequence, the propriety of the kshs.26,696,006.70 expenditure could not be confirmed.

5.0 Procurement of Air Tickets

The Commission procured air tickets for foreign travel totaling Kshs.9,247,782.00 through direct procurement contrary to Section 74 (3) of the Public Procurement and Disposal Act, 2005. In addition, two (2) firms which were not prequalified to supply air tickets, were paid Kshs.5,108,402.00.

6.0 Fixed Assets Register

As reported in the prior year audit report, the fixed assets register has not been updated with 68 Olympia generators and 1,329 solar panels which are lying idle in various regional offices of the Commission. In consequence, it is not possible to confirm the carrying values of property, plant and equipment as stated in the financial statements reflect the fair values as at 30 June 2016.

7.0 Prior Year Audit Issues

The following issues were raised in the previous year and have not been satisfactorily addressed in the year under review:

7.1 Contract for Supply, Delivery, Installation, Configuration, Training, Testing and Commissioning of Electronic Voter Identification Devices (EVIDS)

The specifications relating to supply, delivery, installation, training, testing and commissioning of 30,000 EVIDs at a total cost of USD 16,651,139.13 were irregularly changed resulting in change of prices and value of goods and services. Consequently, value for money was not obtained and the equipment was not effectively used during the elections. The matter is in court.

7.2 Procurement of Additional 4,600 Electronic Voter Identification Devices (EVIDs)

Unsatisfactory matters were disclosed relating to irregular procurement of additional 4,000 EVIDS out of which 4,600 EVIDS were purportedly delivered.

7.3 Irregular Payment for Transportation of Election Materials

A company was irregularly paid Kshs.50,487,440 for transportation of election materials. However, the company had not been contracted and was registered later after the general elections and the award of contract.

In addition, the total number of vehicles purported to have been contracted were less than what was actually paid.

Further, vehicles purportedly used in specific regions were found to have been engaged in other regions on the same day resulting in excess payment of Kshs.42,679,460.00.

7.4 Examination of Two (2) Payment Vouchers Totaling Kshs.79,106,538.00

The Commission irregularly made excess payment for transportation of election materials totaling Kshs.46,496,478.00 to a company. The Commission also failed to provide procurement documents relating to the contract as required under Section 37 (a) (ii) of the then Public Audit Act, 2003.

7.5 Examination of Payment Vouchers Nos. 396 and 386 Totalling Kshs.92,342,000.00

The Commission irregularly procured election materials worth Kshs.92,342,000.00 using quotations contrary to Section 26 (3) (b) of the Public Procurement and Disposal Act, 2005.

7.6 Transfers to Burundi

The Commission irregularly transferred 150 EVIDS to Burundi contrary to Section 26 of Independent Electoral and Boundaries Commission Act, 2011.

7.7 Transfers to Ministry of Devolution

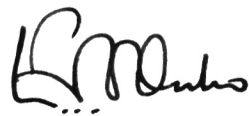
Unsatisfactory matters were disclosed relating to transfer of 200 Biometric Voter Registers (BVR) to the Ministry of Devolution contrary to Section 72 (3) of the Public Finance Management Act, 2012.

7.8 Loss of Forty Eight (48) Bio- Metric Voter Register (BVR) at Emgwen Constituency, Nandi County

48 BVRs were stolen from Kapsabet Warehouse, North Rift Region on 23 August 2014. This puts into doubt the security of data in terms of backup and unauthorized access.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fair, in all material respects, the financial position of the Independent Electoral and Boundaries Commission as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Independent Electoral and Boundaries Commission Act, 2011.



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

Nairobi

02 March 2017

REPORT OF THE INDEPENDENT AUDITOR

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE			
For the Year Ended 30 th June 2016			
	Notes	2015-2016	2014-2015
		KSh 000	KSh 000
Income			
Exchequer Issues	3	4,315,700	5,307,280
Appropriation In Aid	4	8,777	1,455
Interest Income	5	<u>1,388</u>	<u>1,735</u>
Total Income		<u>4,325,865</u>	<u>5,310,470</u>
Expenses			
Employee Costs	6	(2,554,625)	(2,052,756)
Depreciation and Amortization Charges	7	(935,630)	(1,325,623)
Repairs and Maintenance	8	(27,092)	(35,802)
Other Operating Expenses	9	(245,145)	(635,355)
General Expenses	10	<u>(1,005,365)</u>	<u>(1,006,689)</u>
Total Expenditure		<u>(4,767,858)</u>	<u>(5,056,225)</u>
(Deficit) /Surplus for the Period		<u>(441,992)</u>	<u>254,245</u>

STATEMENT OF FINANCIAL POSITION

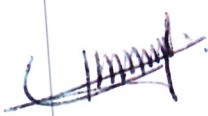
STATEMENT OF FINANCIAL POSITION			
As at 30 th June 2016			
	Notes	2015-2016 KSh 000	2014-2015 KSh 000
Assets			
Current Assets			
Cash and Cash Equivalents	11	209,519	87,515
Car Loan Fund Investments	12	-	23,239
Accounts Receivables	13	7,437	-
ECK Accounts Receivables	14	11,160	4,420,711
Car Loan Accounts Receivable	15	<u>26,193</u>	<u>26,823</u>
Total Current Assets		<u>254,309</u>	<u>4,558,287</u>
Non-Current Assets			
Property, Plant and Equipment	16	2,422,550	3,314,424
Intangible Assets	17	<u>8,209</u>	<u>11,727</u>
Total Non Current Assets		<u>2,430,759</u>	<u>3,326,151</u>
Total Assets		<u>2,685,068</u>	<u>7,884,439</u>
Liabilities			
Current Liabilities			
Recurrent Accounts Payable	18	(634,455)	(1,301,432)
ECK Accounts Payable	19	-	(4,420,711)
Retentions and Deposits Payable	20	<u>(37,886)</u>	<u>(5,417)</u>
Total Current Liabilities		<u>(672,341)</u>	<u>(5,727,560)</u>
Total Net Assets		<u>2,012,727</u>	<u>2,156,879</u>
Represented by:			
General Fund		1,227,206	1,216,046
Accumulated Surplus		733,230	889,924
Car Loan Fund Scheme	21	<u>52,921</u>	<u>50,909</u>
		<u>2,012,727</u>	<u>2,156,879</u>

The notes on page 19 to 33 form an integral part of these financial statements.

The financial statements from page 14 to 33 were approved and authorized by the Commission on 29th September, 2016 and signed on its behalf by:



 Ezra Chiloba
 Commission Secretary/CEO



 Ahmed Issack Hassan
 Chairman

STATEMENT OF CASH FLOWS

STATEMENT OF CASHFLOW			
For the Year Ended 30 th June 2016			
	Notes	2015-2016	2014-2015
		KSh 000	KSh 000
Cash flows from Operating Activities:			
Operating in (Deficit)/Surplus		(441,992)	254,245
Adjustments for Non-Cash Items:			
Depreciation and Amortization	7	935,630	1,325,623
Non-Cash Charges and Transfers	18	286,680	51,968
ECK Accounts Receivable	14	4,409,551	-
ECK Accounts Payables	19	(4,420,711)	-
ECK Old Balances	22	11,160	-
Changes in Working Capital			
Increase in Car Loan Receivables	15	630	121
Decrease/(Increase) in Accounts Receivables	13	(7,437)	2,124
Decrease in Accounts Payables	18	(666,977)	(1,659,285)
Increase in Retentions and Deposits Payable	20	32,469	2,002
Net Cash Flow From Operating Activities		<u>139,002</u>	<u>(23,201)</u>
Cash flows from Investing Activities:			
Acquisition of Non-Current Assets	16	(40,238)	(38,514)
(Decrease) /Increase in Car Loan Investments	12	23,239	(1,856)
Net Cash Flow From Investing Activities		<u>(16,999)</u>	<u>(40,370)</u>
Cash flows from Financing Activities:			
Net Cash Provided By Financing Activities:		-	-
Net Change in Cash & Cash Equivalents		122,003	(63,571)
Cash and Cash Equivalent as at 1 st July 2015	11	<u>87,515</u>	<u>151,086</u>
Cash and Cash Equivalent as at 30th June, 2016		<u>209,518</u>	<u>87,515</u>

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS					
For the Year Ended 30 th June 2016					
	Notes	Car Loan Fund	Accumulated Surplus	General Fund	Total
		KSh. 000	KSh. 000	KSh. 000	KSh. 000
Balance as at 1 st July 2014		49,178	402,493	1,216,046	1,667,717
Prior Years Adjustment	16(b)	-	234,917	-	234,917
Surplus for the Period		1,735	-	252,514	254,249
Fund Charges		(4)	-	-	(4)
Transfers to/from Accumulated surplus		-	252,514	(252,514)	-
Balance as at 30 th June 2015		<u>50,909</u>	<u>889,924</u>	<u>1,216,046</u>	<u>2,156,879</u>
Prior Years Adjustment		-	286,680	-	286,680
Surplus/(Deficit) for the Period		1,382	-	(443,374)	(441,992)
ECK Old Balance	19	-	-	11,160	11,160
Transfers to/from Accumulated surplus		-	(443,374)	443,374	-
Balance as at 30 th June 2016		<u>52,291</u>	<u>733,230</u>	<u>1,227,206</u>	<u>2,012,727</u>

COMBINED BUDGET EXECUTION STATEMENT

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS						
RECURRENT & DEVELOPMENT FOR THE YEAR ENDED 30TH JUNE, 2016						
	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Difference	Performance %
Item Description	KSh '000	KSh '000	KSh '000	KSh '000	KSh '000	%
Income						
Exchequer Issues -Recurrent	4,187,920	690,787	4,878,707	4,289,200	590,006	88%
Exchequer Issues -Development	98,000	(71,000)	27,000	26,500	500	98%
Sale of Tender Documents, Nomination Fees & Other AIA.	10,000	-	10,000	3,344	6,656	33%
Total Income	4,295,920	619,787	4,915,707	4,319,044	596,663	88%
Expenses						
Basic Salaries - Permanent Employees	979,045	-	979,045	977,941	1,104	100%
Basic Wages - Temporary Employees	269,547	(72,192)	197,356	191,914	5,442	97%
Personal Allowance - Paid as Part of Salary	1,087,455	(75,600)	1,011,855	926,382	85,473	92%
Contributions to National Social Security Fund	2,040	-	2,040	2,039	1	100%
Contributions to Health Insurance Schemes	132,000	-	132,000	132,000	-	100%
Utilities Supplies and Services	12,744	-	12,744	10,407	2,337	82%
Communication, Supplies and Services	159,726	(62,625)	97,101	70,974	26,127	73%
Domestic Travel and Subsistence, and Other Transportation Costs	201,622	76,662	278,284	265,566	12,718	95%
Foreign Travel and Subsistence, and other transportation costs	57,295	(17,097)	40,198	31,412	8,786	78%
Printing , Advertising and Information Supplies and Services	73,157	(21,354)	51,803	19,734	32,069	38%
Rentals of Produced Assets	270,187	195,425	465,612	427,793	37,819	92%
Training Expenses	65,615	(18,297)	47,318	32,759	14,559	69%
Hospitality Supplies and Services	76,770	155,911	232,681	212,941	19,740	92%
Insurance Costs	150,000	56,143	206,143	205,750	393	100%
Specialized Materials and Supplies	20,823	61,980	82,803	32,175	50,628	39%
Office and General Supplies & Services	55,296	5,857	61,153	35,879	25,274	59%
Fuel Oil and Lubricants	18,767	26,363	45,129	35,118	10,011	78%
Other Operating Expenses	83,340	496,579	579,920	512,306	67,614	88%
Maintenance of Vehicles and Other Transport Equipment	24,080	11,791	35,871	16,713	19,158	47%
Maintenance of Other Assets	15,667	(5,500)	10,167	5,067	5,100	50%
Pension and Retirement Benefits	-	12,239	12,239	12,185	54	100%
Non-Residential Buildings	68,000	(41,000)	27,000	26,829	171	99%
Purchase of Office Furniture and General Equipments	2,744	11,400	14,144	-	14,144	0%
Purchase of Specialized Plant, Equipment and Machinery	470,000	(176,900)	293,100	4,471	288,629	2%
Total Expenditure	4,295,920	619,787	4,915,706	4,188,355	727,351	85%
Surplus /(Deficit)	-	-	-	130,689	(130,688)	

Note 23: Budget Information & Other Disclosures provide explanations on the Statement of budget execution.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

1. Statement of compliance and basis of preparation – IPSAS 1

The Commission's financial statements have been prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Commission and all values are rounded to the nearest thousand (KSh 000) which may in some cases make the added decimal balances to vary. The accounting policies have been consistently applied in all the years presented.

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

2. Summary of Significant Accounting Policies:

a) Revenue Recognition - Revenue from Non-Exchange Transactions (Fees, Charges and Fines) – IPSAS 23

The Commission recognizes revenues from nomination fees and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that future economic benefits or service potential associated with the asset will flow to the Commission and the fair value of the asset can be measured reliably.

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 Commission and can be measured reliably.

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 each period.

b) Budget Information – IPSAS 24

The annual budget is prepared and presented in a single statement to determine the needs of the Commission. The Commission has adopted the standard which requires budget information to be presented in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

c) Taxes – IAS 12

Income tax

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Commission operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of Financial Performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

d) Property, Plant and Equipment – IPSAS 17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Commission recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The depreciation rates are 30% for Computers, 25% for motor vehicles, 12.5% for office equipments and 12.5% for furniture and fittings on reducing balance basis.

e) Intangible Assets – IPSAS 31

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.

The amortization rate for intangible assets of the Commission is 30% on reducing balance basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

f) Research and Development costs

The Commission expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Commission can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

g) Provisions – IPSAS 19

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

Where the Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Contingent Liabilities

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

ii) Contingent Assets

The Commission 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 Commission 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

h) Nature and Purpose of Reserves

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

i) Changes in Accounting Policies and Estimates – IPSAS 3

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

j) Employee Benefits – IPSAS 25

Retirement Benefit plans

The Commission provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which the Commission pays fixed contributions into a separate Commission (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

k) Foreign Currency Transactions – IPSAS 4

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.

l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) Comparative Figures

Comparative figures for the year have been provided.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

n) Significant Judgments and Sources of Estimation Uncertainty – IPSAS 1

The preparation of the Commission'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.

Estimates and Assumptions -IPSAS 1.140

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

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:

- The condition of the asset based on the assessment of experts employed by the Commission
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

o) Subsequent Events – IPSAS 14

There were non-adjusting events, matters or circumstances that arose subsequent to the end of the financial year that may not materially affect the financial statements.

q) Change in Accounting Estimates-IPSAS 3

The Commission restated the amount accrued to creditors as a result of the 2013 General elections. This was after the National Treasury carried out an independent audit of the pending bills in all the 17 Regions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

3. Government Exchequer Issues

	2015-2016	2014-2015
Description	KSh 000	KSh 000
Recurrent Exchequer Releases:		
Total Exchequer Releases for Q1	360,000	1,486,000
Total Exchequer Releases for Q2	1,125,000	1,175,000
Total Exchequer Releases for Q3	1,434,200	332,000
Total Exchequer Releases for Q4	1,370,000	2,240,000
Sub Total	4,289,200	5,233,000
Development Exchequer Releases:		
Total Exchequer Releases for Q2	-	20,000
Total Exchequer Releases for Q3	-	16,500
Total Exchequer Releases for Q4	26,500	37,780
Sub Total	26,500	74,280
Total	4,315,700	5,307,280

4. Appropriation in Aid (AIA)

	2015-2016	2014-2015
Description	KSh 000	KSh 000
Receipts from Nomination Fees	484	361
Receipts from Sale of Tender Documents, Registers and Maps	2,597	1,094
Court Awards to IEBC on Legal Cases	5,696	-
Total	8,777	1,455

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

5. Interest Income

The interest income relates to interest from car loan fixed deposit. The car loan interest matures every six months and is rolled over plus the principal. The interest received is net of withholding tax. See also Note 12.

	2015-2016	2014-2015
Description	KSh 000	KSh 000
Accrued Interest for the Year	-	630
Interest Received during the Year	1,388	1,105
Total	1,388	1,735

6. Employee Costs

	2015-2016	2014-2015
Description	KSh 000	KSh 000
Salaries and Wages Permanent Employees	977,941	922,633
Salaries and Wages Contractual Employees	191,914	39,912
Personal Allowances	926,382	800,995
Contributions to Pensions and Health Schemes	141,557	145,040
Domestic Travel and Subsistence Allowances	264,505	113,265
Foreign Travel and Subsistence Allowances	40,142	30,911
Gratuity to Contractual Staff	12,185	-
Total	2,554,625	2,052,756

During the year under review, there was a significant increase in the employee costs of about five hundred million shillings attributable to temporary staff wages for Mass Voter Registration, By-Elections and the Okoa Kenya initiative.

Further, increase in salaries and personal expenditure were brought about by annual staff increments of 10% on basic salaries, increase in the number of staff from 858 to 877 and payment of transfer allowances.

The Commission accrued Kshs.7,518,220.10 on defined pension contribution for employees in the month of June 2016.

Gratuity expenses were also incurred in the year under review on officers who were on contract. This expenditure had not been incurred in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

7. Depreciation and Amortization Expense

	2015-2016	2014-2015
Description	KSh 000	KSh 000
Property, Plant and Equipment	932,112	1,320,597
Intangible Assets	3,518	5,026
Total	935,630	1,325,623

8. Repairs & Maintenance Expenditure

	2015-2016	2014-2015
Description	KSh 000	KSh 000
Routine Maintenance of Vehicles and Other Transport Equipments.	22,026	26,255
Maintenance of Software	-	8,980
Routine Maintenance -Other Assets	5,067	566
Total	27,092	35,802

9. Other Operating Expenses

	2015-2016	2014-2015
Description	KSh 000	KSh 000
Witness Expenses	867	4,669
Bank Services, Commission and Charges	8	557
Contracted Guards	18,253	14,780
Membership Fees, Dues and Subscriptions to Professional and Trade Bodies	1,855	1,698
Transport costs & Charges	-	341
Legal Dues, Arbitration & Compensation	65,889	377,431
Contracted Professional Services	-	6,071
Parking Charges	5,652	4,239
Contracted Technical Services	152,623	80
Payment of duty	-	173,520
Transfers & Write-Offs	-	51,968
Total	245,145	635,355

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

10. General Expenses

Description	2015-2016 KSh 000	2014-2015 KSh 000
Utilities, Supplies and Services	10,407	3,883
Communications, Supplies and Services	71,145	59,725
Printing ,Advertising and Information Supplies and Services	18,979	73,683
Rentals of Produced Assets	403,345	279,788
Training Expenses	32,759	206,498
Hospitality Supplies and Services	148,997	146,790
Insurance Costs	205,751	147,082
Specialized Materials and Supplies	36,058	35,487
Office and General Supplies and services	41,497	30,243
Fuel Oil and Lubricants	36,428	23,510
Total	1,005,365	1,006,689

11. Cash and Cash Equivalents

Bank Account Name	Account No.	2015-2016 KSh 000	2014-2015 KSh 000
KCB IEBC Car Loan Bank Account	1104823519	26,098	848
CBK IEBC Recurrent Main Account	1000181729	77,785	910
CBK IEBC Deposit Account	1000181931	37,886	5,417
CBK IEBC Development Bank Ac	1000182148	455	11,177
KCB IEBC REC Mombasa/S. Coast	1116811162	2,462	-
KCB IEBC REC Nyanza Central/Kisumu	1116780445	3,691	8,706
KCB IEBC REC Bungoma Region	1116566443	3,596	82
KCB IEBC REC Central Eastern	1116774127	611	59
KCB IEBC REC Central Rift/Nakuru	1116816857	3	1
KCB IEBC REC Garissa/Ijara	1116817365	2,910	28,853
KCB IEBC REC Lower Eastern/Machakos	1116791366	3,971	250
KCB IEBC REC Nairobi	1116817721	6,001	5,190
KCB IEBC REC North Coast	111684042	1,379	3,691
KCB IEBC REC North Rift	1116791110	9,532	10,768
KCB IEBC REC Nyanza South	1116811235	810	184
KCB IEBC REC Nyeri Region	1116756439	1,470	290
KCB IEBC REC South Rift/Bomet	1116805243	8,496	719
KCB IEBC REC Thika Region	1116811553	6,058	4,821
KCB IEBC REC Upper Eastern/Isiolo	1116800543	2	-
KCB IEBC REC Wajir/Mandera	1116539934	6,071	2
KCB IEBC REC Western Region	1116744694	988	1,909
KCB IEBC University Way	1117602532	4,374	3,637
KCB IEBC USD Call Account	MM1309200081	4,867	-
KCB IEBC Salary Control	1126334723	-	-
KCB IEBC Donor Account (IDEA)	1130902757	-	-
Total		209,519	87,515

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

12. Car Loan Fund Investments

The Commission had invested KSh 23,239,304.10 in a fixed deposit account at Kenya Commercial Bank in the prior year. The funds were not rolled over after 27th February, 2016 as the Commission envisages operating the Car Loan Scheme in the 2016/2017 financial year. All the funds which were in the fixed deposit account were transferred to IEBC Car Loan Account.

The interest earned as at 27th February, 2016 was KSh.1,388,805 compared to KSh.1,735,803 earned in the previous financial year.

13. Accounts Receivables

Description	2015-2016 KSh 000	2014-2015 KSh 000
Outstanding Imprests	1,530	-
Prepayments - Salary Advances	474	-
Nomination Fees	38	-
Court Awards to IEBC on Cases	5,396	-
Total	7,437	-

The Commission issued temporary imprests worth KSh. 91,171,880.15 during the year under review whereas the amount that was outstanding as at 30th June, 2016 was KSh.1,530, 222.60.

On salary advances, the Commission issued salary advances worth KSh. 3,941,642.15 and the amount that was outstanding as at 30th June, 2016 was KSh.473, 668.90.

The Commission earned Ksh. 5,715,959.00 as court awards to IEBC earned during the year, Kshs. 5,416,959 was still outstanding as at 30th June, 2016.

14. ECK Accounts Receivable

Description	2015-2016 KSh 000	2014-2015 KSh 000
Exchequer Under Issues	-	1,418,439
Advances	9,215	9,838
Imprests	1,945	1,945
General Suspense	-	2,114,658
Pro/District Suspense	-	875,830
Total	11,160	4,420,711

During the year under review, most ECK old balances were cleared from the Commission's books as per the recommendations of the Task force on the Resolution of Old Balances formed by The National Treasury. The Commission is required to initiate recovery of Kshs.11.16 million on the remaining salary advances and imprests from the respective officers.

15. Car Loan Accounts Receivable

Description	2015-2016 KSh 000	2014-2015 KSh 000
Debtors Outstanding Loan	26,193	26,193
Accrued Interest for the Year	-	630
Total	26,193	26,823

The debtors outstanding relates to recoveries made from final dues to defunct ECK Staff and Commissioners that were retained by the National Treasury.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

16. (a) Property, Plant and Equipment Movement Schedule (Ksh.000)

	Office Buildings	Computers & Equipment	Motor Vehicles	Office Equipment	Furniture and Fittings	Totals
2015-2016						
Cost :						
As at 1st July 2015	98,200.00	8,701,703.00	591,792.00	228,600.00	73,027.00	9,693,322.00
Additions	34,606	4,925	-	707	-	40,238
As at 30th June 2016	132,806	8,706,628	591,792	229,307	73,027	9,733,560
Depreciation:						
As at 1st July 2015	-	(5,773,439)	(463,218)	(114,284)	(27,957)	(6,378,898)
Charge for the year	-	(879,956)	(32,144)	(14,378)	(5,634)	(932,112)
As at 30th June 2016	-	(6,653,395)	(495,362)	(128,6620)	(33,591)	(7,311,010)
Net Carrying Amount :						
As at 30th June 2016	132,806	2,053,233	96,430	100,645	39,436	2,422,550

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

16. (b) Property, Plant and Equipment Movement Schedule (Ksh.000)

	Office Buildings	Computer & Equipment	Motor Vehicles	Office Equipment	Furniture and fittings	Totals
2014- 2015						
Costs:						
As at 1st July 2014	62,300	8,813,695	591,792	228,047	72,170	9,768,004
Additions	35,900	1,205	-	553	857	38,515
Transfers to other Government Entities	-	(92,922)	-	-	-	(92,922)
Disposals	-	(20,275)	-	-	-	(20,275)
As at 30th June 2015	98,200	8,701,703	591,792	228,600	73,027	9,693,322
Depreciation						
As at 1st July 2014	-	(4,579,697)	(420,360)	(97,953)	(21,518)	(5,119,528)
Transfers to other Government Entities	-	(50,391)	-	-	-	(50,391)
Charge for the year	-	(1,254,970)	(42,858)	(16,331)	(6,439)	(1,320,598)
On Disposals/capitalized	-	(10,837)	-	-	-	(10,837)
As at 30th June 2015	-	(5,773,439)	(463,218)	(114,284)	(27,9570)	(6,378,898)
Net Carrying Amount:						
As at 30th June 2015	98,200	2,928,264	128,574	114,316	45,070	3,314,424

Prior adjustment in the year 2014/2015 appearing under 'Net Changes in Net Assets' was effected upon final settlement of long disputed pending bills that were paid in the 2014/2015 financial year. The settlement relates to two CAPEX items included as part of Computer and Related Equipment. Their combined Net Carrying Amounts at the time of making the adjustment were amounting to KSh 234,916,053 as explained below:

- One of the items was an amount of Kshs. 259,020,516.80 paid to Face Technologies for the supply and delivery of additional EVID devices. The adjusted depreciation charge effected was Kshs.132, 100, 463.57 made up of Ksh. 77,706,155 and 54,394,308 in the years 2012/2013 and 2013/2014 respectively. The resultant Net Carrying amount is Kshs. 126,920,053 and is the amount added back because pending bills charge of KSh.259,020,516.80 had been accrued / charged in the 2012/2013 Statement of Financial Performance.
- The other item was an amount of Kshs. 220,400,000.00 paid to Office Technologies for the supply and delivery of 290 heavy duty photocopiers and printers. The adjusted depreciation charge effected was Kshs.112, 404,000.00 made up of Ksh. 66,120,000.00 and 46,284,000.00 in the years 2012/2013 and 2013/2014 respectively. The resultant Net Carrying amount is Kshs.107,996,000.00 and is the amount added back because pending bills charge of KSh. 220,400,000.00 had been accrued/charged in the 2012/2013 Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

17. Intangible Assets Movement Schedule

Intangible Assets Movement Schedule	
2015-2016	Ksh 000
Cost	
As at July 2015	66,851
Additions	-
At 30th June 2016	66,851
Amortization:	
As at July 2015	(55,124)
Amortization during the year	(3,518)
As at 30th June 2016	(58,642)
Net Book Value	8,209
2014-2015	
Cost	
As at July 2014	66,851
Additions	-
At 30th June 2015	66,851
Amortization:	
As at July 2014	(50,098)
Charge for the year	(5,026)
At 30th June 2015	(55,124)
Net Book Value	11,727

18. Recurrent Accounts Payable

	2015-2016	2014-2015
Description	Ksh 000	Ksh 000
Payables -2012/2013 General Election	1,301,432	2,960,718
Additional Pending Bills	94,854	528,343
Contingent liabilities and Other Savings on bills	(337,351)	-
Bills Paid during the year	(424,480)	(2,187,628)
Total	634,455	1,301,432

The additional bills of KSh. 94,854,762.00 includes pension costs, legal fees, air tickets, fuel, motor vehicle repairs and purchase of election materials expenditure that were incurred during the financial year and had not been paid as at 30th June, 2016.

The opening balance of KSh.1,301,432,633.00 has been adjusted to exclude bills amounting to KSh. 337,350,880.00 which are made of non-payable bills and bills classified as contingent liabilities. See note 26 for more details.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

19. ECK Accounts Payable

	2015-2016	2014-2015
Description	KSh 000	KSh 000
General Account of Vote	11,160	4,364,870
Excess AIA	-	55,217
Salary Advance	-	624
Total	11,160	4,420,711

During the year under review, ECK old balances of KSh. 4,409,551,000.00 were cleared from the Commission's books as per the recommendations of the Task force on the Resolution of Old Balances formed by The National Treasury. The Commission is required to initiate recovery on the remaining salary advances and imprests from the respective officers which amounts to KSh. 11,159,984.00.

20. Retentions and Deposits Payable

	2015-2016	2014-2015
Description	KSh 000	KSh 000
Opening Balance	5,417	3,415
Retention Fees and Other Deposits Withheld	34,594	3,759
Retention Fees and Deposits Paid	(2,125)	(1,757)
Total	37,886	5,417

The retentions and deposits withheld includes monies retained by the Commission from construction companies who are yet to complete the construction works, amounts held by the Commission for suppliers that were partly paid by UNDP and refundable deposits required if any other organization hires ballot boxes.

21. Car Loan Fund Scheme

	2015-2016	2014-2015
Description	KSh 000	KSh 000
Fund Investments	-	23,239
Accounts Receivable	26,193	26,823
Bank Balance	26,098	847
Total	52,291	50,909

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

22. Grants from International Organizations.

The Commission in the financial year 2015/2016 received funding in kind from UNDP. This was in form of expenses directly incurred by UNDP to facilitate some programs being undertaken by the Commission such as the legal review process and the Mass Voter Registration exercise. The actual support was totaling Ksh. 114 million as per the UNDP Summary Statement. In compliance with IPSAS 23, the commission discloses the economic benefits in the notes to the financial statements since the benefits were not received as actual transfers of cash but in kind.

23. Budget Information & Other Disclosures

The Commission prepared the budget on the basis of the Government Finance Statistics (GFS) coding and adopted the classification of Functions of Government (COFOG) under a three year Medium Term Expenditure Framework for the 2015/2016, 2016/2017 and 2017/2018 budget period. The approved budget covered the 2015/16 financial year.

During the year under review, the Commission reallocated funds amounting to Kshs. 619 million to cater for by-elections, pending bills, Okoa Kenya Initiative.

The Commission performed below 50% in revenue collections mainly because of reduced cost of tender documents, few by-elections being conducted which resulted in less nomination fees. Nomination fees are realized as and when elections/by-elections are conducted and is a factor that is beyond the control of the Commission.

The expenditure level on capital expenditure was below 50% as a result of delayed procurement processes.

24. 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.

25. Employee Benefits:-Defined Contribution Scheme

IPSAS 25 prescribes the accounting and disclosure requirements for employee benefits and establishes the matching principle that the cost of the employee benefits should be recognized in the period in which the employee provides the services to the entity and not when they are paid or become payable. The Commission runs a defined contribution pension scheme. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the commission as the employer at 15% and employees at 7.5% of basic salary.

The scheme is currently managed by ICEA Lion Asset Management. The Commission's contributions to the above scheme are charged to the income and expenditure account in the period to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2016

26. Contingent Liabilities

IPSAS 19 prescribes the accounting treatment for provisions, contingent liabilities and contingent assets and defines their identification and recognition.

The contingent liability recognized should be the best estimate of the expenditure required to settle the obligation at the reporting date. The Commission recognizes a possible future obligation of KShs. 337,350,880.00 million to pay outstanding pending bills which have not been validated by the National Treasury's internal audit department or have pending court cases. The Commission also recognizes possible future obligations relating to legal fees on pending court cases and gratuities payable to staff members who are on a term contract.

27. Number of Employees

The average number of permanent and pensionable employees for the Commission as at 30th June 2016 and 2015 were eight hundred and seventy seven (877) and eight hundred and fifty eight (858) respectively. The Commission however engages contractual staff on a need basis.

28. Entity Tax Status

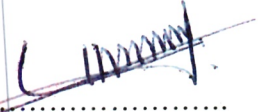
The Commission is a government agency, fully funded by the government and is therefore tax exempt. The Commission pays taxes as per the regulations.

PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

Reference No. on External Audit Report	Issue / Observation from Auditor	Management Comments	Focal point Person to Resolve the Issue.	Status:	Time frame:
Auditor General Report of 30 th May, 2014	ECK Outstanding balances	This includes the Car loan scheme, ECK Accounts receivables and payables.	CEO Ezra Chiloba	Resolved	2015/2016
Auditor General Report of 23 rd May 2016	Irregular Procurement and payment of Additional 4600 Electronic Voter Identification Devices(EVIDs)	The payment of the handheld EVIDs were procured within the law and payment were based on subsisting contract between the parties and not the subject of variation	CEO Ezra Chiloba	Resolved	2016/17
Auditor General Report of 23 rd May 2016	Irregular Payment for transportation of Election Materials	Mr. Abdullah Yusuf Farah swore an affidavit claiming that he was also the owner of the Alhamdul Company. The commission is streamlining its records management system.	CEO Ezra Chiloba	Not Resolved	2016/17
Auditor General Report of 23 rd May 2016	Unsupported pending bills	The commission provided the payment vouchers as requested and are available for audit verification	CEO Ezra Chiloba	Not Resolved	2016/17
Auditor General Report of 23 rd May 2016	Transfer of Computer Equipments to Burundi	The commission disposal committee approved the disposal since the devices were obsolete. Public Procurement and Disposal procedure was followed.	CEO Ezra Chiloba	Not Resolved	2016/17
Auditor General Report of 23 rd May 2016	Loss of BVR Kits , Generators and Solar Panels	Matter is still under investigation. Generator s and solar panels were inherited from the defunct ECK without proper handing reports.	CEO Ezra Chiloba	Not Resolved	2016/17
Auditor General Report of 23 rd May 2016	Inaccurate pending bills	The invalidated pending bills at the regional offices and the head office have been disclosed as contingent liabilities in line with IPSAS 19. Reconciliation of the pending bills is currently underway.	CEO Ezra Chiloba	Not Resolved	2016/17
Auditor General Report of 23 rd May 2016	Irregular procurement of election materials due to lack of approved procurement plan for the year	The priorities were in the procurement plan. The procurement plan was available for review.	CEO Ezra Chiloba	Not Resolved	2016/17



 Ezra Chiloba
 Commission Secretary/CEO



 Ahmed Issack Hassan
 Chairman