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REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
SALARIES AND REMUNERATION
COMMISSION
FOR THE YEAR ENDED
30 JUNE 2017



Salaries & Remuneration
Commission
Rewarding productivity

SALARIES AND REMUNERATION COMMISSION

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

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I. KEY COMMISSION INFORMATION AND MANAGEMENT

(a) Background Information

Salaries and Remuneration Commission (SRC) is established under Article 230 of the Constitution of Kenya (CoK 2010) to:

- i. Set and regularly review the remuneration and benefits of all State Officers; and
- ii. Advise the National and County Governments on the remuneration and benefits of all other Public Officers

(b) Functions of the Commission

In addition to the powers and functions of the Commission under Article 230 (4) of the CoK 2010, the Commission is mandated by the Salaries and Remuneration Commission Act, 2011 to:

- a) Inquire into and advise on the salaries and remuneration to be paid out of public funds;
- b) Keep under review all matters relating to the salaries and remuneration of Public Officers;
- c) Advise the national and county governments on the harmonization, equity and fairness of remuneration for the attraction and retention of requisite skills in the public sector;
- d) Conduct comparative surveys on the labour markets and trends in remuneration to determine the monetary worth of the jobs of Public Officers;
- e) Determine the cycle of salaries and remuneration review upon which Parliament may allocate adequate funds for implementation;
- f) Make recommendations on matters relating to the salary and remuneration of a particular State or Public Officer;
- g) Make recommendations on the review of pensions payable to holders of Public Offices; and
- h) Perform such other functions as may be provided by the Constitution or any other written law. The Commission under the Act Section 12 is further compelled to comply with the principle of equal remuneration to persons for work of equal value.

(c) Key Management

The routine management of the Commission is carried out by the Commission Secretariat which is headed by the Commission Secretary, also doubling as the Chief Executive Officer, and the Directors.

(d) Fiduciary Management

During the fiscal year ended 30th June 2016, the following members of the management team were charged with direct fiduciary responsibility:

1. Mrs. Anne Gitau - Commission Secretary
2. Ms. Margaret Njoka - Director, Corporate Services
3. Mrs Grace Ogembo - Director, Remuneration Analysis
4. Mr. John Monyoncho - Director, Research Compliance Policy and Planning

(e) Fiduciary Oversight arrangements

1. Technical SASE Committee of the Commission
2. Technical GIPE Committee of the Commission
3. Corporate Services Committee of the Commission
4. Audit Committee of the Commission

(f) Commission Headquarters

P.O. Box 43126-00100, Williamson House, 6th floor,
4th Ngong Avenue, Tel: +254 2710071/73, Nairobi, KENYA. E-mail: info@src.go.ke,
Website: www.src.go.ke

(g) Principal Bankers

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

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

II. THE COMMISSIONERS



Mrs. Sarah J. C. Serem, EBS

Mrs. Sarah Jepkemboi Chumo Serem is the Chairperson of the Salaries and Remuneration Commission having been appointed in December 2011 for a period of six years.

Prior to her appointment, Mrs. Serem worked at Kenya Post Office Savings Bank for over 20 years as Head of HR and currently serves as a council member of University of Eastern Africa, Baraton. She also serves in the Board of Adventist Development and Relief Agency (ADRA) International, which is one of the leading humanitarian agencies that operate in 125 countries.

As a philanthropist, Mrs. Serem believes in empowering young people to realize their God given potential and has helped many needy children to access education. One of the projects she is involved is the development of Kajiado Rehabilitation Centre in which she is a founding member and served as the first chairperson. This is a rescue centre for the girl child.

Mrs. Serem holds an MBA in Human Resource Management and a Bachelor of Arts Degree (Sociology & Political Science), both from the University of Nairobi.



Mr. Daniel O. Ogutu, MBS

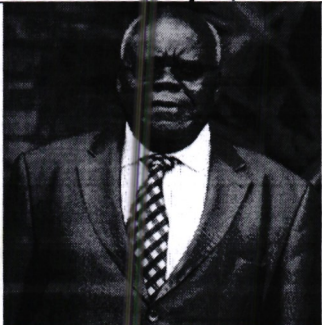
Daniel Omondi Ogutu is the Vice Chairperson of Salaries and Remuneration Commission and holds a Master of Business Administration (MBA) from Eastern and Southern Africa Management Institute (ESAMI) and Maasterich School of Management, and a Bachelor Degree in Education from Kenyatta University. He has over 20 years of working experience in Human Resource Management and Development.

He is currently an Assistant Commission Secretary-Human Resource Management at Commission for University Education (CHE). He has a wealth of experience having worked with the CHE, Agricultural Finance Corporation (AFC), Ministry of State for Public Service, Ministry of State for Provincial Administration and Internal Security, Directorate of Personnel Management (DPM), and Teachers Service Commission (TSC).








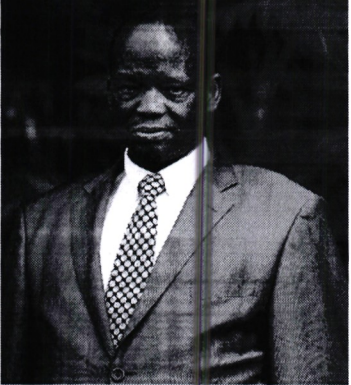

Mrs. Serah Kinyua, HSC

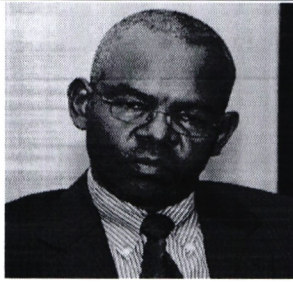
Serah Kinyua holds a Master's Degree from University of Connecticut USA in Public Administration (MPA) and Bachelor's Degree in Literature in English, Political Science and Philosophy from Makerere University in Uganda. She served as a Chief Human Resource Manager at the TSC between 1997 and 2002. She also served at the Task Force Reviewing Labour Laws representing Teaching Service.



Peter Oloo Aringo holds a Master's Degree from the University of Toronto, Canada. He also served as a Cabinet Minister in the following Ministries: Information and Broadcasting, 1980 – 1982; Environment and Natural Resources – 1982; Labour, 1985 – 1986; Education, 1986 – 1991; Manpower Development 1991; and An Assistant Minister for Education in 1979 – 1980.

<p>Hon. Peter O. Aringo, EGH</p>	
 <p>Mrs. Jacqueline Mugo (MBS)</p>	<p>Jacqueline Mugo holds a Bachelor of Law Degree (LLB, Hons) from University of Nairobi. She is the Executive Director/Chief Executive of the Federation of Kenya Employers (FKE). She is an advocate of the High Court of Kenya and has over 30 years of experience in senior executive positions in the public and private sectors. Mrs. Mugo serves as Secretary General Business Africa, and is a member of the Governing Body of the International Labour Organization (ILO), the International Organization of Employers, Trustee National Social Security Fund, Higher Education Loans Board (HELB) and National Industrial Training Authority (NITA).</p>
 <p>Mr. Jason Namasake, MBS</p>	<p>Jason Namasake holds a Bachelor of Law Degree (LLB. Hons) from the University of Dar-es-salaam and a Master's Degree (LLM) from the University of London. He is an advocate of the High Court of Kenya and was a lecturer at the University of Nairobi (1974–1980); and currently the Catholic University of Eastern Africa (CUEA). Previously, Mr. Namasake worked at FKE for 26 years, where he served in the Task Force to Review Labour Laws in the year 2000. He also served as a member of the Akiwumi Tribunal to review terms and conditions of service for Members of Parliament and staff of the National Assembly in 2009.</p>
 <p>Mrs. Sellestine Kiuluku, MBS</p>	<p>Sellestine Kiuluku holds a Master's Degree in Business Administration, (Strategic Management) from ESAMI and Maastricht School of Management – Netherlands. She holds a Bachelor of Education (B.Ed) Degree from Kenyatta University and is a Certified Public Secretary (CPS (K)). She is the Director of Human Resources and Administration at Independent Electoral and Boundaries Commission (IEBC). Prior to the above appointments, she served as the Director Human Resources and Administrative services with the Nairobi Water Company. Mrs. Kiuluku also worked as the Chief Human Resources and Administration Manager with the National Water Conservation and Pipeline Corporation (NWCP). She has also served the National Museums of Kenya (NMK) as Principal Administrative Officer and as a Personnel Officer with Agricultural Development Corporation (ADC).</p>
	<p>Brig. (Rtd) Samuel N. Kirugi holds a Master's Degree in Education and a Bachelor of Education Degree from the University of Nairobi. He retired from the Kenya Defense Forces in January 2004 after 25 years of service having gained wide experience in command, training, logistics and human resource administration for which he was awarded the Moran of Burning Spear (MBS) in 1994. Since retirement, he has worked with the Armed Forces Pay Review Board (AFPRB).</p>

<p>Brig. (Rtd) Samuel N. Kirugi, MBS</p>	
 <p>Mrs. Anne Elizabeth Owuor, HSC</p>	<p>Anne Owuor holds a Master of Science Degree in Audit Management & Consultancy and a Post Graduate Diploma in Audit Management & Consultancy from the University of Central England Birmingham and a Master of Business Administration from the same university. She is a Certified Public Accountant, a Fellow of Institute of Certified Public Accountants of Kenya (ICPAK), a Certified Internal Auditor and has Certification in Risk Management Assurance. She retired from Kenya Power in 2015 having worked for 25 years in different managerial positions in Finance, Internal Audit and Commercial Services as well as being the Gender Coordinator. Previously, she worked in the Office of the President (OP) and Public Service Commission (PSC).</p> <p>She has also served as a member of The International Public Sector Accounting Standards Board, and currently in the Program Oversight Committee on the Global Accountancy Development of the Global International Federation of Accountants. She is a member of Public Sector Accounting Standards Board of Kenya, and has sat in several boards including ICPAK, KCA University; and chaired the Institute of Internal Auditor (K) and Association of Women Accountants.</p>
 <p>Mr. Isaiah Kubai, MBS</p>	<p>Isaiah Kubai is a lawyer by profession, with a bias in industrial law. He was admitted to the Bar in 1986 by the Office of the Industrial Court, and has been a practicing advocate of the High Court of Kenya since 2008. He obtained his Bachelor of Law Degree from the University of Nairobi in 2005, and a Diploma in Law from Kenya School of Law in 2007. Previously, he acquired a Diploma in Social Science (Industrial relations) from Ruskin College (Oxford) in 1983.</p> <p>Besides being a Commissioner, Mr. Kubai has been a Board member of KOTU since 2003, a teacher of paralegal training for trade unions, Chairman of the Board of Management of AUKI mixed day secondary school from 2008 and a member of judiciary's mediation accreditation committee, and the employment and labour relations court rules committee. He is a council member in the Directorate of Industrial Training (DIT) and a member of the following sectoral committees of DIT; banks and other financial institutions, commercial and distributive trades, and food manufacturing. Mr Kubai has participated in various national vents including; drafting of labour laws and reconciliation panels for disputes between Trade Unions and respective Employers.</p>
 <p>Mr. James Muhoro, OGW</p>	<p>James Muhoro holds a Bachelor Degree in Literature in English, Political Science, and Philosophy from University of Nairobi. He joined the Civil Service (Provincial Administration) in 1978 rising to the position of District Commissioner. He moved to the Central Government from 1991 as Senior Assistant Secretary and rose to the position of Senior Deputy Secretary. In his wide career of service, he served as Ag. Director Kenya Marine and Fisheries Research Institute (KMFRI), Mombasa, from 1999 to 2000. He helped in setting up the Interim Independent Boundaries Commission from 2009 to 2010, as the Chief Executive Officer and also the National Police Service Commission from 2012 to 2013.</p> <p>In his tenure of office, he has had extensive training and experience in Public Administration and Management from various public institutions within and outside the Country.</p>



Dr. Kamau Thugge, EBS

Dr. Kamau Thugge is currently the Principal Secretary at The National Treasury. He has previously worked in the Ministry of Finance as Head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor. Before joining the Ministry of Finance, he worked with the International Monetary Fund (IMF) as Economist/Senior Economist and Deputy Division Chief. Dr. Thugge holds a Bachelor of Arts (Economics) Degree from Colorado College, USA; Master of Economics from John Hopkins University, USA; and a Doctor of Philosophy (PhD) in Economics, also from John Hopkins University.



Mr. Njee Muturi

Njee Muturi is currently the Solicitor General, State Law Office. He is a Partner at Muturi, Gakuo & Company. He has previously worked in the Office of Deputy Prime Minister as Director-Coordination, and as KANU's Executive Director. Mr. Muturi holds a Bachelor of Law Degree (LLB, Hons) from Poona University, Symbiosis College, and Bachelor of Arts (Economics & Political Science) Degree from Poona University Nowrosjee Wadia College, India.







Mrs. Anne R. Gitau

Anne R. Gitau is the Commission Secretary. She was appointed to the position in June 2015, having served as Ag. Commission Secretary from March 2014 to June 2015. She has over 10 years of comprehensive human resources experience from the private to public sector, and with diverse and solid experience ranging from human resource consultancy to human resource.

Mrs. Gitau has worked at the Higher Education Loans Board (HELB) as a Human Resources and Administration Manager and Industrial Development Bank. She is currently pursuing a PhD at the School of Business in Organizational Development at the University of Nairobi. She holds a Master's Degree in Business Administration from the University of Nairobi and a Bachelor of Education Degree from Egerton University.

III. MANAGEMENT TEAM

	<p>Mrs Anne Gitau is the Commission Secretary. She was appointed to the position in June 2015. Previously, she was the Dep. Comm Secretary from April 2012 year to March 2014 when she was appointed as Ag CS. She is a respected Human Resources Professional and leader with over ten years of comprehensive human resources experience ranging from the private sector to the public sector and with diverse and solid experience ranging from human resources consultancy to human resources.</p> <p>Mrs. Gitau is currently pursuing PhD from the School of Business in Organizational Development at the University of Nairobi. She also has a Masters Degree in Business Administration from the Nairobi University and a Bachelor of Education from Egerton University.</p> <p>Mrs. Gitau has worked at the Higher Education Loans Board (HELB) as a Human Resources and Administration Manager and Industrial Development Bank.</p>
	<p>Ms. Margaret Njoka is the Director Corporate Services. She was appointed to the position in February 2017. She holds Master's Degree in Business Administration and Bachelor's degree in Commerce (Accounting) both from Kenyatta University. She is a Certified Public Accountant (K), Credit Management Professional and a qualified Human Resource and Administration practitioner.</p> <p>Ms. Margaret has over 15 years of experience in finance and human resource in senior management in both public and private sector having worked at Tourism Fund in Finance and Human Resource Management She also worked at Brookside Dairy Ltd and Nairobi Women's hospital</p>
	<p>Grace Ogembo is the Director of Remuneration Analysis. She holds a Master of Arts degree in Economic Policy Management from Makerere University and a Bachelor of Arts Degree from University of Nairobi.</p> <p>Previously, Ms. Ogembo worked as Deputy Chief Economist at the Permanent Public Service Remuneration Review Board, Ministry of State for Public Service; and as Principal Economist at the Macro Economic Planning Department at the Ministry of Planning and National Development.</p>
	<p>John Monyoncho is currently pursuing a PhD degree at the University of Nairobi. He holds an MBA in Finance and Bachelor's Degree in Economics from the University of Nairobi, and a Bachelor of Science Degree in Statistics from Poona University (India). Mr. Monyoncho has over 20 years of experience in senior management in both public and private sector having worked with Kenya National Bureau of Statistics where he rose to a Technical Manager. He has also worked as a Logistics and Administration Manager with Kenya Integrated Household Budget Survey Programme, Administration Manager with Nairobi Securities Exchange, and as a Technical Assistant to the Economic Secretary and Director of Planning in the Ministry of Finance and Economic Planning.</p>

IV. CHAIRPERSON'S STATEMENT

Once again, it is my pleasure to present the annual report and financial statements for the financial year 2016/2017. This report is an accountability statement to the President of the Republic of Kenya, Parliament and the people of Kenya on the achievements made and utilization of resources over the past one year in accordance with article 254 of the Constitution of Kenya, 2010.

One of the key projects during the financial year 2016/2017 is the job evaluation exercise for public service whose results were released in November 2016 covering five sectors; Civil Service, County Governments, State Corporations, Constitutional Commissions and Independent Offices. The Commission endeavored to complete the exercise within the stipulated time frame and set parameters knowing that the entire public service was watching with keen interest on the outcome.

It was therefore inevitable that upon the launch of the job evaluation results, the Commission would continue to engage with the various stakeholders to iron out any issues arising from the results and ensure smooth implementation. Perhaps a good and classic example of the immediate benefit of the Job Evaluation and what the results gave birth to was the successful conclusion of the CBA Agreement between the Teachers Service Commission and Kenya National Union of Teachers. It was, to put it in a nutshell, a breath of fresh air to a nation that was used to industrial unrests by public servants entrusted with providing essential services. We remain optimistic that with time, CBA negotiations will be carried within the confines of amicable understanding and mutual benefit that will yield industrial harmony.

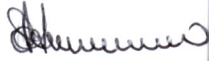
I am glad to report that the Job Evaluation in the remaining two sectors i.e. the Disciplined Service, and Research, Public & Tertiary Institutions was successfully launched midway during the period under review and by the close of the financial year, the exercise was near completion. I must commend the SRC team, consultants and our stakeholders for the concerted effort towards completion of the exercise and ensuring that the exercise was carried out diligently, professionally and within budgeted resources.

It was absolutely important for the Commission to prioritize and place its resources on the JE exercise in order to find long lasting solution to the widespread inequalities and disparities in remuneration and benefits payable in the public sector. Inequity in pay has been the root cause of poor morale and performance, dissatisfaction, leading to frequent industrial unrest hence poor service delivery.

Further, the Commission has revised its strategic plan with a view to entrenching the constitutional principles of ensuring that the total public compensation bill is fiscally sustainable, attraction and retention of requisite skills in public service, recognition of productivity and performance and transparency and fairness. In reviewing the strategy, the Commission has also taken into consideration the national development policies and changing economic and social environment in order to be in sync with the aspirations and hopes of Kenyans.

We thank the National Government, County governments, Constitutional Commissions and independent offices and development partners, especially World Bank, for supporting the Commission. I also extend my sincere gratitude to SRC Commissioners and Secretariat staff who have sacrificed a lot to ensure that the Commission meets its obligations and mandate.

Finally, on behalf of the Commission, I wish to assure all the stakeholders of our support for successful implementation of remunerative issues in public service and attainment of our motto of 'Rewarding Productivity'.



**Sarah J.C. Serem, EBS
Chairperson**

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The 2016/2017 financial year was busy for SRC, with a number of key activities. One major assignment was the Job Evaluation for Public Service encompassing Civil Service; County Government; Commercial and Strategic State Corporations; Service and Regulatory State Corporations; Constitutional Commissions, Independent Offices and Teaching Service; Disciplined Services; and Public Universities, Research and Tertiary Education Institutions.

This was an ambitious project that required proper planning, utilization of resources and continuous engagement with the stakeholders. Thankfully, during the year, the Commission was able to complete and finalise job grading structure for five sectors (Civil Service; County Government; Commercial and Strategic State Corporations; Service and Regulatory State Corporations; Constitutional Commissions, Independent Offices and Teaching Service). More so, the salary structures for Civil Service; Commercial and Strategic State Corporations; Service and Regulatory State Corporations; and Constitutional Commissions, Independent Offices and Teaching Service were released. Job evaluation for the two pending sectors (Disciplined Services; and Public Universities, Research and Tertiary Education Institutions) commenced and is expected to be finalised in the following year. The Job Evaluation Policy was also completed.

A number of key activities that underpin the SRC strategy and key thematic areas were also achieved. In line with the Commission's mandate to Set and Review Remuneration and Benefits for State Officers and the four year salary review cycle, the Commission carried out a comparative survey on remuneration and benefits for State Officers in comparable economies in the World. The study informed the review of salary and benefits structure for State Officers for the period 2017-2022.

Two major undertakings during this period include: the Public Wage Bill Forecasting and Productivity Indices Development Projects. With technical support of World Bank, the Commission facilitated capacity building of twenty technical staff drawn from the Commission, Teachers Service Commission (TSC), National Treasury, Nairobi County Public service Board, and Public Service Commission on wage bill forecasting model. As a result, a draft pay policy manual and pay data collection template was developed and a draft wage bill forecasting model was piloted with data from TSC, Public Service Commission and County Governments.

Good progress was also being made on the productivity indices development. A technical inter-agency committee created by the Commission is in place and is currently working with Productivity Centre of Kenya (PCK) to develop productivity indices for two pilot sectors targeting Education, Health and Governance.

During the year, the Commission carried out compliance checks in 18 County Governments to access compliance with SRC's circulars and advisories. The Commission also signed a memorandum of understanding with oversight institutions, particularly; Controller of Budget, Commission on Revenue Allocation and Office of the Auditor General, on implementation and enforcement of SRC advisories and guidelines.

Finally, the Commission continues to adhere strictly to disciplined approach to financial management continues to earn us exemplary ratings from all four major ratings agencies. There was overall improvement in absorption rate on the overall budget compared to the last FY. However, there was a decline exchequer support from the National Treasury in FY 2016/17, hence affecting implementation of the work plan. The Commission targets 100% absorption rate in the coming FY 2017/18 as the ongoing JE exercise is expected to be completed in the first half of the FY and will bring more predictability in the Commission's planning and execution of its work plan.



**Anne R. Gitau (Mrs.)
Commission Secretary/CEO**

VI. CORPORATE GOVERNANCE STATEMENT

The Objects of the Salaries and Remuneration Commission, other Commissions and the independent offices are stipulated under Article 249 of the Constitution of Kenya, 2010. In fulfilment of the objects, the Commissioners assume the ultimate responsibility in ensuring that the Commission is accountable to the public and complies with the highest standards of corporate governance.

The Commission believes in embracing Corporate Governance through creation of the right corporate culture and values. The Commission exercises due care in ensuring that the management of the Commission affairs is carried out in the best interest of the government and the public. The Commissioners and the management possess a range of requisite skills, qualifications and experience to manage the Commission and work in compliance with the provision of Chapter Six of the Constitution of Kenya 2010.

Responsibilities

In recognition of their ultimate responsibility on the Commission affairs, the commissioners' focal point to guide their decisions and actions is based on a foundation of good governance, and on the Commission's core values which are integrity, objectivity, accountability and transparency and teamwork.

The roles and responsibilities of the Commissioners include but not limited to the following:

- Formulation and approval of the Commissions vision, mission, core values, strategy and work plans;
- Approval of annual budget and the final financial statements; and
- Approval of operational policies and manuals.

Role of the Chairperson

The Commission is chaired by the Chairperson who is appointed by the President of the Republic of Kenya in accordance with provisions of Article 230 (2) of the Constitution and Section 4 of the Salaries and Remuneration Act, 2011.

The Chairperson is responsible for the overall Commission leadership and its effectiveness; ensures that key tasks of the Commission are properly understood by the Commissioners and the Secretariat; and assumes overall responsibility for all the Commission decisions, severally with other Commissioners.

Role of the Commission Secretary

The Commission Secretary is appointed by the Commission in accordance with Section 16 of the Salaries and Remuneration Act, 2011. The Commission Secretary doubles as the Secretary to the Commission and the head of the Commission Secretariat. The Commission Secretary is responsible for the overall leadership and day-to-day management of the Commission's operations; efficient and effective management of the secretariat; performance management, operational controls, ethical conduct, and good corporate governance.

Commission Structure and Composition

The Commission is composed of the Chairperson, ten members, who are all appointed by the President of the Republic of Kenya and three ex- officio members who are representatives of the Government ministries.

Reports and Financial Statements for the year ended June 30, 2017

Functions of the Commission are carried out under a defined structure made up of the Full Commission, defined and or ad hoc Committees which facilitate the discharge of the Commission's mandate. The Committees assist the Commission in its responsibilities and obligations in ensuring that there are independent oversights of internal controls and risk management.

Commissioners' Remuneration

The Commission and its Committees meet regularly in accordance with annual schedules. All Members of the Commission are paid a sitting allowance for the meetings they attend up to a maximum of 8 meetings per month. In this financial year, members were also paid task force allowance for meetings attended on Job Evaluation for the public sector carried out during the year under review. The Job Evaluation Project is expected to be completed in 2017/18 Financial Year. The Chairperson of the Commission and the members, with exception of three ex-officio members who are representatives of Government institutions, are also paid a monthly retainer through the consolidated fund by The National Treasury. The retainer, and allowances paid out of consolidated fund are not recognized in these financial statements.

The Commission meetings and Commission Committees

During the year, the Commission held thirty four meetings and committee meetings as reflected in the table below.

No.	Name	COMM.	ARC	SASE	GIPE	CS	LEG
1	Mrs. Sarah J.C. Serem, EBS	29	N/a	N/a	N/a	N/a	N/a
2	Mr. Daniel O. Ogutu, MBS	25	N/a	N/a	16	15	N/a
3	Mrs. Sellestine A.M. Kiuluku, MBS	23	N/a	N/a	10	9	1
4	Mrs. Jacqueline Mugo, MBS	19	N/a	N/a	15	6	7
5	Mrs. Serah N. Kinyua, HSC	32	2	13	N/a	2	N/a
6	Mr. Jason A.N. Namasake, MBS	29	1	14	N/a	8	10
7	Mr. John Gechaga	16	N/a	N/a	11	8	N/a
8	Mr. Njee Muturi/Ms. Christine Agimba	9	3	N/a	12	N/a	N/a
9	Mr. Isaiah Kubai, MBS	27	9	N/a	16	N/a	4
10	Mr. James Maina Muhoro, OGW	31	2	N/a	17	N/a	1
11	Mrs. Anne E. Owuor, HSC	30	10	14	N/a	2	N/a
12	Brig. (Rtd) Samuel N. Kirugi, MBS	30	11	11	N/a	5	3
13	Hon. Peter Oloo Aringo, EGH	28	N/a	10	N/a	16	N/a
14	Dr. Kamau Thugge EBS/Mr. Francis Anyona	14	2	8	N/a	2	N/a
TOTAL Meetings Held		34	11	15	19	19	3

KEY:

COMM.	-	Commission/Plenary meetings
ARC	-	Audit, Risk and Compliance Committee
SASE	-	Social, Agriculture, Security and Environment Committee

GIPE	-	Governance, Infrastructure, Public Administration Energy Committee
CS	-	Corporate Services Committee
LEG	-	Legal Committee
N/A	-	Not applicable, the Commissioner is not a member of the Committee

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

The membership and chairmanship of the Commission Committees is regularly reviewed by the Commission, which is responsible for filling any vacancies. The Commission is cognizant that members collectively have sufficient qualifications and experience to fulfil the duties of the respective Committees. The elected Chairpersons appraise the Full Commission meetings of their activities on a regular basis through oral and/or written reports. The Agenda items for the Commission meetings are set in consultation with the Chairpersons of the Committees.

A. Audit, Risk, and Compliance Committee

The Audit, Risk and Compliance Committee was chaired by Commissioner Isaiah Kubai during the year under review. Other Members were Mrs. Serah Kinyua, Dr. Kamau Thugge, Mr. James Muhoro, and Mrs. Anne Owuor, Mr. Jason Namasake, Brig. (Rtd) Samuel Kirugi and Ms. Njee Muturi. The mandate of this Committee is to examine internal and external audit reports, review the Commission's financial statements, risks and internal controls and compliance.

The Committee had eleven meetings during the year under review.

B. Corporate Services Committee

The Corporate Committee was chaired by Commissioner Oloo Aringo. Other Members were Mr. Daniel Ogutu, Mrs. Sellestine Kiuluku, Mrs. Jacqueline Mugo, Mr. John Gechaga, Njee Muturi and Serah Kinyua.

The mandate of this Committee includes but is not limited to, providing oversight and governance on issues pertaining to administration, human resource management and Financial services. The Committee held nineteen (19) meetings during the year under review.

C. Public Administration, Infrastructure, Governance and Energy Sectors (GIPE) Technical Services Committee

The GIPE Committee was chaired by Commissioner Daniel Ogutu during the year. The other members are Sellestine Kiuluku, Isaiah Kubai, Jacqueline Mugo, James Muhoro, Njee Muturi and John Gechaga. The committee is in charge of reviewing remunerations submissions from institutions within the Public Administration, Infrastructure, Governance and Energy Sectors. The Committee held nineteen (19) meetings during the year under review.

D. Social, Agriculture, Security, and Environment (SASE) Technical Services Committee

The SASE Committee was chaired by Commissioner Anne Owuor during the year. The other members are Brig. (Rtd) Samuel Kirugi, Dr. Kamau Thugge, Serah Kinyua, Hon. Oloo Aringo, and Jason Namasake. The committee is in charge of reviewing remunerations submissions from

institutions within Social, Agriculture, Security and Environment Sectors. The Committee held fifteen (15) meetings during the year under review.

E. Legal Committee

The Committee was chaired by Commissioner Namasake during the year. The other members are Mr. Njee Muturi, Mrs. Jacqueline Mugo, Mrs. Ann Owuor, and Mr. Isaiah Kubai. The Committee held eleven meetings during the year. The Committee deliberated on legal matters touching on the Commission's mandate and made recommendations to the Commission. The mandate of this committee is to deliberate on legal issues touching on the Commission mandate and report to the Full Commission.

Job Evaluation (JE) Task Force Committees

The job evaluation task force committees were constituted during the year 2014/15 to oversee the job evaluation exercise. It was established in recognition of the fact that due to the fact that the JE exercise was not only complex and enormous but also that it entailed activities that were over and above the normal Commission activities of remuneration review. The committees will automatically terminate when the exercise is complete. The job evaluation exercise was envisaged to end by the end of the financial year 2017-2018

Statement of Compliance and Conflict of Interest

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

Code of Conduct

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

Risk Management

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

Risk Management Structure and Roles

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

Role of the Audit Committee

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

Role of Internal Audit and Risk

In addition to the implementation of risk management framework, the Commission has an independent internal audit and risk department whose function is to provide independent assurance to the Commission and management through structured audits, reviews, testing and other techniques, carrying out risk based audits, reporting on effectiveness and efficiency of risk management process as well as reporting on Commission's compliance with the risk policy. Continuous risk assurance audit were conducted during the year to review the Commission's risk status. A review of the strategic and operational risk registers was undertaken.

Role of Management Team

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

Risk Categories

The Commission has identified and categorized risks as follows:

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

Risk Training and Awareness

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

VII. MANAGEMENT DISCUSSION AND ANALYSIS

1. Strategic Direction

The first strategic plan (2013/2014 -2017/2018) for SRC was published in August 2013. It is the primary planning tool that provides a framework within which the Commission has developed its strategies, objectives, activities and expected output/outcome. The strategic plan articulates the vision, mission and core values of the Commission. The strategies and output/outcome that the Commission hope to achieve are anchored on the thematic areas of policy and legal framework; remuneration and benefits management; compliance; institutional capacity; corporate image and stakeholder engagement.

2. Operational Performance Analysis

The Activities that were implemented by the Commission cut across five thematic areas. The strategic themes are the key performance areas in which the Commission prioritize to excel at in order to achieve its mandate and deliver value to customers. The Commission themes are grouped in the following categories:

- (i) Policy and legal framework;
- (ii) Remuneration and benefits;
- (iii) Compliance;
- (iv) Corporate image and stakeholders' engagement; and
- (v) Institutional capacity.

The following were the activities that were identified for implementation during the financial year and were successfully carried out:

(a) Job evaluation for public service

During the period under review the Commission planned to finalize Job Evaluation for entire public service. This targeted completion of job evaluation exercise for the seven sectors, development and communication of grading and remuneration structure for the public service. In addition, the Commission was to complete the salary survey for two outstanding sectors covering Public Universities, Research and Tertiary Institutions (PURTI) and Disciplined Services (DISC) sectors, and to ensure harmonization of Job Evaluation results for all the seven sectors.

In light of the above, the Commission undertook job evaluation for the entire public service excluding National Intelligence Service, Parliamentary Service Commission, and Judicial Service Commission. Job evaluation clinics were held for all institutions, during which the Commission Organized a presentation on draft results and one-on-one engagement with the various institutions on their grading results. Feedback from the institutions were processed and final grading structures for various institutions were communicated. A salary survey was also undertaken for the two sectors of DISC and PURTI. Harmonization of job evaluation results and subsequent salary structures for the entire public service is still ongoing.

(b) Advisories and Circulars

The Commission continued to advice and review remuneration and benefit for the public service. 110 Advisories and Circulars were issued. All Advisories and circulars are continuously uploaded on the SRC website (www.src.go.ke). This was for the purpose of easing access to the circulars by the public

(a) Research and Development

The Commission carried out the following research and development activities during the review period:

(i) Review of Remuneration and Benefits Structure

The Commission undertake a comparative survey on remuneration and benefits for state officers in comparable economies in the World. The outcome of the findings informed the review of salary and benefits structure for state officers, which was gazetted in July 2017.

(ii) Other Research Activities

The Commission developed five research papers/briefs targeting a comprehensive research on private and public teaching sector pay differentials; study on determination of local Per Diem rates across Kenya; Review of Gratuity for State Officers and a paper on Comparative Analysis of Doctors' Remuneration. The preliminary findings were used to advice on Doctors' pay structure and per diems.

(iii) Quantitative/Wage Bill forecasting model

The process of developing a quantitative model began in FY2015/16. The Objective was to have an objective way of projecting wage Bill for the Public Sector. The World Bank provided the technical support for the project. During the year, twenty technical staff drawn from the Commission, Teachers Service Commission (TSC), National Treasury, Nairobi County Public service Board, and Public Service Commission were trained on wage forecasting model at the World Bank. A Draft Pay policy manual and pay data collection template was developed and a draft wage bill forecasting model was piloted with data from TSC, Public Service Commission and County Governments.

(iv) Productivity reports/indices

The Commission created a technical inter-agency committee and liaised with Productivity Centre of Kenya (PCK) to develop productivity indices for two pilot sectors targeting Education, Health and Governance. In this regard, two consultative workshops were held with relevant stakeholders brainstormed on the whole concept of productivity measurement in the public sector. A template for data collection was developed for piloting.

(b) Compliance

The Compliance function monitors how the Commission's circulars and advisories are implemented in the public service. During the year, the Commission continued to upload all SRC circulars on the website for ease of access by all interested and concerned parties. The Commission also carried out compliance checks in eighteen County Governments and compiled a status report.

The Commission also collaborates with other oversight institutions on implementation and enforcement of SRC advisories and guidelines. During the year the Commission signed a memorandum of understanding with Controller of Budget, Commission on Revenue Allocation and Office of the Auditor General.

(c) Training and Development

Five Commissioners trained on Audit and effective human resource management. A total of 44 members of staff from the Secretariat were trained out of which 32 were trained on minute writing at Kenya School of Government, and seven benefited from Continuous Professional Development workshops.

3. Financial Performance Analysis

(a) Revenue

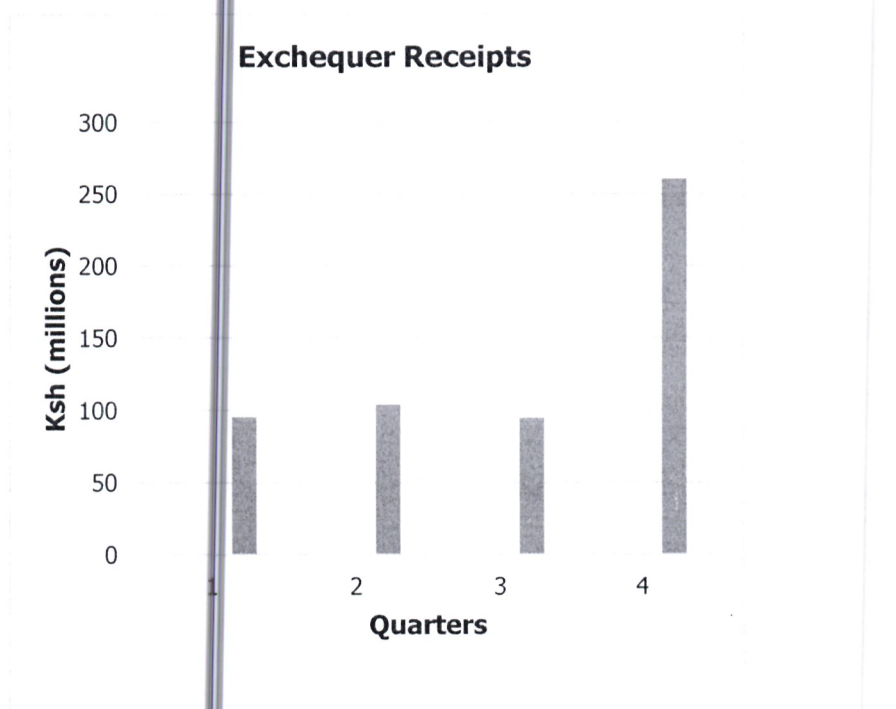
In the Financial year 2016-17, the Commission had a total revised budget of Ksh **Kshs.556.3M** made up of **Kshs.532.9M** as per the printed estimates and an additional **Kshs.23.4M** in supplementary II estimates, representing a **4.4%** increase over the original budget. In the financial year 2015-16 the commission had a budget of **Kshs.970.3M**. This represent a budget shortfall of **43%** in the year under review

The Commission received a total exchequer receipts amounting to **Kshs.555.6M** representing **99.8%** of the total annual revised estimates (**Kshs.556.3M**). This translated to 44.7% decline in exchequer receipts compared to **Kshs.970M** received in a similar period of 2015/16.

The Commission is solely financed by exchequer releases from the National Treasury. The amounts were released to the Commission on a quarterly basis, with the highest amount of **Ksh 260.6M** (50%) being released in the last quarter, as shown in the table 1 below;

Table1: Statement of Receipts of Revenue Estimates from the National Treasury

Quarter	Q1	Q2	Q3	Q4	Total
Ksh (million)	95.7	104.3	95.0	260.6	555.6



(b) Expenditure

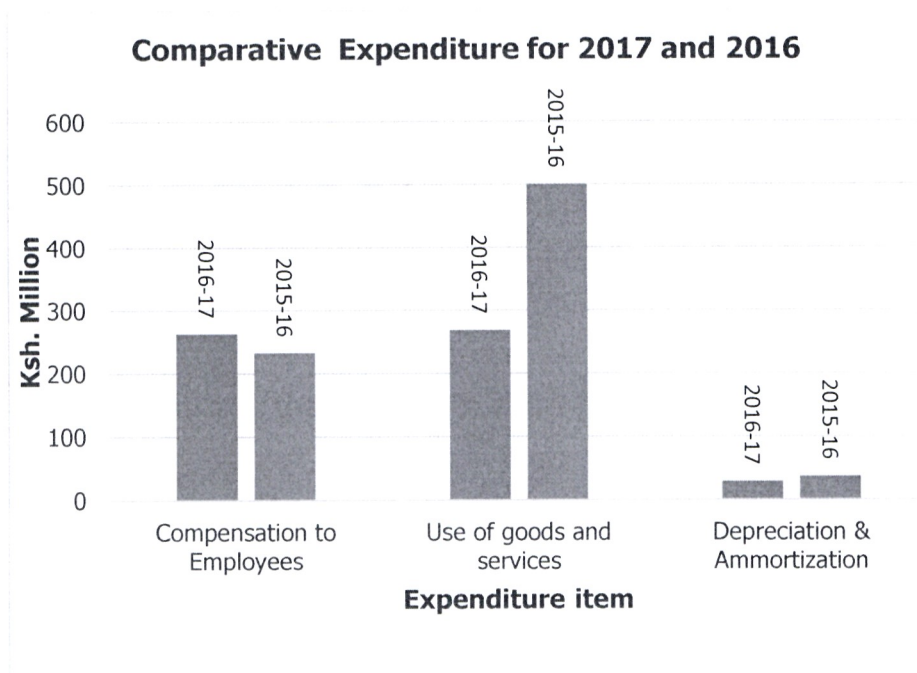
The Commission incurred **Kshs.561.6M** in total expenditure and provisions for the year under review compared to **Ksh 771M** for the previous year. Of the **Kshs.561.6M**, **Kshs.263.4M** was spent on compensation to employee, **Kshs.269M** on use of goods and services and **Ksh29M** on depreciation of assets.

The Commission’s expenditure of **Kshs. 561.6** against the revenue of **Kshs.555.6M** as at 30th June, 2017 reflected a net loss of **Kshs.5.8M** compared to a surplus of **Ksh 198.9M** in the year ended June 30, 2016.

The table below represents the comparative expenditure levels for the two financial years

Table 2 : Comparative expenditure items for 2016-17 and 2015-16

Expenditure Item	2016-2017	2015-2016
	Ksh Million	Ksh Million
Compensation to Employees	263.4	233.2
Use of goods and services	269.0	500.6
Depreciation & Amortization	29.2	37.3
Total	561.6	771.0



The major drop in the use of goods and services from the previous year was as a result of high expenditure on consultancy services for job evaluation exercise. In 2015-2016, the Commission undertook job evaluation for the five of the seven sectors as compared to two sectors in the year under review.

(c) Budget Performance

Budget performance for the FY 016-2017 was **95.6%**, indicating an improvement compared to the last FY 2015-16 which was **77.9%**

Table 3 : Overall SRC Budget performance for the FY 2016/17 in comparison to FY 2015/16 (Kshs.millions)

	FY2015- 2016			FY 2016-2017			
	Budget	Expend.	Absorb.	Budget	Expend.	Absorb.	% Growth
Compensation	215.8	215.0	99.6%	234.1	232.9	99.5%	0.66%
Use of Goods	754.5	540.9	71.7%	322.3	298.0	92.5%	(10.6%)
Gross	970.3	755.9	77.9%	556.3	530.9	95.4%	(10.4%)

d) Comparison of material variance

During the financial year the following expenses items had material change in comparison to the prior year:

- i. **General Expenses** – was **Kshs.121,730,840** for the year under review versus **Kshs. 180,389,908** for the FY 2015-16, resulting to a reduction of **Ksh 58,659,067**

Major variances were observed in the following components of the general expenses:

Expense item	2016-17 Kshs.	2015-16 Kshs.	Explanations
Domestic Travel & Subsistence	20,007,673	46,585,255	The Commission undertook job evaluation of five sectors in the FY 2015-2016 as compared to two sectors in the FY 2016-2017 hence drop in the travel costs
Rent and Rates	31,324,350	42,075,178	Reduced as a result of closure of the Commission additional offices which had been rented to accommodate consultants during job evaluation in the FY 2015-2016
Board committees, conferences & seminars	33,752,855	53,609,451	Reduced as a result of reduced activities on job evaluation requiring conference and seminars in the year under review

- ii. **Contracted services** – Was **Kshs. 87,325,015** for the FY 2016-17 versus **Kshs 260,435,207** for the FY 2015-2016 resulting to a change of **Kshs.173,110,192.**

Major variances were observed in the following components of the general expenses

Expense item	2016-17 Kshs.	2015-16 Kshs.	Explanations
Contracted Professional services	77,212,809	245,214,705	The Commission undertook evaluation of five sectors in the FY 2015-2016 as compared to two sectors in the FY 2016-2017 hence drop in the consultancy fees
Legal Dues/fees, Arbitration	6,973,443	12,126,423	The commission incurred increased legal fee in the FY 2015-16 compared to 2016-17 as a result of the five sectors of job evaluation in the prior year compared to sectors in the year under review.
Board committees, conferences & seminars	33,752,855	53,609,451	Reduced as a result of reduced activities on job evaluation requiring conference and seminars

REPORT OF THE COMMISSIONERS

Members of the Commission submit their annual report together with the audited financial statements for the year ended June 30, 2017, which show the state of affairs of the Commission.

Principal activities

The principal activities of the Commission continue to be:

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

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

Results

The results of the Commission financial performance for the year ended June 30, 2017 are set out on pages 1 to 3.

Commissioners

The members of the Commission who served during the year are shown on the pages v to vii

Auditors

The Office of the Auditor General is responsible for the statutory audit of the Commission and in accordance to section 81(4) (a) of the Public Finance Management Act, 2012.


Anne R. Gitau (Mrs.)
Commission Secretary

Date: 14TH SEPT 2017

VIII. STATEMENT OF COMMISSION'S RESPONSIBILITIES

The Public Finance Management Act, 2012 require the Commissioners 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 the financial year and the operating results of the Commission for that year. The Commissioners are also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Commissioners are also responsible for safeguarding the assets of the Commission.

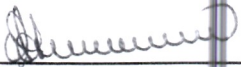
The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2017, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

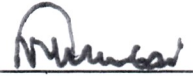
The Commission's financial statements were approved by the Commission on 14TH SEPT. 2017 and signed on its behalf by:



Mrs. Sarah J. C. Serem, EBS
Chairperson



Hon. Oloo Aringo
Commissioner



Isaiah Kubai
Commissioner

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON SALARIES AND REMUNERATION COMMISSION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Salaries and Remuneration Commission set out on pages 1 to 19, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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 Salaries and Remuneration Commission as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

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

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Salaries and Remuneration Commission in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there are no Key Audit Matters to communicate in my report.

Report of the Auditor-General on the Financial Statements of Salaries and Remuneration Commission for the year ended 30 June 2017

Responsibilities of Management and those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

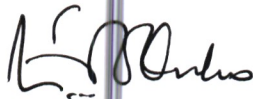
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the sustainability of services 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 Commission's ability to continue as a going concern or 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 Commission to cease to continue as a going concern or 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 Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

20 March 2018

Salaries and Remuneration Commission
Reports and Financial Statements for the year ended June 30, 2017

**IX. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017**

		2016-2017	2015-2016
	Notes	Kshs.	Kshs.
REVENUE			
I Revenue from Non-Exchange Transactions			
Exchequer Transfers	3	555,650,000	08 970,000,000
		555,650,000	08 970,000,000
II Revenue from Exchange Transactions			
Other Income	4	136,146	08 113,156
		136,146	08 113,156
Total Revenue		555,786,146	08 970,113,156
EXPENDITURE			
Employee Benefits	5	263,413,760	08 233,233,363
Board Expenses	6	58,877,179	08 54,787,827
General Expenses	7	121,730,840	08 180,389,908
Depreciation & Amortization	8	29,162,657	08 37,277,491
Repairs & Maintenance	9	6,306,677	08 5,022,346
Contracted Services	10	87,325,015	08 260,435,207
Total Expenses		566,816,128	08 771,146,142
Surplus/(Deficit) for the year		(11,029,982)	08 198,967,014

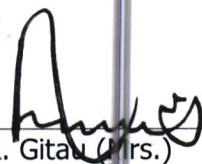
The notes set on pages 7 to 19 form an integral part of these Financial Statements

Salaries and Remuneration Commission
Reports and Financial Statements for the year ended June 30, 2017


**X. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

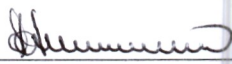
	NOTE	2016-2017 Kshs	2015-2016 Kshs
ASSETS			
Current Assets			
Cash and Cash Equivalents	11	26,915,491 ✓	OB 274,172,895
Receivables From exchange transactions	12	33,946,793 ✓	OB 28,250,545
		60,862,248 ✓	302,423,440
Non-Current Assets			
Property, Plant & Equipment	13a	50,272,705 ✓	OB 76,252,182
Intangible Assets	13b	1,286,628 ✓	OB 3,675,390
		51,559,333 ✓	79,927,572
TOTAL ASSETS		112,421,617 ✓	382,351,012 ✓
LIABILITIES			
Current Liabilities			
Other Payables from Exchange Transactions	15	1,110,336 ✓	OB 2,578,322
Current Employee Benefits Obligation	14b	13,003,205 ✓	OB 3,984,620
		14,113,541 ✓	6,562,942
Non-Current Liabilities			
Non-Current Employee Benefits Obligation	14a	6,446,176 ✓	OB 4,520,302
TOTAL LIABILITIES		20,559,717 ✓	11,083,243
Net current Assets		46,748,744 ✓	295,860,498
Net Assets		91,861,900 ✓	371,267,768
Represented by:			
Equity			
Accumulated Surplus		91,861,900 ✓	OB 371,267,768
		91,861,900 ✓	371,267,768

The Financial statements set out on Pages 1 to 6 were signed on behalf of the commission by:


Anne R. Gitau (Mrs.)
Commission Secretary

Date 14.09.2017


Margaret Njoka
Director, Corporate Services
ICPAK No: 9100
Date 14.09.2017


Mrs. Sarah Serem EBS
Chairperson
Date 14.09.2017

Salaries and Remuneration Commission
Reports and Financial Statements for the year ended June 30, 2017

**XI. STATEMENT OF CASHFLOWS
AS AT 30 JUNE 2017**

		2016-2017	2015-2016
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Exchequer receipts	3	555,650,000	970,000,000
Legal fees refund	18	100,000	-
Insurance compensation	19	93,687	146,160
Commission from Check offs	4	69,868	64,977
Total receipts		555,913,555	970,254,037
Payments			
Employees Costs		261,630,734	213,164,053
Goods and services		179,998,064	415,426,247
Rent paid		29,562,600	29,927,752
Other payments		58,877,179	56,182,986
Total payments		530,068,577	714,701,038
Net cash flows from operating activities		25,844,978	255,552,999
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		466,578	2,797,610
Disposal of items		(2,900)	-
Net cash flows used in investing activities		463,978	2,797,610
Cash flows from financing activities			
Transfer to Consolidated fund		272,638,404	-
Net cash flows used in financing activities		272,638,404	-
Net increase/(decrease) in cash and cash equivalents		(247,257,404)	252,755,389
Cash and cash equivalents at the beginning of the year	11	274,172,895	21,417,506
Cash and cash equivalents at 30 June	11	26,915,491	274,172,895

The Statement of Cash flows for the year was prepared using the direct method, unlike the previous year which was prepared using Indirect method. The comparative figures have been reinstated accordingly

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**XII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2017**

	Accumulated Fund	Total Fund
	Kshs	Kshs
Balance as at 30 June 2015	157,985,703	157,985,703
Prior periods adjustments	14,315,051	14,315,051
Surplus/(Deficit) for the Year	198,967,014	198,967,014
Balance as at 30 June 2016	371,267,768	371,267,768
Prior periods adjustments*	4,262,519	4,262,519
Transfer to consolidated fund	(272,638,404)	(272,638,404)
Surplus/(Deficit) for the Year	(11,029,982)	(11,029,982)
Balance as at 30 June 2017	91,861,900	91,861,900

** Prior period adjustments included the staff leave provision of Ksh 3,904,650 for the financial year 2015/16 reversed in the current year and over depreciation of Ksh 357,869 reversed.*

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XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2017						
	Original Budget	Budget Adjustments	Final Budget	Actual on Comparison Basis	Performance Difference	% difference
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Exchequer receipts	532,940,000	23,400,000	556,340,000	555,650,000	690,000	0.1%
Miscellaneous receipts	100,000	-	100,000	72,468	(27,532)	-28%
Refunds received	-	-	-	193,687	(193,687)	100%
Total income	533,040,000	23,400,000	556,440,000	555,916,155	(468,781)	
Expenses						
Employees Costs	245,730,000	17,600,000.00	263,330,000	261,630,734	1,699,266	1%
Goods and services	203,560,000	606,234	204,166,243	179,998,064	23,561,936	12%
Rent paid	9	(2,400,000.00)	29,600,000	29,562,600	37,400	0%
Other payments	51,750,000	7,593,757	59,343,757	59,343,756	-	0%
Total expenditure	533,040,000	23,400,000	556,440,000	530,535,155	25,298,602	
Surplus for the period	-	-	-	25,381,000	25,767,383	

Budget Notes

1. Explanation of material variance**

- (b) Variance of 28% is due revision of government policy allowing tender documents to be downloaded free of charge
- (c) The variance of 100% is as a result of the refund of legal fees not budgeted for in the financial year under review
- (e) The Variance of 12% is as a result of unpaid consultancy fees due to delay in submission of the deliverable by the Consultants.

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Budget notes continues

1. The difference between the original budget and the final was as a result of reallocation of amounts from rent paid to consultancy services, and additional funds given during supplementary II for the remaining items
2. The total of actual on comparable basis of the following items do not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual) Reconciliations are as under:

a) Employee cost

Balance as per Budget		261,630,733
Add :Gratuity provision	5,644,247	
:Prepaid Medical insurance opening balance	15,723,768	
: Outstanding Leave days provision	4,184,992	25,553,007
Less : Prepaid Medical insurance closing balance	23,769,981	23,769,981
Balance as per the financial statements		263,413,759

b) Goods and services and rent

Balance as per budget		209,560,664
Add :Prepaid insurance opening balance	1,979,218	
: prepaid rent opening	9,152,400	
: Change in Accounts Receivables	371,766	
: Legal Suit provision	5,099,841	16,603,225
Less :prepaid insurance expense closing	1,762,769	
:Prepaid rent Closing	7,390,650	
:Change Accounts Payables Balance	1,647,938	10,801,357
Balance as per Financial Statements		215,362,533

c) Other payments

Balance as per Budget		59,343,757
Less :Fixed Assets purchased	466,578	
Balance as per Financial Statements		58,877,179

XIII. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Compliance and basis of preparation

The Commission's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya Shillings (Kshs.) which is the functional and reporting currency of the Commission and all values are rounded to the nearest cent. The accounting policies have been consistently applied.

The financial statements have been prepared on the basis of the historical cost, except where otherwise stated in the statement of accounting policies below. 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

i) Revenue from non-exchange transactions

Exchequer allocations

The Commission recognizes Revenue from exchequer allocation when the monies are received and 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 the future economic benefits or service potential associated with the asset will flow to the Commission and 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.

ii) Revenue from exchange transactions

Rendering of Services

The Commission recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of tender documents

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Commission.

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b) Budget Information

The original budget for FY 2016-2017 was approved by the National Assembly on July 1 2016. 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of **23.4Million** on the 2016-2017 budget following the National Assembly approval.

The Commission's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. 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.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section XVI of these financial statements.

c) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Commission recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the asset 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 on the assets disposed during the financial year is calculated up to the month of disposal.

It is the policy of the Commission to prorate depreciation on all its non-current assets in the year of purchase and in the year of disposal. The depreciation rate for the various classes of Assets are as under;

Asset class	Rate
Motor Vehicle	25.0%
Office Equipment	33.3%
Computer Equipment	33.3%
Furniture & fittings	12.5%
Intangible Asset	33.3%

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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.

e) Provisions

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

f) Contingent liabilities

Contingent liabilities are possible obligations that arose from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Commission; or a present obligation that arises from past events but is not recognized because:

- i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- ii. The amount of the obligation cannot be measured with sufficient reliability.

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

g) 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.

h) Changes in accounting policies and estimates

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

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i) Employee Benefits

Retirement Benefits Plans

The Commission operates a retirement benefit scheme for all its permanent and pensionable employees. Further an amount equivalent to 31% of basic salary has been set aside as gratuity for all employees on contract. The Commission's contribution towards employee pension scheme and staff gratuity for employees on contract are charged to the statement of financial performance in the year to which the employees rendered their services to the Commission.

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.

k) Related Parties

The Commission regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the Commission, or vice versa. Members of key management are regarded as related parties and comprise the Directors including the Commission Secretary.

The following transactions were carried out with related parties:

	2016-2017	2015-2016
	Kshs.	Kshs.
Key Management Compensations		
i) Salaries and Other short term employment Benefits	22,471,500	29,137,192
Board Remuneration		
ii) Allowances paid to Commissioners	63,089,009	55,474,007
Grants From Related Parties		
iii) Grants from GOK	555,650,000	970,000,000

l) Leases

Leases under which the lessor effectively retains the risks and rewards of ownership are classified as operating leases. Obligations incurred under operating leases are charged against income in equal instalments over the period of the lease

m) 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 Central bank of Kenya at the end of the financial year.

n) Significant Judgements and sources of estimation uncertainty

In preparing the financial statements in conformity with IPSAS, management makes estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities, and the

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related disclosures, presented in the financial statements at the end of the reporting period. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include: leave provision, useful lives and depreciation methods and asset impairment. Notes relating to the subject are included under the affected areas of the financial statements.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Commission based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Commission. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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 based on the assessment of experts employed by the Commission
- ii. The nature of the asset, its susceptibility and adaptability to changes of 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

The various classes of assets, their useful lives and depreciation rate is indicated below

Provision

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

	2016-2017	2015-2016
	Kshs.	Kshs.
Staff Leave Days Provision	4,184,992	3,984,620

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Provisions are recognized when:

- i. a reliable estimate can be made of the obligation.
- ii. it is probable that an outflow of resources embodying economic benefits or service
- iii. potential will be required to settle the obligation; and
- iv. the Commission has a present obligation as a result of a past event;

Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate or reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. Employees' entitlement to annual leave is recognized when it accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up to the amount of the obligation.

3. Exchequer Transfers	2016-2017	2015-2016
	Kshs	Kshs
Exchequer receipts	555,650,000	970,000,000
	555,650,000	970,000,000
 4. Other Incomes		
Sale of tender	-	42,900
Commission on IPPD Check off	69,868	64,977
Gain/(loss) on disposal	66,278	5,279
	136,146	113,156
 5. Employee Benefits		
Salaries and Allowances	207,131,798	190,083,220
Contribution to Pensions	25,719,920	20,816,859
Gratuity provision	5,644,248	1,713,727
Staff Medical Insurance	20,732,803	16,634,937
Staff leave Days Provision	4,184,992	3,984,620
	263,413,761	233,233,363

The cost of all short-term employee benefits is recognized during the period in which the employee renders the related service. The provisions for employee entitlements to salaries and annual leave represent the amount which the organization has a present obligation to pay as a result of employees' services provided as at the reporting date. The provisions have been calculated at undiscounted amounts based on current salary rates.

6. Board Expenses	2016-2017	2015-2016
	Kshs	Kshs
Sitting allowance	51,708,870	45,772,500
Telephone	1,253,775	1,318,665
Travel Expenses	5,914,534	7,696,662
	58,877,179	54,787,827

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	2016-2017 Kshs	2015-2016 Kshs
7. General Expenses		
Domestic Travel Subsistence	20,007,673	46,585,255
Foreign Travel Subsistence	840,218	2,807,469
Communication, Supplies and Services	8,525,806	6,683,221
Printing and advertising	3,863,602	4,792,937
Rent and Rates	31,324,350	42,075,178
Training expenses (including capacity building)	5,211,588	5,195,104
Catering Services	6,427,184	7,113,360
Postage & Delivery	1,665,370	1,549,941
Transport Costs and charges	-	5,000
Insurance	1,979,218	2,545,029
Boards, Committees, conferences and seminars	33,752,855.60	53,609,451
Supplies & Accessories for computers & printers	4,008,802	3,063,904
Fuel oil and lubricants	1,453,113	1,231,220
Specialized Materials and Supplies	43,640	257,138
Office and General Supplies and services	1,727,211	1,687,838
Membership Fees, Dues and subscriptions	898,031	805,063
Parking charges	2,180	382,800
	121,730,840	180,389,908
8. Depreciation and Amortization		
Property, plant and Equipment	26,749,661	34,501,356
Intangible Assets	2,412,997	2,776,135
	29,162,657	37,277,491
9. Repairs & Maintenance		
Motor Vehicles	2,169,445	2,281,315
Property, plant and Equipment	4,137,232	2,741,031
	6,306,677	5,022,346
10. Contracted Services		
Contracted Professional services	77,212,809	245,214,705
Contracted Guards and Cleaning services	3,138,764	3,094,080
Legal fees, Arbitration and compensation	6,973,443	12,126,423
	87,325,015	260,435,207
11. Cash and cash equivalents		
CBK Main operating account	22,940,028	272,186,964
Cash-on hand and in Transit	84,881	1,595,348
CBK Deposit Account	390,583	390,583
CBK Cash 165 Account	3,500,000	-
	26,915,491	274,172,895

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a.) Banks analysis			2016-2017	2015-2016
Bank	Bank A/C No.		Kshs	Kshs
CBK, Nairobi	1000181303	Kshs	22,940,028	272,186,964
CBK Deposit Account	1000182121	Kshs	390,583	390,583
CBK 165 Cash Account	1000182539	Kshs.	3,500,000	-
			26,830,611	272,577,547
12. Receivables				
Staff Travel & Other Imprests Debtors			-	-
Prepayments			32,923,400	26,855,386
Salary Advance			1,023,393	1,395,159
			33,946,793	28,250,545

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13. Non-Current Assets						
(a) Property, Plant and Equipment						
	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Total	
	Kshs .	Kshs .	Kshs .	Kshs .	Kshs .	
2016-2017	25.0%	33.33%	33.33%	12.5%		
Cost/Valuation						
1-Jul-16	22,419,385	46,913,326	13,798,456	76,689,347	159,820,514	
Additions	-	112,500	135,000	219,078	466,578	
Disposals	-	-	(120,000)	-	(120,000)	
30-Jun-17	22,419,385	47,025,826	13,813,456	76,908,425	160,167,091	
Accumulated Depreciation						
1-Jul-16	21,018,174	31,835,603	8,196,439	22,518,117	83,568,332	
Depreciation overcharged 2015-16	-	(333,616)	-	-	(333,616)	
Charge for the Year	1,401,212	11,732,319	4,025,397	9,590,732	26,749,661	
Disposals			(89,991)		(89,991)	
30-Jun-17	22,419,385	43,234,307	12,131,845	32,108,849	110,228,002	
Netbook Value						
1-Jul-16	1,401,212	15,077,723	5,602,017	54,171,230	76,252,182	
30-Jun-17	-	3,791,519	1,681,611	44,799,575	50,272,705	

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(b) Intangible Assets – 33.33%	
Cost.	2016-2017
1 July 2016	8,329,237
Additions	-
30 June 2017	8,329,237
Amortization	
1 July 2016	4,653,867
Depreciation overcharged 2015-16 for the year	(24,254) 2,412,997
30 June 2017	7,042,609
Net Book Value	
30 June 2017	1,286,628

14. Employment Benefits Obligation				
	Opening Bal.	Additional Prov.	Withdrawals	Closing Bal.
14a. Noncurrent Employee obligation				
Staff Gratuity	4,520,301	1,925,875	-	6,446,176
14b. Current Employee obligation				
Gratuity payable 2017-18	-	3,718,373	-	3,718,373
Leave Provision	3,984,620	4,184,992	(3,984,620)	4,184,992
Legal suit Provision	-	5,099,841	-	5,099,841
Total	3,984,620	13,003,205	(3,984,620)	13,003,205
Total provision	8,504,921	14,929,080	(3,984,620)	19,449,381

15. Other Payables from Exchange Transactions

	2016-2017	2015-2016
i) Current-Payables	Kshs.	Kshs.
Local Creditors	335,416	1,752,163
Other Payroll Liabilities	150,838	191,322
Contractors retention	390,583	390,584
Withholding Tax payable	233,499	244,252
	1,110,336	2,578,322

Trade payables represent outstanding payments to suppliers for services consumed. Payroll deductions include amounts outstanding for statutory deductions and co-operative societies.

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ii) Pending Bills

The Commission had pending bills totaling **Kshs.335,416** from its suppliers of goods and services as at 30th June 2017. Details of these Bills and the reasons thereof are as listed in annexure I. All the Commissions pending bills have been adequately provided for in its budgetary provisions and will not require additional funding from external parties.

16. Financial Risk Management

The Commission's activities exposes it to a variety of credit and liquidity risks. The overall risk management programme focuses on the unpredictability of the market and seeks to minimize potential adverse effects on its operations.

The Commission regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practices. Risk management is carried out by the management under the direct supervision of the board of directors.

The board provides policies for overall risk management as well as policies covering specific areas such as interest rate risk, credit risk and liquidity risk.

a) Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Commission.

Credit Risk arises from bank balances, receivables and amounts due from related parties. Although this risk is unlikely to occur in the short term, it is mitigated as follows:

- i. Cash and short-term deposits are placed with well-established financial institutions of high quality and credit standing and also approved by the National Treasury;
- ii. Funds are invested in short-term facilities; and
- iii. The organization does not raise debtors in its ordinary course of business.

Credit risk with respect to accounts receivable is limited due to the nature of the Commission's business and its reliance on government grant as the main source of funding. Market risk is the risk that the value of an investment will decrease due to changes in market factors. The above stated mitigating factors apply to market risk as well.

The amount that best describes the Commission's exposure to credit at the end of the financial year is made up as follows:

	2016-2017	2015-2016
	Kshs.	Kshs.
Cash at Bank	26,915,491	274,172,895
Prepayments	32,923,400	26,855,386
Salary Advances	1,023,393	1,395,159
	60,862,284	302,423,440

All the Commission's receivables are fully performing and are expected to be repaid.

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b) Liquidity Risk Management

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations when they fall due. The Commission's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging the Commission's reputation.

The Commission ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the board of directors.

The amounts that best describes the Commission's exposure to liquidity risk at the end of the financial year is made up as follows.

	2016-2017	2015-2016
	Kshs.	Kshs.
Trade payables all due within 30 days	335,416	1,752,163
Payroll Deductions	150,838	191,322
Provisions	19,449,381	8,504,921
Contractors retention	390,583	390,584
	20,326,218	10,838,990

17. Contingent liabilities/Assets

i. Litigation Case against the Commission by a former employee

The Commission has a litigation case in court relating to the claim by the Former CEO of Kshs 16,519,706 in respect to terminal dues and damages. From this amount, Kshs. 5,099,841 was awarded by the court in the financial year 2016-17 and has been provided for in the Financial Statements. The remaining portion amounting to Kshs 11,419,864 is still under appeal and hence has not been recognized in the books as a contingent liability.

ii. Gratuity payment for employees on contract.

The Commission has not provided for any claims for gratuity payment in respect of employees on contract in its current year operating budget. This is estimated at Kshs. **10.2Million** as at the close of the FY 2016/2017, Included in this is gratuity of Kshs 3.7Million expected to fall due in the first half of the financial year 2017-18. The Commission did not include the arrears in its budget for 2017/2018. In the event of any employee on contracts opts for separation in the course of the year, the Commission faces the possibility of a claim that will require budgetary support over and above its current operating budget 2017-2018.

18. Legal Fees refund

Legal fees refund relates to a refund of Ksh 100,000 that was awarded by the Court to the commission after successfully winning a tender process case against the Complainant whom had sued the Commission.

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19. Insurance compensation

The Insurance compensation of Ksh 93,687 relates to the compensation received from the underwriter for a lost laptop which was insured. The original cost of the laptop was Ksh 120,000 while the accumulated depreciation was Ksh 89,991 as at the time of loss.

20. Comparatives

Prior period comparative information has been presented in the current financial year. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

21. Subsequent Events

There have been no events subsequent to the financial year end with significant impact on the financial statements for the year ended June 30, 2017.

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PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management Comments	Focal Person to resolve the Issue	Status: (Resolved/ Not Resolved)	Time frame:
1	The financial Statements figures had not been reconciled with the IFMIS figures	The differences are as a result of prior years' balances brought forward. Management is working together with the National Treasury to reconcile them	Chief Accountant	Not resolved, In progress	December-2017

Anne R. Gitau (Mrs.)
Commission Secretary


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Mrs. Sarah J. C. Serem, EBS
Chairperson


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