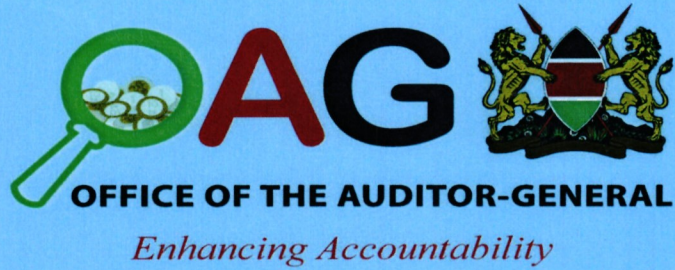


REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 05 NOV 2020

DAY: Thursday

TABLED  
BY:

The Majority Whip  
Hon. Emmanuel Wanjau

CLERK-AT  
THE-TABLE:

Amos MUSA-DU

**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF  
THE AUDITOR-GENERAL**

**ON**

**SALARIES AND RENUMERATION  
COMMISSION**

**FOR THE YEAR ENDED  
30 JUNE, 2019**



Salaries & Remuneration  
Commission  
Rewarding productivity

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## **SALARIES AND REMUNERATION COMMISSION**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019**

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

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## **I. KEY COMMISSION INFORMATION AND MANAGEMENT STAFF**

### **(a) Background Information**

Salaries and Remuneration Commission (SRC) is established under Article 230 of the Constitution of Kenya (CoK 2010) and was operationalized by the SRC Act of 2011. The Commission is domiciled in Nairobi County and has three directorates i.e Directorate of Remuneration Analysis, Directorate of Research, Compliance Policy and Planning and the Directorate of Corporate Support Services.

### **(b) Principal activities of the Commission**

The Mandate of the Commission as provided for in the Constitution of Kenya is 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

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

- 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.

Further our Vision, Mission and Core values are as tabulated below;

<b>1.</b>	<b>Vision</b>	A productive public service that is fairly remunerated
<b>2.</b>	<b>Mission</b>	To set, review and advise on equitable, competitive and fiscally sustainable remuneration and benefits in the public sector through research and analysis
<b>3.</b>	<b>Core values</b>	Fairness Accountability Collaboration Integrity Innovation Transparency

**(c) Key Management**

The day to day management of the Commission is under the following key organs.

- Chairperson and Members of the Commission
- Commission Secretary/CEO
- Directors; and
- Secretariat

**(d) Fiduciary Management**

During the fiscal period to June 30, 2019, 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 Support Services;
3. Mrs. Grace Ogembo - Director, Remuneration Analysis;
4. Dr. David Muthaka - Ag. Director, Research Compliance Policy and Planning

**(e) Fiduciary oversight arrangements**

1. Job Evaluation and Salary Structures Committee;
2. Wage Bill Management Committee;
3. Allowances and Benefits Committee;
4. Audit, Risk and Compliance Committee;
5. Corporate Image and Stakeholder Management Committee;
6. Corporate Support Services Committee; and
7. Legal and Policy Framework Committee.

**(f) Commission Headquarters**

P.O. Box 43126-00100,  
 Williamson House, 6th floor,  
 4<sup>th</sup> Ngong Avenue,  
 Nairobi, Kenya

- (g) Telephone:** +254 2710071/73,  
E-mail: [info@src.go.ke](mailto:info@src.go.ke),  
Website: [www.src.go.ke](http://www.src.go.ke)

**(h) Principal Bankers**

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



**(i) Independent Auditors**



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

**(j) Principal Legal Adviser**



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

**II. CHAIRPERSON AND MEMBERS OF THE COMMISSION**

 <p><b>Mrs. Lyn Cherop Mengich</b></p>	<p>Mrs. Mengich is the Chairperson of the Commission. She is a HR professional and business leader with over 25 years cross-industry experience holding strategic leadership and Board positions in Kenya, East Africa Region and Africa. Her experience spans public, public traded and private sector organizations. Highlights of her experience include; Talent and Change Manager for Shell Oil Products Africa, Regional HR Manager for 11 countries in East Africa Region, HR Director for Barclays Bank, HR Director Kenya Commercial Bank, HR Director for Smith Kline Beecham-East Africa and CEO Nuevo Consulting. She has also held Board positions at Jamii Bora Bank, NSSF and Sovereign Group.</p> <p>Mrs. Mengich is a fellow of the Institute of Human Resource Management - Kenya and holds a Master of Science in Human Resource Management, Executive Development Program from Cornell University, Advanced Management Program from Strathmore Business School (SBS) and IESE Business School in Spain. She has acquired extensive knowledge in Leadership, Governance, Management and Human Resource Management from different development programs in and outside the country.</p>
 <p><b>Hon. Dalmas Otieno, EGH</b></p>	<p>Hon. Otieno is a member of the Commission nominated by Public Service Commission and chairs the Committee on Allowance and benefits of the Commission. He was first elected as the Member of Parliament for Rongo in 1988, and retained the seat until 2017. He served as Minister for Industrialization from 1988 to 1991, Minister for Manpower Planning and Employment (1991), Minister for Transport &amp; Communications (1991-1996), and Minister for Public Service from 2008 to 2013. Hon. Otieno also had the honours to serve as Chairman of the African Ministers of Transport &amp; Communications (1994-1996), and Chairman of the Establishment Committee of RASCOM (1994).</p> <p>Hon. Otieno has served in various Boards and Parliamentary Committees including; Electricity Regulatory Board (1993-1994), Parliamentary Sessional Committee (1993-1996), Parliamentary Public Investment Committee (1996-1997), and Inter-Parties Parliamentary Group (IPPG) Committee on Legal and Constitution Reforms (1997).</p> <p>As the Minister for Public Service, Hon. Otieno spearheaded the establishment of the Salaries and Remuneration Commission. He is also credited with the transformation of the Kenya Institute of Administration (KIA) into Kenya School of Government, a Center of Excellence that offers management training, research, consultancy and advisory services to the Public Sector. It was also during this time he moved retirement age to 60 years; developed the Integrated Payroll and Personnel Database (IPPD), Integrated Records Management System (IRMIS), Government Human Resource Information System (GHRIS), Framework for preparation of Schemes of Service, and Management Guides on Human Resource Planning and Policy Architecture (HRPPA); and established the Civil Servants Medical Scheme and Training Revolving Fund among others.</p> <p>He holds a Bachelor of Science (Applied Economics) from Makerere University, Uganda. He has also undertaken Post Graduate Courses in</p>

	<p>Economics, Insurance and Finance at the University of Nairobi. Hon. Otieno also has the following professional qualifications: Associate of the Chartered Insurance Institute, London; Fellow of the Chartered Insurance Institute by Examination (FCII); and Chartered Insurance Practitioner.</p>
 <p><b>Dr. Leah Mumbua Munyao</b></p>	<p>Dr. Mumbua is a member of the Commission nominated by the Teachers Service Commission (TSC). She chairs the Corporate Image and Stakeholder Management Committee of the Commission.</p> <p>Dr. Mumbua is the immediate former pioneer Director of Academic Affairs (DAA) at the Kenya School of Government (KSG). While serving as the DAA, she strengthened the training by leading teams in the development of capacity building programs for National Government, County Governments and State Corporations for public service transformation. She also strengthened the Consultancy, Research and Advisory mandate of the School by developing policies and procedure manuals for internal capacity of faculty. Dr. Mumbua is an Educationist with 30 years' experience in education management and planning. She has an in-depth understanding and experience in corporate governance, program development, implementation, and review process.</p> <p>Dr. Mumbua possesses remarkable wealth of experience in strategic leadership in specialized training institutions in the public and private sector. While serving as the Director of Kenya Institute School of Management (KIMSOM), she successfully spearheaded the transformation process leading to establishment of the Management University of Africa (MUA), where she served as the pioneer Director Institutional Development and Quality Assurance and Registrar Academic and Student Affairs.</p> <p>Dr. Mumbua holds a Bachelor of Education – Arts (Kenyatta University), Master's Degree in Education Administration and Planning (UoN), Master Degree in Business Administration (Esami Business School) and Doctor of Philosophy - Education Administration and Planning (Catholic University of Eastern Africa), with a focus on quality assurance management. She also holds a Certificate in Global Diplomacy (Diplomacy in the Modern World) from University of London.</p>
 <p><b>Mr. John Kennedy Monyoncho</b></p>	<p>Mr. Monyoncho is a member of the Commission nominated by Defence Council. He chairs the Wage bill Management committee of the Commission. Mr. Monyoncho has over 20 years of experience in senior management in both public and private sector having worked with the Salaries and Remuneration Commission where he rose to Director of Research, Compliance, Policy and Planning. He also worked at Kenya National Bureau of Statistics where he rose to a Technical Manager, Kenya Integrated Household Budget Survey Programme where he was a Logistics and Administration and Research Manager, Nairobi Securities Exchange as an Administration Officer, and in the Ministry of Finance and Economic Planning as a Technical Assistant to the Economic Secretary.</p> <p>Mr. 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).</p>

 <p><b>Ms. Margaret Sawe</b></p>	<p>Ms. Sawe is a member of the Commission nominated by Senate on behalf of the County governments. She has vast experience in the field of Human Resource having worked in various organizations including the County Government of Uasin Gishu as County Executive Committee Member (2013 – 2017), Sian Agriflora Ltd as the Group Human Resource Manager (2009-2013), Chevron (K)/ Caltex, International Committee of the Red Cross (ICRC), and Unga Limited. The achievements she has made in the key organizations she has served in include; improvement of employee relations, development of organizational structures, HR policies and strategies in line with the organizations’ strategic plans, preparing and executing budgets for the HR operations and provide advisory services on HR issues.</p> <p>Ms Sawe is a licensed Human Resource practitioner. She holds a Master’s Degree in Business Administration (UoN), Post Graduate Diploma (Institute of Human Resource Management-IHRM) and a Bachelor Education (Home Economics) Degree from Kenyatta University.</p>
 <p><b>Ms. Nelly Peris Ashubwe</b></p>	<p>Ms. Ashubwe is a member of the Commission nominated by Central Organization of Trade Unions. She chairs the Legal and policy Framework committee of the Commission. Ms. Ashubwe is an Advocate of the High Court of Kenya, and formerly a Managing Partner at Eshiwani Ashubwe and Company Advocates LLP, where she represented clients in high stakes in employment and labour related matters, especially Trade Unions in Kenya. Some of her clients included subsidiary companies of Export Processing Zone (EPZ) such as the EPZ Africa Apparels, EPZ Supra Textiles, EPZ Sunflag, EPZ Alliance Garments, Central Organization of Trade Unions (COTU), Kenya Plantation and Agricultural Workers Union, Kenya County Government Workers Union, Kenya Shoe and Leather Workers Union and Kenya National Union of Nurses (KNUN).</p> <p>Ms. Ashubwe trained as a pupil at J. A. Guserwa and Company Advocates, where she later became an Associate. She is passionate about the rights of children, and has co-authored a book with the Kenya Literature Bureau titled ‘Child Rights and Child Protection (ECDE Diploma)’. In addition, through her law firm, she has trained a number of lawyers who have undertaken their pupillage under her tutelage and guidance.</p> <p>Ms. Ashubwe holds a Diploma in Law from the Kenya School of Law, Law Degree from the University of Nairobi and a Bachelor of Education Degree from Kenyatta University. Ms. Ashubwe has grown to become a mother, mentor, educationist and philanthropist among many things. A gourmet in her own right, her world takes a different trajectory when she engages in culinary explorations.</p>
 <p><b>Dr. Amani Yuda Komora</b></p>	<p>Dr. Komora is a member of the Commission nominated by the Federation of Kenyan Employers (FKE). He chairs the Job Evaluation and salary structure Committee of the Commission. Dr. Komora was previously the General Manager of Human Resources &amp; Administration at Kenya Ports Authority (KPA) having risen from position of Head of Human Resources. He has also worked at KRA, where he rose through the ranks from Graduate Trainee to Assistant Commissioner Human Resources.</p> <p>Some of his notable achievements include: he played a key role in managing the transition from the Anti-Corruption Police Unit (ACPU) to the Kenya Anti-Corruption Commission (KACC) and midwifed the</p>

	<p>transition to the now Ethics and Anti-Corruption Commission (EACC); and he was a Member of the National General Wages Council by the Minister for Labour, Social Security and Services for a Three Year Term under the Labour Relations Act, 2007. Dr. Komora holds a Doctor of Philosophy (PhD) in Human Resources Management, Master of Science (MSc.) in HRM, a Bachelor of Arts Degree (Anthropology/Sociology), and a Higher Diploma from the former Institute of Personnel (IPM), Kenya. He is a member of the Institute of Human Resource Management (IHRM) and serves in the Governing Council of IHRM, and also a Chairman of College of Human Resource Management (CHRM).</p>
 <p><b>CPA Sophie Moturi, MBS</b></p>	<p>CPA. Moturi is a member of the Commission, nominated by the Association of Professional Societies in East Africa (APSEA). She is currently a Trustee of the Kenya Professionals Development Fund of APSEA APSEA and a Board Member at World Youth Alliance - Kenya. She was previously a Board Member in the Public Sector Accounting Standards Board (PSASB) Kenya, a Governing Council Member of the International Leadership University (ILU), Trustee in Micro Enterprises Support Programme Trust (MESPT), Chairperson of the Association of Women Accountants of Kenya, Treasurer and Council Member in APSEA representing ICPAK, member of the Professional Standards Committee of ICPAK and Chairperson of the Nyeri County Executive Audit Committee among others.</p> <p>More so, CPA. Moturi has worked as a Country Director and Finance and Administration Manager for Non-governmental organizations; and for Price Waterhouse as Auditor and Accountant.</p> <p>CPA Moturi holds a Master's Degree in Banking and Finance (Microfinance) and a Bachelor of Commerce (Accounting Option) Degree. She is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Association of Women Accountants of Kenya.</p>
 <p><b>Mr. James Muhoro, OGW</b></p>	<p>Mr. Muhoro is a member of the Commission nominated by the National Police Service Commission. He chairs the Corporate Services Committee of the Commission. Mr. Muhoro holds a Bachelor Degree in Literature in English, Political Science, and Philosophy from University of Nairobi, Kenya. He joined the Civil Service (Provincial Administration) in 1978 rising to the position of District Commissioner. He transferred in 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, 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, MBS**

Dr. Kamau Thugge is currently the Principal Secretary at The National Treasury and represents the Treasury in the Commission. 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.




**Professor Margaret Kobia  
PhD, MGH**

Professor Margaret Kobia is currently the Cabinet Secretary, Ministry of Public Service, Youth and Gender Affairs. Prior, she was the Chairperson of the Public Service Commission (PSC) and Vice Chair Judicial Service Commission (JSC). She is an Associate Professor of Management and Entrepreneurship.

As the Chairperson of the PSC, she provided strategic leadership on policy direction regarding Human Resource Management and Development in the Public Service. Prior to joining the PSC, she was the founding Director General of the Kenya School of Government (KSG). Between 2005 and 2013, she served as the Director/CEO of the Kenya Institute of Administration and made a profound contribution in transforming the institution into a truly modern Management Development Institute (MDI) leading to the Institute's elevation to KSG. Professor Kobia has taught Management, Entrepreneurship and Research Methods at University level. Between 2011 and 2016, Professor Kobia served as the Chief Editor of the refereed African Journal of Public Administration and Management.

In recognition of her distinguished service and contributions to national development, she was awarded the Order of Grand Warrior (OGW), First Class Order of Chief of Burning Spear (CBS) by the President of Kenya in 2007 and 2009, respectively. Professor Kobia was the winner of the Commonwealth Gordon Draper Award 2010 for her strong leadership and outstanding contributions in improving public administration in the Commonwealth. In 2011, she was honoured by the American Biographical Institute for her dedication and contribution to management in the public service. In 2014, she won a regional recognition as Africa's most influential woman in Business and Government awarded by CEO Magazine of South Africa. In 2016, she was awarded the highest Head of State Honours of Moran of Golden Heart (MGH) for her strong excellent leadership in public service.

Professor Kobia sits on a number of Public Sector Management Boards. At the International level, she is a member of the UN Committee of Experts on Public Administration (CEPA), that advises UN Economic and Social Council, the Vice President of the Commonwealth Association of Public Administration Management (CAPAM), a member of International Commission on Accreditation of Public Administration Education and Training Programs and Co-chair

	<p>of the Effective Institutions Platform (EIP). As an active academic, Professor Kobia supervises PhD research students. Her research interests include: Public Sector Reforms, Performance Management Training and Knowledge Management.</p> <p>Professor Kobia holds a PhD Degree in Human Resource Education of the University of Illinois, M.Ed. of Kenyatta University and B.Ed. of the University of Nairobi. She received her 'O' and 'A' level education at Alliance Girls High School.</p>
 <p><b>Kennedy Ogeto, EBS</b></p>	<p>Kennedy Ogeto was admitted to the Bar in 1991 after completing his post-graduate diploma in law at the Kenya School of Law, Nairobi. He has practiced law with several legal institutions including Ogetto Otachi and Company Advocates, and Kilonzo and Company Advocates in Nairobi.</p> <p>Kennedy Ogeto was appointed Solicitor General of the Republic of Kenya in March 2018. Prior to his appointment, Mr. Ogeto distinguished himself as lead defense counsel at the United Nations International Criminal Tribunal for Rwanda, Arusha, Tanzania; United Nations Special Court for Sierra Leone, Freetown Sierra Leone before being admitted to the list of counsel at The International Criminal Court in The Hague, The Netherlands.</p> <p>An accomplished legal expert, Mr. Kennedy Ogeto has written extensively on the defense of international crime suspects. His other areas of expertise include: Commercial and Company Law, Mergers and Acquisitions, and Alternative Dispute Resolution.</p> <p>In December 2016, Mr. Ogeto was awarded the Order of the Elder of the Burning Spear (EBS) by His Excellency the President of Kenya in recognition of his work in the legal field. In 2000, he was appointed to serve for a period of two years as the President of the Association of Defence Attorneys at the United Nations International Criminal Tribunal for Rwanda (ADAD), a responsibility he handled with dedication and diligence.</p> <p>Mr. Ogeto has served as board member for various institutions amongst them the Kenya Ports Authority, Ecobank Limited, and at the Africa Centre for Rights and Governance. He is deeply involved in several charity projects that sponsor the education of children from disadvantaged backgrounds.</p>
 <p><b>Mrs. Anne Rwamba Gitau, MBS</b></p>	<p>Mrs Anne Gitau is the Commission Secretary/CEO. 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 management.</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 Master's 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>

### 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 Master’s 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><b>Mrs. Anne R. Gitau, MBS Commission Secretary/CEO</b></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.</p> <p>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><b>Margaret Njoka Director, Corporate Services</b></p>	<p>Mrs. 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><b>Mrs. Grace Ogembo Director Remuneration Analysis</b></p>	<p>Dr. David Muthaka joined the Commission in 2015 as a Deputy Director in charge of Policy and Planning. He has a Phd in Economics and MA Economics from University of Nairobi, Kenya. He has 18 years of experience that spans a career in Academic and Policy Research, Public Policy Analysis, Planning and Capacity Building. He is currently the Acting Director, Research, Compliance, Policy and Planning. Dr Muthaka worked previously at Kenya Institute for Public Policy Research and Analysis (KIPPRA), where he rose from a Research Assistant to an experienced Public Policy Analyst, spearheading and leading the Health Research Function at the Institute. He has extensive knowledge in Public Expenditure Tracking and Reviews, Social Budgeting, and Review of Policy Frameworks. He was the Project Leader for the Review of Kenya Health Policy Framework 1994-2010, whose findings informed the current Kenya Health Policy, 2012-2030. Dr. Muthaka’s research work has been published widely in journals, book chapters and peer-reviewed publications.</p>
	
<p><b>Dr. David Muthaka Ag. Director, Research Compliance Policy and Planning</b></p>	

#### **IV. CHAIRPERSON'S STATEMENT**

I am pleased to present the Salaries and Remuneration Commission 2018/2019 Annual Report. This report captures highlights of the activities and accomplishments of the Commission for the year ending June 30, 2019. It is worth noting that the period under review coincides with the term of the second Commission and I am pleased to report that the new team has hit the ground running. Indeed, the Commission has since its appointment in September 2018, been engaged in handling the Public Service Job Evaluation appeals, which I am sure you will agree with me is a sensitive matter that requires detailed analysis and tactful approach. I am pleased to report we are on the verge of concluding the issue.

In June 2018, the Commission unveiled its new 2019/20-2023/24 Strategic Plan whose overriding theme is Rewarding Productivity. The five-year Plan has identified five strategic outcomes which are as follows: -

- i. Establish an affordable and fiscally sustainable remuneration and benefits regime;
- ii. Reward performance and productivity in the public service;
- iii. Facilitate equitable and fair remuneration;
- iv. Enable the public service to attract and retain requisite skills; and
- v. Enable the public service to pay equal pay to persons for work of equal value.

The Commission also reviewed its Vision and Mission statements. The new revised Vision statement is *A productive public service that is fairly remunerated* while the Mission statement is *to set, review and advise on equitable, competitive and fiscally sustainable remuneration and benefits in the public sector through research and analysis.*

The Commission is keen to further develop deep expertise and multi-skilling among its staff in remuneration. These will be anchored on data driven analytics and decisions, as well as more efficient customer service in a collaborative environment. The Commission will continue to implement a robust stakeholder engagement with a view to strengthening collaboration, thereby understanding and embracing SRC's advisories.

I would like to thank the members of our hard-working, engaged and committed Commission for their work over the past year. I am very grateful to all of them for their service, leadership and guidance. I would also like to thank the Commission staff for their outstanding efforts and achievements throughout the year in advancing the important work of SRC within the country.



Mrs. Lyn Mengich  
**CHAIRPERSON**

## **V. REPORT OF THE CHIEF EXECUTIVE OFFICER**

The 2018/2019 Financial Year coincided with the appointment of the second team of Chairperson and members of the Commission and lapse of the previous Strategic Plan. The Chairperson and the members were sworn into office on September 26, 2018; and the Commission was engaged throughout the year with a number of key activities including induction, meeting various stakeholders, clearing back log especially on Job Evaluation for Public Service appeals, and coming up with the second Strategic Plan.

During the year, SRC in collaboration with the World Bank, completed the study on Public Wage Bill Management to provide a better understanding of the key wage bill management issues, and provide clear and appropriate policies to strengthen the fiscal affordability of the wage bill, both at the National and County levels. This study will also help in benchmarking Ministries, Departments and Agencies (MDAs) against each other on wage bill policies and practices, and public sector outputs and outcomes.

Further, the Commission developed the 2019/2020 – 2023/2024 Strategic Plan. The goals and initiatives of the plan will guide the Commission in the next five years. The plan also highlights the activities that shall support the five Key Result Areas (KRA) which include: fiscal sustainability of public service wage bill, remuneration and benefits, policy and legal framework, collaborations and partnerships; and institutional capacity.

The Commission also held various consultative meetings with various institutions including the Executive, Parliamentary Service Commission, Public Service Commission, Judiciary, Office of Director of Public Prosecution, Office of Solicitor General, and various Ministries, Constitutional Commissions and Independent Offices, parastatals, development partners among others. This has greatly assisted in building compliance to SRC's advisories.

I would like to thank the Chairperson, members of the Commission and Secretariat for their collective effort in propelling SRC towards meeting its mandate. I am also deeply indebted to our stakeholders at both the National and County Governments, and our Development Partners for the support granted to the Commission which went a long way in enabling the Commission achieve its objectives for the year.



Mrs. Anne R. Gitau, MBS

**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. In fulfilment of the objects, the members of the Commission assume the ultimate responsibility of 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 Public. The members of the Commission and the management possess a range of requisite skills, qualifications and experience to manage the Commission and work in compliance with the provisions of Chapter Six of the Constitution of Kenya.

### **Responsibilities**

In recognition of their ultimate responsibility on the Commission affairs, the members of the Commission's 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 fairness, accountability, collaboration, integrity, innovation and transparency.

The roles and responsibilities of the members of the Commission include, but not limited to the following;

- Formulation and approval of the Commission's 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's leadership and its effectiveness; ensures that key tasks of the Commission are properly understood by the members of the Commission and the Secretariat; and assumes overall responsibility for all the Commission's decisions, severally with other members.

### **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 nominated by various bodies and appointed by the President of the Republic of Kenya and three ex- officio members

who are representatives of the Government ministries. Seven Members of the Commission representing various bodies were gazetted on 11<sup>th</sup> September 2018. Two representatives from Parliamentary Service Commission and Judicial Service Commission are yet to be appointed.

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.

### **Remuneration of the Members of the Commission**

The Commission and its Committees meet regularly in accordance with the monthly schedules. Following the miscellaneous amendment to the SRC Act, eleven (11) Members of the Commission are serving on a full time basis earning a salary from the Consolidated Fund Services (CFS) while the three ex-officials earn a sitting allowance for the meetings they attend up to a maximum of 8 meetings per month.

### **Commission Meetings and Commission Committees**

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 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 of the fact 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.

During the year the Commission had 7 Committees. Their function and membership are discussed below;

#### **a. Wage Bill Management Committee**

The Wage Bill Management Committee was in charge of matters related to national wage bill management to ensure that the total public wage bill is sustainable and preparation of remuneration guidelines towards achieving a sustainable wage bill. It was chaired by Mr. John K. Monyoncho. Members included CPA Sophie Moturi, Ms. Nelly P. Ashubwe, and Mr. James M. Muhoro. The Committee held a total of twenty (20) meetings during the year under review.

#### **b. Job Evaluation (JE) and Salary Structures Committee**

The Job Evaluation and Salary Structures Committee was in charge of the development and implementation of a robust policy framework for JE in the Public Service, developing and supporting implementation of JE guidelines and provide oversight in the review of job evaluation appeals. It was chaired by Dr. Amani Y. Komora, with Dr. Leah M. Mumbua and

Mrs. Catherine Wahome as members. The Committee held sixteen (16) meetings during the year under review.

**c. Legal and Policy Framework Committee**

The Committee was charged with ensuring that legislation, regulations and guidelines are in accordance to the Commission's constitutional mandate and provide guidance on alternative dispute resolution mechanisms among others. It was chaired by Ms. Nelly P. Ashubwe, with Mr. James M. Muhoro, Mr. John K. Monyoncho and Mr. Kennedy Ogeto as members. The Committee held nine (9) meetings during the year under review.

**d. Corporate Image and Stakeholder Management**

The mandate of this Committee was to develop and approve stakeholder engagement strategy with supporting processes to manage communications to stakeholders. The Committee was chaired by Dr. Leah M. Mumbua, with Dr. Amani Y. Komora, Hon. Dalmas A. Otieno, and Ms. Margaret Sawe as members. The Committee held four (4) meetings during the year under review.

**e. Corporate Services Committee**

Corporate Services Committee mandate included, but not limited to, overseeing the development and implementation of the Commission's strategic plan, providing oversight and governance on issues pertaining to administration, human resource management and financial services. It was chaired by Mr. James Maina Muhoro. Members included, Dr. Leah M. Mumbua and Ms. Margaret Sawe as members. The Committee held eleven (11) meetings during the year under review.

**f. Audit, Risk, and Compliance Committee**

The Audit, Risk and Compliance Committee mandate was to examine internal and external audit reports, review the Commission's financial statements, risks and internal controls and compliance. It was chaired by CPA Jane Muthaura. Other members included CPA Sophie Moturi, Dr Kamau Thugge and CPA James Sambu. The Chairperson of the committee CPA Jane Muthaura and CPA James Sambu are independent members and serve on part-time basis. The Committee held seven (7) meetings during the year.

**g. Allowances and Benefits Committee**

The mandate of this Committee was to advise on the allowances and benefits payable in the Public Service and provide oversight in development and make recommendations to the Commission on policy direction on allowances in the Public Service. The Committee was chaired by Hon. Dalmas A. Otieno. The other members included CPA Sophie Moturi, Dr. Kamau Thugge and Ms. Margaret Sawe. The Committee held twenty-two (22) meetings during the year.

During the year, the Commission held a total of one hundred and fifty-one (151) meetings comprising of sixty-two (62) full Commission and eighty-nine (89) committee meetings as reflected in the table below.

**Table1: Commission meetings held in the course of the year**

No.	Name	COMM	WBMC	JE&SSC	L&PFC	CI&SM	CSC	AR&CC	A&BC
1	Mrs. Lyn Cherop Mengich	62	N/A	2	N/A	N/A	N/A	N/A	N/A
2	Hon. Dalmas Otieno, EGH	62	N/A	N/A	N/A	4	N/A	1	22
3	Dr. Leah Mumbua Munyao	61	N/A	16	N/A	4	10	N/A	N/A
4	Mr. John Kennedy Monyoncho	49	20	1	5	N/A	N/A	N/A	N/A
5	Ms. Margaret Sawe	57	N/A	4	N/A	3	9	N/A	20
6	Ms. Nelly Peris Ashubwe	59	18	N/A	9	N/A	7	1	N/A
7	Dr. Amani Yuda Komora	52	N/A	14	N/A	3	N/A	N/A	N/A
8	CPA Sophie Moturi, MBS	60	7	1	3	N/A	N/A	4	19
9	Mr. James Maina Muhoro, OGW	52	20	N/A	9	N/A	11	N/A	1
10	Prof. Margaret Kobia PhD, MGH/ Ms. Catherine Wahome	41	N/A	16	N/A	N/A	N/A	N/A	N/A
11	Kennedy Ogeto, EBS/Ms. Christine Agimba	25	2	N/A	6	N/A	N/A	N/A	N/A
12	Dr. Kamau Thugge EBS/Mr. Francis Anyona	24	N/A	N/A	N/A	N/A	N/A	1	12
<b>Independent Members of the Audit Committee</b>									
1	CPA Jane Muthaura	N/A	N/A	N/A	N/A	N/A	N/A	7	N/A
2	CPA James Sambu	N/A	N/A	N/A	N/A	N/A	N/A	6	N/A
<b>Total Meetings Held</b>		<b>62</b>	<b>20</b>	<b>16</b>	<b>9</b>	<b>4</b>	<b>11</b>	<b>7</b>	<b>22</b>

**Key:**

<b>COMM.</b>	-	Commission/Plenary meetings
<b>WBMC</b>	-	Wage Bill Management Committee
<b>JE&amp;SSC</b>	-	Job Evaluation and Salary Structures Committee
<b>L&amp;PFC</b>	-	Legal and Policy Framework Committee
<b>CI&amp;SM</b>	-	Corporate Image and Stakeholder Management
<b>CSC</b>	-	Corporate Services Committee
<b>AR&amp;CC</b>	-	Audit, Risk and Compliance Committee
<b>A&amp;BC</b>	-	Allowances and Benefits Committee
<b>N/A</b>	-	Not applicable (the Commissioner is not a member of the Committee)

**Statement of Compliance and Conflict of Interest**

Conscious of its responsibilities to members, service providers, suppliers, creditors, employees and society, the Chairperson and Members of the Commission 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 Commission and management's knowledge, 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 member of the Commission 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 Chairperson and Members of the Commission as a whole. In the discharge of their duties, members of the Commission operate within the framework of a collective Commission.

In order to enable the members of the Commission to operate effectively and in the best interest of the Commission, all members observe rules and regulations governing the conduct of Commission as contained in the Commission governance manual.

## **Risk Management**

The members of the Commission 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 members of the Commission provide oversight as well as policy direction in managing risks.

### **a. 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 comprises of the Audit Committee, the management team and a risk Committee at the Secretariat level composed of representatives from each department.

### **b. Role of the Audit Committee**

The Commission has established Committees among them the Audit Committee, whose mandate is to implement and monitor 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.

### **c. Role of Internal Audit and Risk**

In addition to 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 audits were conducted during the year to review the Commission's risk status. A review of the strategic and operational risk registers was undertaken.

**d. Role of Management Team**

The Management team's role in risk management is that of implementing the risk framework established by the Commission. In addition, the management receives and approves the quarterly reports on operational risk management issues, reports any strategic risks identified to the Audit Committee and the Commission.

The management team also approves risk mitigating actions to be taken by the Secretariat's Risk Committee and contributes 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.

**e. Risk Categories**

The Commission has identified and categorized risks as follows;

- Strategic risks: These arise out of the Commission's strategic plan,
- Financial risks: They are associated with the financial aspect of the Commission,
- Operational risks: These are 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.

**f. 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.

## **VII. MANAGEMENT DISCUSSIONS AND ANALYSIS**

### **1. Strategic direction**

The Commission developed and launched a second Strategic Plan during the year. The plan covers the period 2019/20-2023/24 and coincides with the term of the second Commission and, most notably, coincides with the implementation of the Government's Big Four Agenda and the Third Medium Term Plan of Vision 2030. The goals and initiatives of the Strategic Plan will provide guidance for the Commission over the next five years as it develops activities to realize the stated objectives. These activities support the Key Result Areas of "Fiscal Sustainability of Public Service Wage Bill", "Remuneration and Benefits", "Policy and Legal Framework", "Collaborations and Partnerships"; and "Institutional Capacity".

### **2. Operation Performance Analysis**

The activities that were implemented by the Commission cut across five Key Result 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 management;
- (iii) Compliance;
- (iv) Corporate image and stakeholders' engagement; and
- (v) Institutional capacity.

The following were the key activities that were identified for implementation during the financial year 2018/19:

#### **(a) Impact of Wage Bill on Economic Transformation: Kenyan Perspective**

A study on the above topic was carried out. The report highlighted the impact of wage bill on economic transformation in the following aspects: The negative impact of the bloated Government wage bill on sustainability of the country's growth trajectory. The evaluation of the interactions between the growing public sector wage bill and private sector appears to suggest that the latter suffers from insufficient skilled labor supply, pressure to increase wages, higher employee turnover and direct difficulties to compete with public sector. Notwithstanding the adverse short-term macroeconomic effects, there are benefits from government wage bill reform that go beyond the objective of fiscal consolidation. Rationalization of government wages and employment policies can generate favorable labour market effects in the medium to long term through competitiveness and efficiency gains.

#### **(b) Public Wage Bill Management Study Report**

The Commission with support from World Bank undertook Public Wage Bill Management Study in 70 State Corporations and 32 County Governments between 28<sup>th</sup> May and 29<sup>th</sup> June 2018.

The study was undertaken with an objective of establishing the level of the public wage bill and the associated policies and practices that mitigate and/or exacerbate public sector wage bill. The study was done in collaboration with The National Treasury, Council of Governors (COG), Office of the Auditor General (OAG), Commission on Revenue Allocation (CRA), Office of the Controller of Budget (OCOB), Public Service Commission (PSC) and Ministry of Public Service, Youth and Gender Affairs.

The study report was launched on Tuesday, June 18<sup>th</sup> 2019 in Nairobi and was shared with the 47 County governments, 20 Constitutional Commissions and Independent Bodies and 80 State Corporations' stakeholders. Arising from the study, five key areas were identified for urgent attention as follows;

- (i) Harmonization of public sector human resource policies,
- (ii) Automation and integration of payroll management system and regular internal and external payroll audits,
- (iii) Institutionalization and standardization of performance management practices across the public service,
- (iv) Impact evaluation of training, and
- (v) Harmonization of retirement benefits schemes across the public service.

### **(c) Compliance, Monitoring and Evaluation**

The Commission conducts regular compliance checks to track implementation guidelines and advisories issued to public officers. The compliance checks provides institutions with opportunities to share experiences and seek clarification on implementation of the Gazette notices, circulars and advisories. During the year under review, the Commission undertook compliance checks in 67 State Corporations, 32 County Governments (32 executive and 32 Legislative arms) as it undertook the Public Wage Bill Management (PWBM) Study. 32 County specific compliance reports were produced and major highlights incorporated in the PWBS report shared with stakeholders. The study and compliance checks provides information on existing human resource policies and procedures, payroll management, performance management, pension management, and levels of compliance on implementation of SRC's circulars and advisories.

### **(d) House Allowance in the Public Service**

The study was carried out to assess the rental market prices in Kenya to provide information to be used revision of House Allowance in the Public Service.

The rental market prices will assist the Commission in determining the appropriate house allowance rates payable to public servants across towns in Kenya.

### **(e) Advisories and Circulars**

The Commission continued to advice and review remuneration and benefits for the public service, on need basis. All Advisories and circulars are continuously uploaded on the SRC website ([www.src.go.ke](http://www.src.go.ke)). This is for the purpose of easing access to the circulars by the public. Further, the Commission has also continued to receive appeals from Job Evaluation exercise for the public sector from various institutions and has reviewed them.

### 3. Financial Performance Analysis

#### a) Budget performance

The Commission had printed estimate of **Ksh.564.2M** constituting of **Ksh.257.5M** for personnel emoluments and **Ksh.306.7** for use of goods and services at the beginning of the financial year 2018/19. This allocation was reduced by **Ksh.14.3M** during the supplementary I cycle to **Ksh.549.9M**, and a further **66.7M** during supplementary II. This resulted to final approved budget of **Ksh.483.2M**

The above information is summarized in table 1 below:

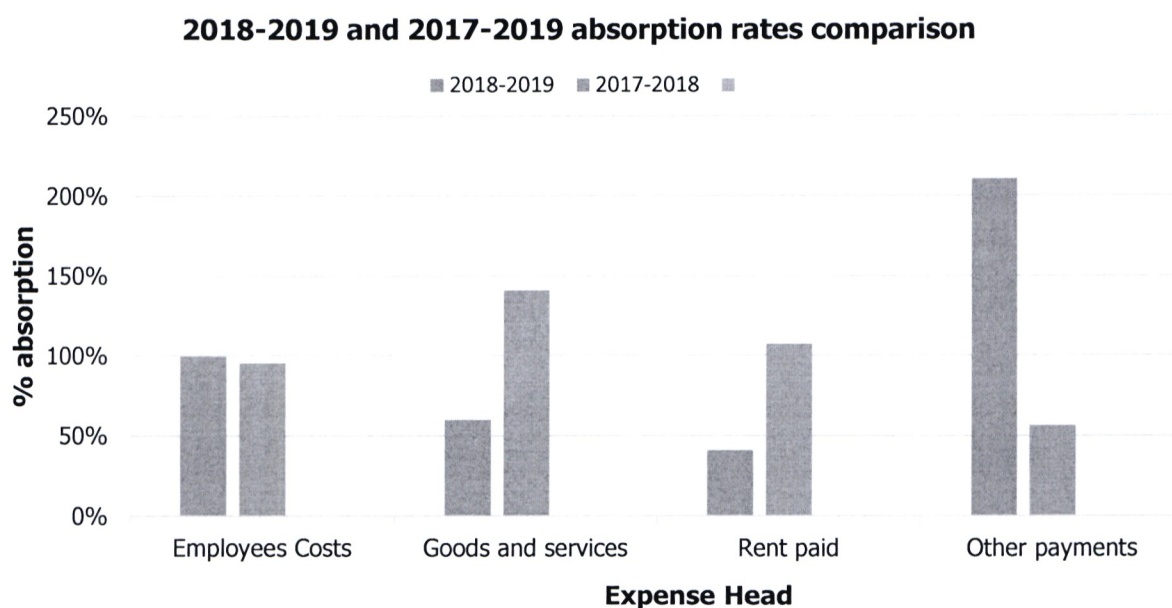
**Table 2: Approved Budget for the FY 2018/19**

Details	Printed Estimates	Supplementary I Estimates	Supplementary II Estimates	Printed Estimates
	Amount in Ksh.			
Personnel Emoluments	257,510,000	-	(40,000,000)	217,510,000
Use of Goods and Services	306,660,000	(14,273,363)	(26,700,000)	265,686,637
<b>Total</b>	<b>564,170,000</b>	<b>(14,273,363)</b>	<b>(66,700,000)</b>	<b>483,196,637</b>

The average budget absorption rate of the Commission for the financial year 2018-2019 was **122%** compared to **88.5%** in the financial year 2017-2018. The comparison of the budget against the actual expenditure for the financial year 2018-2019 and the financial year 2017-2018 is as tabulated below;

**Table 3: Comparison of actual expenditure for the year 2018/19 and 2017/18**

Description	2018-2019			2017-2018		
	Budget	Actual	% absorp.	Budget	Actual	% absorp.
Employees Costs	217,510,000	216,664,313	<b>99.6%</b>	271,760,034	259,563,934	<b>96%</b>
Goods and services	134,126,637	80,257,453	<b>60%</b>	166,595,467	234,982,469	<b>141%</b>
Rent paid	30,000,000	12,317,750	<b>41%</b>	30,000,000	32,261,150	<b>108%</b>
Other payments	101,560,000	213,989,332	<b>211%</b>	50,285,000	28,271,112	<b>56%</b>
<b>Total</b>	<b>483,196,637</b>	<b>523,228,848</b>	<b>108%</b>	<b>518,640,501</b>	<b>555,078,665</b>	<b>107%</b>



**b) Revenues and Expenditure**

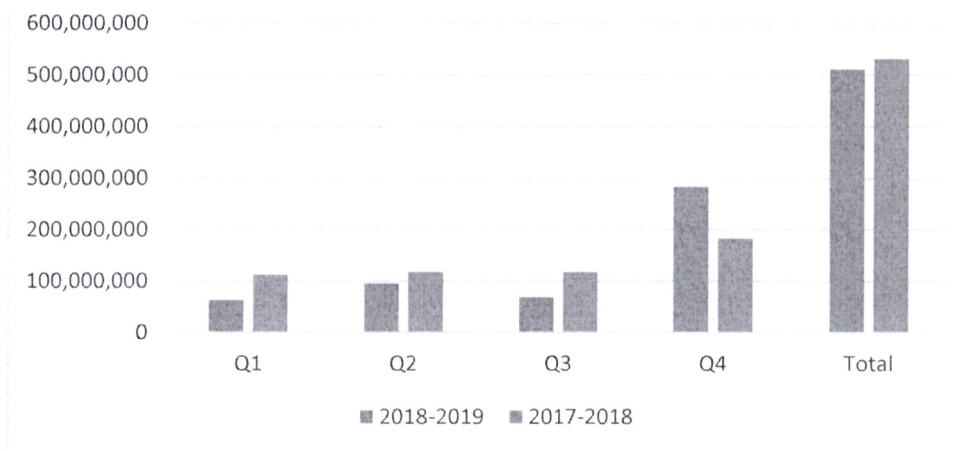
**Revenue**

In the year under review, exchequer receipts amounted to **Ksh. 512.5M** as compared to **Ksh. 533.3** of the previous financial year 2017-2018. This translated to reduction by **Ksh. 20.8M** which is equivalent to **4%**.

**Table 4: Comparable Statement of Receipts of Exchequer from the National Treasury for the FY 2018/19 and 2017-2018 (Amount in Kenya Shillings)**

Period	2018-2019	2017-2018
	Ksh.	Ksh.
Quarter 1	63,556,780	113,059,530
Quarter 2	95,966,550	118,044,950
Quarter 3	69,015,300	118,690,000
Quarter 4	283,968,300	183,535,000
<b>Total</b>	<b>512,506,930</b>	<b>533,329,480</b>

Comparable Exchequer Receipts 2018-2019 and 2017-2018

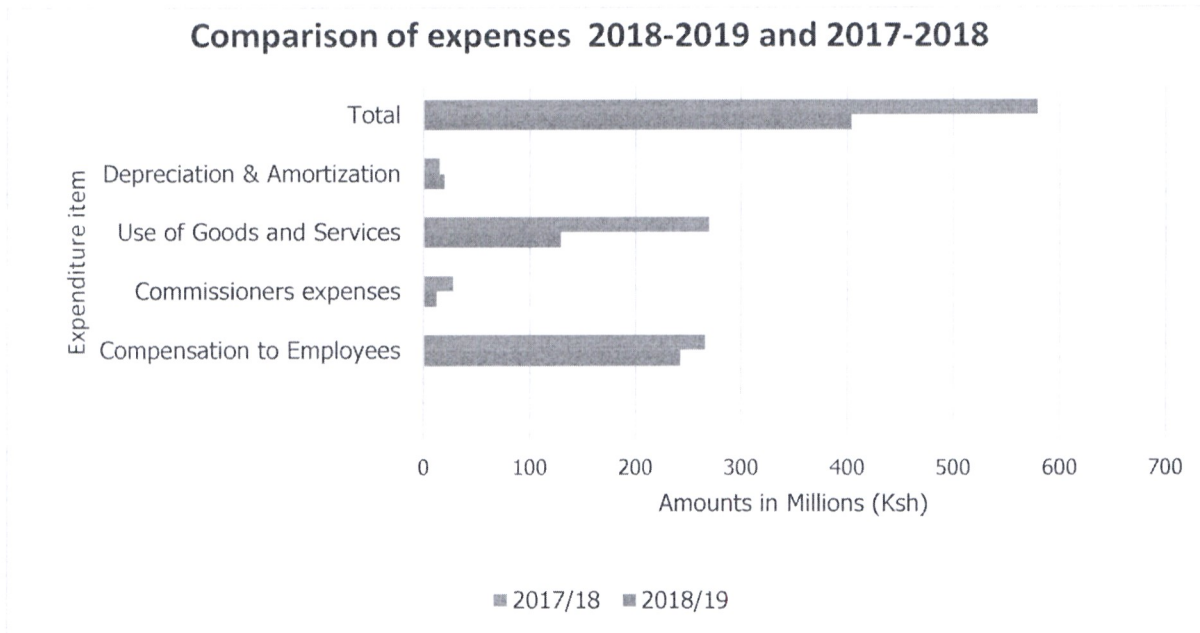


**c) Expenditure**

The Commission incurred **Ksh. 404.3M** in total expenditure and provisions for the year under review compared to **Ksh. 579.4M** in the previous year. Of the **Ksh. 404.34M**, **Ksh. 242.6M** was spent on compensation to employees, **Ksh 12.5M** on expenses for The Chairperson and Members of the Commission, **Ksh. 129.3M** on use of goods and services and **Ksh. 19.9M** on depreciation of assets.

**Table 5: Comparative Expenditure Items for 2018/19 and 2017/19**

Expenditure Item	2018/19	2017/18
	Ksh.	Ksh.
Compensation to Employees	242,611,029	266,313,782
Expenses for the Chairperson and members of the Commission	12,451,922	28,070,612
Use of Goods and Services	129,323,786	269,722,874
Depreciation & Amortization	19,916,171	15,335,559
<b>Total</b>	<b>404,302,908</b>	<b>579,442,827</b>



The Commission reported a surplus of **Ksh. 144M** in the year under review compared to and a deficit of **Ksh. 45.8M** in the previous year. This translated to **415%** increase in surplus.

#### **4. Compliance with the statutory requirements**

The Commission is required to comply with various laws and constitutional provisions which include the Constitution of Kenya 2010, the SRC Act of 2011, Public Finance Management Act, Income Tax Act, NSSF Act and NHIF Act among others

Article 230 (5a-d) of the Constitution of Kenya requires that the Commission while carrying out its mandate, takes into account the principles of fiscal sustainability, attraction and retention of skills required to execute functions, recognition of productivity and performance, transparency and fairness. The Commission has continued to observe the principles while discharging its mandate and functions. These principles were incorporated in the Commission's 1<sup>st</sup> and the 2<sup>nd</sup> Strategic Plan Strategic Themes and hence guided all the decisions of the Commission.

Further, provisions of article 254, (1) of the Constitution and the SRC Act article 21 requires that the Commission prepares a published and publicized annual report and financial statements which should be submitted to the President and the Parliament. The Commission prepared, published and publicized the annual report relating to the financial year 2017-2018 and submitted to the Parliament in the third quarter of the financial year 2018-2019.

The Commission has also adhered to the provisions of the Public Finance Act requirement stipulating that the Commission prepares its financial statements and submit to the Auditor General by the 30<sup>th</sup> of September each year for audit purposes.

The financial statements have always been submitted within the deadlines and the audit carried out and certificate issued by the office of the Auditor General.

Other provisions of the laws such as NHIF Act, NSSF Act and Income Tax Act have also been complied with by the Commission.

### 5. Major risks facing the Commission.

The Commission in preparation of its strategic plan identified and analyzed various potential risks. The Commission further adopted various mitigation measures against the identified risks.

The major risks identified are as follows:

No.	Nature of risks	Description	Risk rating	Mitigation measures
1	Strategic risks	<ul style="list-style-type: none"> <li>• Opposition of some of the Commission’s decisions and programmes by major stakeholders.</li> <li>• Unfavorable economic and political environment affecting the smooth operations of the Commission.</li> <li>• Gaps in the legal framework which interfere with the implementation of the strategic objectives of the Commission.</li> </ul>	Medium	<ul style="list-style-type: none"> <li>• The Commission to invest in public sensitization and stakeholders’ involvement forum at every stage of the strategic programmes implementation.</li> </ul>
2.	Operational Risks	<ul style="list-style-type: none"> <li>• Loss of skilled man power thus interfering with the Commission’s operations.</li> <li>• Inadequate support from major stakeholders and partners in implementation of the Commission’s projects.</li> <li>• Inadequate understanding of the Commission’s mandate by its customer.</li> </ul>	Low	<ul style="list-style-type: none"> <li>• Commission to hire high caliber staff, train and motivate them to improve the rate of retention.</li> <li>• Adequate and regular collaborations and sensitization of stakeholders and partners on the essence of the Commission’s mandate in achievement of National goals</li> <li>• Sensitization of the Commission’s customers on the mandate of the Commission.</li> </ul>
3.	Financial risks	<ul style="list-style-type: none"> <li>• Inadequate funding by the GoK and lack of financial</li> </ul>	High	<ul style="list-style-type: none"> <li>• Continuous engagement with the</li> </ul>

		support by development partners.		National Treasury and development partners for optimal funding of the Commission's activities.
4	Technological risks	<ul style="list-style-type: none"> <li>• Rapid and volatile technological changes.</li> <li>• Information security</li> </ul>	Low	<ul style="list-style-type: none"> <li>• Regular training on technological changes.</li> <li>• Monitoring and implementation of current technology and enhancement of knowledge in cyber security.</li> </ul>

#### Material arrears in statutory and other financial obligation.

The Commission had printed estimate of **Ksh.564.2M** constituting of **Ksh.257.5M** for personnel emoluments and **Ksh.306.7** for use of goods and services at the beginning of the financial year 2018/19. This allocation was reduced by **Ksh.14.3M** during the supplementary I cycle to **Ksh.549.9M**, and a further **66.7M** during supplementary II. This resulted to final approved budget of **Ksh. 483.2M**.

Further, Supplementary II was effected in the last month of the last quarter, the Commission had expended the budget to the tune of **Ksh.523.2M** but had not paid some of the service providers resulting to pending bills totaling to **Ksh. 33.6M** by the close of the financial year, as detailed in the table below

Nature	Amount (Ksh)	Period
Statutory Payroll deductions	9,722,280	June 2019 salaries deduction
Local Creditors	23,828,597	May and June 2019 supplies
<b>Total</b>	<b>33,550,877</b>	

The total of the pending bills will form first charge in the financial year 2019-2020, however they have been accrued in the financial statements as expenses relating to the year 2018-2019 and form part of the expenses reported in the financial statements.

**VIII. REPORT OF THE CHAIRPERSON AND MEMBERS OF THE COMMISSION**

The Chairperson and Members of the Commission submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Salaries and Remuneration Commission’s affairs.

**Principal activities**

The principal activities of the Commission are;

- 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

**Results**

The results of the entity for the year ended June 30, 2019 are set out on page 1 to 19

**Chairperson and Members of the Commission**

The Chairperson and Members of the Commission who served during the year are shown on page iv to x. During the year, the Chairperson and 7 members were appointed with effect from 11<sup>th</sup> September 2018 for a single, non-renewable term of 6 years each.

**Surplus remission**

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Commission remitted **Ksh. 1,401,183** for the FY 2018-19.

**Auditors**

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

By Order of the Commission



Mrs. Anne R. Gitau, MBS  
**Commission Secretary**  
**Nairobi**

Date: ..... 20<sup>th</sup> August 2019

## **IX. STATEMENT OF THE RESPONSIBILITIES OF THE CHAIRPERSON AND MEMBERS OF THE COMMISSION**

Section 81 of the Public Finance Management Act, 2012 and section 23 of the State of the Salaries and Remuneration Commission Act of 2011 require the Commission to prepare financial statements in respect of SRC which give a true and fair view of the state of affairs of the Commission at the end of the financial year/period and the operating results of the Commission for that year/period. The Chairperson and Members of the Commission are also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Chairperson and Members of the Commission are also responsible for safeguarding the assets of the Commission.

The Chairperson and Members of the Commission are responsible for the preparation and presentation of the SRC's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ended on June 30, 2019. 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 entity; (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 Chairperson and Members of the Commission accept responsibility for the SRC's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Salaries and Remuneration Commission Act of 2011. The Chairperson and members are of the opinion that the SRC's financial statements give a true and fair view of the state of Commissions transactions during the financial year ended June 30, 2019, and of the its financial position as at that date. The members 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 Commission to indicate that the SRC 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 SRC's financial statements were approved by the Commission on 20<sup>th</sup> August 2019 and signed on its behalf by:



Mrs. Lyn Mengich  
**Chairperson**



Hon. Dalmas Otieno, EGH  
**Vice chairperson**



CPA Sophie Moturi, MBS  
**Member**

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## **REPORT OF THE AUDITOR-GENERAL ON SALARIES AND REMUNERATION COMMISSION FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Salaries and Remuneration Commission set out on pages 1 to 17, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Salaries and Remuneration Commission as at 30 June, 2019, 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 and Salaries and Remuneration Commission Act, 2011.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

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

### **Basis for Conclusion**

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

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

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 applicable basis of accounting unless Management is aware of intention to dissolve the Commission or to cease operations

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7)

of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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


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

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

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

**30 September, 2020**


**XI. STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Exchequer Transfers	3	512,506,930	533,329,480
Transfer from other Gov't entities	4	35,951,688	-
Other Income	5	66,843	306,144
<b>Total Revenue</b>		<b>548,525,461</b>	<b>533,635,624</b>
<b>EXPENSES</b>			
Employee Benefits	6	242,611,029	266,313,782
Chairperson and Members of the Commission Expenses	7	12,451,922	28,070,612
General Expenses	8	116,274,450	129,848,023
Depreciation & Amortisation	9	19,916,171	15,335,559
Repairs & Maintenance	10	3,706,511	5,899,174
Contracted Services	11	9,342,825	133,975,676
<b>Total Expenses</b>		<b>404,302,908</b>	<b>579,442,827</b>
<b>Surplus/(Deficit) for the year</b>		<b>144,222,553</b>	<b>(45,807,203)</b>

The Notes set out on pages 8 to 18 form an integral part of these Financial Statements

**XII. STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30<sup>TH</sup> 2019**

	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	12	2,594,571	5,042,724
Receivables From exchange transactions	13	26,544,932	27,097,364
		<b>29,139,503</b>	<b>32,140,088</b>
<b>Non-Current Assets</b>			
Staff Mortgage and Car loan fund	14	100,000,000	-
Property, Plant & Equipment	15	123,395,511	36,424,275
		<b>223,395,511</b>	<b>36,424,275</b>
<b>Total assets</b>		<b>252,535,014</b>	<b>68,564,362</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange Transactions	16	33,941,460	624,082
Current Provision	17	4,107,114	4,203,973
		<b>38,048,574</b>	<b>4,828,055</b>
<b>Non-Current Liabilities</b>			
Non-current Provisions	18	15,540,368	13,450,234
<b>TOTAL LIABILITIES</b>		<b>53,588,942</b>	<b>18,278,288</b>
<b>NET ASSETS</b>			
<b>Equity</b>			
Accumulated Surplus		198,946,072	50,286,074
<b>TOTAL NET ASSET AND LIABILITIES</b>		<b>252,535,014</b>	<b>68,564,362</b>

  
 CPA Margaret Njoka  
**Director, Corporate Services**  
 ICPAK Member No. 9100

  
 Mrs. Anne Giteu, MBS  
**Commission Secretary/CEO**

  
 Mrs. Lyn Mengich  
**Chairperson**

Date: 20<sup>TH</sup> August 2019

Date: 20<sup>TH</sup> August 2019

Date: 20<sup>TH</sup> August 2019

**XIII. STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Accumulated Fund</b>	<b>Total Fund</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>1 July 2017</b>	<b>91,861,901</b>	<b>91,861,901</b>
Prior period adjustments	4,231,375	4,231,375
Transfer to Consolidated fund	-	-
Surplus/(Deficit) for the Year	(45,807,203)	(45,807,203)
<b>At 30 June 2018</b>	<b>50,286,073</b>	<b>50,286,073</b>
Prior Period Adjustment *	4,437,446	4,437,446
Surplus/(Deficit) for the year	144,222,553	144,222,553
<b>At 30 June 2019</b>	<b>198,946,072</b>	<b>198,946,072</b>
<b>At 30 June 2018</b>	<b>50,286,073</b>	<b>50,286,074</b>

\*Prior period adjustment relates to staff leave provision for the financial year 2017-18 of Ksh 4.2 Million reversed in the current financial year and 2016-2017 overstated VAT on supplies of Ksh 0.23million corrected in the year under review.

#### XIV. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED JUNE 30 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Exchequer receipts	3	512,506,930	533,329,480
Commission from Check offs	5	66,843	76,024
Insurance compensation		-	191,620
Miscellaneous income		-	38,500
<b>Total receipts</b>		<b>512,573,773</b>	<b>533,635,624</b>
<b>Payments</b>			
Employees Costs		206,942,034	259,563,934
Goods and services		81,772,811	234,982,469
Rent paid		12,317,750	32,261,150
Other payments		12,451,922	28,070,612
<b>Total payments</b>		<b>313,484,517</b>	<b>554,878,165</b>
<b>Net cash flows from operating activities</b>		<b>199,089,257</b>	<b>(21,242,541)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(101,537,410)	(630,226)
<b>Net cash flows used in investing activities</b>		<b>(101,537,410)</b>	<b>(630,226)</b>
<b>Cash flows from financing activities</b>			
Transfer to Mortgage and Car loan fund		(100,000,000)	-
<b>Net cash flows used in financing activities</b>		<b>(100,000,000)</b>	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,448,153)</b>	<b>(21,872,767)</b>
Cash and cash equivalents at 1st July 2019	12	<b>5,042,724</b>	<b>26,915,491</b>
<b>Cash and cash equivalents at 30<sup>th</sup> June 2019</b>	<b>12</b>	<b>2,594,571</b>	<b>5,042,724</b>

**XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference		
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	% Var.	Notes
	Ksh.		Ksh.	Ksh.	Ksh.	Ksh.	
<b>Revenue</b>							
Exchequer receipts	564,170,000	(80,973,363)	483,196,637	512,506,930	(29,310,293)	-6%	(a)
Miscellaneous receipts	-		-	35,951,688	(35,951,688)	-100%	(b)
<b>Total income</b>	<b>564,170,000</b>	<b>(80,973,363)</b>	<b>483,196,637</b>	<b>548,458,618</b>	<b>(65,261,981)</b>	<b>-14%</b>	
<b>Expenses</b>							
Employees Costs	257,510,000	(40,000,000)	217,510,000	216,664,313	845,687	0%	
Goods and services	133,474,000	652,637	134,126,637	80,257,453	53,869,184	40%	(c)
Rent paid	32,000,000	(2,000,000)	30,000,000	12,317,750	17,682,250	59%	(d)
Other payments	141,186,000	(39,626,000)	101,560,000	213,989,332	(112,429,332)	-111%	(e)
<b>Total expenditure</b>	<b>564,170,000</b>	<b>(80,973,363)</b>	<b>483,196,637</b>	<b>523,228,848</b>	<b>(40,032,211)</b>	<b>-8%</b>	
<b>Surplus (Deficit) for the year</b>			-	<b>25,229,770</b>			

**1. Explanation to the Material Variances:**

(a) **Exchequer Receipts (-) 6%** - the variance resulted from the budgetary reduction during supplementary II in the 4<sup>th</sup> quarter after the exchequer had been released by the National Treasury.

(b) **Miscellaneous receipts 100%** -The variance of 100% is as a result of receipts arising from Expenses paid on behalf of the Commission by the National Treasury and Computer equipment transferred from Ministry of ICT to the Commission which were not budgeted for in the financial Year.

(c) **Goods and services 40%** - Resulted from cost saving in routine maintenance for motor vehicles, and partly building and computer equipment that was not spent as a result of delays in procurement process.

(d) **Rent 59%** - resulted from rent for the last two quarters of the year that was not paid as a result of the delays in signing of the lease renewal agreement

**Other payments (-)111%** is as a result of budget of motor vehicles and other capital assets that was given by the National Treasury in supplementary I and later reduced through supplementary II even though the assets had been purchased and payment processed.

**2. Changes between the original and the final budget of Kshs 80.9M** was as a result of budget reduction by the National Assembly of Ksh.**14.3M** and **Ksh.66.7M** during supplementary I and II respectively.

3. The total actual on comparable amounts in this statement and the financial statement amounts for all the expenditure items do not tie due to differences in accounting basis. The budget is prepared and implemented on cash basis while the financial statements are prepared on accrual basis. The differences are majorly caused by the accrued expenses, provisions and prepayments. The differences are reconciled below:

**i) Employee Costs**

<b>Balance as per FS</b>	<b>Notes</b>		<b>242,611,029</b>
<b>Less:</b>			
Accrued Gratuity		2,090,136	
Prepaid medical insurance expenses		19,749,467	
Provision for staff leave days		4,107,113	25,946,716
<b>Balance as per Budget</b>			<b>216,664,313</b>

**ii) Goods and Services**

<b>Balance as per FS</b>			
General Expenses	8	116,274,450	
Repairs & Maintenance	10	3,706,511	
Contracted Services	11	9,342,825	
		<b>129,323,786</b>	
Less Rent Expense		29,691,604	
Adjusted Balance as per FS			<b>99,632,182.22</b>
<b>Less</b>			
Prepaid insurance expensed		2,311,398	
Unpaid expenses		11,381,843	
Expense paid by the NT		5,007,515	
prepaid fuel expense		743,396	
<b>Balance as per budget</b>			<b>80,188,030</b>

**iii) Rent Paid**

<b>Balance as per FS</b>			<b>29,691,604</b>
Less Prepaid rent Expensed		4,927,100	
Less rent accrued for Q3&Q4		12,446,754	17,373,854
<b>Balance as per budget</b>			<b>12,317,750</b>

**iv) Other Payments**

<b>Balance as per FS</b>			<b>12,451,922</b>
<b>Add</b>			
Mortgage and Car loan Fund	11	100,000,000	
Addition of fixed assets		106,887,410	
Assets transferred from Min. of ICT		(5,350,000)	201,537,410
<b>Balance per Budget</b>			<b>213,989,332</b>

## **XVI. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of compliance and basis of preparation**

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

The financial statements have been prepared on a historical cost basis, except where otherwise stated in the statement of accounting policies below. The Cash Flow statement is prepared using the direct method.

### **2. Summary of significant accounting policies**

#### **a) Revenue Recognition**

##### **(i) Revenue from non-exchange transactions-IPSAS 23**

- **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-IPSAS 9**

- **Sale of tender and Commission Revenue**

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. There was no tender sales revenue for the year under review.

#### **b) Budget Information - IPSAS 24**

The annual budget is prepared on the cash basis, that is, all planned costs and income are presented as per the economic line classification to determine the needs of the Commission. As a result of the adoption of the cash basis for budgeting purposes, there are timing differences to include in the reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**c) Intangible Assets - IPSAS 31**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

**d) Provisions - IPSAS 19**

Provisions are recognized when the Commission has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement

**e) Contingent liabilities**

Contingent liabilities are possible obligations that arise 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.

The Commission does not recognize 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.

**f) Changes in accounting policies and estimates- IPSAS 3**

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

**g) Employee Benefits - IPSAS 25**

**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.

#### **h) Related Parties - IPSAS 20**

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:

	<b>June 2019</b>	<b>June 2018</b>
	<b>Ksh.</b>	<b>Ksh.</b>
<b>Key Management Compensations</b>		
i) Salaries and other short term employment Benefits	21,889,200	26,363,260
<b>Board Remuneration</b>		
ii) Allowances paid to members of the Commission	12,451,922	28,070,612
<b>Grants From Related Parties</b>		
iii) Grants from GOK	548,458,618	533,329,480

#### **k) 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.

#### **l) Cash and Cash equivalents**

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

#### **m) Significant Judgements and sources of estimation uncertainty – IPSAS 1**

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 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.

##### **a) Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. 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

**ii) Useful lives and residual values of Non-Current Assets**

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; and
- v. Changes in the market in relation to the asset.

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

<b>Asset class</b>	<b>Useful life (Years)</b>	<b>Depreciation rate</b>
Motor Vehicle	4	25.0%
Office Equipment	3	33.3%
Computer Equipment	3	33.3%
Furniture & fittings	8	12.5%
Intangible Asset	3	33.3%

**iii) Provisions**

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.

<b>Description</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Leave Provision	4,107,114	4,203,973
Gratuity Provision	10,440,527	8,350,391
Legal fees provision	5,099,841	5,099,841
<b>Total</b>	<b>19,647,481</b>	<b>17,654,205</b>

Provisions are recognized when;

- i) A reliable estimate can be made of the obligation;
- ii) Its probable that an outflow of resources embodying economic benefits of service;
- iii) Potential that the Commission will be require to settle the obligation; and
- iv) The Commission has a present obligation a result of past event.

The provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate or reversed if it's no longer probable that an outflow of resources embodying economic benefits or services 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 the employees up to the amount of obligation

**3. Exchequer receipts**

Description	2018-2019	2017-2018
	Ksh.	Ksh.
Quarter 1	63,556,780	113,059,530
Quarter 2	95,966,550	118,044,950
Quarter 3	69,015,300	118,690,000
Quarter 4	283,968,300	183,535,000
<b>Total Exchequer</b>	<b>512,506,930</b>	<b>533,329,480</b>

**4. Transfer from other Government Entities**

Description	2018-2019	2017-2018
	Ksh.	Ksh.
Transfer from National Treasury	30,601,688	-
Transfer from Min. of ICT	5,350,000	-
<b>Total Transfers</b>	<b>35,951,688</b>	<b>-</b>

Transfer from the National Treasury represents the recurrent expenses for the financial year 2018/19 that were paid by the National Treasury on behalf of the Commission as a result of the budgetary reduction during supplementary II, while transfer from the ministry of ICT is as a result of computer equipment that were procured by the Ministry of ICT on behalf of the Commission.

**5. Other Income**

Description	2018-2019	2017-2018
	Ksh.	Ksh.
Tender sale	-	38,500
Commission on check off	66,843	76,024
Gain/(loss) on disposal	-	191,620
<b>Total Other Incomes</b>	<b>66,843</b>	<b>306,144</b>

**6. Employee benefits**

Description	2018-2019	2017-2018
	Kshs	Ksh.
Salaries and Allowances	189,433,144	208,689,408
Contribution to Pensions	25,179,547	26,609,780
Gratuity	2,090,136	2,545,875
Staff Medical Insurance	21,801,089	24,264,746
Staff leave Days Provision	4,107,113	4,203,973
<b>Total employee benefits</b>	<b>242,611,029</b>	<b>266,313,782</b>

**7. Commission expenses**

Description	2018-2019	2017-2018
	Ksh.	Ksh.
Sitting allowance	6,642,000	26,045,000
Telephone	1,618,843	722,090
Travel Expenses	4,191,079	1,303,522
<b>Total Commission expenses</b>	<b>12,451,922</b>	<b>28,070,612</b>

**8. General expenses**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Domestic Travel & Subsistence	17,630,250	14,332,356
Communication, Supplies and Services	7,646,073	6,649,937
Printing and advertising	3,836,843	5,398,866
Rent and Rates	29,691,604	32,261,150
Training expenses	26,522,120	15,754,378
Catering Services	6,173,427	6,193,052
Postage & Delivery	1,014,387	2,401,200
Insurance	2,938,928	1,826,301
Boards, Committees, conferences & seminars	13,740,090	38,372,795
Staff uniforms	313,792.00	9,600
Supplies & Computer accessories & printers	1,117,124	1,942,010
Fuel oil and lubricants	3,347,196	1,215,394
Specialised Materials and Supplies	144,812	12,192
Office and General Supplies and services	1,322,448	2,797,881
Membership Fees, Dues and subscriptions	835,357	680,661
Parking charges	-	250
<b>Total general expenses</b>	<b>116,274,450</b>	<b>129,848,023</b>

**9. Depreciation**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Property, plant and Equipment	19,916,171	14,048,933
Intangible Assets	-	1,286,626
<b>Total depreciation &amp; amortization</b>	<b>19,916,171</b>	<b>15,335,559</b>

**10. Repairs and Maintenance**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Motor Vehicles	1,854,509	2,255,999
Property, plant and Equipment	1,852,002	3,643,175
<b>Total repairs and maintenance</b>	<b>3,706,511</b>	<b>5,899,174</b>

**11. Contracted Services**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Contracted Professional services	4,640,000	130,358,316
Contracted Guards & Cleaning	2,835,160	3,247,140
Legal Dues/fees, Arbitration	1,867,665	370,220
<b>Total contracted services</b>	<b>9,342,825</b>	<b>133,975,676</b>

**12. Cash and Cash Equivalents**

Description	2018-2019	2017-2018
	Ksh.	Ksh.
CBK Main operating account	1,184	2,513,665
Cash-on hand and in Transit	102,804	38,476
CBK Deposit Account	390,583	390,583
CBK Cash 165 Account	2,100,000	2,100,000
<b>Total cash &amp; cash equivalents</b>	<b>2,594,571</b>	<b>5,042,724</b>

Cash and cash equivalents are measured at fair value. The carrying amount approximates fair value due to the short period to maturity. Cash and cash equivalents comprise cash at bank and on hand.

**13. Receivables**

Description	2018-2019	2017-2018
	Ksh.	Ksh.
Staff Travel & Other Imprests	109,200	-
Prepayments	26,337,568	26,904,697
Salary Advance	98,164	192,667
<b>Total Receivables</b>	<b>26,544,932</b>	<b>27,097,364</b>

**14. Mortgage and Car Loan Fund**

Description	2018-2019	2017-2018
	Ksh.	Ksh.
<b>Mortgage and Car loan Fund</b>	<b>100,000,000</b>	<b>-</b>

Mortgage and car loan fund is the fund for the mortgage and car loans to staff scheme. The scheme is managed on behalf of the Commission by the Cooperative bank. The amount of Ksh 100,000,000 was incorporated in the Commission budget for the financial year 2018/2019 and was appropriated in the printed estimates of the same year. The scheme was implemented in the last quarter of the financial year 2018/19.

**15. Property, Plant and Equipment**

	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Total
	25.0%	33.3%	33.3%	12.5%	
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
<b>Cost</b>					
<b>At 1<sup>st</sup> July 2017</b>	<b>22,419,385</b>	<b>47,025,826</b>	<b>13,813,456</b>	<b>76,908,425</b>	<b>160,167,092</b>
Additions	-	8,500	-	192,000	200,500
Disposals	-	-	-	-	-
<b>At 30<sup>th</sup> June 2018</b>	<b>22,419,385</b>	<b>47,034,326</b>	<b>13,813,456</b>	<b>77,100,425</b>	<b>160,367,592</b>
Additions	99,170,175	2,551,190	3,525,000	1,641,045	106,887,410
Disposals	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	<b>121,589,560</b>	<b>49,585,516</b>	<b>17,338,456</b>	<b>78,741,470</b>	<b>267,255,002</b>
<b>Depreciation</b>					
<b>At 1<sup>st</sup> July 2017</b>	<b>22,419,385</b>	<b>43,234,307</b>	<b>12,131,845</b>	<b>32,108,849</b>	<b>109,894,386</b>
Charge for the year	-	2,811,283	1,614,055	9,623,595	14,048,933
Disposals	-	-	-	-	-
<b>At 30<sup>th</sup> June 2018</b>	<b>22,419,385</b>	<b>46,045,590</b>	<b>13,745,900</b>	<b>41,732,444</b>	<b>123,943,319</b>

	<b>Motor Vehicles</b>	<b>Office Equipment</b>	<b>Computer Equipment</b>	<b>Furniture &amp; Fittings</b>	<b>Total</b>
Charge for the year	8,264,181	1,044,302	850,811	9,756,877	19,916,171
Disposals	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	<b>30,683,566</b>	<b>47,089,892</b>	<b>14,596,712</b>	<b>51,489,320</b>	<b>143,859,491</b>
<b>Netbook Value</b>					
<b>30-Jun-19</b>	<b>90,905,994</b>	<b>2,495,624</b>	<b>2,741,744</b>	<b>27,252,150</b>	<b>123,395,511</b>
<b>30-Jun-18</b>	<b>-</b>	<b>988,736</b>	<b>67,556</b>	<b>35,367,981</b>	<b>36,424,275</b>

#### 16. Trade and Other Payables from Exchange Transactions

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Trade payables	23,828,597	-
Other Payroll Liabilities	9,722,280	-
Contractors retention	390,584	390,583
Withholding Tax payable	-	233,499
<b>Total Accounts payable</b>	<b>33,941,460</b>	<b>624,082</b>

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

#### 17. Current Provisions

	<b>Leave provision</b>
	<b>Ksh.</b>
<b>Balance at the beginning of the year</b>	<b>4,203,973</b>
2018-2019 provision	4,107,114
2017-2018 reversal	(4,203,973)
<b>Total provision as at 30.6.2019</b>	<b>4,107,114</b>

#### 18. Non-Current Provisions

<b>Description</b>	<b>Staff Gratuity</b>	<b>Pending Legal Suit accrued</b>	<b>Total</b>
	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh.</b>
<b>Balance at the beginning of the year</b>	<b>8,350,391</b>	<b>5,099,841</b>	<b>13,450,232</b>
Additional provisions	2,090,136	-	2,090,136
Provisions utilized	-	-	-
<b>Total noncurrent prov. at 30.06.2019</b>	<b>10,440,527</b>	<b>5,099,841</b>	<b>15,540,368</b>

In the financial year 2017/18, the legal suit provision amount of Ksh **5,099,841** and part of staff gratuity amounting to Ksh. **1,904,214** were classified as current assets. In the year under review, the same have been reclassified as non-current asset due to their nature of maturing over the period that is longer than one year.

The legal suit provision relates to the amount the court awarded to the former Commission Secretary in the FY 2016/17 for wrongful dismissal. The former CEO has since appealed

against the ruling. The gratuity amount relates to gratuity for the Commission's staff on contractual terms.

The presentation of the Provisions as current and non-current separately as note 17 and 18 respectively has also changed from the previous year. This is to conform to the standard reporting template of FY2018-2019 issued by the Public Sector Accounting Standard Board.

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

## 19. Financial Risk Management

The Commission's activities expose 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 Commission.

The Commission 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 Commission does not raise trade receivables 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;

Description	2018-2019 Ksh.	2017-2018 Ksh.
Cash at Bank	2,594,571	5,042,724
Prepayments	26,337,568	26,904,697
Staff Travel Imprests	109,200	-
Salary Advances	98,164	192,667
<b>Total Credit risk</b>	<b>29,139,503</b>	<b>32,140,088</b>

## 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 Commission.

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

Description	2018-2019	2017-2018
	Ksh.	Ksh.
Contractors retention	390,583	390,583
Withholding tax payable	-	233,499
Provisions	19,647,481	17,654,205
Trade payables	23,828,597	-
Payroll Liabilities	9,722,280	-
<b>Total liquidity risk</b>	<b>53,588,942</b>	<b>18,278,287</b>

## 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, 2019.

## 19. 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.

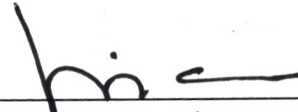
Reference No. on the external audit Report	Issue/ Observations from Auditor
	There was no issue/observation raised by the auditors in the final audit certificate for the year ended 30June 2018

**Guidance Notes:**

- (i) Use the same reference Numbers as contained in the external Audit Report;
- (ii) Obtain the "The Issue/Observation" and "management comments" ,required above, from final external audit report that is signed by management;
- (iii) Before approving the report, discuss the time frame with the appointed Focal Point persons within your Commission responsible for implementation of each issue; and
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



\_\_\_\_\_  
Mrs. Anne Gitau, MBS  
**Commission Secretary/CEO**



\_\_\_\_\_  
Mrs. Lyn Mengich  
**Chairperson of the Commission**