

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

*Paper Laid
By Hon. A. Susate (Lomb)
on Wed. 29.7.2015 (pm)
Mmw*

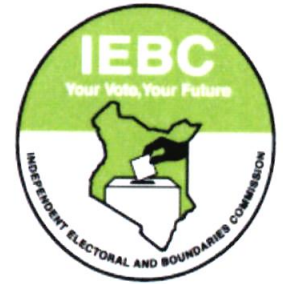


**REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
INDEPENDENT ELECTORAL AND
BOUNDARIES COMMISSION**

**FOR THE YEAR ENDED
30 JUNE 2014**



INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION



Independent Electoral and Boundaries Commission Audited Annual Financial Statements

For the year ended 30th June 2014

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

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LIST OF ACRONYMS AND ABBREVIATIONS

AGM	Annual General Meeting
AIA	Appropriation In Aid
AUEOM	African Union Election Observation Authority
AWEB	Association of World Election Bodies
BVR	Biometric Voter Registration
CBK	Central Bank of Kenya
CEC	Constituency Election Coordinator
CEO	Chief Executive Officer
CS	Commission Secretary
DC	District Commissioner
ELOG	Election Observation Group
EMB	Electoral Management Bodies
EVID	Electronic Voter Identification Device
GOK	Government of Kenya
HR	Human Resource
ICPS	International Centre for Parliamentary Studies
ICT	Information Communication and Technology
ICEA	Insurance Company for East Africa
IDEA	Institute for Democracy and Electoral Assistance
IEBC	Independent Electoral and Boundaries Commission
IED	Institute for Education and Democracy
IFES	International Foundation for Electoral Systems
IPSAS	International Public Sector Accounting Standards
KCB	Kenya Commercial Bank
UNDP	United Nation Development Programme

KEY COMMISSION INFORMATION AND MANAGEMENT

1. Background information

The nature of the Commission's business is to conduct elections of national, county and Constitutional bodies in accordance with national legislation, to ensure that those elections are free and fair, and to declare the results of those elections within a period that is prescribed by national legislation and that is as short as possible.

2. General Information

The Independent Electoral and Boundaries Commission is established by Article 88 of the Constitution of Kenya and is a legal entity.

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

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

Within a period of three months after the end of each financial year, the Commission is required to submit Final Accounts to the Auditor-General and also present its Annual Report to the President and submit the same to Parliament.

3. Key Management

The Commission's day-to-day management for the 2013/2014 financial year was under the following team:

- I. Beatrice Sungura Nyabuto- Ag. Commission Secretary/Commission Secretary
- II. Sellestine Kiuluku - Director Human Resources and Administration
- III. Immaculate Kassait - Director Voter Registration and Operations.
- IV. Decimah M'mayi -Director Research and Development.
- V. Dismas Ongondi – Director ICT
- VI. Anne Njeri Simion – Ag. Director Voter Education and Partnerships.
- VII. Jason Akoyo – Ag. Director Finance
- VIII. Praxedes Tororey – Director Legal Affairs and Public Affairs.
- IX. Abdirahman Bilacha – Director Risk and Compliance

4. Commission Bankers

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

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

5. Commission Auditors

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

6. Commission Headquarters

The registered office of the Commission is
Anniversary Towers, 6th Floor,
P.O Box 45371-00100 G.P.O
Nairobi, Kenya.

7. Principal Legal Adviser

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

THE COMMISSION

	<p>The Chairperson of IEBC is a Law Graduate of University of Nairobi. He has been practicing Law in Nairobi since 1995. Mr. Ahmed is also a Certified Public Secretary of Kenya (CPSK). Mr. Ahmed served as a Commissioner in the Constitution of Kenya Review Commission (CKRC) from 2000 to 2005. In May 2006, he was appointed by the United Nations political office for Somalia (UNPOS) as a legal consultant in the training of Somali Parliamentarians on Constitutionalism and Federalism in Baidoa, Somalia. In June 2006, he was appointed by the President to the Kiruki Commission of Inquiry to inquire into the activities of Artur Margaryan and Artur Sargasyan. He also served as a legal consultant for UNDP Somalia for the Somalia Constitution Making Project between June to December 2008. He also served on the Board of Directors of Water Resources Management Authority (WRMA) between December 2007 to March 2009.</p>
<p>Ahmed Isaack Hassan Chairperson</p>	<p>Mrs. Lilian B. Mahiri-Zaja holds a Master of Laws Degree (LL.M.) from the University of Reading, United Kingdom, LL.B. (HONS.) from the University of Nairobi and a post graduate Diploma in Legal Education from the Kenya School of Law. She is an advocate of the High Court of Kenya and member of the African Union Commission on International Law. Prior to joining IEBC, she was the Deputy Chief Legal Officer in the Ministry of Justice, National Cohesion and Constitutional Affairs. She also previously served as a Principal State Counsel in the Department of Registrar General at the state law office. She has been engaged in operationalization of the Public Complaints Standing Committee as the Deputy Executive Director. She has been involved in the regional and continental initiatives as a national representative.</p>
	<p>A Banker by profession, he holds a Master of Science degree from the University of Strathclyde in Glasgow Scotland, a Bachelor of Science degree in Applied Accounting, is a member of the Association of Chartered Certified Accountants (ACCA -UK) and Institute of Financial Services (ACIB London). Has been an adjunct faculty at USIU, JKUAT (KIM Campus) and Moi University (KSMS Campus). He held Managerial positions at National Bank of Kenya Ltd and was the Credit Manager with Development Bank of Kenya Ltd prior to joining IEBC.</p>
<p>Lilian Bokeeye Mahiri-Zaja Vice Chairperson</p>	
<p>Albert Camus Onyango Bwire Commissioner</p>	



Kule Galma Godana
Commissioner

Mrs. Kule Galma Godana holds a Bachelor of Education and Counseling (Science) Degree from Kenya Methodist University, a Certificate in Educational Administration for Head Teachers and a Diploma in Education (Science). Prior to joining IEBC as a Commissioner she was the Head of Mathematics Department, Meru Teachers College



Amb. Yusuf A Nzibo
Commissioner

Amb. Yusuf A. Nzibo is a renowned diplomat who has served as Kenya's Ambassador to Netherlands, United States and Saudi Arabia among other nations. A former lecturer of history at University of Nairobi, Dr. Nzibo has written several seminar and academic papers on history and financial administration. He helped restructure the Industrial Development Bank and turning it into a profitable venture in the mid-1990s; served as the Commissioner General of Kenya Revenue Authority at its inception and setup its systems and corporate identity. Upon retirement from Diplomatic service in 2006, Ambassador Nzibo helped set up the first Islamic bank in Kenya, Gulf African Bank Limited serving as its first Managing Director. He holds a B.A. (University of Nairobi), M. Phil. and Ph. D. (University of Glasgow), and an M.B.A. (Strayer College, Washington, D.C). He is also a recipient of two National Honours OGW and MBS. His wealth of experience in administrative matters comes handy for IIEC's logistics and operations. He chairs the Finance & Administration and Media and & Political Parties Liaison committees.



Eng. Abdullahi Sharawe
Commissioner

Holds a Master of Science Degree in Civil Engineering. Fellow of the Institution of Engineers of Kenya (FIEK) and is both a Registered and Licensed Consulting Engineer. Has Substantial experience in Public Service having served as Permanent Secretary for six (6) years in various Ministries. Served as Chairman of the Public Service Commission of Kenya for a Period of six (6) years where he was instrumental in the development of Code of Ethics for Civil Servants. Chaired the Presidential Special Action Committee on Concerns of the Muslim Community. He has also served as a member of the defunct Interim Independent Boundaries Review Commission. Feted with the National Honors, The Elder of the order of the Burning Spear (EBS) and Chief of the order of the Burning Spear (CBS).

 <p>Thomas Letangule Commissioner</p>	<p>Thomas Letangule is an Advocate of the High Court of Kenya who has practiced law for more than 15 years, during which time he has founded and steered two law firms. His practice specializes in human rights and public interest litigation on the rights of indigenous peoples. He has attended numerous international trainings on the subject and is currently awaiting graduation from the University of Nairobi having completed studies for a Master of Laws degree.</p>
 <p>Joyce Muthoni Wangai Commissioner</p>	<p>Mrs J. Muthoni Wangai holds a Bachelor of Commerce, a Masters degree in Business Administration (MBA) and is also a Certified Public Accountant (CPA). She has been in the private sector for almost her entire professional life and is also a publisher.</p>
 <p>Mohamed Alawi Hussun Commissioner</p>	<p>Mohamed Alawi Hussun holds a LLB from the University of Nairobi, LLM in International Maritime Law from IMO International Maritime Law Institute and a Post graduate Diploma in Legal Practice from Kenya School of law. He has expertise in Maritime Law, a member of (LSK) and advocate of the High Court. Prior to joining IEBC as Commissioner, he worked with Kenya Ports Authority Mombasa as Principal Legal Officer and Timamy and Co. Advocates Mombasa (Vocational and Associate Advocate).</p>

THE MANAGEMENT TEAM



Beatrice Sungura-Nyabuto
Ag. Commission Secretary/CEO

She is an advocate of the High Court of Kenya and Immediate former CEO of the Law Society of Kenya. She has a Bachelor of Laws from University of Nairobi and holds a Masters in Law (LL.M) in International Trade and Investment Law.

Ms Sungura-Nyabuto has authored publications in Good Governance and is an active member of the Law Society of Kenya and a member of the Institute of Certified Public Secretaries of Kenya. She has worked with FIDA and is trained on alternative dispute resolutions by University of Sacramento, California.







Praxedes C. Tororey
Director Legal Affairs.

Ms. Tororey is an advocate of the high court of Kenya. Ms Tororey has been the Corporation Secretary and Head of Legal Services at the Kenya Forest Services. Earlier in her career, she was involved in arbitration and adjudicating matters of criminal and civil nature as a Magistrate with the Judiciary and Law Courts.



Decimah Isalano M'mayi
Director Research

As a committed academic and researcher, Ms M'Mayi brings to IIEC immense experience in developing corporate strategic plans, project appraisals and project monitoring. An art she has developed over her 17 years stint at senior management level.

	<p>Directorate of Risk and Compliance advises the Commission on key potential risk areas and oversee the development and implementation of risk management operational, financial and information systems. It also ensures compliance of the Commission with regulatory and operational requirements. He oversees the development and implementation of institutional framework, accountability structures, preparation of periodic reports and implementation of institutional frameworks. The Directorate is also responsible for development of accountability structures of the Commission.</p>
<p>Abdirahman Bilacha Director Risk And Compliance</p>	
	<p>Mrs. Nderitu, is seasoned in Education Management. She has worked in the Ministry of Education as a Senior Quality and Standard Officer. She later rose to become the District Education Officer, a position she served for a period of ten years. She has also managed National wide trainings and advocacy programmes. She holds M.A (Ling) PGD,(HR), B.Ed (Hons)</p>
<p>Ann Nderitu Ag. Director Voter Education</p>	
	<p>Ms Kiuluku was formerly the Director, Human Resource and Administrative Services at the Nairobi Water and Sewerage Company since 2004. She holds B.ED, MBA and a member of CPS-K.</p>
<p>Sellestine Kiuluku. Director, Human Resource And Administration.</p>	
	<p>Ms. Njenge Kassait is a fully accredited Building Resources in Elections facilitator (BRIDGE). She is credited for having established a Domestic Observation Programme in the Solomon Islands during the 2006 general elections. Previously she headed the electoral Process Programme at the Institute for Education in Democracy (IED) where she oversaw the implementation of capacity building programmes, logistics and review of the Elections Bill 2009.</p>
<p>Immaculate Kassait Director Voter Registration And Electoral Operations.</p>	<p>Immaculate holds LLB and M.A</p>



Michael Ouma
Ag. Director ICT.

The Directorate of Information Communication Technology (ICT) undertakes the overall management of the Commission's ICT needs. The Directorate is responsible for development and implementation of the ICT initiatives to support the Commission's reform initiatives. The Directorate manages the development and implementation of ICT policies, procedures, ICT business applications and support systems, as well as network administration.



Jason Akoyo
Ag. Director Finance.

Directorate of Finance and Procurement is responsible for financial and procurement management systems and controls at the Commission. It oversees the establishment and implementation of prudent financial and procurement policies and procedures aimed at enhancing integrity, timely service delivery and value for money. It monitors the financial and procurement processes to ensure consistency with relevant legislative frameworks. The Directorate also manages the development and implementation of accountability structures, undertake periodic reporting and monitor performance indicators of the Directorate. It also advises the Commission on the administration of complimentary funding from development partners.

CHAIRMAN'S STATEMENT

It gives me great pleasure to present the commission's annual financial report for the year 2013/14 on behalf of my fellow Commissioners. In the year under review the Commission experienced a number of challenges that impacted on its processes and service delivery. Some of these included Court decisions that saw cancellation of some by-elections long after the preparations had been concluded and resources spent. Additionally, events after the General Election which was conducted in March 2013 such as Presidential petitions and pending bills resulted to financial constraints to the Commission.

The Commission has got several mandates which relates to the electoral cycle. In accordance with the electoral cycle activities, maintenance and growth of the voter's register comes into greater focus between elections. IEBC is driven by a sense of responsibility for ensuring Kenyans have the chance to exercise their key democratic right to vote. The first step in securing that right is registration of new voters. Enhancing participation in the electoral process starts with voter registration and this presents one of our biggest challenges. We estimate that the number of people not on the voters register is approximately 9.4 million, up from about 8.4 million at this time last year.

The Commission's mandate to register voters continuously to the end of the first quarter of 2017, involves a comprehensive program of new initiatives to prompt people to register or update their particulars. It has a clear aim that is to increase registered voters. The program was launched nationwide on 15th April 2014 with the exception of electoral areas with ongoing election petitions that were yet to be concluded by the courts. In the first two months of the registration, the total number of voters registered by 30th June 2014 was 4,691. The Elections Data document containing the number of registered voters per polling station was distributed to all Parliamentarians, Senators, and Governors with the aim of informing them on statistics and enlisting their support to spread the registration message. The imperative to be election-ready remained in focus throughout the year as the Commission conducted 23 by elections that resulted from natural attrition and determination of 187 petitions filed before the courts arising from the General Elections held on 4th March, 2013.

We embarked on legislative reforms with the aim of making it easier for Kenyans to participate in the electoral system. The Commission conducted an evaluation of its processes, audited its systems and picked valuable lessons from observer reports, Political Parties and stakeholder forums for an improved Electoral Management Body. A comprehensive review of election preparations conducted revealed ongoing concern with the capacity to handle multiple systems employed during the 4th March General elections.

The Commission received global awards from; International Centre for Parliamentary Studies (ICPS) on Elections and Conflict Management and IFES Choice Award in photography. In addition, the Commission took over the Chairmanship of the Commonwealth Electoral Network (CEN) for two years from June 2014-2016. Further, I was elected to the executive Committee of the AWEB based in Korea for three years from November 2012 to November 2017. IEBC is also a member of the Steering Committee of Association of African Election Process.

During the financial year, the Commission received Kshs.3.9 billion for recurrent expenditure and KShs. 63 million for development expenditure in form of exchequer from the National Treasury by way Parliamentary allocation. The Commission also received Kshs.103.9 million as Capital grants from International Organizations.

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



Ahmed Issack Hassan, EBS

Chairperson Independent Electoral and Boundaries Commission

CORPORATE GOVERNANCE STATEMENT

The Commission is accountable at all times to the public and all the stakeholders for ensuring that it complies with the highest standards of corporate governance and operational ethics. The Commission has embraced corporate governance through creation of the right corporate culture and values.

The Commission exercises the most reasonable care to ensure that the management of the Commission is carried out in the best interest of the government and the public at large. The overall management of the Commission is the responsibility of the Members who are appointed by the President upon approval by the National Assembly. The members of the Commission are appointed for a single term of six years and are not eligible for re-appointment.

The Members of the Commission and management possess a range of requisite skills, qualifications and experience to manage the Commission and work in compliance with the provision of Chapter Six of the Constitution of Kenya, 2010 and all related laws and regulations. The Commission recognizes the need to conduct the business and operations of the Commission with integrity and in accordance with generally accepted corporate practice and endorse internationally developed principles of corporate governance.

The Commission will continue to focus its attention on maintaining the highest standards of corporate governance and business ethics in the Commission's operations.

CORPORATE SOCIAL RESPONSIBILITY

During the financial year, the Commission participated in several activities aimed at sensitizing the public on electoral processes.

Kenya Children Assembly Elections

The Kenya Children Assembly is an initiative by the Department of Children Services to accord children opportunities to participate in matters/issues that affect their lives.

The role of the Commission was to conduct the election and included:

- Receipt of official register of electors/participants signed by the authorized signatory from the Department of Children Services on behalf of the client.
- Supervision of candidate nominations by ensuring regional parity, age and gender compliance.
- Design and printing ballot papers.
- Provision of election materials such as ballot boxes, polling booths, stationery and stamps. Election officials were also provided by IEBC.
- Handing over results to the delegate conference convener.

Elections for Learning Institutions and Religious Organizations

To impart knowledge and skills in the electoral process, the Commission conducted elections in various schools and religious organizations; and adhered to the organizations' constitutions and by-laws. The Commission also hired out ballot boxes to some organizations on request such as the University of Nairobi and Mt. Kenya University.

Ngururu Primary School Pupils' Council Elections

Pupils' Council election is enshrined in the Education Act, the African Charter on Children's Rights and the United Nations Conventions. The Convention which Kenya ratified in 1990 highlights the participation of children in decision making on matters affecting them.

The Commission conducted elections for the Pupils' Council of Ngururu Primary School in Wundanyi Constituency on the 28th February, 2014. The Commission provided technical and logistical support and the pupils managed all the electoral processes. The technical support included: monitoring campaigns; printing of posters; preparation of registers; voter education; training of teachers and pupils as poll officials; training of Observers; printing of ballot papers and result forms (modified form 34, 35 and 36); designing and printing of Agents and Observer check list; results management including projection of results at the tallying centre; Certificate Ceremony; and giving instruments of power to the 'President' by the Commission's Chairman.

REPORT OF THE COMMISSION SECRETARY / CEO

The Public Finance Management Act, 2012 and the IEBC Act, 2011 requires the Accounting Officer to prepare financial statements in respect of that Commission, 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 Accounting Officer is also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Accounting Officer is also responsible for safeguarding the assets of the Commission.

The Accounting Officer is responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year (period) ended on June 30, 2014.

This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the IEBC Act, 2011. The Accounting Officer is of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2014, and of the Commission's financial position as at that date. The Accounting Officer 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 Accounting Officer to indicate that the Commission will not remain a going concern for at least the next twelve months from the date of this statement.



Beatrice Sungura Nyabuto
Ag. Commission Secretary/CEO

REPORT OF THE COMMISSION

The Public Finance Management Act, 2012 requires the Commission to prepare financial statements for each financial year, which includes a Statement of Financial Position showing in details assets and liabilities of the Commission, a Statement of Comprehensive Income, and such other Statements that the Commissioners may deem necessary. The Public Finance Management Act, 2012 and the IEBC Act, 2011 requires the Commission to ensure that proper books are kept recording all the property, undertakings, funds, activities, contracts, transactions and other business of the Commission. The Commission is also responsible for safeguarding the assets of the Commission.

The Commission accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice and in the manner required by the IEBC Act. The Commission is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Commission and of its operating results.

Nothing has come to the attention of the Commission to indicate that the Commission will not remain as a going concern for at least the next 12 months from the date of this statement.

The results of the Commission for the year ended June 30, 2014 are set out on pages 20 to 42

The members of the Commission who served during the year are shown on page 5 to 8 in accordance with IEBC Act.

The Auditor General is responsible for the statutory audit of the Commission in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.



Ahmed Issack Hassan, EBS
Chairperson Independent Electoral and Boundaries Commission

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Independent Electoral and Boundaries Commission, set out on pages 19 to 40, which comprise statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of recurrent budget and actual amounts, and the statement of comparison of development budget and actual amounts for the year then ended together with a summary of significant accounting policies and other explanatory information in accordance with the provisions of article 229 of the Constitution of Kenya and section 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and Public Finance Management Act, 2012 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Pending Bills – Kshs.2,960,718,000.00

Reflected under current liabilities is an amount of Kshs.2, 960,718,000.00 relating to pending bills. These are bills that relate to the financial year 2012/2013 but of which Kshs.1,460,466,960 had not been paid by the time of the audit. The management has explained that validation exercise is ongoing with a view to settling all pending bills. It is therefore not known when the balance of Kshs.1,460,466,960.00 will be cleared.

2. Un cleared Balances in the Statement of Financial Position

a. Accounts Receivables (ECK – Recurrent)

The statement of financial position reflects accounts receivables (ECK-Recurrent) balance of Kshs.4,420,710,916.55 which relates to uncleared assets as at 30 June 2014. The balance includes advances of Kshs.9,838,335.50, Imprest of Kshs.1, 945,359.80 and a general suspense of Kshs.2,114,658,326.60. These are figures which are reflected in the financial statements but have not been analyzed. As a result, the accuracy and authenticity of this balance could not be confirmed.

b. Accounts Receivables (ECK Car loan)

The statement of financial position as at 30 June 2014 reflects accounts receivable (car loan) of Kshs.26,944,000.00 which comprises of ECK outstanding debtors of Kshs.26, 193,000.00 which was recovered from former ECK staff but was retained by the National Treasury. It is not clear and the management has not explained under what circumstances the recoveries by Treasury was retained.

c. Accounts payables (ECK- Recurrent)

The statement of financial position reflects accounts payables (ECK Recurrent) balance of Kshs.4, 420,711,000.00 which relates to uncleared liabilities as at 30 June 2014. The balance includes General Account of Vote of Kshs.4,364,871,000.00, Excess AIA of Kshs.55, 216,000.00 and salary advance of Kshs.624, 000.00. The breakdown /analysis

of the above amounts have not been provided thereby making it difficult to confirm the accuracy and authenticity of the balances.

3. Unresolved 2012 / 2013 Audit Issues

The Commission has not adequately responded to and resolved the following audit issues which formed the basis of qualification of the financial statements in the years 2012/2013.

3.1 Unvouched Expenditure

The statement of financial performance for the year ended 30 June 2013 reflects total expenditure of Kshs.23,078,618,000.00. An expenditure totaling Kshs.13,631,429,031.60 charged under eleven (11) items includes Kshs.4,690,168,908.00 which was not supported with documentary evidence. Consequently, the propriety of the expenditure could not be ascertained as at 30 June 2013.

3.2 Irregular charge of Expenditure

The Commission made payments totaling Kshs.96,152,389.00 in respect of foreign travel and subsistence and irregularly charged the expenditure to domestic travel and subsistence and office and general supplies and services. Although it has been explained that the Accounting Officer allowed virement, Parliamentary approval was not sought and obtained as required by Section 15.18 of the Government Financial Regulations and Procedures.

3.3 Unsupported Training Expenditure

The statement of financial performance reflected training expenses of Kshs.1,104,955,000 for the year. However, the expenditure was not supported with documentary evidence as no expenditure returns were availed from the regions hence the propriety of the expenditure could not be ascertained.

3.4 Over Expenditure on Voted Itemized Provision

The approved budget for the financial year 2012/2013 reflects Ksh.315,500,000.00 under item 2211308 and 2211318 – Legal dues /Fees and Witness Expenses respectively. A scrutiny of the expenditure under these items for the year under review revealed that, the Commission incurred an expenditure of Kshs.1,987,406,464.21 on legal dues of which Kshs.577,366,471.35 has been paid while the balance is still outstanding. The Commission therefore exceeded its voted provision for these sub-items by Kshs.1,671,906,464.21. No explanation has been provided for the over-expenditure incurred.

3.5 Payment for Lapsed Contract

The Commission entered into a contract with media firm for provision of corporate branding consultancy at a contract sum of Kshs.35,322,000.00 in the financial year 2011/2012 vide Local Service Order No.0593399 of 27 June 2012. A scrutiny of the document revealed that UNDP was to carter for the expenditure but instead the expenditure was charged to the voted provisions and no reasons were provided as to why UNDP declined to honor the commitment. Further, the Commission paid a deposit of Kshs.21,193,200.00 being 60% of the contract sum leaving an undisclosed balance of Kshs.14,128,800.00 at the close of the financial year. In addition, the supplier raised the invoice before the LSO was issued contrary to the Public Procurement and Disposal Act, 2005.

3.6 Undisclosed Grant Income

The statement of financial performance for the year ended 30 June 2013 reflects other incomes totalling Kshs.124,512,000.00 which comprised of other receipts as Appropriation in Aid (AIA). However, the Commission did not capture grants of Kshs.2,566,588,000.00 from UNDP, IDEA and UNWOMEN in the statement of financial performance. Further, these grants had not been provided for in the Commission's estimated receipts during the year 2012/2013 contrary to section 9.6.1 of the Government Financial Regulations and Procedures. In addition, had the grants been disclosed, the total income would have reflected Kshs.27,857,100,000.00 compared to Kshs.25,290,511,000.00 now reflected.

In the absence of the provision in the approved estimates, it has not been possible to ascertain how the funds were received and accounted for by the Commission and the Commission income is understated by an equivalent amount.

3.7 Pending Bills - Unsupported pending bills – Kshs.2, 960,718,000.00

Audit examination of the pending bills revealed that bills totaling Kshs.2,960,718,000.00 were not settled during the year but were instead carried forward to 2014/2015. The bills were not accompanied by adequate supporting documents such as LPO/LSO, invoices, inspection and acceptance certificates, counter receipts vouchers, quotations/tender documents and tender committee minutes. In the absence of these supporting documents, the correctness and legality of the pending bills could not be confirmed as at 30 June 2014.

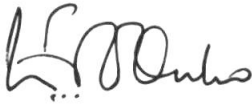
3.8 Irregular Procurement of Election Materials

The Commission procured several elections equipment including Biometric Voter Registration (BVR)-Kshs.6.4billion, Electronic Voter Identification Devices (EVID)-Kshs.1.3billion, Universal Poling Kits (UPK) at Kshs.1.53billion and Electronic Results Transmission System (ERTS) - Kshs.25.8million. However, the Commission did not have

an approved Procurement Plan for the year, Therefore; the above items were procured contrary to the Public Procurement and Disposal Act, 2005.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Independent Electoral and Boundaries Commission as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and the Public Finance Management Act, 2012 and comply with the Independent Electoral and Boundaries Commission Act, 2011.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

13 April 2015

Statement of Financial Performance

For the year ended 30 June 2014

STATEMENT OF FINANCIAL PERFORMANCE			
For the year ended 30 June 2014			
	Note	2013-2014 KShs 000	2012-2013 KShs 000
Revenue			
Exchequer Issues	3	3,963,000	25,166,000
Appropriation- In- Aid	4	5,989	124,512
Grants from International Organizations	5	103,882	-
Other Government Grants	6	44,008	-
Interest Income	7	1,572	-
		<u>4,118,451</u>	<u>25,290,512</u>
Expenditure			
Employee Costs	8	2,104,751	9,285,819
Depreciation and Amortization	9	1,804,037	2,562,836
Repairs and Maintenance	10	58,758	276,873
Contracted Services	11	604,714	2,161,104
General Expenses	12	1,277,236	8,791,987
		<u>(5,849,496)</u>	<u>(23,078,619)</u>
Surplus/(Deficit) for the Period		<u>(1,731,046)</u>	<u>2,211,894</u>



Beatrice Sungura Nyabuto
Ag. Commission Secretary/CEO

Statement of Financial Position

As at 30 June 2014

STATEMENT OF FINANCIAL POSITION			
As at 30 June 2014			
	Note	2013-2014 KShs 000	2012-2013 KShs 000
Assets			
Current assets			
Cash and Cash Equivalents	13	151,086	332,821
Car Loan Fund Investments	14	21,383	-
Accounts Receivables -Exchequer Issues	15	-	950,000
Accounts Receivables -Imprests	15	2,124	2,422
Accounts Receivables -ECK-Recurrent	16	4,420,711	4,420,711
Accounts Receivable-Car Loan	17	26,944	26,755
Total Current Assets		<u>4,622,248</u>	<u>5,732,709</u>
Non-current assets			
Property, Plant and Equipment	18	4,413,560	6,137,695
Intangible assets	19	16,753	23,932
Total Non Current Assets		<u>4,430,313</u>	<u>6,161,627</u>
Total assets		<u>9,052,561</u>	<u>11,894,336</u>
Liabilities			
Current liabilities			
Accounts Payable -Pending Bills	20	(2,960,718)	(4,045,024)
Accounts payable -ECK-Recurrent	21	(4,420,711)	(4,420,711)
Accounts payable -ECK Deposits	22	(749)	(28,610)
Accounts Payable -Retention Fees	22	(2,666)	(1,201)
Total Current Liabilities		<u>(7,384,844)</u>	<u>(8,495,546)</u>
Non-current liabilities			
Total liabilities		<u>(7,384,844)</u>	<u>(8,495,546)</u>
Net Assets		<u>1,667,717</u>	<u>3,398,790</u>
General Fund		1,216,046	1,216,046
Accumulated surplus		2,135,111	(76,784)
Surplus/(Deficit)for the Year		(1,732,618)	2,211,895
Car Loan Fund Scheme		49,178	47,633
Total Net Assets		<u>1,667,717</u>	<u>3,398,790</u>



Beatrice Sungura Nyabuto
Aq. Commission Secretary/CEO

Statement of Changes in Net Assets

For the year ended 30 June 2014

	Car Loan Fund KShs. 000	Accumulated Surplus KShs. 000	General Fund KShs. 000	Total KShs. 000
Balance as at 30th June 2012	47,071	27,477	1216046	1,290,594
Surplus/(Deficit) for the period	-	-	2,211,895	2,211,895
Prior Years Adjustment	-	(104,261)	-	(104,261)
Transfers to/from Accumulated surplus	562	2,211,895	(2,211,895)	562
Balance as at 30th June 2013	<u>47,633</u>	<u>2,135,111</u>	<u>1,216,046</u>	<u>3,398,790</u>
Surplus/ (Deficit) for the Period	1,572	-	(1,732,618)	(1,731,046)
Fund Adjustments and Charges	(27)	-	-	(27)
Transfers to/from Accumulated surplus	-	(1,732,618)	1,732,618	-
Balance as at 30 June 2014	<u>49,178</u>	<u>402,493</u>	<u>1,216,046</u>	<u>1,667,717</u>

Statement of Cash Flows

For the year ended 30 June 2014

STATEMENT OF CASHFLOW		
For the year ended 30 June 2014		
	2013-2014	2012-2013
	Kshs000	KShs 000
Cash flows from Operating Activities:		
Operating Surplus/(Deficit)	(1,731,046)	2,211,894
Adjustments		
Depreciation of Property Plant Equipment	1,796,857	2,552,579
Amortization of Intangible Assets	7,180	10,257
Changes in Working Capital		
Accounts Receivable -Exchequer	950,000	(950,000)
Accounts Receivable -Imprest	298	(2,422)
Accounts Payable -Recurrent	(1,084,306)	4,045,024
Accounts Payable -ECK Deposits	(27,861)	-
Accounts Payable-Retention Fees	1,465	1,201
Car Loan Receivables	(217)	(562)
Net Cash Flow From Operating Activities	<u>(87,630)</u>	<u>7,867,971</u>
Cash flows from Investing Activities :		
Purchase of Computer Related Equipment	(181)	(8,049,008)
Purchase of Office Equipment	(1,480)	(31,060)
Purchase of Furniture and Fittings	(8,761)	32,980
Purchase of Intangible Assets	-	(10,156)
Purchase of Motor Vehicles	-	(20,382)
Construction of Office Buildings	(62,300)	-
Car Loan Fund Investments	(21,383)	-
Net Cash Flow From Investing Activities	<u>(94,105)</u>	<u>(8,143,586)</u>
Cash flows from Financing Activities:		
Analysis of Balances of Cash and Cash Equivalents		
General Fund	-	269,757
Car loan Fund Scheme Interest	-	562
Net Cash Provided By Financing Activities	<u>-</u>	<u>270,319</u>
Net Increase(Decrease)in Cash & Cash Equivalents	(181,735)	(5,296)
Cash and Cash Equivalent at Beginning	<u>332,821</u>	<u>338,117</u>
Cash and Cash Equivalent as at 30 June 2014	<u>151,086</u>	<u>332,821</u>

Statement of Comparison of Recurrent Budget & Actual Amounts

For the year ended 30 June 2014

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS RECURRENT ACCOUNT						
Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	Performance %
Revenue	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	%
Exchequer Issues	3,122,607	842,679	3,965,286	3,965,286	-	100%
Sale of Tender Documents & Nomination Fees	6,000	(2,000)	4,000	2,876	1,124	72%
Receipts from Sale of Incidental Goods	4,000	-	4,000	3,113	887	78%
Other Government Grants	-	44,007	44,007	44,007	-	100%
Total income	3,132,607	884,686	4,017,293	4,015,282	2,011	
Expenses						
Basic Salaries - Permanent Employees	1,098,881	(60,000)	1,038,881	1,038,880	-	100%
Basic Wages - Temporary Employees	131,000	56,379	187,379	169,892	-	91%
Personal Allowance - Paid as Part of Salary	765,365	(194,000)	571,365	564,510	6,855	99%
Employer Contributions to Compulsory NSSF	115,902	(16,000)	99,902	99,902	-	100%
Employer Contributions to Compulsory Health Insurance Schemes	852	-	852	830	23	97%
Utilities Supplies and Services	8,508	2,782	11,290	10,848	441	96%
Communication, Supplies and Services	42,109	12,852	54,961	54,899	62	100%
Domestic Travel and Subsistence, and Other Transportation Costs	58,493	104,567	163,060	151,344	11,716	93%
Foreign Travel and Subsistence, and other transportation costs	64,285	15,120	79,405	79,393	12	100%
Printing , Advertising and Information Supplies and Services	30,588	150,648	181,236	176,342	4,894	97%
Rentals of Produced Assets	202,865	127,266	330,131	328,305	1826	99%
Training Expenses	37,400	216,143	253,543	244,994	8,549	97%
Hospitality Supplies and Services	22,818	32,124	54,942	54,692	250	100%
Insurance Costs	159,868	44,434	204,302	204,302	-	100%
Specialized Materials and Supplies	92,843	17,217	110,060	109,794	266	100%
Office and General Supplies & Services	18,832	4,120	22,952	22,816	136	99%
Fuel Oil and Lubricants	15,845	17,670	33,515	33,511	4	100%
Other Operating Expenses	226,630	383,521	610,151	604,714	5,437	99%
Routine Maintenance - Vehicles and Other Transport Equipment	22,457	19,769	42,226	42,185	-	100%
Routine Maintenance - Other Assets	13,394	-	13,394	13,155	239	98%
Refurbishment of Buildings	3,502	-	3,502	3,418	-	98%
Purchase of Specialized Plant, Equipment and Machinery	170	-	170	170	-	100%
Total Expenditure	3,132,607	934,611	4,067,218	4,008,896	40,710	
Surplus /(Deficit)	-	(49,925)	(49,925)	6,386	(38,699)	

Statement of Comparison of Development Budget & Actual Amounts

For the year ended 30 June 2014

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS DEVELOPMENT ACCOUNT						
TITLE AND DETAILS	Original	Adjustments	Approved Estimates	Actual Expenditure	Performance Difference	Performance
Revenue	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	%
Grants from International Organizations	414,490	(271,023)	143,468	103,882	39,586	72%
Exchequer Issues	63,200	-	63,200	62,300	900	99%
Total Incomes	477,690	(271,023)	206,668	166,182	40,485	
Expenditure						
Printing, Advertising and Information Supplies and Services	-	43,090	43,090	43,090	-	100%
Training Expenses	-	24,229	24,229	24,229	0.30	100%
Other Operating Expenses	50,000	(32,693)	17,307	-	17,307	0%
Purchase of Specialized Plant, Equipment & Machinery	150,000	(98,080)	51,920	36,563	15,356	70%
Purchase of Specialized Plant	20,000	(13,077)	6,923	-	6,923	0%
Construction of Buildings	43,200	-	43,200	42,813	387	99%
Construction and Civil Works	20,000	-	20,000	19,487	513	97%
Total Expenditure	283,200	(76,532)	206,668	166,182	40,485	80%
Surplus/(Deficit)	194,490	(194,490)	-	-	-	

Notes to the Annual Financial Statements

For the year ended 30 June 2014

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

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

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

2. Summary of significant accounting policies:

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

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

Transfers from Other Government Entities

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

Interest Income

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

b) Budget Information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the commission. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or commission differences that would require 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.

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

c) Taxes – IAS 12

Current Income tax

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

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

d) Property, Plant and Equipment – IPSAS 17

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

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

e) Intangible Assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

f) Research and Development costs

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

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

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

g) Provisions – IPSAS 19

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

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

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

Contingent Liabilities

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

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

Contingent Assets

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

h) Nature and Purpose of Reserves

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

i) Changes in Accounting Policies and Estimates – IPSAS 3

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

j) Employee Benefits – IPSAS 25

Retirement Benefit plans

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

k) Foreign Currency Transactions – IPSAS 4

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

l) Cash and Cash Equivalents

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

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

m) Comparative Figures

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

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

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

Estimates and Assumptions

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 consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Commission. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful Lives and Residual Values

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

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

o) Subsequent Events – IPSAS 14

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

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

3. Government Exchequer Issues

	2013/2014	2012/2013
	Shs 000	Shs 000
Recurrent Exchequer Releases:		
Total Exchequer Releases for Q1	1,130,000	1,050,000
Total Exchequer Releases for Q2	1,060,000	12,905,000
Total Exchequer Releases for Q3	300,000	10,100,000
Total Exchequer Releases for Q4	1,410,007	1,111,000
Recurrent Subtotal	3,900,000	25,166,000
Development Exchequer Releases:		
Total Exchequer Releases for Q2	30,000	-
Total Exchequer Releases for Q4	33,000	-
Development subtotal	63,000	-
Exchequer Grand Total	3,963,000	25,166,000

4. Appropriation in Aid (AIA).

	2013/2014	2012/2013
	Shs 000	Shs 000
Receipts from Nomination Fees and Charges Collected	3,113	109,531
Receipts from Sale of Tender Documents	2,876	14,981
Total	5,989	124,512

The receipts from sale of tender documents were affected by an amendment of the Public Procurement and Disposal Act (2005) through a Legal Notice No.109 of June, 2013 reducing the tender application fees not to exceed KShs.1000.

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

5. Grants from International Organizations:

	2013/2014	2012/2013
	Shs 000	Shs 000
Capital Grants From International Organizations- Estimates	414,490	2,566,588
Grants from International Organization Utilized	(103,882)	-
Supplementary Estimates Adjustment	(271,023)	-
Total	39,586	2,566,588

In the financial year 2012/2013, Grants from International Organizations amounting to KShs. 2.57 billion were accounted for separately by the then Ministry of Justice and Constitutional Affairs.

The Grants from International Organizations were not fully absorbed as a result of the difference between the financial years of the donor and the Commission. The agreement contract period runs from January 2012 to December, 2014. Consequently, the unutilized grants will cover for the period July 2014 to December 2014.

6. Other Government Grants

In the year under review, the commission received KShs. 44,007,499.00 from Contingency Fund to conduct Othaya Constituency and two (2) County Assembly Wards by elections. The funding for the activity had not been factored in the initial budget estimates.

7. Car Loan Interest Income:

	2013/2014	2012/2013
	Shs 000	Shs 000
Accrued Interest for the Year	751	562
Interest Earned during the Year	821	-
Total	1,572	562

The car loan interest earned is the fixed deposit interest which matures every six months and is rolled over plus the principal. The interest earned is net of withholding tax.

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

8. Employee Related Costs:

	2013/2014	2012/2013
	Shs 000	Shs 000
Employee related costs - salaries and wages permanent employees	1,038,880	976,666
Employee related costs - salaries and wages contractual employees	169,892	7,081,664
Employee related costs - Personal allowances	564,510	621,108
Employee related costs - Contributions to Pensions and Health Schemes	100,732	31,219
Domestic Travel and subsistence and Other	151,344	284,992
Foreign Travel and subsistence other transportation costs	79,393	290,170
Total	2,104,751	9,285,819

9. Depreciation and Amortization Expense:

	2013/2014	2012/2013
	Shs 000	Shs 000
Property, Plant and Equipment	1,796,857	2,552,579
Intangible Assets	7,180	10,256
Total	1,804,037	2,562,835

10. Repairs & Maintenance Expenditure:

	2013/2014	2012/2013
	Shs 000	Shs 000
Refurbishment of buildings	3,418	81,893
Routine Maintenance of Vehicles and Other Transport Equipment	42,185	110,566
Routine maintenance -Other assets	13,155	84,414
Total	58,758	276,873

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

11. Contracted Professional Services & Other Operating Expenses:

	2013/2014	2012/2013
	Shs 000	Shs 000
Witness Expenses	2,975	3,662
Bank Services, commission and charges	850	1,160
Contracted Guards	95,893	180,555
Membership fees, Dues and Subscriptions to Professional and Trade Bodies	3,485	42,475
Transport costs & charges	4,371	1,066,593
Legal Dues, Arbitration & Compensation	481,029	845,371
Contracted Professional Services	5,061	9,228
Parking Charges	11,050	12,060
Total Contracted Services & Other Operating Expenses	604,714	2,161,104

12. General Expenses

The following are included in general expenses:

	2013/2014	2012/2013
	Shs 000	Shs 000
Utilities, Supplies and services	10,848	8,209
Communications, Supplies and Services	54,899	117,316
Printing ,Advertising and Information Supplies and Services	176,342	1,066,825
Rental of Produced Assets	328,305	2,009,562
Training Expenses	244,994	1,104,955
Hospitality Supplies and Services	54,692	183,026
Insurance Costs	204,302	151,992
Specialized Materials, Equipment and Supplies	109,794	2,655,045
Office and General Supplies and services	22,816	1,408,587
Fuel oil and Lubricants	33,511	80,720
Maintenance of Software	36,733	-
Research and Feasibility studies	-	5,750
Total General Expenses	1,277,236	8,791,987

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

13. Cash and Cash Equivalents:

	2013/2014	2012/2013
	KShs	KShs
KCB IEBC CAR LOAN BANK ACCOUNT	851,501	20,878,469
CBK IEBC RECURRENT CASH ACCOUNT	427,500	23,152
CBK IEBC RECURRENT MAIN ACCOUNT	28,211,217	13,673,665
CBK IEBC DEPOSIT ACCOUNT	3,415,243	29,811,270
CBK IEBC DEVELOPMENT BANK AC	783,337	-
KCB IEBC REC MOMBASA/S.COAST	13,701	43,198
KCB IEBC REC KISUMU	209,086	91,565
KCB IEBC REC BUNGOMA REGION	85,292	4,160
KCB IEBC REC CENTRAL EASTERN	2,542,825	35,470
KCB IEBC REC CENTRAL RIFT	1,867	252,681
KCB IEBC REC GARISSA/IJARA	711,109	720,496
KCB IEBC REC LOWER EASTERN	50,125	314,153
KCB IEBC REC NAIROBI	2,316,118	293,964
KCB IEBC REC NORTH COAST	1,737,188	820,888
KCB IEBC REC NORTH RIFT	42,849	3,082,680
KCB IEBC REC NYANZA SOUTH	102,368	16,360,645
KCB IEBC REC NYERI REGION	351,263	5,371
KCB IEBC REC SOUTH RIFT	97,676	16,204,537
KCB IEBC REC THIKA REGION	1,613,542	15,174
KCB IEBC REC UPPER EASTERN	16	265,450
KCB IEBC REC WAJIR/MANDERA	131,258	227,404
KCB IEBC REC WESTERN REGION	138,771	10,465,067
KCB IEBC UNIVERSITY WAY	107,251,987	219,231,332
Total Cash & Cash Equivalents	151,085,839	332,820,791

14. Car Loan Fund Investments

The commission invested KShs, 21,383,118.40 in a fixed deposit account at Kenya Commercial Bank. The funds are rolled over every six months.

15. Accounts Receivables

	2013/2014	2012/2013
	Shs 000	Shs 000
Outstanding Imprests	2,124	2,422
Accounts Receivable-Exchequers Recurrent.	-	950,000
Total	2,124	952,422

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

16. Accounts Receivable -ECK -Recurrent Balances:

	2013/2014	2012/2013
	Shs 000	Shs 000
Exchequer Under Issues	1,418,439	1,418,439
Advances	9,838	9,838
Imprests	1,946	1,946
General Suspense	2,114,658	2,114,658
Pro/District Suspense	875,830	875,830
Total	4,420,711	4,420,711

The Accounts receivable – ECK Recurrent balances are the balances that existed in the audited accounts of the defunct Electoral Commission Kenya of 2008/2009.

17. Accounts Receivable -Car Loan:

	2013/2014	2012/2013
	Shs 000	Shs 000
ECK Outstanding Debtors Recovery	26,193	26,193
Fixed Deposit Accrued Interest for the Year	751	562
Total	26,944	26,755

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

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

18. Property, Plant and Equipment Movement Schedule:

ASSET TYPE:	OFFICE BUILDINGS	COMPUTER EQUIPMENTS	MOTOR VEHICLES	OFFICE EQUIPMENT	FURNITURES AND FITTINGS
REDUCING BALANCE RATES:	-	30%	25%		12.50%
COST/VALUATION	2012-2014 FINANCIAL YEARS				
Net Book Value as at 30th June 2012	-	112,125,583	284,386,271	137,168,005	23,164,932
Acquisitions 2012/2013	-	8,049,007,650	20,381,664	31,059,857	32,979,859
Disposals	-	-	-	-	-
Total as at 30th June 2013	-	8,161,133,234	304,767,935	168,227,863	56,144,791
Depreciation for the year 2012-2013	-	2,448,339,970	76,191,984	21,028,482	7,018,099
Accumulated Depreciation 2012-2013	-	2,621,300,207	363,216,503	79,368,351	14,281,703
Net Book Value as at 30th June 2013	-	5,712,793,263	228,575,951	147,199,380	49,126,693
Acquisitions 2013/2014	62,300,000	180,500	-	1,480,000	8,761,488
Disposals	-	-	-	-	-
Total as at 30th June 2014	-	5,712,973,764	228,575,951	148,679,381	57,888,181
Depreciation for the year 2013-2014	-	1,713,892,129	57,143,988	18,584,923	7,236,023
Accumulated Depreciation 2013-2014	-	4,335,192,336	420,360,491	97,953,274	21,517,726
Net Book Value as at 30th June 2014	62,300,000	3,999,081,635	171,431,963	130,094,458	50,652,158

19. Intangible Assets Movement Schedule:

INTANGIBLE ASSETS MOVEMENT SCHEDULE 2012-2014	
RATE OF AMMORTIZATION-30% REDUCING BALANCE.	
COST/ VALUATION	AMOUNT KShs
Net Book Value as at 30th June 2012	24,033,552
Acquisitions 2012/2013	10,155,756
Disposals	-
Total as at 30 th June 2013	34,189,308
Depreciation for the year 2012-2013	10,256,792
Accumulated Depreciation 2012-2013	42,918,484
Net Book Value as at 30th June 2013	23,932,516
Acquisitions 2013/2014	-
Disposals	-
Total as at 30th June 2014	23,932,516
Depreciation for the year 2013-2014	7,179,754
Accumulated Depreciation 2013-2014	50,098,239
Net Book Value as at 30th June 2014	16,752,761

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

20. Accounts Payable -Recurrent Balances:

	2013/2014	2012/2013
	Shs 000	Shs 000
Pending Bills -2012/2013 General Election	4,045,024	4,045,024
Bills Paid during the year	(1,084,306)	-
Total	2,960,718	4,045,024

21. Accounts Payable –ECK Recurrent:

	2013/2014	2012/2013
	Shs 000	Shs 000
General Account of Vote (GAV)	4,364,871	4,364,871
Excess AIA	55,216	55,216
Salary Advance	624	624
Total	4,420,711	4,420,711

The Accounts Payable – ECK Recurrent balances are the balances that existed in the audited accounts of the defunct Electoral Commission Kenya of 2008/2009.

22. Accounts Payable – ECK Deposit:

In the year under review, ECK retention deposits amounting to KShs. 27,860,742.90 were transferred to the National Treasury in order to comply with the Accountant General's Circular on Old Deposit Account balances.

	2013/2014	2012/2013
	Shs 000	Shs 000
Opening Balances	29,811	28,610
Retention Costs/Deposits	1,465	1,201
ECK Deposit Recoveries	(27,861)	-
Total	3,415	29,811

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

23. Capital Expenditure:

Capital Expenditure	2013/2014	2012/2013
	Shs 000	Shs 000
Purchase of Computer Related Equipment	181	8,049,008
Purchase of Office Equipment	1,480	31,060
Acquisition of Office Furniture and Fittings	8,683	32,980
Purchase of Intangible Assets	-	10,156
Construction-In-Progress of Office Buildings & Halls.	62,300	-
Total	72,644	8,123,204

24. Subsequent Events - Events after the Reporting Date

As per the International Public Sector Accounting Standards (IPSAS 14) - Events after the Reporting date, the Commission wishes to disclose the following events that occurred after the reporting date but before the financial statements were authorized for issue.

a) Inter Agency Transfer of Assets - BVR Kits

In August 2014, the Commission fully transferred 200 Biometric Registration Kits to the Government for use in the biometric registration of human resource personnel both in the National and County Governments.

The cost of each transferred kits is **KShs.422, 380.00** and the total transferred value of all the 200 BVR Kits is **KShs. 84,476,000.00**.

The amendments as a result of the inter-agency transfer of assets has not been effected in the books of accounts as it is a non- adjusting event in the year under review but will be effected in subsequent financial year.

b) Stolen BVR Kits and Generators.

The Commission lost approximately 74 Biometric Voter Registration Kits and 5 generators in one of its warehouse situated in the North Rift region through theft.

The total cost of the stolen items is approximately **KShs.31, 256,120**.

The estimated loss as a result of theft has not been charged in the books of accounts as it is a non-adjusting event but the effect will be reported in the following financial year i.e. 2014/2015 if the kits will not be fully recovered. The stolen items were not insured.

Notes to the Annual Financial Statements

For the year ended 30 June 2014.

25. Employee Benefits:-Defined Contribution Scheme.

The Commission runs a defined contribution pension scheme. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the commission at 15% and employees at 7.5% of basic salary.

During the year, the scheme was managed by ICEA Lion Asset Management.

The Commission's contributions to the above scheme are charged to the income and expenditure account in the period to which they relate.

The fund valuation summary report as at 30th June, 2014 is as presented below:

DEFINED CONTRIBUTION SCHEME		
VALUATION	2013/2014 KShs. '000'	2012/2013 KShs' 000'
Fund Value	637,857	379,639

26. Number of Employees

The average number of permanent and pensionable employees for the Commission during the 2013/2014 financial period was eight hundred and sixty three permanent employees (863) whereas in 2012/2013 financial year, the average number was eight hundred and seventy six permanent employees (876).

The Commission however engages contractual staff on need basis.

27. Entity Tax Status

The Commission is a Government agency, fully funded by the Government and is therefore tax exempt. The Commission pays income taxes i.e. PAYE and WHT as per the regulations.

PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

Reference No. on External Audit Report	Issue / Observation from Auditor	Management Comments	Focal point Person to Resolve the Issue. (Name and the Designation)	Status: (Resolved/ Not Resolved)	Time frame: (Date when you expect the issue to be resolved)
Auditor General Report of 30 th May, 2014	Unvouched Expenditure	These were expenditures incurred at the Regional Offices. The returns were availed for audit verification.	N/A	Resolved	N/A
Auditor General Report of 30 th May, 2014	Irregular charge of Expenditure.	The Commission currently requests for formal authority from the National Treasury for any virement.	N/A	Resolved	N/A
Auditor General Report of 30 th May, 2014	Over Expenditure on Voted Itemized Provision (General Election Pending Bills)	The Commission was underfunded and this affected its operations given that it was the elections year. Failure to incur some of the expenditure would have compromised core activities of the general elections.	Director Finance, Jason Akoyo.	Ongoing	2015/2016 Fiscal Year.
Auditor General Report of 30 th May, 2014	Irregular payment of Basic Salary and Allowances	The Commission paid salaries and allowances according to the revised HR Structure and Contracts of engagement.	Director Human Resource, Sellestine Kiuluku.	Ongoing	N/A
Auditor General Report of 30 th May, 2014	Undisclosed Grant Income	Funds were accounted for by the then Ministry of Justice, National Cohesion and Constitutional Affairs. AIE No.A337554.	Director Finance, Jason Akoyo.	Resolved	N/A
Auditor General Report of 30 th May, 2014	ECK Outstanding balances	This includes the Car loan scheme, ECK Accounts receivables and payables.	Ag. CEO ,Beatrice Sungura N.	The Commission is currently pursuing the matter with the Accountant General.	2014/2015 Financial Year.
Auditor General Report of 30 th May, 2014	Irregular Procurement of Election Materials	The Commission procured several electronic equipment including BVR, EVID and ERTS which were all in the Commissions' Procurement Plan	Ag. CEO Beatrice Sungura N.	The EACC has taken up the matter.	N/A