

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

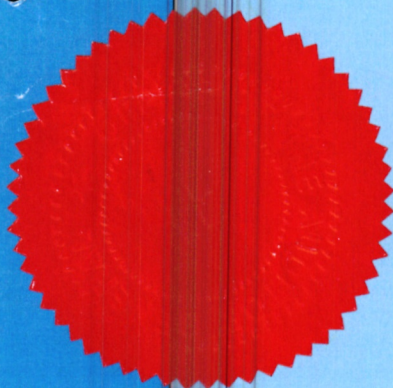
OF

THE AUDITOR-GENERAL

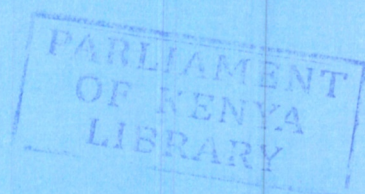
ON

THE FINANCIAL STATEMENTS OF
INDEPENDENT ELECTORAL AND
BOUNDARIES COMMISSION

FOR THE YEAR ENDED
30 JUNE 2018



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 07 MAY 2019	DAY: TUE
TABLED BY:	LDM
CLERK-AT THE-TABLE:	Lemona





INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION

REVISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2018

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

TABLE OF CONTENTS

KEY COMMISSION INFORMATION AND MANAGEMENT	3
THE IEBC COMMISSION	5
THE IEBC MANAGEMENT TEAM.....	9
CORPORATE GOVERNANCE STATEMENT	12
MANAGEMENT DISCUSSION AND ANALYSIS	14
CORPORATE SOCIAL RESPONSIBILITY.....	16
REPORT OF THE CEO/COMMISSION SECRETARY.....	17
REPORT OF THE CHAIRPERSON.....	18
REPORT OF THE INDEPENDENT AUDITOR.....	19
STATEMENT OF FINANCIAL PERFORMANCE.....	20
STATEMENT OF FINANCIAL POSITION.....	21
STATEMENT OF CASH FLOWS	22
COMBINED BUDGET EXECUTION STATEMENT	24
NOTES TO THE FINANCIAL STATEMENTS	25
PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS.....	40

KEY COMMISSION INFORMATION AND MANAGEMENT

1. Background information

The Independent Electoral and Boundaries Commission (IEBC) is established by Articles 88 and 248 of the Constitution of Kenya 2010. The Articles set out the mandate of the Commission. The Commission is responsible for conducting and supervising referenda and elections for any elective body or office established by the Constitution and any other elections as prescribed by an Act of Parliament.

2. General Information

The Independent Electoral and Boundaries Commission is established under Article 88 of the Constitution of Kenya, 2010 and is a legal entity. It is operationalised through IEBC Act 2011.

The IEBC Act provides that the funds of the Commission are held in a fund known as the Independent Electoral and Boundaries Commission Fund. The fund has not been operationalized.

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

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

3. Key Management

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

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

KEY COMMISSION INFORMATION AND MANAGEMENT

4. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2018 and had direct fiduciary responsibility were:

No.	Designation	Name
1	Commission Secretary/CEO	Ezra Chiloba
2	Deputy Commission Secretary - Support Services	Marjan Hussein
3	Deputy Commission Secretary - Operations	Beatrice Sungura
4	Director Finance	Osman H. Ibrahim
5	Ag. Director Supply Chain Management	Milcah Chebosis
6	Director Audit Risk & Compliance	Obadiah Keitany
7	Ag. Director Human Resources & Administration	Irene Mutai
8	Director Information & Communication Technology	James Muhati
9	Director Voter Registration & Elections Operations	Immaculate Kassait
10	Director Research & Development	Decimah M'mayi
11	Director Voter Education & Partnerships	Rasi Masudi
12	Director Legal Affairs & Public Affairs	Praxedes Tororey

5. 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.

6. Commission Auditors

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

7. Commission Headquarters

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

8. Principal Legal Advisor

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112-00200
NAIROBI.

THE IEBC COMMISSION



Chairperson: Mr. Wafula W. Chebukati

Date of Birth: 22nd December, 1961

Key Qualifications:

- Master of Business Administration from Jomo Kenyatta University of Agriculture and Technology.
- Bachelor of Law Degree from the University of Nairobi.
- Post Graduate Diploma from the Kenya School of Law.

Experience:

- Over 30 years' experience in legal practice specializing in litigation and dispute resolution, conveyancing, labour laws, company mergers and acquisitions, Maritime and treaties
- Works on a full time basis as a chairperson of the Commission.
- Chairs the Legal Affairs and Compliance Committee, the Dispute Resolution Committee and the Electoral Code of Conduct Committee.



Vice Chairperson: Ms. Consolata N. Maina

Date of Birth: 1960

Key Qualifications:

- Masters Degree in Business Administration from the University of Melbourne, Australia.
- Master of Science in Public Relations from the University of Sterling in Scotland
- Diploma in Business Studies from the London Chamber of Commerce and Industry (LCCI).
- Diploma in Public Relations from the London Chamber of Commerce and Industry (LCCI).

Experience:

- Vice Chairperson of the Independent Electoral and Boundaries Commission.
- Chaired the Political Parties Liaison Committee.
- Resigned on 16th April, 2018.



Commissioner: Prof. Abdi Yakub Guliye

Date of Birth: 25th November, 1962

Key Qualifications:

- PhD in Animal Nutrition from Rowett Research Institute/ University of Aberdeen, Scotland, UK
- Master of Science in Animal Production from University of Aberdeen, Scotland, UK
- Bachelor of Science in Animal Production from Egerton University.

Experience:

- Prof. Guliye has over 25 years of university teaching experience, of which in the last 7 years he had additional administrative/ managerial roles. He also served in various Boards of Institutions/Organizations, having chaired committees such as Audit and Risk Management as well as Finance.
- He Chairs Research, Technology and Strategy Committee and is also a member of the Audit Risk and Compliance Committee.



Commissioner: Mr. Boya Molu

Date of Birth: 5th November 1978

Key Qualifications:

- Master in Business Administration (HR Management Option), Periyar University, India.
- Bachelor of Business Administration from Karnatak University, India.
- Higher National Diploma in Human Resources Management (KNEC), IHRM Kenya.

Experience:

- Has over 13 years' experience in Human Resource Management and administration mainly in public sector.
- Prior to joining the Commission Mr. Molu served in various capacities at the Central Bank of Kenya (CBK) and the Judiciary in Human Resource and Administration Directorate.
- Also served as a council member of the Institute of Human Resources Management (IHRM) Kenya.
- Chairs the Human Resource, Administration and Training Committee.



Commissioner: Dr. Roselyne Kwamboka Akombe

Date of Birth: 1976

Key Qualifications:

- PhD in Global Affairs from the Rutgers University, USA.
- Master of Science in Global Affairs from the Rutgers University, USA.
- Bachelor's Degree in Education from the University of Nairobi.

Experience:

- Under Secretary at the United Nations Headquarters in New York.
- She was the Chairperson of the Electoral Technical and Operations Committee charged with the mandate of overseeing registration of voters and management of elections.
- Resigned on 18th October, 2017



Commissioner: Amb. Dr. Paul Kurgat

Date of Birth: 1961

Key Qualifications:

- PhD in History from Moi University.
- Masters Degree in International Relations from the Kiev University (Ukraine).
- Diploma in Peace and Security, Conflict Resolution from Uppsala University in Sweden.

Experience:

- Ambassador to Russia, Ukraine, Belarus and Kazakhstan.
- Chaired the Finance and Procurement Committee.
- Resigned on 16th April, 2018.



Commissioner: Ms. Margaret Mwachanya

Date of Birth: 1970

Key Qualifications:

- Master Degree in Swahili Studies from the University of Nairobi
- Bachelor Degree in Kiswahili from the Catholic University of Eastern Africa.

Experience:

- Prior to the appointment, she served as a Board Member of Taita – Taveta County Public Service Board.
- She was the Chairperson of the Voter Education and Partnership Committee.
- **Resigned on 16th April, 2018.**



Chief Executive Officer: Mr. Ezra Simiyu Chiloba

Date of Birth: 1979

Key Qualifications:

- Master of Arts in Public Policy from the Central European University
- Bachelor of Laws degree from the University of Nairobi, Kenya.

Experience:

- Over 10 years of experience in the democratic governance field.
- Strong grounding in elections management, constitutional development, devolution, human rights and public sector management in general.
- Prior to joining IEBC, Mr. Chiloba was the Deputy Team Leader in charge of governance under a DFID-DANIDA programme.
- Donor coordination and engagement having managed different donor agreements including DFID, European Union, Netherlands, Finland, SIDA, CIDA, USAID, Italy, Slovak, Norway and Denmark.

THE IEBC MANAGEMENT TEAM



Name: Ezra Chiloba

Chief Executive Officer

Profession/Qualifications:

- Master of Arts in Public Policy from the Central European University
- Bachelor of Laws degree from the University of Nairobi, Kenya.
- Higher Diploma in Law from Kenya School of Law.



Name : Marjan H. Marjan

Deputy CEO-Support Services

Profession/Qualifications:

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



Name : Betty Sungura

Deputy CEO-Operations.

Profession/Qualifications:

- Master in Law from University of Nairobi.
- Bachelor in Law degree from the University of Nairobi.
- Higher Diploma in Law from Kenya School of Law.
- Contract ended In November, 2017.



Name : Osman H. Ibrahim

Director Finance

Profession/Qualifications:

- Masters in Business Administration in Finance (MBA)
- Bachelor of Commerce from the University of Nairobi.
- Certified Public Accountant.
- Member of ICPAK in good standing.



Name: : Praxedes Tororey

Director Legal and Public Affairs.

Profession/Qualifications:

- Masters in Diplomacy and Foreign Policy, Peace Agreements from Moi University.
- Masters in Women's Law, International Instruments and Human Rights Law from University of Zimbabwe.
- Bachelor in Law degree from the University of Nairobi.
- **Retired in March, 2018.**



Name: : Decimah M'mayl

Director Research & Development

Profession/Qualifications:

- Bachelor Degree in Economics and Geography from the University of Nairobi.



Name: : Immaculate Kassait

Director Voter Registration and Electoral Operations

Profession/Qualifications:

- Executive MBA - United States International University (USIU).
- Bachelor in Law degree from the Makerere University.
- Post Graduate Diploma in Law from Kenya School of Law.



Name: : Rasi Masudi

Director Voter Education

Profession/Qualifications:

- Executive MBA.
- Bachelor of Science in Agricultural Economics.
- Diploma in Farm Management.



Name: : Milcah Chebosis

Ag. Director Supply Chain Management

Profession/Qualifications:

- Masters of Business Administration (MBA) in Strategic Management.
- Diploma in Supply Chain Management from Kenya Institute of Supply Management-(KISM)



Name: : Obadiah Kaitany

Director Audit Risk and Compliance

Profession/Qualifications:

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



Name: : James Muhati

Director ICT

Profession/Qualifications:

- MSc in Information Systems - University of Nairobi (UoN).
- BSc (Mathematics & Computer Science) - Kenyatta University.
- Post Graduate Diploma in Computer Science – (UoN)
- Executive Development Program (EDP) – Gordon Institute of Business Studies (GIBBS), South Africa.
- Member of Information Systems Audit & Control Association
- Member of Computer Society of Kenya.



Name: : Irene Mutai

Ag. Director Human Resource & Administration

Profession/Qualifications:

- MBA in Human Resource Management – KEMU.
- Bachelor's Degree in Sociology & Communication (UoN).
- Post Graduate Diploma in HRM.
- Diploma in Public Relations – KIM.

CORPORATE GOVERNANCE STATEMENT

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

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

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

The Commission

The size, composition and appointment of the Commission is prescribed by Article 250 of the Constitution and by the IEBC Act 2011. There were seven Commissioners who work on a full time basis. Each member was appointed to serve for a single term of six years.

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

The Commission Committees and their Responsibilities

The Commission delegates certain functions to committees without abdicating its own responsibilities. The Commission has developed a committee structure that assists in the execution of its duties, powers and authorities. The Committees are appropriately constituted drawing membership from amongst the Commissioners with the appropriate set of skills and experience and directors co-opted from various directorates.

The Commission has in place an independent Audit Committee that is chaired by a non-executive member. It also has two independent audit committee members, from the National Treasury and Ministry of ICT, and one Commissioner.

The Audit, Risk and Compliance Committee oversees the internal audit activity charged with the responsibility of continuous review and providing assurance on effectiveness of the Commission's Governance, Risk and Control.

CORPORATE GOVERNANCE STATEMENT

The Commission has the following committees:

Committee	Responsibility
Finance and Procurement	Procurement and Finance Oversight.
Audit, Risk and Compliance	Advisory on Governance, Risk and Compliance.
Human Resources, Training and Administration	Advisory and oversight on Human Resource functions.
Elections, Technical and Operations	Oversight on Election Planning and Implementation.
Boundaries Delimitation	Oversight on Boundaries Review and delimitation.
Legal Reforms, Enforcement of Code of Conduct and Compliance	Legal Oversight and Compliance.
ICT, Research and Development	Advisory on use of Technology in Elections.
Political Parties Liaison and Campaign Finance Control	Advisory on Engagement with Political Party and Campaign Financing.
Voter Education, Partnerships and Media	Voter Education, Partnership and Collaboration advisory.
Dispute Resolutions	Resolve Disputes on Party Primaries.

Impartiality and Independence of Members

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

Disclosure of Conflict of Interests

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operational and Financial Performance

During the year under review, the Commission successfully conducted general election in August 2017. The GE realised 78% voter turnout. Further the Commission also conducted a fresh presidential Election within 60 days after the Supreme Court Ruling in accordance with the Constitution and the Election Laws.

The Commission devolved its operations to the county level and is in the process of strengthening its operational and financial capacity to enhance service delivery. The Commission however faced liquidity and IFMIS challenges that resulted in the Commission accruing pending bills amounting to Kshs. 3.7 billion.

Compliance with Statutory Requirements

The Commission being a creation of the law respects the rule of law. The Commission complied with its tax obligations and all its statutory obligations in the implementation of its mandate.

Key Projects and Investment

The Commission is planning to construct its own building to house its head office to enhance security and efficiency in its operations. The Commission offices are currently located in a rented building which is not conducive for its operations due to congestions, uncontrolled movement in and out of the offices and disruptions to the business enterprises during heightened political activities.

Further, the Commission has planned to construct county offices and warehouses to standardize and reduce the cost of renting such facilities.

Risk Management Activities

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

Some of the key risks facing the Commission include:

- **Strategic Risks:** These are risks that affect the ability to carry out the long term goals and objectives as articulated in the IEBC Policy.
- **Compliance Risks:** These are risks associated with non-compliance with applicable laws and regulations which could result in litigation and conflicts of interest.
- **Political Risks:** This is a major risk factor affecting staff performance and safety. These risks could also be attributed to political perception of major political parties on the Commission's role.
- **Reputational Risks:** The risk of significant negative public opinion and or perception that results in a critical loss of confidence in the institution.
- **Financial Risks:** The risk of financial loss that may include ineffectiveness of internal controls, financial processes for reporting, budgeting, and fiscal stewardship as well as the monitoring

MANAGEMENT DISCUSSION AND ANALYSIS

of full financial and performance reporting. These risks may also affect the ability to acquire assets, technology, etc.

- **Technological Risks:** This a possibility of failure of technology employed by the Commission in the conduct of elections and rapid technological change resulting to obsolescence.
- **Operational Risks:** The risk of direct or indirect loss or inability to provide core services, especially to stakeholders, resulting from inadequate or failed internal processes, resources (including human resources, equipment malfunction), and systems.

Statutory and Financial Obligations

During the period under review, the Commission accrued pending bills amounting to Kshs 3.7 billion arising from election operations and petitions. The pending bills were mainly attributed to lack of liquidity, IFMIS related challenges and unforeseen expenditure arising from election petitions.

Financial Probity and Governance

The Commission incurred expenditure amounting to Kshs 32 billion in the conduct of the elections in 2017/18FY. To obtain assurance on compliance and prudence in the management of the election finances, the Commission has collaborated with the relevant statutory oversight bodies and undertaken internal financial reviews whose outcome will enable the Commission to strengthen its operational and financial systems.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The theme of the Commission CSR policy, “*connecting with the voter*” guides its CSR initiatives. The initiatives are geared towards promoting positive attitude, Social and perceptual change towards the Commission in order to realize its constitutional mandate.

During the period under review, the Commission partnered with Muhoroni Youth Football Club based in Muhoroni- Kisumu County to undertake voter and civic education and encourage the youth to embrace peace and unity in order to foster growth and development.

The Commission further organized tree planting drives where over 10,000 trees were planted in various schools, grounds and institutions within the county. The initiative was in tandem with president’s tree planting drive that was dubbed “**Panda miti, jenga nchi**” that was aimed at increasing the forest cover in the country.

The Commission organized and supported conduct of school student council elections in primary, secondary and tertiary institutions as a way of giving back to society as well as nurturing the young minds to uphold democratic tenets at young levels and embrace the democratically elected leadership.

REPORT OF THE CEO/COMMISSION SECRETARY

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

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

The Accounting Officer is responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission as at the end of the financial year ended 30th June 2018. 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 annual financial statements give a true and fair view of the state of Commission's transactions for the year ended 30th June 2018, and of the Commission's financial position as at 30th June 2018. The Accounting Officer further confirms the accuracy and completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial controls.

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



Marjan H. Marjan

Ag. Commission Secretary/CEO

REPORT OF THE CHAIRPERSON

It gives me great pleasure to present the Commission's Annual Financial Report for the 2017/2018 financial year.

During the 2017/2018 Financial Year, the Commission conducted the August 8th General Elections and the Fresh Presidential Elections on 26th October 2017. The Commission implemented most of the election activities detailed herein premised on both the Strategic Plan 2015-2020 and the Elections Operations Plan (EOP).

During the 2017/2018 financial year, the Commission received Kshs. 27.9 billion for recurrent expenditure from the National Treasury. The Commission collected Kshs. 10.5 million in form of Appropriation in Aid (AIA). The funds have been applied to defray the 2017 operational and election related expenditure.

The Commission was allocated Kshs. 32.6 billion in the 2017/2018 financial year under the Recurrent Vote while the Commission incurred total expenditure of Kshs.31.9 billion of which Kshs.3.7 billion relates to the elections pending bills.

My gratitude goes out to the National Government, the National Treasury, Parliament, the Judiciary, other Commissions and Independent Offices, Development Partners, fellow Commissioners and the staff of the Commission for their support towards fulfilling our mandate.



Wafula W. Chebukati

Commission Chairperson

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Independent Electoral and Boundaries Commission set out on pages 20 to 41, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Independent Electoral and Boundaries Commission as at 30 June 2018, 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.

Basis for Qualified Opinion

1. Irregular Expenditure on Media Services

The statement of financial performance for the year ended 30 June 2018 reflects general expenses amounting to Kshs.17,535,574,000. As disclosed in Note 11 to the financial statements, the expenditure includes printing and advertising expenses of Kshs.1,022,402,000. Included in the printing and advertising expenses is an amount of Kshs.23,040,000 the Commission paid to five media houses and radio stations for airing documentaries during the fresh presidential election in 2017. However, documentary evidence provided revealed that the negotiated cost would have been Kshs.11,200,000. No satisfactory explanation was provided for the extra payment of Kshs.11,840,000.

Consequently, the validity of the expenditure of Kshs 23,040,000 included in the general expenses could not be confirmed.

Report of the Auditor-General On the Financial Statements of Independent Electoral and Boundaries Commission for the year ended 30 June 2018

2. Unsupported Expenditure on Event Organizing Services

The general expenses of Kshs.17,535,574,000 as disclosed in Note 11 to the financial statements includes hospitality, supplies and services expenses of Kshs.2,183,189,000. The latter include an amount of Kshs.36,186,728 which was paid to Wanderjoy Party World Ltd in relation to provision of event organizing services. The Commission claimed to have used a contract between the State Department of Interior and Wanderjoy Party World Ltd to procure the firm for provision of the services. The Commission did not, however, provide documentary evidence to prove that the State Department of Interior had carried out the required procurement procedures before engaging the firm.

Consequently, the validity and propriety of the expenditure of Kshs.36,186,728 included in the general expenses could not be ascertained.

3. Overpayment for National Tallying Centre

The expenditure of Kshs.2,183,189,000 on hospitality, supplies and services disclosed under general expenses in Note 11 to the financial statements includes an amount of Kshs.70,495,162 paid for hire of National Tallying Centre. The Commission sought to hire a venue for the National Tallying Centre during the General Election in 2017 and identified Bomas of Kenya as a suitable venue for the services. After negotiations between the two parties, a contract between IEBC and the Bomas of Kenya was signed on 21 July 2017.

Examination of records revealed that the Commission paid Bomas of Kenya the amount of Kshs.70,495,162.00 vide payment voucher No. 1196A dated 10 April, 2018. Included in the payment were charges for the following components; security systems, accommodation for commissioners and hire of projectors which were higher than the negotiated contract rates. This resulted to an overpayment of Kshs. 27,482,162 which has not been recovered to date.

In the circumstances, the validity and propriety of the expenditure of Kshs.27,482,162 included in the hospitality, supplies and services under general expenses could not be confirmed.

4. Irregular Procurement of Catering Services

Further, the expenditure of Kshs 2,183,189,000 on hospitality, supplies and services as disclosed in Note 11 to the financial statements includes expenses relating to catering services amounting to Kshs.691,526,310. The contracts were awarded to the service providers based on predetermined rates issued from the Commission's Headquarters and in complete disregard to Article 227(1) of the Constitution which requires fairness, equity, transparency, cost-effectiveness and competition in the process of procurement of public goods and services.

In the circumstances, the validity of the expenditure of Kshs.691,526,310 incurred on catering services by the county offices could not be ascertained. In addition, in the absence

of a competitive procurement process for the catering services, it could not be confirmed whether there was value for money on the expenditure.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no key audit matters to communicate in my report.

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, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing else 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, except for the matters described in the Qualified Opinion section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and 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 governance.

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

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

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 entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a

material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

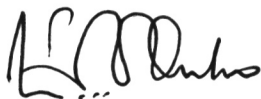
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 ability of Independent Electoral and Boundaries Commission 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 sustaining 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 Independent Electoral and Boundaries Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

17 April 2019

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended

	Note	2017-2018 Kshs 000	2016-2017 Kshs 000
Incomes			
Exchequer Issues	3	27,881,536	19,823,900
Appropriation-In-Aid	4	10,693	131,791
Interest	5	68	2,314
Grants from International Organizations	6	-	16,408
Total Incomes		27,892,297	19,974,413
Expenses			
Employee Costs	7	(10,742,460)	(4,810,680)
Depreciation & Amortization	8	(1,759,463)	(2,241,346)
Repairs & Maintenance	9	(220,950)	(506,796)
Operating Expenses	10	(2,767,558)	(707,017)
General Expenses	11	(17,535,574)	(7,473,513)
Total Expenditure		(33,026,006)	(15,739,352)
(Deficit)/Surplus		(5,133,709)	4,235,061

The notes on page 25 to 39 form an integral part of these financial statements.


STATEMENT OF FINANCIAL POSITION

As at 30th June, 2018

	Note	2017-2018 Kshs 000	2016-2017 Kshs 000
Assets			
Current Assets			
Cash and Cash Equivalents	12	1,369,546	3,567,325
Non-Exchange Transactions Receivables	13	217,672	52,112
Accounts Receivables (ECK Recurrent)	14	11,160	11,160
Car Loan Accounts Receivable	15	26,193	26,193
		1,624,571	3,656,790
Non-Current assets			
Property, Plant & Equipment	16	4,414,268	5,555,613
Intangible Assets	17	4,022	5,746
		4,418,290	5,561,359
Total Assets		6,042,861	9,218,148
Current Liabilities			
Accounts Payable	18	(4,429,917)	(2,680,742)
Retentions & Other Deposits Payable	19	(37,085)	(38,008)
Total Current Liabilities		(4,467,002)	(2,718,749)
		1,575,859	6,499,399
Financed by:			
General Fund		1,274,355	1,227,206
Accumulated (Deficit)/Surplus		(213,793)	4,919,908
Mortgage & Car Loan Fund	20	515,298	352,286
		1,575,859	6,499,399

The notes on page 25 to 39 form an integral part of these financial statements.

The financial statements from page 20 to 39 were approved and authorized by the Commission on 27th September, 2018 and signed on its behalf by:



Marjan H. Marjan
 ICPAK M/ No. 2786
 Ag. Commission Secretary



Obadiah K. Keitany
 ICPAK M/ No. 3055
 Director Finance



Wafula W. Chebukati
 Commission Chairperson

STATEMENT OF CASH FLOWS

As at 30th June, 2018

	Note	2017/2018 Kshs 000	2016/2017 Kshs 000
Cash flows from Operating Activities:			
Operating Surplus/(Deficit)		(5,133,709)	4,235,061
Recoveries by Exchequer		-	(84,326)
Adjustments for Non-Cash Items:			
Depreciation & Amortization	8	1,759,463	2,241,346
Prior Year Adjustment		47,149	-
Changes in Working Capital:			
Decrease / (Increase) in Temporary Imprests	13	6,411	(10,866)
Decrease in Salary Advances	13	9	84
Increase in Mortgage Receivables	13	(148,736)	(20,900)
Increase in Prepayments	13	(10,039)	-
Increase in Car Loan Receivables	13	(13,049)	(13,030)
Decrease /(Increase) in AIA Receivables	13	-	38
Increase in Accounts Payables	18	1,749,177	2,046,287
(Decrease)/Increase Retentions & Deposits	19	(923)	122
Net Cash Flow from Operating Activities		(1,744,402)	8,393,816
Cash flows from Investing Activities:			
Purchase of Property & Equipments	16	(616,394)	(5,336,401)
Sale of Property & Equipments	16	-	396
Increase in Staff Mortgage & Car Fund		163,013	299,997
Net Cash Flow from Investing Activities		(453,380)	(5,036,008)
Cash flows from Financing Activities:			
Cash flows from Financing Activities		-	-
Net Cash Provided by Financing Activities		-	-
Net (Decrease)/Increase in Cash & Cash Equivalent		(2,197,781)	3,357,808
Cash & Cash Equivalent at Beginning		3,567,327	209,519
Cash & Cash Equivalents at the End		1,369,545	3,567,327

The notes on page 25 to 39 form an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended 30th June, 2018

	Mortgage & Car Loan Fund KShs. 000	Accum. Surplus KShs. 000	General Fund KShs. 000	Total KShs. 000
Balance as at 30 June 2017	352,286	4,919,908	1,227,206	6,499,399
Deficit for the Year	-	-	(5,133,709)	(5,133,709)
Transfers	-	(5,133,709)	5,133,709	-
Rounding off variance	-	8	-	-
Prior Year Adjustment	-	-	47,149	-
Staff Car Loan and Mortgage	163,012	-	-	163,012
Balance as at 30 June 2018	515,298	(213,793)	1,274,355	1,575,859

COMBINED BUDGET EXECUTION STATEMENT

Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	Performance %
	a	b	c=a+b	d	e=d-c	f=d/c %
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	%
RECEIPTS						
Exchequer Releases	22,855,477	9,800,000	32,655,477	27,881,536.14	4,773,941	85%
Nomination Fees, Sale of Tender Registers & Maps and Fines & Penalties on Aspirants	5,000	-	5,000	10,693	(5,693)	214%
Domestic & Foreign Grants	712,210	-	712,210	712,210.00	-	100%
Total Income	23,572,687	9,800,000	33,372,687	28,604,439	4,768,248	86%
PAYMENTS						
Compensation of Employees	8,333,760	2,440,626	10,774,386	10,774,359.56	27	100%
Use of Goods and Services	12,062,369	5,319,694	17,382,063	14,182,127.46	3,199,935	82%
Rent Paid	239,500	316,824	556,324	496,696.02	59,628	89%
Other Payments	2,224,948	1,722,856	3,947,704	3,197,035.19	750,669	81%
Grants & Subsidies Paid	712,210	-	712,210	712,210.00	-	100%
Total Expenditure	23,572,687	9,800,000	33,372,687	29,362,428	4,010,259	88%
Surplus / (Deficit)	-	-	-	(757,989)	757,989	-

Note 22 on Budget Information & Other Disclosures provide explanations on the Statement of Budget Execution.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

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

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

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

2. Summary of Significant Accounting Policies:

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

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

Transfers from Other Government Entities

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

Interest Income

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

b) Budget Information – IPSAS 24

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

c) Taxes – IAS 12

Income tax

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

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

d) Property, Plant and Equipment – IPSAS 17

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

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

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

e) Intangible Assets – IPSAS 31

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

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 full-time employees. It operates a defined contribution plan which is a post-employment benefit plan under which the Commission pays fixed contributions into a separate Commission (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. The Scheme is administered by ICEA Lions Asset Management Ltd.

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.

m) Comparative Figures

Comparative figures for the year have been provided.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

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 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 FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

3. Exchequer Issues

	2017-2018 Shs 000	2016-2017 Shs 000
Recurrent Exchequer Releases:		
Total Exchequer Received in Q1	11,074,284	760,000
Total Exchequer Received in Q2	13,124,952	1,255,000
Total Exchequer Received in Q3	2,481,500	3,010,000
Total Exchequer Received in Q4	1,200,800	14,798,900
Total	27,881,536	19,823,900

There was no exchequer release for development vote since there was no development expenditure.

4. Appropriation in Aid (AIA)

	2017-2018 Shs 000	2016-2017 Shs 000
Nomination Fees & Charges Collected	530	109,983
Sale of Tender Documents, Registers & Maps	3,514	19,308
Fines & Penalties on Aspirants	6,650	2,500
Total	10,693	131,791

5. Interest Income

	2017-2018 Shs 000	2016-2017 Shs 000
Interest earned during the Year	68	2,314
Total	68	2,314

The Commission received interest of USD 673.66 in the 2017/2018 financial year as interest earned from call deposits held at Kenya Commercial Bank. The interest has been converted into Kenyan Shillings at a Central Bank of Kenya rate of Kshs.101.05 per USD. This is the rate that was prevailing at the end of the 2017/2018 financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

6. Grants from International Organizations

In the 2017/2018 financial year, the Commission received support from United Nations Development Programme (UNDP) through Direct Implementation Method amounting to Kshs. 712 Million. In compliance with IPSAS 23, the Commission discloses the economic benefits in the notes to the financial statements since the benefits were not received as actual transfers of cash but in kind.

7. Employee Costs

	2017-2018 Shs 000	2016-2017 Shs 000
Salaries & Wages Permanent Employees	1,158,225	1,162,970
Salaries & Wages Contractual Employees	7,164,536	1,945,570
Personal Allowances	1,460,261	783,860
Contributions to Pensions & Health Schemes	133,873	128,067
Domestic Travel & Subsistence & Other	690,710	718,224
Foreign Travel & Subsistence	117,285	71,787
Gratuity to Staff	17,570	203
Total	10,742,460	4,810,680

Salaries and wages of contractual employees include payments to poll officials engaged during the General and Fresh Presidential Elections.

8. Depreciation and Amortization Expense

	2017-2018 Shs 000	2016-2017 Shs 000
Property, Plant & Equipment	1,757,739	2,238,883
Intangible Assets	1,724	2,463
Total	1,759,463	2,241,346

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

9. Repairs & Maintenance Expenditure

	2017-2018 Shs 000	2016-2017 Shs 000
Routine Maintenance of Vehicles	82,683	199,032
Maintenance of Software	25,234	1,856
Routine Maintenance -Other Assets	113,033	305,908
Total	220,950	506,796

10. Operating Expenses

	2017-2018 Shs 000	2016-2017 Shs 000
Bank Services, Commission & Charges	-	4
Contracted Guards	12,472	13,063
Membership Fees, Dues & Subscriptions to Prof	6,014	6,513
Legal Dues, Arbitration & Compensation	2,715,352	524,068
Contracted Technical services	27,835	157,685
Witness Expenses	234	32
Parking Charges	5,652	5,652
Total	2,767,558	707,017

11. General Expenses

	2017-2018 Shs 000	2016-2017 Shs 000
Utilities, Supplies & Services	11,094	7,231
Communications, Supplies & Services	991,498	119,023
Printing & Advertising	1,022,402	287,297
Rentals of Produced Assets	6,336,488	1,164,599
Training Expenses	1,172,609	1,508,133
Hospitality Supplies & Services	2,183,189	11,324
Insurance Costs	240,107	214,102
Specialized Materials & Supplies	2,648,372	3,770,347
Office & General Supplies & services	119,865	275,666
Fuel, Oil & Lubricants	95,640	115,792
ICT Networks & Communication	2,714,309	-
Total	17,535,574	7,473,513

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

12. Cash and Bank

Bank Account	2017-2018 KSh 000	2016-2017 KSh 000
KCB IEBC Mombasa A/c - 1116811162	6,422	141,606
KCB IEBC Kwale A/c - 1213387787	4,614	-
KCB IEBC Kilifi A/c - 1116804042	22,102	50,183
KCB IEBC Tana River A/c - 1213382645	9,669	-
KCB IEBC Lamu A/c - 1213649188	2,448	-
KCB IEBC Taita Taveta A/c - 1213372356	20,323	-
KCB IEBC Garissa A/c - 1116817365	7,477	7,521
KCB IEBC Wajir A/c - 1116539934	1,958	-
KCB IEBC Mandera A/c - 1116539934	11	20,809
KCB IEBC Marsabit A/c - 1212713311	0	-
KCB IEBC Isiolo A/c - 1116800543	13,021	61,150
KCB IEBC Meru A/c - 1116774127	10,294	137,419
KCB IEBC Tharaka Nithi A/c - 1213689465	2,102	-
KCB IEBC Embu A/c - 1213760690	3,279	-
KCB IEBC Kitui A/c - 1213362768	64	-
KCB IEBC Machakos A/c - 1116791366	8,503	266,198
KCB IEBC Makueni A/c - 1213508398	9,190	-
KCB IEBC Nyandarua A/c - 1213379695	4,857	-
KCB IEBC Nyeri A/c - 1116756439	25,574	160,344
KCB IEBC Kirinyaga A/c - 1213919738	5,049	-
KCB IEBC Murang'a A/c - 1213929717	12,373	-
KCB IEBC Kiambu A/c - 1116811553	17,049	180,512
KCB IEBC Turkana A/c - 1213415977	10	-
KCB IEBC West Pokot A/c - 1213417163	40	-
KCB IEBC Samburu A/c - 1214135293	357	-
KCB IEBC Trans Nzoia A/c - 1214152538	46	-
KCB IEBC Uasin Gishu A/c - 1116791110	425	190,714
KCB IEBC Elgeyo Marakwet A/c - 1213364442	167	-
KCB IEBC Nandi A/c - 1213934052	181	-
KCB IEBC CEM Baringo A/c - 1213382173	5,034	-
KCB IEBC Laikipia A/c - 1213935350	52	-
KCB IEBC Nakuru A/c - 1116816857	111	198,440
KCB IEBC Narok A/c - 1213928338	12,660	-
KCB IEBC Kajiado A/c - 1213407435	26,685	-
KCB IEBC Kericho A/c - 1213840767	15,928	-
KCB IEBC Bomet A/c - 1116805243	31,172	230,259
KCB IEBC Kakamega A/c - 1116744694	118	142,428
KCB IEBC Vihiga A/c - 1213361087	6,042	-
KCB IEBC Bungoma A/c - 1116566443	29,950	93,803
KCB IEBC Busia A/c - 1213393167	6,021	-
KCB IEBC Siaya A/c - 1213697832	21,794	-
KCB IEBC Kisumu A/c - 1116780445	40,124	16,658
KCB IEBC Homa Bay A/c - 1214158560	40,116	-
KCB IEBC Migori A/c - 1213543320	147	-
KCB IEBC Kisii A/c - 1116811235	97,737	332,360
KCB IEBC Nyamira A/c - 1213365708	248	-
KCB IEBC Nairobi A/c - 1116817721	35,838	346,404
CBK IEBC Recurrent A/c - 1000181729	17,305	325,640
CBK IEBC Deposit A/c - 1000181931	37,085	38,008
CBK IEBC Development A/c - 1000182148	-	-
KCB IEBC University Way A/c - 1117602532	393,646	327,524
KCB IEBC Call Deposit (USD) A/c - 1138835137	4,918	7,181
KCB IEBC Dollar A/c - 1211876888	18,671	-
KCB IEBC Salary Control A/c - 1126334723	47,149	-
HFCK IEBC Mortgage A/c - 2172923101	93,376	179,100
HFCK IEBC Car Loan A/c - 2172923103	200,015	113,064
Total	1,369,546	3,567,325

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

13. Receivables from Non-Exchange Transactions

	2017-2018	2016-2017
	Shs 000	Shs 000
Temporary Imprests	5,985	12,396
Salary Advances	381	390
Prepayments	10,039	-
Mortgage Receivables	169,636	20,900
Car Loan Receivables	26,079	13,030
AIA Receivables	5,552	5,396
Total	217,672	52,112

14. ECK Accounts Receivable

	2017-2018	2016-2017
	Shs 000	Shs 000
Advances	9,215	9,215
Imprests	1,945	1,945
Total	11,160	11,160

The uncleared balances of Kshs 11,160,000 consist of staff salary advances and imprests that the Commission is required provide evidence that the outstanding amounts were recovered from the former ECK staff.

15. Car Loan Accounts Receivable

	2017-2018	2016-2017
	Shs 000	Shs 000
Debtors Outstanding Loan	26,193	26,193
Total	26,193	26,193

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

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

	Office Buildings	Computers & Equipment	Motor Vehicles	Office Equipment	Furniture and Fittings	Totals
Cost:						
As at 1st July 2017	132,806	13,823,684	703,086	360,298	83,313	15,103,186
Additions	-	598,393	14	5,889	12,098	616,395
As at 30th June, 2018	132,806	14,422,077	703,100	366,187	95,410	15,719,581
Depreciation:						
As at 30th June 2017	-	(8,805,174)	(547,293)	(155,705)	(39,805)	(9,547,977)
Charge for 2017/18	-	(1,685,766)	(38,952)	(26,071)	(6,951)	(1,757,739)
As at 30th June, 2018	-	(10,490,940)	(586,245)	(181,776)	(46,756)	(11,305,716)
Net Carrying Amount:						
As at 30th June, 2018	132,806	3,933,453	116,855	182,500	48,655	4,414,268
As at 30th June, 2017	132,806	5,020,826	155,793	202,681	43,507	5,555,613

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

17. Intangible Assets Movement Schedule

	2017-2018 Kshs. '000	2016-2017 Kshs. '000
Cost:		
As at 1 st July	66,851	66,851
Additions	-	-
As at 30th June, 2018	66,851	66,851
Amortization:		
As at 1 st July	(61,105)	(58,642)
Charge for the Year	(1,724)	(2,463)
As at 30th June, 2018	(62,829)	(61,105)
Net Carrying Amount	4,022	5,746

The Intangible Assets consists of Elections transmission system, Exchange server systems, OMR scanner software, SPSS software, QuickBooks software, Security Access Control System and related licenses.

18. Recurrent Accounts Payable

	2017-2018 Shs 000	2016-2017 Shs 000
Accounts Payables b/f	2,680,742	634,455
Financial Year Pending Bills	3,703,926	2,333,923
Bill paid during the Year Ended 30th June	(1,954,750)	(287,637)
Total	4,429,917	2,680,742

The Commission paid pending bills of KShs. 1,954,750,003.00 in the financial year under review and related to General Election services and supplies.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

19. Retentions and Deposits Payable

	2017-2018	2016-2017
	Shs 000	Shs 000
Opening Balance	38,008	37,886
Retention Fees & Other Deposits Withheld	2,588	1,036
Retention Fees & Deposits Paid	(3,511)	(914)
Total	37,085	38,008

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

20. Mortgage & Car Loan Fund

	2017-2018	2016-2017
	Shs 000	Shs 000
HFCK Mortgage Bank Balance	93,376	179,100
HFCK Car Loan Bank Balance	200,015	113,064
Mortgage Receivables	169,636	20,900
Car Loan Receivables	26,079	13,030
ECK Car Loan Receivables	26,193	26,193
Total	515,299	352,287

The Commission's Mortgage and Car Loan revolving is managed by Housing Finance Corporation of Kenya and was set up in the 2016/2017 financial year. The outstanding balance of KShs.26.193 million relates to recoveries made from final dues to defunct ECK Staff and Commissioners that were retained by the National Treasury.

21. Subsequent Events

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

22. Budget Information & Other Disclosures

The Commission received an additional budget of Kshs 9.8 billion during the supplementary budget to finance the Fresh Presidential Election.

The Commission realized 214% in AIA from nomination fees, fines and penalties from aspirants during the election period.

The Commission did not undertake any development projects in the 2017/2018 financial year as it focused on General Election activities.

The AIA Foreign Grants were received in kind from the Development Partners under Direct Implementation Methodology (DIM).

23. Contingent Assets & Liabilities

IPSAS 19 prescribes the accounting treatment for provisions, contingent liabilities and contingent assets and defines their identification and recognition. During the 2017-2018 financial year, the Commission was awarded costs amounting to Kshs.59,854,000.00 (taxed costs) and Kshs.205,060,000.00 (capped costs). However, collection of capped costs will require taxation before determination of actual amount collectable. Further, some petitions were filed by indigent litigants acting as surrogates for politicians out to cushion themselves against award of costs. This makes the awards qualify as contingent assets.

The Commission recognizes a possible future obligation of Kshs. 337,351,000.00 to pay 2013 General Election pending bills which have not been validated by the National Treasury's internal audit department or have pending court cases. The Commission also recognizes possible future obligations relating to legal fees on pending court cases and gratuities payable to staff members who are on a term contract.

24. Employee Benefits: Defined Contribution Scheme

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30th June 2018

The last audited Scheme fund financial position was as reflected below:

	2017-2018 Shs 000	2016-2017 Shs 000
Balance at Beginning of the Year	1,524,750	1,145,062
Contribution During the Year	232,835	228,305
Benefits Payable to Seceding Members	(29,427)	(24,393)
Net Returns on Investments	173,585	180,121
Administrative Expenses	(3,974)	(4,346)
Balance at the End of the Year	1,897,769	1,524,750

Under the terms of their appointment, ICEA LION Asset managers (Kenya) Limited are responsible for the investment of the scheme's funds. However, the overall responsibility and performance lies with the trustees.

25. Number of Employees

The average number of permanent and pensionable employees for the Commission as at 30th June, 2018 stood at eight hundred and ninety three (893). The Commission however engages contractual staff on a need basis.

26. Entity Tax Status

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

PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

Reference No. on External Audit Report	Issue / Observation from Auditor	Management Comments	Focal point Person to Resolve the Issue.	Status	Time frame
Auditor General Report of 23 rd May 2016.	Irregular Procurement and payment of Additional 4600 Electronic Voter Identification Devices (EVIDs).	The payment of the handheld EVIDs were procured within the law and payment were based on subsisting contract between the parties and not the subject of variation	CEO Ezra Chiloba	Awaiting response from Public Accounts Committee (PAC).	2017/18
Auditor General Report of 23 rd May 2016.	Irregular Payment for transportation of Election Materials	Mr. Abdullah Yusuf Farah swore an affidavit claiming that he was also the owner of the Alhamdul Company. The commission is streamlining its records management system.	CEO Ezra Chiloba	Awaiting response from Public Accounts Committee (PAC).	2017/18
Auditor General Report of 23 rd May 2016.	Unsupported pending bills.	The commission provided the payment vouchers as requested and are available for audit verification	CEO Ezra Chiloba	Awaiting response from Public Accounts Committee	2017/18
Auditor General Report of 23 rd May 2016.	Transfer of Computer Equipments to Burundi.	The commission disposal committee approved the disposal since the devices were obsolete. Public Procurement and Disposal procedure was followed.	CEO Ezra Chiloba	Awaiting response from Public Accounts Committee (PAC).	2017/18
Auditor General Report of 23 rd May 2016.	Loss of BVR Kits, Generators and Solar Panels.	Matter is still under investigation. Generator s and solar panels were inherited from the defunct ECK without proper handing reports.	CEO Ezra Chiloba	Awaiting response from Public Accounts Committee (PAC).	2017/18
Auditor General Report of 23 rd May 2016.	Inaccurate pending bills.	The invalidated pending bills at the regional offices and the head office have been disclosed as contingent liabilities in line with IPSAS 19. Reconciliation has been done.	CEO Ezra Chiloba	Awaiting response from Public Accounts Committee (PAC).	2017/18
Auditor General Report of 23 rd May 2016.	Irregular procurement of election materials due to lack of approved procurement plan for the year.	The priorities were in the procurement plan. The procurement plan was available for review.	CEO Ezra Chiloba	Awaiting response from Public Accounts Committee (PAC).	2017/18
Auditor General Report of March 2017.	The basis upon which rates for the provision of the BVR System vendor support and maintenance were determined was not explained.	The rates were determined through a negotiated process as per the PPDA act 2005 and PPD Regulation 2006.	DICT	Awaiting response from Public Accounts Committee (PAC).	2017/18

Reference No. on External Audit Report	Issue / Observation from Auditor	Management Comments	Focal point Person to Resolve the Issue.	Status	Time frame
Auditor General Report of March 2017.	The BVR SLA contract contents were altered contrary to requirements of Article 227 (1) of the constitution of Kenya, 2010	Direct Procurement method which is allowed under the PPDA 2005 Section 2, 74 and 75 with all the necessary approvals and justification.	DICT	Awaiting response from Public Accounts Committee (PAC)	2017/18
Auditor General Report of March 2017.	Irregular Payment of Legal Dues, Arbitration & Compensation	The additional pending bills paid were paid with due approvals and adequately support based on ARO A detailed list of all legal fees paid is attached for your verification.	DLPA	Awaiting response from Public Accounts Committee (PAC)	2017/18
Auditor General Report of March 2017.	Use of Law Firms that were not Prequalified.	The Commission has used the prequalification lists of other public entities as is permissible under section 32 of the now repealed Public Procurement and Disposal Act, 2005.	DLPA	Awaiting response from Public Accounts Committee (PAC)	2017/18
Auditor General Report of March 2017.	Legal Representation without valid contracts.	Letter of instructions duly signed based on the ARO.	DLPA	Awaiting response from Public Accounts Committee (PAC).	2017/18
Auditor General Report of March 2017.	Nugatory payments resulting into wasteful expenditure.	Contract attached for verification. Court award attached for verification.	DICT/CEO	Awaiting response from Public Accounts Committee (PAC)	2017/18
Auditor General Report of March 2017.	Late deliveries election materials amounting to Kshs.26,696,006.00	Items which were not issued for the by-election were subsequently used in continuous voter registration exercise.	DSCM	Awaiting response from Public Accounts	2017/18
Auditor General Report of March 2017.	Procurement of air tickets totaling to Kshs.9,247,782.00 through direct procurement contrary to Section 74 (3) of the Public Procurement and Disposal Act, 2005.	The tickets were procured directly from vendors who are registered by I.A.T.A.	DSCM	Awaiting response from Public Accounts Committee (PAC).	2017/18


Marjan H. Marjan
Ag. Commission Secretary


Wafula W. Chebukati
Commission Chairman