

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY PAPERS LAID	
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REPORT

OF

THE AUDITOR-GENERAL

ON

**INDEPENDENT ELECTORAL AND
BOUNDARIES COMMISSION**

**FOR THE YEAR ENDED
30 JUNE, 2020**

original

OFFICE OF THE AUDITOR GENERAL
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INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION

**ANNUAL REPORT & FINANCIAL STATEMENTS
(REVISED)
FOR THE FINANCIAL YEAR ENDING 30TH JUNE, 2020**

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


	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	09 JUN 2021 DAY: Wednesday
TABLED BY:	LAMCHAU AMOS KIMUNYA
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KEY COMMISSION INFORMATION AND MANAGEMENT

1. Background information

The Independent Electoral and Boundaries Commission is a Constitutional body established under Article 88 of the Constitution of Kenya and is a body corporate pursuant to Article 253 of the Constitution of Kenya. As per Article 88 of the Constitution of Kenya 2010, the Commission is responsible for conducting or supervising referenda and elections to any elective body or office established by the constitution, and any other elections as prescribed by an Act of Parliament. Article 88 and IEBC Act 2011 further enumerate the mandate of the Commission to include, inter alia, continuous registration of voters, revision of the voter's roll; delimitation of constituencies and wards boundaries; regulation of political parties process; development of a code of conduct for candidates and parties and monitoring of compliance with legislation on nomination of candidates by parties.

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 operationalized 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 Commission is mandated to submit its Annual Financial Statements to the Auditor-General by 30th September, 2020 and a copy of the statement to the Controller of Budget, the National Treasury and the Commission on Revenue Allocation within the statutory timelines as stipulated in Section 81 of the Public Finance Management Act, 2012.

3. Key Management

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

- | | | |
|-----|-----------------------|--|
| (a) | Marjan H. Marjan | Ag. Commission Secretary/CEO. |
| (b) | Obadiah Keitany | Ag. Deputy CEO/Director Finance |
| (c) | Lorna Agnes Onyango | Director Human Resources and Administration. |
| (d) | Immaculate Kassait | Director Voter Education and Partnerships. |
| (e) | Dr. Catherine Kamindo | Ag. Director Research and Development. |
| (f) | Silas Njeru | Ag. Director Information and Communication Technology. |
| (g) | Rasi Masudi | Director Voter Registration and Elections Operations. |
| (h) | Michael Goa | Director Legal Affairs and Public Affairs. |
| (i) | Osman H. Ibrahim | Director Audit Risk and Compliance. |
| (j) | Harley K. Mutisya | Director Supply Chain Management. |

4. Fiduciary Management

The key management personnel who held office during the 2019/20 financial year ended and had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Commission Secretary/CEO	Marjan H. Marjan
2.	Ag. Deputy CEO/Director Finance	Obadiah K. Keitany
3.	Director Supply Chain Management	Harley K. Mutisya
4.	Director Audit Risk & Compliance	Osman H. Ibrahim
5.	Director Human Resources & Administration	Lorna A. Onyango
6.	Ag. Director Information & Communication Technology	Silas Njeru
7.	Director Voter Registration & Elections Operations	Rasi M. Masudi
8.	Ag. Director Research & Development	Dr. Catherine Kamindo
9.	Director Voter Education & Partnerships	Immaculate N. Kassait
10.	Director Legal Affairs & Public Affairs	Michael Goa

5. Fiduciary Oversight Arrangements

Audit and Finance Committee activities

The Commission has in place a finance and procurement committee consisting of at least two Commissioners. The Committee has an oversight role over all finance and procurement matters. The Committee meets at least once a month and has in place an independent Audit Committee that is chaired by a non-executive member. 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.

Parliamentary Accounts Committee (PAC) activities

The Commission appears before PAC to respond to unresolved audit issues on invitation of PAC. The Commission has received PAC recommendations up to 2017/2018 FY and are currently being implemented. The Commission is yet to receive invitation to appear before PAC for the 2018/2019 FY Audit issues.

Development Partner Oversight activities

For the period under review, the Commission did not receive any support from development partner. However, the Commission receives funding during electioneering period under an UNDP Basket fund which is implemented under Direct Implementation Method (DIM) coordinated by UNDP.

External/Statutory Audit Activities

The Commission is annually subjected to audit by the Office of the Auditor General as required by law. OAG undertakes; Continuous, Systems and Annual audits on the Commission finances and operation activities. In special circumstances, OAG conduct Special Audits.

Budgetary Control Activities

The Office of Controller of Budget (COB) of Kenya is an independent office established to oversee implementation of the budgets of the National and County Governments by authorizing withdrawal from public funds.

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The Commission files the required quarterly and annual budget implementation reports to the Officer of the Controller of Budget. Further, the Commission has put in place a standing committee on Budget Implementation which advise the Commission on budgetary matters. The Commission is committed to compliance and prudence in the management of the finances and has collaborated with the relevant statutory oversight bodies and continues to undertake internal financial reviews whose outcome enables the Commission to strengthen its operational and financial systems.

6. 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.

7. Commission Auditors

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

8. Commission Headquarters

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

9. 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

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.



Commissioner: Prof. Abdi Yakub Gullye

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. Gullye 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

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.

THE IEBC MANAGEMENT TEAM



Name: Marjan H. Marjan

Ag. CEO/Commission Secretary

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: Obadiah K. Keitany

Ag. Deputy CEO/Director Finance

Profession/Qualifications:

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



Name: Osman H. Ibrahim

Director Audit Risk and Compliance

Profession/Qualifications:

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



Name: Michael Goa

Director Legal and Public Affairs.

Profession/Qualifications:

- Executive MBA;
- Bachelors of Law degree (LLB) - University of Nairobi;
- Post Graduate Diploma in Legal Education (Kenya School of Law);
- Certified Public Secretary;
- Advocate of the High Court of Kenya;
- Commissioner of Oaths;
- Notary Public;
- Member of the Institute of Certified Public Secretaries of Kenya.



Name: Dr. Catherine M. Kamindo

Ag. Director Research Boundaries & Development

Profession/Qualifications:

- PhD Education Policy and Management- University of Durham (UK);
- Master of Education Educational Administration- Kenyatta University;
- Bachelor of Education - Kenyatta University;
- Certificate in Strategic Communication- The World Bank;
- Certificate in Management of Democratic Elections in Africa- University of South Africa;
- Professional Certificate in Electoral Processes-International Centre for Parliamentary Studies (UK);
- Full Member (FKIM) Kenya Institute of Management;
- African Union Certified Long and Short-Term Elections Observer;
- Kenya Association of Educational Administration (KAEM);
- American Political Science Association (APSA).



Name: Immaculate Kassait

Director Voter Education

Profession/Qualifications:

- Advocate of the High Court of Kenya;
- Accrediting/Facilitator/Building Resource in Elections Democracy and Governance (BRIDGE);
- Executive Masters in Business Administration- GEMBA-USIU;
- Post Graduate Diploma in Law from Kenya School of Law;
- Bachelor in Law degree from the Makerere University;
- Member of LSK-in good standing;
- Member of FIDA Kenya;
- Commissioner of Oaths, notary, public.



Name: Rasi Masudi

Director Voter Registration and Electoral Operations

Profession/Qualifications:

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



Name: Harley Kisyula Mutisya

Director Supply Chain Management

Profession/Qualifications:

- PHD in Business Administration (UoN);
- MBA in Procurement & Supply Chain Management (UoN);
- BCOM in Supply Chain Management (UoN);
- Diploma in Logistical Management from Cerford Institute;
- Certified Procurement and Supply Professional (CPSP-K);
- Chartered Associate (ACI Arb);
- Member Kenya Institute of Supplies Management(KISM);
- Certified Practitioner-(KISM);
- Fellow Logistics Society of Kenya;
- Member Chartered Institute of Procurement and Supply(UK);



Name: Silas Njeru

Ag. Director ICT

Profession/Qualifications:

- Master of Science in Computer Science (UoN);
- Bachelor of Science in Computer Science (Egerton University);
- Member of Computer Society of Kenya;
- Member of ISACA Kenya Chapter (ISACA);
- Project Management Professional (PMP).



Name: Lorna A. Onyango

Director Human Resource & Administration

Profession/Qualifications:

- Master of Business Administration (HRM);
- Post Graduate Diploma;
- Bachelor of Arts (Sociology) (UoN);
- Certificate, Human Resource Audit;
- Certificate, Payroll Management;
- Licensed Human Resource Professional;
- Member, Institute of Human Resource Management (IHRM), Kenya.

REVIEW OF IEBC PERFORMANCE FOR 2019/2020FY

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

IEBC has three strategic pillars and objectives within its Strategic Plan for the FY 2018/2019-2022/2023.

These strategic pillars are as follows:

Pillar 1: Managing Elections.

Pillar 2: Institutional Transformation

Pillar 3: Trust and Participation

The Commission develops its annual work plans based on the above three pillars. Assessment of the Commission's performance against its annual work plan is done on a quarterly basis. The Commission achieved its performance targets set for the FY 2019/2020 period for its 2015-2020 strategic pillars, as indicated in the table below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Managing Elections	Strengthen Electoral, Legal framework and Enforcement.	All Electoral Laws reviewed and harmonized by August. The percentage reduction in reported cases of electoral offences by Political Parties, Candidates and other Stakeholders.	Workshops Public participation JLAC for consultation on the Commission's proposals. Stakeholder engagement with IEBC External Counsel.	<ul style="list-style-type: none"> • Developed the comprehensive matrix of proposals ready for submission to JLAC and stakeholder engagement. • Finalized Draft Referendum, Bill 2020 • Revised Draft Referendum Regulation Bill, 2020. • Revised Draft Election Campaign Financing Regulations Bill, 2020. • Finalized Draft Election Campaign Financing (Amendment) Bill, 2020. • Finalized the IEBC Amendment) Bill for boundaries delimitation.

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
	Elections operations implemented for enhanced voter experience.	Conduct all by-elections within the statutory timelines.	<ul style="list-style-type: none"> Sourcing of election materials. Training of Election officials. Nominations Tallying. 	<ul style="list-style-type: none"> Conducted six by-elections. One Member of the National Assembly and Five Members of County Assembly.
		Reduce time taken to process a voter on polling day.		<ul style="list-style-type: none"> An average time taken to process voters during the by-elections was 6 minutes per voter.
	Register eligible Kenyan Citizens as voters.	Number of eligible voters registered	<ul style="list-style-type: none"> Continuous voter registration. Continuous cleaning of register 	<ul style="list-style-type: none"> The Commission registered fifty five thousand, five hundred and thirty five (55,535) new voters.
	Equity in Representation in Parliament and County Assembly levels. Delimitation of Electoral Areas	Review of Electoral Boundaries.	<ul style="list-style-type: none"> Stakeholder participation. Forums Consultations with relevant authorities. 	<ul style="list-style-type: none"> Boundaries Review Operations Plan operationalized. Analyzed the 2019 Kenya Population and Housing Census data.
Pillar 2: Institutional Transformation	Enhance IEBC's Human Resource capacity.	A performance management system encompassing performance contracting and performance appraisal Developed.	<ul style="list-style-type: none"> Operationalize the Performance Management System (PMS). Human Resource Management Information System. Payroll System. 	Performance Management System (PMS) developed and institutionalized.

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
	Strengthen corporate governance and communication in IEBC.	A risk-based Annual Internal Audit Plan developed and implemented Quarterly progress reports on risk management Developed. The IEBC Risk Register reviewed.	<ul style="list-style-type: none"> • Development of annual audit plan. • Continuous audit reviews Quarterly Risk review plans Desktop reviews. 	<ul style="list-style-type: none"> • Quarterly internal audits. • Risk Reviews conducted. • Regular Committee meetings conducted.
	Re-engineer business processes across IEBC's Operations.	Policies, procedures and operational manuals developed and established by December, 2015. Review the Commission organization Structure	<ul style="list-style-type: none"> • Restructuring. • Review of policies and procedures manual. • Consultative forums. 	<ul style="list-style-type: none"> • Finance and Accounts, Procurement Policies and Procedures Manual and Human Resource s Manual Approved and implemented in march 2020. • Commission Structure Reviewed and draft developed.
	Provide adequate office space and a conducive work environment.	Acquire and own office facilities for the IEBC Headquarters and field offices by 2020.	Sourcing funds Office reallocation Construction of warehouses and county and constituency offices.	<ul style="list-style-type: none"> • Office space reallocation policy was approved and implemented.
Pillar 3: Trust and Participation	Empower Kenyans to Effectively participate in the electoral process.	Percentage of Kenyans directly or indirectly reached with voter education information prior to an electoral activity.	<ul style="list-style-type: none"> • Continuous voter education. • Review Workshops and for an advertisements. 	<ul style="list-style-type: none"> • 52.3% Average Voter turnout in the six by-elections.

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
	Strategic Partnership and Collaboration with Stakeholders	Accreditation of election observers during key electoral processes	<ul style="list-style-type: none"> • Briefings. • Accreditations. 	<ul style="list-style-type: none"> • 274 election observers accredited for six by-elections.
	Empowering political parties and independent candidates to effectively participate in the electoral Process.	Strengthen collaboration with the Office of the Registrar of Political Parties.	<ul style="list-style-type: none"> • Political party liaison meeting. • Training of political parties. 	<ul style="list-style-type: none"> • Draft Collaboration Framework developed.
	Enhanced mechanisms for liaison with Political Parties.	Number of Political Parties Liaison Committee (PPLC) meetings held.	<ul style="list-style-type: none"> • Meetings. • Stakeholder forums. 	<ul style="list-style-type: none"> • Twelve (12) Political Parties Liaison Committee (PPLC) meetings held.

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 three Commissioners who worked on a full time basis during the year under review. 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.

Human Resource Training and Administration Committee: Provides advisory and oversight on human resource management, training and development, facilities and general administration.

Finance and Procurement Committee: The main role of the Finance and procurement Committee is to provide financial oversight for the Commission. The responsibilities include oversight over; Budgeting and budgetary control, Procurement, Financial management and reporting. It ensures compliance with relevant laws, Regulations and international standards especially Public Financial Management (PFM) Act, Public Procurement and Asset Disposal (PPAD) Act and Accounting Standards

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Elections and Technical Operations Committee (ETOC) provides oversight on voter registration and election operations planning, boundary delimitation and risk monitoring and compliance.

Research, Technology and Strategy Committee provides oversight on the formulation and integration of ICT in the management of elections and research and planning.

Legal Affairs and Compliance Committee oversees settlement of disputes relating to or arising from nominations, electoral code of conduct, campaign finance and code of ethics compliance. It also provides oversight on legal reforms, implementation of regulations and corporate governance.

The Commission has the following committees and conducted the meetings as per the table below:

S/No.	Committee	Key Responsibility	No. of Meetings
1.	Plenary	Oversight, Strategy and Policy Formulation.	11
2.	Finance and Procurement Committee	Procurement and Finance Oversight.	10
3.	Audit and Risk Committee	Oversight on Governance, Risk and Compliance.	5
4.	Human Resources, Training and Administration Committee	Advisory and Oversight on Human Resource functions.	10
5.	Legal Affairs and Compliance	Legal Oversight and Compliance.	5
6.	Research, Technology and Strategy Committee	Oversight on Election Planning and Implementation.	4
7.	Election Technical Operations Committee (ETOC)	Technical oversight on voter registration and election operations planning, boundary delimitation and review.	3

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 period under review, the Commission successfully conducted; Kibra MNA by-election and five (5) County of Assembly Ward by elections i.e. Abigail Ward, Lonyangalani Ward, Mtongoni Ward, Ganda Ward and Batali Ward by-elections which realized an average of 52.3% voter turnout and launched the post-election evaluation report. The Commission, however was unable to conduct five (5) county assembly wards and one member of National Assembly by-elections due to covid-19 pandemic.

As at the end of 2019/2020 financial year, the Commission received exchequers from National Treasury amounting **Kshs. 4.665 billion** which has been utilized to fund the activities of the Commission. However, during the period under review, the implementation of some Commission's activities were hampered by the Covid-19 pandemic since some resources were channelled by the government towards the management and control of the pandemic.

Further, the Commission paid pending bills amounting **Kshs. 1.111 billion** leaving a balance of **Kshs. 3.125 billion** worth of pending bills unpaid. The Commission also made savings by negotiating with suppliers of goods and services to reduce some of the bills which were on the higher side. The Commission however faced budgetary constraints and was unable Inability to settle some of the 2017 General elections pending bills.

Compliance with Statutory Requirements

The Commission complied with its tax obligations and all its statutory obligations in the implementation of its mandate.

Key Projects and Investment

The Commission had planned to construct its own building to house its head office to enhance security and efficiency in its operations. However, the project has not been funded during the period under review. The commission will continue to pursue funding to implement the project since 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.

Risk Management Activities

The Commission has put 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 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 review, the Commission's has initiated the process of defraying some bills as part of the first charge against 2019/2020 financial year budget. As at the end of the year, pending bills amounting **Kshs. 3.125 billion** remained unpaid.

Financial Probity and Governance

The Commission incurred actual expenditure amounting to **Kshs 4.487 billion** as at the end of the of 2019/2020 financial year.

During the period under review, the Commission operationalised the following manuals that are aimed at improving the level of governance and compliance:-

- Finance and Accounts Policies and Procedures Manual.
- Procurement Policies and Procedures Manual.
- Human Resource and Administrative Policies and Procedures Manuals.

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 continues to undertake internal financial reviews whose outcome enables the Commission to strengthen its operational and financial systems.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Commission's overriding Corporate Social Responsibility theme is **"connecting with the voter"**.

In the period under review, the Commission conducted primary, secondary and tertiary student council elections for various institutions across the country. The learners were sensitized on the voting process, qualities of a good leader and civil rights to inculcate democratic tenets in the students.

The Commission further visited inmates in various prisons and provided essential commodities in the form of foodstuffs and clothing.

REPORT OF THE CEO/COMMISSION SECRETARY

The Public Finance Management Act, 2012, requires the Accounting Officer to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Commission as at the end of each financial year and of its operating results. It also requires the Accounting Officer to ensure that the Commission maintains proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Commission. The Accounting Officer is also responsible for safeguarding the Commission's assets.

The Accounting Officer is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and in a form that complies with the standards prescribed by the Public Sector Accounting Standards Board (PSASB). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, safeguarding the assets, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for 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. The Accounting Officer 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 financial position. The Accounting Officer further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate 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.



Marjan Hussein Marjan

Ag. Commission Secretary/CEO

REPORT OF THE CHAIRPERSON

I am pleased to present the Commission's annual financial statements for the year ended 30th June 2020.

During the period under review, National Treasury allocated to the Commission Kshs.4.808 billion under the recurrent vote but received exchequers amounting Kshs.4.664 billion. Subsequently, the Commission incurred total expenditure of Kshs.4.487 billion. In addition, the Commission collected Kshs.0.891 million as Appropriation in Aid (AIA), that was applied to fund various operational activities of the Commission.

It is noteworthy that the Commission, inter alia, successfully conducted six (6) by-elections, and developed its Strategic Plan 2020/2024 as well as the Boundaries Review Operational Plan. Further, the Commission undertook review of electoral laws for purposes of developing proposed amendments. Additionally, the Commission continued to settle some pending bills basically as first charge on the existing budget.

The implementation of some of the election activities were affected by the prevailing COVID-19 pandemic. In compliance with the Ministry of Health measures on the containment of COVID-19 pandemic, the Commission postponed the conduct of by elections for one member of National Assembly and five (5) Members of County Assembly. In addition, the Commission suspended meetings and field visits to gather views from various stakeholders on boundaries review exercise.

Looking forward, the National Treasury should avail sufficient budget to fund the core mandate of the Commission and settle pending bills which continue to attract interest for non-payment.

I wish to register my appreciation and applaud the Members of the Commission and Staff of the IEBC as well as all partners and stakeholders for their support towards fulfilling Commission's mandate as enshrined in the Constitution of Kenya 2010.

In Conclusion, I wish to convey the gratitude of the Commission to the National Government, the National Treasury, Parliament, partners, stakeholders and staff of the Commission for their support towards fulfilling our mandate.

W.W. Chebukati

Chairperson

IEBC ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2020

REPORT OF THE INDEPENDENT AUDITOR

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Independent Electoral and Boundaries Commission set out on pages 23 to 48, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and combined budget execution statement 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 effect 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, 2020, 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

1.0 Accounts Receivables

The statement of financial position as at 30 June, 2020 reflects amounts of Kshs.11,160,000 and Kshs.26,193,000 in respect of accounts receivables and car loan accounts receivables, respectively. As disclosed under Notes 11 and 12 to the financial statements, the amounts relate to imprests or salary advances and car loans, respectively held by staff and former Commissioners of the defunct Electoral Commission of Kenya. The funds, which have been outstanding for more than ten (10) years, were recovered from the final dues of the staff and former Commissioners by The National Treasury but were not remitted to the Commission.

In the circumstances, recoverability of the accounts' receivables and car loans accounts receivables amounting to Kshs.11,160,000 and Kshs.26,193,000 respectively, could not be ascertained.

2.0 Property, Plant and Equipment

As disclosed in Note 13 to the financial statements, the statement of financial position reflects a balance of Kshs.2,318,020,000 in respect of property plant and equipment as at 30 June, 2020 which includes an amount of Kshs.113,514,000 for office buildings. However, as reported in the year 2018/2019, the value of forty-one (41) constituency office block buildings has not been included in the amount disclosed in the financial statements. Further, the Commission is yet to obtain ownership documents for several parcels of land allocated by the National and County Governments and whose values have also not been included in the financial statements. In addition, as reported in the previous years, although the Commission maintained an asset register, it was not comprehensive as required under Regulation 143(2) of the Public Finance Management (National Government) Regulations, 2015 and assets of undetermined value inherited from the defunct Electoral Commission of Kenya has been omitted.

In the circumstances, it has not been possible to ascertain the accuracy and completeness of the balance of Kshs.2,318,020,000 for property, plant and equipment included in the statement of financial position as at 30 June, 2020.

3.0 Inventories

The Commission held significant quantities of strategic and non-strategic election materials in various stores located in various warehouses at its County and Constituency offices. These include items of undetermined values inherited from the defunct Electoral Commission of Kenya. However, and as reported in the previous years, the values of these inventories have not been determined and disclosed in the financial statements under review.

Consequently, the total assets balance of Kshs.2,467,704,000 reflected in the statement of financial position as at 30 June, 2020 is not fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Independent Electoral and Boundaries Commission Management in accordance with ISSAI 130 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. There were no key audit matters to report in the year under review.

Other Matter

Accounts Payables

The statement of financial position reflects a balance of Kshs.3,124,814,000 against accounts payables as at 30 June, 2020 (2019 - Kshs.4,334,280,000). Management has explained that the existence of the accounts payables was mainly due to failure by The National Treasury to release funds from the Exchequer for settlement of the same. Failure to settle the bills during the year adversely affects the provisions for the subsequent periods to which they have to be charged.

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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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

Outstanding Court Awards

The statement of financial position as at 30 June, 2020 reflects Kshs.21,903,000 in respect of receivables from non-exchange transactions. As disclosed in Note 10 to the financial statements, the balance includes an amount of Kshs.5,396,000 Appropriations-In-Aid (AIA) receivables relating to amounts due from court cases which were decided in the year 2013 and for which costs had been awarded to the Commission.

Management has not demonstrated measures taken to collect the amounts awarded or collect the revenue due as required under Regulation 64(1) of the Public Finance Management (National Government) Regulations, 2015 which states that an Accounting Officer and a Receiver of Revenue are personally responsible for ensuring that adequate safeguards exist and are applied for the prompt collection and proper accounting for, all National Government revenue and other public moneys relating to their Ministries, Departments or Agencies.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Commission's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Commission or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the Commission's 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 Commission's 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to 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 Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

20 May, 2021

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 30th June, 2020

	Note	2019/2020 Unaudited Kshs 000	2018/2019 Audited Kshs 000
<u>Incomes</u>			
Exchequer Issues	1	4,663,947	4,581,384
Appropriation-In-Aid	2	891	1,436
Total Incomes		4,664,838	4,582,820
<u>Expenses</u>			
Employee Costs	3	(2,590,650)	(2,637,908)
Gratuity Expenses	4	(11,834)	(14,824)
Depreciation & Amortization	5	(889,137)	(1,243,124)
Repairs & Maintenance	6	(50,285)	(161,334)
Operating Expenses	7	(39,146)	(452,653)
General Expenses	8	(905,473)	(1,065,750)
Total Expenditure		(4,486,525)	(5,575,593)
Surplus/(Deficit)		178,313	(992,773)

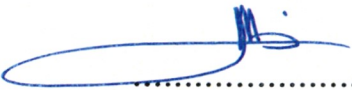
The notes on page 33 to 44 form an integral part of these financial statements.


STATEMENT OF FINANCIAL POSITION


As at 30th June, 2020

	Note	2019/2020 Unaudited Kshs 000	2018/2019 Audited Kshs 000
Assets			
<u>Current Assets</u>			
Cash and Cash Equivalents	9	88,448	98,627
Non-Exchange Transactions Receivables	10	21,903	34,093
Accounts Receivable	11	11,160	11,160
Car Loan Accounts Receivable	12	26,193	26,193
		147,704	170,073
<u>Non-Current Assets</u>			
Property, Plant & Equipment	13	2,318,020	3,163,667
Intangible Assets	14	1,980	2,829
		2,320,000	3,166,496
		2,467,704	3,336,570
<u>Total Assets</u>			
<u>Current Liabilities</u>			
Accounts Payable	15	(3,124,814)	(4,334,280)
Provision for Gratuity	16	(33,755)	(34,908)
Retentions & Other Deposits Payable	17	(36,998)	(37,743)
		(3,195,567)	(4,406,931)
Total Current Liabilities		(3,195,567)	(4,406,931)
Net Liabilities		(727,864)	(1,070,361)
<u>Financed by:</u>			
Accumulated Fund		602,732	312,347
Revenue Reserve		(1,330,596)	(1,382,708)
Net Liabilities		(727,864)	(1,070,361)

The notes on page 28 to 44 form an integral part of these financial statements.


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


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


.....
W.W. Chebukati
Chairperson

STATEMENT OF CASH FLOWS

As at 30th June, 2020

	Note	2019/2020 Unaudited Kshs 000	2018/2019 Audited Kshs 000
<u>Cash flows from Operating Activities:</u>			
Operating Surplus/(Deficit)		178,313	(992,773)
Transfers to Exchequer	18	(47,724)	(962,008)
Transfers to Mortgage & Car Loan		-	(509,789)
<u>Adjustments for Non-Cash Items:</u>			
Depreciation & Amortization	7	889,137	1,256,521
Accruals Adjustment	15	26,993	-
Negotiation Savings	15	284,471	-
Prior Year Adjustment on Assets		-	(37,549)
<u>Changes in Working Capital:</u>			
Increase in Non Exchange Transactions	9	12,190	183,579
Decrease in Accounts Payables	15	(1,209,466)	(95,637)
(Decrease)/Increase in Provision for Gratuities	16	(1,153)	34,908
(Decrease)/Increase Retentions & Deposits	17	(745)	657
Net Cash Flow from Operating Activities		132,016	(1,122,090)
<u>Cash flows from Investing Activities:</u>			
Purchase of Motor Vehicles & Equipments	13	(15,996)	(4,728)
Increase in Staff Mortgage & Car Loan Fund	19	(126,200)	(144,100)
Net Cash Flow from Investing Activities		(142,196)	(148,828)
<u>Cash flows from Financing Activities:</u>			
Cash flows from Financing Activities		-	-
Net Cash Provided by Financing Activities		-	-
Net Decrease in Cash & Cash Equivalent		(10,180)	(1,270,918)
Cash & Cash Equivalent at Beginning		98,627	1,369,545
Cash & Cash Equivalents at the End	9	88,448	98,627

The notes on page 33 to 44 form an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS

For the Period Ended 30th June, 2020

	Note	Revenue Reserve	Accumulated Fund	Total
		KShs. 000	KShs. 000	KShs. 000
Balance as at 30th June 2018		<u>(213,793)</u>	<u>1,274,355</u>	<u>1,060,561</u>
Surplus/(Deficit) for the Year		(992,773)	-	(992,773)
Transfers to National Treasury(Exchequer)	18	-	(962,008)	(962,008)
Car Loan & Mortgage Adjustment		5,508	-	5,508
Buildings Dep. Adjustment		(13,397)	-	(13,397)
Provision for Gratuity Adjustment	16	(24,153)	-	(24,153)
Transfers to Staff Car & Mortgage Fund		(144,100)	-	(144,100)
Balance as at 30th June 2019		<u>(1,382,708)</u>	<u>312,347</u>	<u>(1,070,362)</u>
Surplus/(Deficit) for the Year		178,313	-	178,313
Transfers to National Treasury(Exchequer)	18	-	(47,724)	(47,724)
ICT Equipments Adjustment	13	-	55,196	55,196
Adjustment for PPE			(402)	(402)
Dep. of ICT Assets Adjustment	13		(28,150)	(28,150)
Accruals Adjustment	15	-	26,993	26,993
Negotiation Savings	15	-	284,471	284,471
Rounding Off Variances		-	1	1
Transfers to Staff Car & Mortgage Fund	19	(126,200)	-	(126,200)
Balance as at 30th June 2020		<u>(1,330,596)</u>	<u>602,732</u>	<u>(727,864)</u>

The notes on page 33 to 44 form an integral part of these financial statements.

IEBC ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2020

COMBINED BUDGET EXECUTION STATEMENT

Item	Approved Budget	Actual Payments	Variance	Performance
	Annual KShs '000	Annual KShs '000	Annual KShs '000	Percentage
Incomes				
Exchequer Releases - Recurrent Vote 2031	4,803,400	4,663,947	139,453	97%
Exchequer Releases - Development Vote 2031	-	-	-	0%
Appropriation in Aid	5,000	891	4,109	18%
Total Income	4,808,400	4,664,838	143,562	97%
Management of Electoral Processes				
Expenditure				
Wages and Salary Contributions	2,211,156	2,192,887	18,270	99%
Social Contributions	179,749	177,273	2,476	99%
Goods and Services	1,818,758	1,713,424	105,334	94%
Routine Maintenance	242,192	215,411	26,781	89%
Social Security Benefits	12,987	12,987	-	100%
Acquisitions of Fixed Capital Assets	52,878	51,296	1,582	97%
Domestic Lending and On-lending	126,200	126,200	-	100%
Sub-Total	4,643,920	4,489,478	154,442	97%
Delimitation of Electoral Boundaries				
Wages and Salary Contributions	21,916	18,944	2,972	86%
Goods and Services	109,098	104,945	4,152	96%
Routine Maintenance	3,766	3,486	280	93%
Acquisition of Fixed Capital Assets	29,700	15,000	14,700	51%
Sub-Total	164,480	142,375	22,105	87%
Total Expenditure	4,808,400	4,631,853	176,547	96%

Note 20 on Budget Information & Other Disclosures provides explanations on material utilization differences.

SIGNIFICANT ACCOUNTING POLICIES

For the Year Ending 30th June, 2020

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the Year Ending 30th June, 2020

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the Year Ending 30th June, 2020

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the Year Ending 30th June, 2020

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the Year Ending 30th June, 2020

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 have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ending 30th June, 2020

1. Exchequer Issues

	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Recurrent Exchequer Releases:		
Total Exchequer Received in Q1	692,517	538,000
Total Exchequer Received in Q2	1,521,835	1,180,240
Total Exchequer Received in Q3	931,096	1,130,874
Total Exchequer Received in Q4	1,518,499	1,732,270
Total	4,663,947	4,581,384

There was no budget allocation for the Commission's Development (2031) vote.
The Commission did not receive any funding from the development partners.

2. Appropriation in Aid (AIA)

	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Nomination Fees & Charges Collected	508	768
Sale of Tender Documents, Registers & Maps	306	368
Fines & Penalty Charges on Aspirants	77	300
Total	891	1,436

The nomination fees received in the year were from the candidates cleared to contest in the by - elections.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ending 30th June, 2020

3. Employee Costs

	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Salaries & Wages Permanent Employees	1,239,307	1,120,078
Salaries & Wages Contractual Employees	61,879	115,420
Personal Allowances	910,250	957,847
Contributions to Pensions & Health Schemes	177,273	167,447
Domestic Travel & Subsistence & Other	200,541	252,373
Foreign Travel & Subsistence	1,400	24,743
Total	2,590,650	2,637,907

4. Gratuity Expense

	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Accrued gratuities payable in the year	11,834	10,755
Gratuity payments made during the Year	-	4,068
Total	11,834	14,823

5. Depreciation and Amortization Expense

	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Property, Plant & Equipment	888,288	1,241,912
Intangible Assets	849	1,213
Total	889,137	1,243,124

6. Repairs & Maintenance Expenditure

	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Routine Maintenance of Vehicles	46,138	47,639
Routine Maintenance of Other Assets	4,147	113,695
Total	50,285	161,334

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ending 30th June, 2020

7. Operating Expenses

	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Bank Services, Commission & Charges	510	-
Contracted Guards	7,207	7,316
Membership Fees, Dues & Subscriptions to Professional & Trade Bodies	2,842	6,564
Legal Dues, Arbitration & Compensation	21,081	372,671
Contracted Technical services	-	2,258
Witness Expenses	270	-
Parking Charges	7,235	12,000
Payment of Duty	-	51,844
Total	39,146	452,653

8. General Expenses

	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Utilities, Supplies & Services	12,238	9,935
Communications, Supplies & Services	207,075	153,077
Printing & Advertising	24,225	35,866
Rentals of Produced Assets	262,623	292,428
Training Expenses	47,838	126,583
Hospitality Supplies & Services	44,746	119,173
Insurance Costs	226,703	229,069
Specialized Materials & Supplies	9,074	20,009
Office & General Supplies & services	28,281	42,718
Fuel, Oil & Lubricants	42,670	36,892
Total	905,473	1,065,750

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ending 30th June, 2020

9. Cash and Bank

Bank Account Details	2019/2020 Unaudited KSh 000	2018/2019 Audited KSh 000
KCB IEBC Mombasa A/c - 1116811162	1,032.48	9.52
KCB IEBC Kwale A/c - 1213387787	0.01	0.71
KCB IEBC Kilifi A/c - 1116804042	1,004.71	0.02
KCB IEBC Tana River A/c - 1213382645	684.15	42.82
KCB IEBC Lamu A/c - 1213649188	172.50	-
KCB IEBC Taita Taveta A/c - 1213372356	568.53	3.16
KCB IEBC Garissa A/c - 1116817365	1,821.09	37.78
KCB IEBC Wajir A/c - 1116539934	36.42	2,806.53
KCB IEBC Mandera A/c - 1116539934	6.36	2,001.55
KCB IEBC Marsabit A/c - 1212713311	0.32	1,485.97
KCB IEBC Isiolo A/c - 1116800543	-	1,662.44
KCB IEBC Meru A/c - 1116774127	52.32	155.04
KCB IEBC Tharaka Nithi A/c - 1213689465	313.52	78.22
KCB IEBC Embu A/c - 1213760690	236.00	255.65
KCB IEBC Kitui A/c - 1213362768	2,308.05	6.39
KCB IEBC Machakos A/c - 1116791366	58.40	4.46
KCB IEBC Makueni A/c - 1213508398	324.36	427.97
KCB IEBC Nyandarua A/c - 1213379695	51.89	51.02
KCB IEBC Nyeri A/c - 1116756439	1,354.12	539.75
KCB IEBC Kirinyaga A/c - 1213919738	508.40	141.96
KCB IEBC Murang'a A/c - 1213929717	66.21	7.95
KCB IEBC Kiambu A/c - 1116811553	758.59	2.35
KCB IEBC Turkana A/c - 1213415977	28.60	8.40
KCB IEBC West Pokot A/c - 1213417163	0.82	58.54
KCB IEBC Samburu A/c - 1214135293	3.51	80.00
KCB IEBC Trans Nzoia A/c - 1214152538	5.86	18.08
KCB IEBC Uasin Gishu A/c - 1116791110	31.57	17.90
KCB IEBC E.Marakwet A/c - 1213364442	7.36	8.57
KCB IEBC Nandi A/c - 1213934052	1.39	22.34
KCB IEBC CEM Baringo A/c - 1213382173	189.54	5,075.03
KCB IEBC Laikipia A/c - 1213935350	3.25	1.14
KCB IEBC Nakuru A/c - 1116816857	10.53	8.66
KCB IEBC Narok A/c - 1213928338	4.21	1,397.56
KCB IEBC Kajiado A/c - 1213407435	35.33	1,451.50
KCB IEBC Kericho A/c - 1213840767	7.26	989.59
KCB IEBC Bomet A/c - 1116805243	1.53	580.59
KCB IEBC Kakamega A/c - 1116744694	4.73	706.56
KCB IEBC Vihiga A/c - 1213361087	3.02	89.40
KCB IEBC Bungoma A/c - 1116566443	141.55	363.32
KCB IEBC Busia A/c - 1213393167	3.00	1.49
KCB IEBC Siaya A/c - 1213697832	66.39	517.83
KCB IEBC Kisumu A/c - 1116780445	7.86	4,303.25
KCB IEBC Homa Bay A/c - 1214158560	336.82	2,158.37
KCB IEBC Migori A/c - 1213543320	42.18	748.66
KCB IEBC Kisii A/c - 1116811235	486.49	1,490.08
KCB IEBC Nyamira A/c - 1213365708	723.90	142.30
KCB IEBC Nairobi A/c - 1116817721	14.48	6,179.34
CBK IEBC Recurrent A/c - 1000181729	11,457.14	255.63
CBK IEBC Deposit A/c - 1000181931	36,998.42	37,743.23
CBK IEBC Development A/c - 1000182148	-	-
KCB IEBC University Way A/c - 1117602532	26,281.43	24,300.54
KCB IEBC Dollar A/c - 1211876888	104.52	101.43
KCB IEBC Salary Control A/c - 1126334723	86.50	86.91
Total	88,447.58	98,627.46

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ending 30th June, 2020

10. Receivables from Non-Exchange Transactions

	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Outstanding Imprests	391	2,151
Salary Advances	797	401
Prepayments in the Year	15,319	26,144
AIA Receivables	5,396	5,396
Total	21,903	34,093

11. ECK Accounts Receivable

The uncleared old balances of Kshs 11,160,000 consists of Electoral Commission of Kenya staff salary advances and imprests that were outstanding at the time the defunct Electoral Commission of Kenya was disbanded in 2008.

The Commission has provided evidence to the National Treasury's Old Balances Taskforce that the amounts were recovered from the terminal dues and final salaries and wages to the Electoral Commission of Kenya staff.

12. ECK Car Loan Accounts Receivable

The debtors outstanding of Kshs. 26,192,965.00 relates to funds recovered from final dues to defunct Electoral Commission of Kenya Staff and Commissioners that were retained by the National Treasury.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ending 30th June, 2020

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

	Office Buildings Kshs. '000	Computers & Equipment Kshs. '000	Motor Vehicles Kshs. '000	Office Equipment Kshs. '000	Furniture and Fittings Kshs. '000	Totals Kshs. '000
Cost:						
As at 1st July 2018	132,806	14,422,077	703,100	366,187	95,410	15,719,580
Additions	-	1,095	17	567	3,030	4,708
Disposals	-	-	-	-	-	-
As at 30th June, 2019	132,806	14,423,172	703,117	366,754	98,440	15,724,288
ICT Equipments 2017/18FY Adjustments	-	55,196	-	-	-	55,196
Additions in the Year	-	-	15,000	10	985	15,996
Disposals in the Year	-	-	-	-	-	-
As at 30th June 2020	132,806	14,478,369	718,117	366,765	99,425	15,795,480
Depreciation:						
As at 1st July 2018	-	(10,490,940)	(586,245)	(181,776)	(46,756)	(11,305,717)
Less: Acc. Dep. on Disposals	-	-	-	-	-	-
Charge for the Year	(2,985)	(1,180,364)	(29,218)	(22,883)	(6,460)	(1,241,910)
Prior Year Adj.-Buildings	(13,396)	-	-	-	-	(13,396)
As at 30th June, 2019	(16,381)	(11,671,304)	(615,463)	(204,659)	(53,216)	(12,561,023)
Dep. Adj. ICT Equipments 2017/18FY	-	(28,150)	-	-	-	(28,150)
Less: Acc. Dep. on Disposals	-	-	-	-	-	-
Charge for the Year (Revised)	(2,911)	(833,674)	(25,663)	(20,263)	(5,776)	(888,288)
As at 30th June 2020	(19,292)	(12,533,129)	(641,126)	(224,922)	(58,992)	(13,477,461)
Net Carrying Amount:						
As at 30th June, 2020	113,514	1,945,240	76,990	141,842	40,433	2,318,020
As at 30th June, 2019	116,424	2,754,183	87,654	160,184	45,223	3,163,667

14. Intangible Assets Movement Schedule

	2019/2020 Kshs. '000	2018/2019 Kshs. '000
Cost:		
As at 1st July, 2019	66,871	66,851
Additions	-	20
As at 30th June 2020	66,871	66,871
Amortization:		
As at 1st July, 2019	(64,042)	(62,829)
Charge for the Year	(849)	(1,213)
As at 30th June 2020	(64,891)	(64,042)
Net Carrying Amount	1,980	2,829

The intangible assets consist of elections transmission system, exchange server systems, OMR scanner software, antivirus software, research/SPSS software, accounting software and security access control systems.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ending 30th June, 2020

15. Recurrent Accounts Payable

	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Accounts Payables b/f	4,334,280	4,429,917
Accruals in the Year	213,048	365,525
Accruals Adjustment	(26,993)	-
Negotiation Savings	(284,471)	-
Accruals Settled in the Year	(1,111,050)	(461,162)
Total	3,124,814	4,334,280

16. Provision for Gratuity

The Commission operates an unfunded gratuity scheme for its contracted senior employees. The estimated amount for gratuities payable in the financial statement as at the end of year as shown below:

	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Balance at the beginning of the year	34,908	-
Prior years' provision for gratuities payable	-	24,152
Gratuities Paid in the Year	(12,987)	-
Accrued Gratuities Payable in the year	11,834	10,756
Total	33,755	34,908

17. Retentions and Deposits Payable

	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Opening Balance	37,743	37,085
Retention Fees & Other Deposits Withheld	4,528	5,838
Retention Fees & Deposits Paid	(5,273)	(5,180)
Total	36,998	37,743

The retentions and deposits withheld includes monies retained by the Commission from construction companies who are yet to complete the construction works and other refundable deposits on hired ballot boxes and equipments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ending 30th June, 2020

18. Related Party Transactions

Entities and other parties related to the entity include those parties who have abilities to exercise control or exercise significant influence over its operating and financial decisions.

The Government of Kenya is the principal financier to the Commission's activities by way of exchequer releases.

During the period under review, the Commission had transactions detailed with related parties as follows:

	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Commissioners' Allowances	6,879	-
Salary advances to staff at zero interest rate	797	2,001
Other Funds returned to National Treasury	7,417	-
Unspent Balances returned to National Treasury	47,724	962,006
Total	62,817	964,007

The Commissioners are paid facilitative allowances and airtime as per the SRC rates and their employment contract.

19. IEBC Staff Car Loan and Mortgage Scheme

As at the end of the period under review, the Commission had transferred **Kshs. 121,000,000.00** and **Kshs. 5,200,000.00** to IEBC Staff Mortgage and IEBC Staff Car Loan funds respectively.

The Commission prepares a separate IEBC Staff Car Loan and Mortgage financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ending 30th June, 2020

20. Budget Information & Other Disclosures

The original budget for 2019/2020 financial year was approved by the National Assembly in June 2019. Subsequent revisions were made to the approved budget in accordance with specific approvals from the National Treasury and National Assembly.

The Commission's budget execution statement was prepared on a cash basis and is informed by the actual income and expenditure as reflected in the IFMIS system.

The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements have been adjusted from the cash basis to the accrual basis.

During the period under review, the Commission was allocated a total budget of Kshs 4.808 billion to fund the management of electoral processes and delimitation of electoral boundaries in the 2019/2020 financial year.

The material variances in the budget execution statement (pg.27) can be explained as follows:

a) AIA Collections - 18%

Appropriation in aid earned by the Commission was mainly from nomination fees and fines paid by election candidates in the by-elections.

The amounts of appropriation-in-aid (AIA) receivable is largely dependent on the number and type of by-elections held.

Six (6) by-elections were deferred to the next financial year due to Covid-19 pandemic and as a result, the projected nomination fees and other appropriation-in-aid (AIA) were not realized.

b) Acquisition of Fixed Capital Assets for Boundaries Activities - 51%

The budgeted fixed capital funds were reallocated to cater for the unplanned by-elections and settlement of pending bills as advised by the National Treasury as first charge.

21. Contingent Assets

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

During the prior year, the Commission was awarded costs amounting to Kshs.59.854 million (taxed costs) and Kshs. 205.060 million (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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ending 30th June, 2020

22. Contingent Liabilities

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

The Commission has been sued in various cases with the potential exposure of Kshs. 157.351 million to pay various general election pending bills which have not been validated by the National Treasury's internal audit department or have pending court cases.

The Commission is a defendant or co-defendant in various election petition litigations and claims. The outcomes of these litigations and claims are yet to be determined. The Commission has not factored in possible future obligations relating to legal fees on pending court cases and bills owed to suppliers in these financial statements.

23. 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 and administered by AON Minet.

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

The last audited fund financial position is as reflected below:

IEBC Staff Pension Scheme	2019/2020	2018/2019
	Unaudited	Audited
	Shs 000	Shs 000
Balance at beginning of the Year	2,216,955	1,897,769
Contribution during the Year	273,554	263,186
Benefits Payable to Seceding Members	(38,838)	(95,462)
Net Returns on Investments	112,997	151,463
Total	2,564,668	2,216,955

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ending 30th June, 2020

24. Number of Employees

The average number of permanent and pensionable employees for the Commission as at 30th June, 2020 stood at eight hundred and seventy (870). The Commission however engages contractual staff on a need basis.

25. 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.

26. 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.

**IEBC ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2020**

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 October 2018 for the Financial Year 2016/2017.	1.4 Unsupported account payables.	The Commission undertook an audit of all pending bills and submitted an Internal Audit Report to National on November, 2018.	DF	Unresolved	2019/2020
		Reconciliation and analysis has been done and support documents are available.			
		The Commission has made realignments in the organizational structure and is in the process of building capacity of the concerned staff			
Auditor General Report of October 2018 for the Financial Year 2016/2017.	1.6 Purchase of Kenya Integrated Election Management Systems (KIEMS) Kit.	1. Matter does not fall under Commission's purview.	DICT	Unresolved	2019/2020
		2. A verification exercise has been done.	DICT	Unresolved	
		3. The Commission has been allocated funds and has planned for support and maintenance of the KIEMS to ensure re-usability of the technology in future.	DICT		
		4. The Commission has put in place accounting and financial controls and procurement systems to enhance compliance with the Public	CEO	Unresolved	
		5. Procurement and Assets Disposal Act as well as the circulars issued by the Public Procurement Regulatory Authority.	DICT		
Auditor General Report of October 2018 for the Financial Year 2016/2017.	2.0 Supply, Delivery, Implementation, and Commissioning of Network Examination of Payment Vouchers (a) Mismanagement of 553 Thuraya Modems and SIM Cards Loaded with Data Transmission.	1.Matter does not fall under Commission's purview.(Office of the Auditor General)	DICT	Unresolved	2019/2020
		2. The Commission has planned to request Communication Authority to provide the Current and future network coverage and plan to ensure 100% transmission of result.	DICT	Unresolved	2019/2020
		3.The satellite modems still remains backup option in areas where there is no coverage and in critical transmission tallying centers	DICT	Unresolved	2019/2020
	(b) Procurement of additional 1,000 Thuraya SIM Cards Loaded with Data.	The Commission has put in place accounting and financial controls and procurement and inventory systems to facilitate timely reconciliations and enhance compliance with the stipulated laws and regulations.	DICT	Unresolved	2019/2020
		(c) Undelivered SIM Cards from Another Firm	The Commission has put in place accounting and financial controls and procurement and inventory systems to facilitate timely reconciliations and enhance	DICT	Unresolved

**IEBC ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2020**

		compliance with the stipulated laws and regulations.			
Auditor General Report of October 2018 for the Financial Year 2016/2017.	2.2 Management of 1,000 Thuraya Modems and Sim Cards Loaded with Data	For future elections, the Commission shall make an appeal to the Communication Authority in ensuring that the MNOs appreciate that elections are activities of national importance and therefore their services and charges in regards to elections should not be at commercial rates.	DICT	Unresolved	2019/2020
		The rates should be based on actual consumption. This will be enforced during contracting in accordance with the PPDA	DICT	Unresolved	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	2.3 Failure to Provide Payment Vouchers and Other Documents.	For future elections, the Commission shall make an appeal to the Communication Authority in ensuring that the MNOs appreciate that elections are activities of national importance and therefore their services and charges in regards to elections should not be at commercial rates.	DICT	Unresolved	2019/2020
		Record management has been improved and documentation done at all times.			2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	3.1 Procurement of data centres and back up infrastructure (cloud services).	The Commission undertook an audit of all pending bills and submitted an Internal Audit Report to National on November, 2018 for funding.	DICT	Unresolved	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	3.2 Change of Mode of Result Transmission Infrastructure	Matter does not fall under Commission's purview.(Office of the Auditor General)	DICT	Unresolved	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	4. Purchase of Oracle Database and Security Solution.	The Commission has put in place accounting and financial controls, systems and standards to enhance compliance with the stipulated laws and regulations.	CEO	Unresolved	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	5. Procurement of Co-location Services for Data Centre and Disaster Recovery Site.	This was a security solution /systems or software and services procured based on a needs analysis for the operation of the commission including the conduct of the election and therefore it is still required, the system is in use, part of the solution included the support and Maintenance of the BVR IBM Servers – SLA, for which the Communication requested for funds and has been allocated to procure an SLA in the FY2019/2020.	DICT	Unresolved	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	6. Supply and Delivery of Ballot Papers for Elections, Statutory Declaration Forms and The Register of Voters.	The Commission has so far made recoveries worth Kshs. 150,501.71 USD in form of swift transfers.	DICT	Unresolved.	2019/2020
		The Commission has instituted a recovery process for the balance of Kshs.4, 981,474.00.	DICT	Unresolved.	2019/2020

**IEBC ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2020**

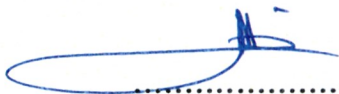
Auditor General Report of October 2018 for the Financial Year 2016/2017.	7. Supply and Delivery of Ballot Boxes for the General Elections.	The Commission has already complied with establishment of framework contracts. This exercise is a continuous process.	DICT	Unresolved.	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	8. Supply and delivery of badges. Audit Findings	The Commission carries out market surveys for procurements to ensure competitiveness and value for money.	CEO	Unresolved.	2019/2020
	(a) Alteration of Contract Price Schedule	The commission has enhanced the capacity of the SCMD to facilitate continuous compliance.	DSCM		2019/2020
	(b) Variation of Contract Price.	The Commission has put in place accounting and financial controls and procurement and inventory systems to facilitate timely reconciliations and enhance compliance with the stipulated laws and regulations.	DSCM	Unresolved.	2019/2020
	(c) Delivery Costs	The Commission has engaged the vendor on negotiations to recover the extra cost of transport not incurred by the vendor.	DSCM	Unresolved.	2019/2020
		The Commission has put mechanisms in place to ensure that contracts are tied to specifications.	DSCM	Unresolved.	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	9. Supply of gas lamp mantles (i) Irregular Award of Contract.	The Commission has put in place accounting and financial controls, systems, standards to enhance compliance with the stipulated laws and regulations.	DSCM	Unresolved.	2019/2020
	(ii) Direct Procurement	The Commission has put in place accounting and financial controls and procurement and inventory systems to facilitate timely reconciliations and enhance compliance with the stipulated laws and regulations.	DSCM	Unresolved	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	10. Supply and delivery of Security Seals	The Commission has put in place accounting and financial controls and procurement and inventory systems to facilitate timely reconciliations and enhance compliance with the stipulated laws and regulations.	DSCM	Unresolved	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	11. Supply, Delivery, Installation Implementation and Commissioning of Wide Area	The Commission has put in place accounting and financial controls, systems, standards to enhance compliance with the stipulated laws and regulations.	DICT	Unresolved.	2019/2020
	Network in Two Hundred and Ninety (290) New Locations, Eighteen (18) Existing Sites	The Commission has appointed a new director supply chain management (DSCM).	DICT	Unresolved.	2019/2020
	Provision of Dedicated Internet Services	The Commission is also enhancing capacity of the procurement function to enhance compliance	DICT	Unresolved.	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	12. Irregular procurement of transport services	The Commission has put in place accounting and financial controls, systems, standards to enhance compliance with the stipulated laws and regulations.	DSCM	Unresolved.	2019/2020

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		The Commission has appointed a new director supply chain management (DSCM).	DSCM	Unresolved.	2019/2020
		The Commission is also enhancing capacity of the procurement function to enhance compliance.	DSCM	Unresolved.	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	13. Supply of BVR kit internal batteries	The batteries are in good and usable state are continuously being used for the maintenance of the BVR Kits and to support the CVR activities that are ongoing in the field.	DSCM	Unresolved	2019/2020
		The batteries are continuously being used for the maintenance of the BVR Kits and to support the CVR activities that are ongoing in the field.	DSCM	Unresolved	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	14. Provision of Strategic Communication and Integrated Media Campaign Consultancy Services	The Commission has conducted status and situation analysis.	DVEP	Unresolved.	2019/2020
	(i). Award of the contract	The Commission is in the process of developing the strategic media campaign manual.	DVEP	Unresolved.	2019/2020
	(ii). Payment before confirmation of Delivery of Services	The manual will be tabled upon finalization. The Commission undertook an audit of all pending bills and submitted an Internal Audit Report to National on November, 2018.	DVEP	Unresolved.	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	15. Unauthorized Notification of Awarded Contracts	The Commission has put in place mechanisms to ensure that only the Accounting Officer notifies the successful and unsuccessful bidders on the awards.	DSCM	Unresolved	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	16. Failure to Provide Performance Security	The Commission has put in place accounting and financial controls, systems, standards to enhance compliance with the stipulated laws and regulations.	DSCM	Unresolved.	2019/2020
Auditor General Report of October 2018 for the Financial Year 2016/2017.	17. Undisclosed Court Awards to the Commission	The detailed report on the recovery of costs has been prepared.	DLPA	Unresolved.	2019/2020
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	Matter in court.	2019/2020
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	Not within the purview of the Commission.	2019/2020

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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	Unresolved	2019/2020
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	DLPA	Unresolved	2019/2020
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	Unresolved	2019/2020
Auditor General Report of March 2017.	Legal Representation without valid contracts.	Letter of instructions duly signed based on the ARO.	DLPA	Unresolved	2019/2020
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	Unresolved	2019/2020



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



W.W. Chebukati
Chairperson