

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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*Paper laid
by Hon. A. S. S. M. (Lom)
on Thurs. 21-07-2016
M M W*

21 JUL 2015

REPORT

21 JUL 2015

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
INDEPENDENT ELECTORAL AND
BOUNDARIES COMMISSION**

**FOR THE YEAR ENDED
30 JUNE 2015**



INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION



Independent Electoral and Boundaries Commission Annual Financial Statements

For the year ended 30th June 2015

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

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KEY COMMISSION INFORMATION AND MANAGEMENT

1. Background information

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

2. General Information

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

The IEBC Act provides that the funds of the Commission are held in a fund known as the Independent Electoral and Boundaries Commission Fund. The financial year of the Commission is a period of twelve months ending on the 30th June in each year.

The Commission is mandated to submit its financial reports to The National Treasury and the Kenya National Audit Office within the statutory timelines as stipulated in section 83 of the Public Finance Management Act (PFM 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) Ezra Chiloba	Commission Secretary/Commission Secretary.
(b) Marjan Hussein Marjan	Deputy Commission Secretary-Support Services.
(c) Beatrice Nyabuto	Deputy Commission Secretary –Operations.
(d) Osman Hassan Ibrahim	Director Finance.
(e) Sellestine Kiuluku	Director Human Resources and Administration.
(f) Immaculate Kassait	Director Voter Registration and Operations.
(g) Decimah M'mayi	Director Research and Development.
(h) James Muhati Buyekane	Director Information & Communication Technology.
(i) Rasi Masudi	Director Voter Education and Partnerships.
(j) Praxedes Tororey	Director Legal Affairs and Public Affairs.
(k) Agatha Wahome	Ag. Director Risk and Compliance.

KEY COMMISSION INFORMATION AND MANAGEMENT (CONT)

4. Commission Bankers

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

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

5. Commission Auditors

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

6. Commission Headquarters

The registered office of the Commission is
Anniversary Towers, 6th Floor,
P.O Box 45371-00100 G.P.O
Nairobi, Kenya.
Email: info@iebc.or.ke

7. Principal Legal Adviser

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

THE COMMISSION



Ahmed Isaack Hassan
Chairperson



Lilian Bokeeye Mahiri-Zaja
Vice Chairperson



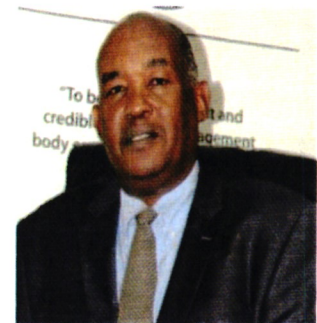
Mohamed Alawi Hussun
Commissioner



Joyce Muthoni Wangai
Commissioner



Kule Galma Godana
Commissioner



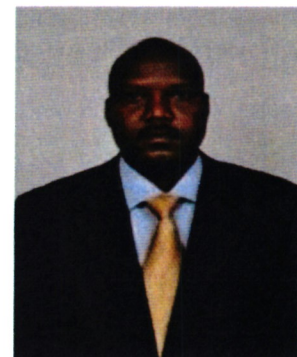
Amb. Yusuf A Nzibo
Commissioner



Eng. Abdullahi Sharawe
Commissioner



Albert C O Bwire
Commissioner



Thomas Letangule
Commissioner

THE MANAGEMENT TEAM



Ezra Chiloba
CEO/Commission Secretary



Beatrice N. Sungura
Deputy CEO-Operations



Marjan H. Marjan
Deputy CEO-Support Services



Osman H Ibrahim
Director Finance



Praxedes Tororey
Director Legal and Public Affairs



Decimah M'mayi
Director Research and Development



Rasi Masudi
Director Voter Education



Sellestine Kiuluku
Director Human Resource and administration



James Muhati Buyekane
Director ICT



Immaculate Kassait Njenge
Director Voter Registration and Electoral Operations



Agatha Wahome
Ag. Director Risk and Compliance

CORPORATE GOVERNANCE STATEMENT

The Commission is accountable to the public and stakeholders 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 practice and endorses 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 are nine Commissioners who work on a full time basis. Each member serves 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's 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 who contribute the appropriate set of skills and experience. The Commission has the following committees;

- (a) Finance and Procurement committee
- (b) Audit and Risk and Compliance Committee
- (c) Human Resource Training and Administration
- (d) Elections and Technical Operations Committee
- (e) Boundaries Delimitation Committee
- (f) Legal Reforms Enforcement of Code of Conduct and Compliance Committee
- (g) ICT, Research and Development Committee
- (h) Political Parties Liaison and Campaign Finance Control Committee
- (i) Voter Education Partnerships and Media Committee
- (j) Dispute Resolutions Committee

CORPORATE GOVERNANCE STATEMENT (CONT)

Impartiality and independence of members

Every member and employee of the Commission shall impartially and independently perform the functions of the Commission in good faith and without fear, favour or prejudice, and without influence from;

- i. Any arm of the Government
- ii. Any State officer
- iii. Any public officer
- iv. Any political party
- v. Candidate participating in an election
- vi. Any other person, authority or organization.

Disclosure of Conflicting Interests

If a member or an employee is directly or indirectly interested in any contract, proposed contract or other matter before the Commission and is present at any meeting of the Commission at which the contract, proposed contract or other matter is the subject of consideration, the member or employee shall, at the meeting and as soon as practicable after the commencement thereof, disclose the fact and shall not take part in the consideration or discussion of, or vote on, any questions with respect to the contract or other 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 the personal interests to their supervisor or other appropriate person or body and comply with any directions given to avoid the conflict and refrain from participating in any deliberations with respect to the matter.



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION (IEBC) FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Independent Electoral and Boundaries Commission (IEBC) set out on pages 10 to 28 which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of cash flows, summary of significant accounting and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

1. Irregular Payment of Pending Bills

The Statement of Financial Performance for the financial year 2014/2015 reflects an expenditure of Kshs.2,462,476,000.00 for general expenses which includes Kshs.2,018,715,547.85 relating to payment of pending bills for 2012 / 2013.

However, a sample test on paid pending bills totaling Kshs.846,196,395.60 have revealed anomalies as follows: -

1.1 Contract for Supply, Delivery, Installation, Configuration, Training, Testing and Commissioning of Electronic Voter Identification Devices

Examination of the Contract signed on 11 December 2012 for the Supply of and delivery, installation, configuration, training, testing and commissioning of electronic voter identification devices reveals that of 30,000 "hand held devices", 30,000 SD CARDS, 30,000 carry bags and 30,000 additional batteries were procured at USD.16,651,139.13.

Examination of Clause 3.8 of the Special Conditions of Contracts indicates that an upfront payment of USD 2.5 Million through a letter of Credit was mandatory before execution of the contract. However, the Contractor through letter Ref: 13 FT002AA dated 16 January 2013 indicates that IEBC had not issued a letter of credit, therefore, proposed a change of specification to deliver a "portable laptop solution".

Although there was no new contract signed between the parties, correspondences indicate that the Commission irregularly accepted change in specification with differences in prices and value of goods and services, and the contractor delivered portable laptops as follows: -

S/No	Date of Delivery	Delivery Note	Item Description	Quantity
1	12.2.2013	0123	Laptops	1175
2	13.2.2013	0121	Laptops	10,955
3	14.2.2013	0122	Laptops	3270
4	21.2.2013	0126	Laptops	14600
Total				30,000

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In this circumstance, it is evident that the value for money could not be ascertained in payment of USD 16,651,139.13 due to change of specification, inadequate time to train and therefore, inability to effectively use the laptops during the elections. The responsible officers of the Commission have been investigated for procurement violation by EACC and the matter is in court.

1.2 Procurement of Additional 4,600 Electronic Voter Identification Devices (EVIDs)

Examination of e-mail communication between IEBC and the Contractor on 30 January 2013 indicates that the Commission ordered for extra 4,000 units of Voter Identification Devices whose prices would be similar to those 30,000 units earlier ordered and contracted for.

The additional hand held EVIDs were purportedly received as follows: -

S/No.	Delivery Date	Delivery Note	Item Description	Quantity
1	26.2.2013	0125	Hand Held EVIDs	2,000
2	28.2.2013	0124	Hand Held EVIDs	2,600
Total				4,600

The Contractor submitted invoice dated 6 February 2013 amounting to USD 4,628,746, which was validated as a pending bill by The National Treasury's Internal Audit. The National Treasury issued additional funding amounting to Kshs.388,562,633.00 (USD 4,628,746) for the payment of the pending obligation.

However, the incoming CEO reviewed the invoice and considered that there was no adequate grounds to support the invoice claim amounting to USD 2,075,572.00, therefore, paid USD 2,553,174.80 (Kshs.259,020,516.80) to discharge the obligation during financial year 2014/2015.

In the circumstance, the responsibility for the procurement of the additional electronic voter identification devices rests with the past management.

1.3 Irregular Payment for Transportation of Election Materials – Kshs.50,487,440.00

Examination of payment voucher number 482 dated 27 November 2014 reveals that a company was irregularly paid Kshs.50,487,440.00 purporting that it was contracted to transport election materials during the financial year 2012 / 2013, however, audit has established through Registrar's letter Ref. No. CR13 BN/2014/312279 dated 10 May 2016 that the company was registered on 12 September 2014.

In an effort to defeat audit trail, the commission accepted an irregular request through unreferenced letter dated 13 October, 2014 in which the company purports that payments due to another company previously contracted by the commission should be paid to them.

In addition, the commission purports that the company transported election materials using twenty seven (27) vehicles. However, verification of records maintained in ten (10) regions disclosed as stations of their service reveals that only five (5) vehicles were used, leaving a balance of twenty two (22) vehicles resulting in excess payment of Kshs.42,679,460.00.

In response to my Draft Audit Report Ref: IEBC/2014-2015/(7) dated 8 March 2016, the commission provided additional documents on ten (10) instead of twenty two (22) vehicles, an indication that the Commission is unable to provide satisfactory explanation, information and assistance in writing as directed under Section 9 (f) of Public Audit Act, 2015.

Verification of the additional documents undertaken on 1 April 2016 in which the Commission have noted through letter Ref. IEBC/FIN/1/VOL.X(18) dated 6 June 2016 reveals further anomalies as follows:-

- (i) Information contained on Counter Requisition and Issue Voucher, S11 Number 0003776 in support of the using vehicle number KBR 829 S at Kakamega Region has not been signed by the requisitioning, issuing and receiving officers. Designations of responsible officers and date of transactions are not indicated on the submitted S11s.

In addition, S11 number 0003776 is not among the issue notes maintained among records at Kakamega Region, verified during inspection in February 2016.

- (ii) Information contained on Counter Requisition and Issue Voucher, S11 Number 0004221 purports that vehicle number KAQ 706 Z was working

at Nakuru Region while at the same time it was working in Teso North/ South through another S 11 number 5035244 whose records appear to have been altered.

In addition, Examination of Counter Requisition and Issue Voucher, S11 Number 0003612 show that vehicle KAU 143 Y was working at Nakuru Region, while the same vehicle is purported to have been working in Isiolo North/ South at the same time.

Further, the Commission purports through Counter Requisition and Issue Voucher, S11 Number 0004236 that Vehicle No. KBR 624 H was working in Nakuru, however, verification of field records during the month of February 2016 show that the vehicle was not used in the Region during election.

- (iii) Information contained in Counter Requisition and Issue Voucher, S11 Number 5035485 show that vehicle number KAS 395 K was working at Meru Region, however, the same Vehicle was working in Kitutu Chache Constituency at the same time.
- (iv) Examination of Counter Requisition and Issue Voucher, S11 Number 5035206 reveals that vehicle number KBR 205 G was working at Malindi Region, however, the same vehicle was working in Mandera North/South Constituencies at the same time.
- (v) Examination of Counter Requisition and Issue Voucher, S11 Number 5035471 show that vehicle number KAJ 482 N was working at Malindi Region, however, the same Vehicle was working in Rongai / Bahati Constituencies of Central Rift Region at the same time.

In addition, the same vehicle number KAJ 482 N through the same Counter Requisition and Issue Voucher, S11 Number 5035471 is purported to have been working in Mombasa, however, the same Vehicle was working in Rongai / Bahati Constituencies of Central Rift Region at the same time.

- (vi) Although the Commission has now claimed through counter Requisition and Issue Voucher, S11 Number 0003771 that Vehicle No. KAC 370 J was working at Machakos, a field verification undertaken in February 2016 show that the vehicle was not used in the Region.

Similarly, information contained on Counter Requisition and Issue Voucher, S 11 Number 0004212 indicate that Vehicle No. KAG 164 L was working in Kisumu, however, a field verification during the month of

February 2016 reveals that the vehicle was not used in the Region during election.

- (vii) A further evidence of fraudulent accountability is on the information contained in two (2) different photocopies of the same Counter Requisition and Issue Voucher number 0003769 dated 3 March 2013 for KBK 910 X which is purported to have delivered Polling Booths to Nakuru. The signature on the issue note is deleted on a copy presented later as evidence.

1.4 Examination of Two (2) Payment Vouchers totalling Kshs.79,106,538.00

Examination of records show that a company was paid through Payment Voucher Number 298 dated 23 October 2014 amounting to Kshs.6,177,450.00 and another unsigned copy of payment voucher submitted on 18 April 2016 amounting to Kshs.72,929,088.00 for transportation of election materials during the financial year 2012/2013.

However, information contained on the minutes of tender committee meeting no. 39 held on 13 February 2013 show in item no 5 that the transporter was authorized to supply services of 75 tracks at Kshs.32,610,060.00. The justification of excess payment of Kshs.46,496,478.00 has not been explained.

In addition, procurement of these services did not comply with law as the commission has not provided: -

- (a) Tender Registers contrary to Section 60 (5) of the Public Procurement and Disposal Act (2005).
- (b) Tender Opening Committee Minutes contrary to Section 60 (8) (a) of the Public Procurement and Disposal Act (2005).
- (c) Notification of Awards of Contracts contrary to Section 67 (1) and (2) of the Public Procurement and Disposal Act (2005).
- (d) A written and signed contract contrary to Section 68 (1) and (2) of the Public Procurement and Disposal Act (2005).
- (e) Inspection and Acceptance Committee Certificate confirming the delivery of electoral materials contrary to Section 66 (5) of the Public Procurement and Disposal Act (2005).

Further, examination of availed tender document submitted on 18 December 2012 is inaccurate as some documents attached are dated 16 and 27 January 2016.

1.5 Examination of Payment Vouchers Nos. 396 and 386 Totalling Kshs.92,342,000.00

Although Section 26 (3) (b) of the Public Procurement and Disposal Act (2005) requires that all Procurements should be undertaken as per the threshold matrix, whose maximum amount set out in the regulations for use of quotation is Kshs.1,000.00, the Commission issued quotations as follows:-

PV No.	Quotation No.	Item Description	Amount (Kshs)
396	IEBC/154/2012-13	Print simplified regulations and tallying forms	52,470,000.00
386	IEBC/116/2012-13	Finger Prints, Pads & Indelible Ink	39,872,000.00
Total			92,342,000.00

The Commission has not justified the use of quotations instead of open tender method of Procurement, which would have guaranteed competitive bidding and the requisite value for money as required under Section 68 (1) (b) of the Public Finance Management Act, 2012.

1.6 Examination of Payment Vouchers Nos. 218 and 327 Totalling Kshs.365,239,900.80

Examination of Payments Vouchers reveals that two companies were contracted and paid as follows: -

PV NO.	Tender Number	Item Description	Amount (Kshs)
218	IEBC 12/2011-12	Supply & Delivery of 49,600 transparent Ballot Boxes	109,119,900.80
327	IEBC/01/2012-13	Supply/Delivery of 337 Printers Cannon IR 5035	256,120,000.00
Total			365,239,900.80

Audit Observations

- (i) Although, the company was paid Kshs.220,400,000.00 for the supply of 290 printers, no reasons have been given for failure to supply 337 printers contracted.
- (ii) The Commission has not availed copies of advertisement, tender documents and registers; evaluation reports and minutes of tender evaluation committee.

In the circumstances, therefore, I am unable to confirm the validity and accuracy of goods and services all paid as pending bills at a total cost of Kshs.846,196,395.60 was lawful and effective as required under Article 229(6) of the Constitution.

2. Property, Plant and Equipment Movement Schedule

Examination of note 18 of the financial statements presented for audit show that Computer Equipments with a net book value (NBV) of Kshs.42,531,000.00 were confirmed during a meeting held on 11 March 2016 at the Chief Executive Officer's office as having been transferred as follows: -

2.1 Transfers to Burundi

Records show that 150 Electronic Voter Identification systems (EVIDs) were transferred to Burundi during the year under review, however, audit has revealed unsatisfactory matters as follows: -

- (i) The Chairman of the National Independent Electoral Commission of Burundi requested the Government of Kenya through Letter Ref: NIEC/472/2014 dated 9 December 2014 to support and assist them with: -
 - (a) Unspecified number of Ballot Boxes
 - (b) Three or Four (4 Wheel Drive) Vehicles
 - (c) Unspecified number of Photocopier machines
 - (d) Unspecified number of Laptops.
- (ii) In response, the Embassy of Kenya in Bujumbura through a letter Ref: KEBU/CON./POL./05A VOL. 1 (21) dated 10 December 2014 reminded the Chairperson of IEBC of his proposal during a visit to Burundi in November 2014 that Kenya could support Burundi's Electoral Process with 3,000 ballot boxes. The Government through the Chief of Staff and Head of the Public Service approved the request for 'full' support to a sisterly state through a letter Ref: OP/CAB.31/29 A dated 27 January 2015.
- (iii) In executing the Government approval, the Commission Secretary/ CEO of IEBC instructed for free transfer/dispatch of 150 EVID laptops in accordance with Section 129 (1), (2) and (3) of Public Procurement and Disposal Act (2005) in which a disposal committee was formed on 14 April 2015 to dispose "unserviceable, obsolete or surplus stores".

- (iv) During a minuted meeting held on 11 March 2016, the Chief Executive Officer stated that the commission had considered the rate at which the EVIDS become obsolete and the fact that they might not be used in the next general elections, therefore, donated 150 EVIDs to Burundi.

On the other hand, while responding to the proposed Draft Audit Report dated 8 March 2016, the Commission Secretary / CEO through a letter Ref: IEBC/FIN./1/Vol.IX (52) dated 21 March 2016 confirms the transfer of EVIDs and BVRs that were in good working conditions.

The Commission further explained during a meeting held on 30 May 2016 with the Auditor General that EVID laptops were cleaned before transferring to Burundi through Ministry of Foreign Affairs. However, the transfer of voting laptops whether "cleaned" or not is a sensitive matter that required the Commission to involve stakeholders specified in its Act.

In addition, the equipment were donated free of charge at a time when the Commission has budgetary constraint, therefore, unable to pay pending bills amounting to Kshs.1,301,913,817.58 and still intended to buy 40,000 new kits.

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2.2 Transfers to Ministry of Devolution

Although 200 Biometric Voter Register (BVRs) has been explained as having been transferred to Ministry of Devolution, the Commission has not availed any document regarding these transfers and the purpose which would contravene Section 72 (3) of the Public Finance Management Act (2012).

2.3 Loss of 48 BVR and Generators at Emgwen Constituency, Nandi County

Audit has also revealed that 48 BVR Valued at Kshs.9,437,658.72 disclosed in Note 18 of the financial statement as disposed were actually stolen from Kapsabet Warehouse, North Rift Region on 23 August 2014. Although the matter was reported to the police, no culprit has been apprehended. In this circumstance, the security of data in terms of back up and control of unauthorized access of both machine and database may not be assured and confirmed by the Commission.

2.4 Generators and Solar Panels

Examination of the fixed asset register and other related records reveals that 68 Olympia generators made in United Kingdom (UK) and 1329 solar panels type SLP42.5-12 maximum power voltage 72.2 voltage weighing 6 kgs are lying idle in various regional offices but have not been disclosed in any of the IEBC inventory.

Due to the incompleteness of records made available for audit, it is not possible to establish the value of these assets, the mode and purpose of their procurement.

3. Inaccurate Pending Bills

Examination of Note 20 of the financial statement reflects Kshs. 1,301,913,817.58 against pending bills as follows: -

Particulars	Amount (Kshs.)
17 Regions	150,912,156.57
Legal	855,317,251.68
Headquarters	295,684,409.33
Total	1,301,913,817.58

In a due diligence check of Pending Bills in fifteen (15) Regions, audit has revealed that Pending bills amounted to Kshs.132,586,361.21 instead of Kshs.140,181,106.57 reported by the commission. No reconciliation or explanation has been provided, therefore, I cannot confirm accuracy and validity of pending bills amounting to Ksh.150,912,156.57 reported in the financial statement.

4. Irregular Procurement of Election Materials

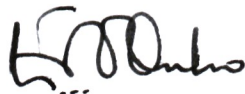
In my report for 2012/2013, unsatisfactory matters were reported in relation to procurement of several elections equipment including Biometric Voter Registration (BVR) Kits at a cost of Kshs.6.4 billion, Electronic Voter Identification Devices (EVIDS) Kshs.1.3 billion, Universal polling kits (UPK) at Kshs.1.53 billion and Electronic Results Transmission System (ERTS) Kshs.25.8 million. The Commission did not have an approved Procurement Plan for the year, therefore the above items were procured contrary to the Public Procurement and Disposal Act, 2005.

5. Weaknesses in Controls

Based on the above findings, mismanagement of public resources arose due to weaknesses in controls relating to transport logistics and failure to use procurement plan as a tool of control leading to variations and ill-time procurement. Consequently, I recommend that IEBC should enhance its systems that will respond to procurement of goods and services; certification of delivery; monitoring and evaluation of services.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fair, in all material respects, the financial position of the Independent Electoral and Boundaries Commission as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis).



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



Nairobi

1 July 2016

CORPORATE SOCIAL RESPONSIBILITY

The Commission is committed to continuous support of social activities that promote electoral democracy in Kenya. During the financial year, the Commission launched a voter education project for schools. The Commission partnered with the Ministry of Education and Kenya Institute of Curriculum Development with the aim of nurturing democracy in young Kenyans.

The Commission carried out elections in various schools and institutions of higher learning, such as Garissa University College which held a successful student election on 5th of February 2015.


REPORT OF THE CEO/COMMISSION SECRETARY

Section 81 of the Public Finance Management Act 2012, requires an Accounting Officer to prepare financial statements at the end of every financial year in respect of the entity. This report shall contain financial information prepared in a form that complies with the standards prescribed and published by the Public Sector Accounting Standards Board (PSASB). The Accounting Officer is responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year ending 30th June 2015. The Accounting Officer is also responsible for;

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission.
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- iv. Safeguarding the assets of the Commission.
- v. Selecting and applying appropriate accounting policies.
- vi. Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the IEBC Act, 2011. The Accounting Officer is of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended 30th June 2015, and of the Commission's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

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



Ezra Chiloba
Commission Secretary/CEO

REPORT OF THE CHAIRPERSON

It gives me great pleasure to present the Commission's annual financial report for the year 2014/15 on behalf of my fellow Commissioners.

The Commission has several mandates which relate to the electoral cycle. In relation the electoral cycle activities, maintenance and growth of the voter's register comes into greater focus between elections. The IEBC is driven by a sense of responsibility for ensuring Kenyans have the chance to exercise their key democratic right to vote. The first step in securing that right is registration of new voters. Enhancing participation in the electoral process starts with voter registration and this presents one of our biggest challenges.

The Commission's mandate to register voters continuously to the end of the first quarter of 2017, involves a comprehensive program of new initiatives to prompt potential voters to register or update their particulars. The Program's aim is to increase the number of registered voters. During the financial year 2014/2015 the Commission launched its Strategic Plan. The plan is dual purposed designed as a practical manual for guiding the Commission in the implementation of its five year development programme as well as steering it towards 2017 general elections.

During the financial year, the Commission received Kshs.5.2 billion for recurrent expenditure and KShs.74 million for development expenditure in form of exchequer from the National Treasury by way Parliamentary allocation. The Commission also received Kshs.103.6 million as grants in kind from international organizations.

In the year under review the Commission experienced a number of challenges that impacted on its processes and service delivery. Some of these include events after the General Election which was conducted in March 2013 such as pending bills which have not been settled due to lack of funds.

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



Ahmed Issack Hassan, EBS
Chairperson

REPORT OF THE INDEPENDENT AUDITOR

STATEMENT OF FINANCIAL PERFORMANCE


STATEMENT OF FINANCIAL PERFORMANCE			
For the year ended 30 June 2015			
	Note	2014-2015	2013-2014
		Kshs 000	Kshs 000
Incomes			
Exchequer Issues	3	5,307,280	3,963,000
Appropriation In Aid	4	1,455	5,989
Grants from International Organizations	5	-	103,882
Other Grants	6	-	44,008
Interest Income	7	<u>1,735</u>	<u>1,572</u>
Total Incomes		<u>5,310,470</u>	<u>4,118,451</u>
Expenses			
Employee Costs	8	(2,052,756)	(2,104,751)
Depreciation and Amortization Charge	9	(1,325,624)	(1,804,037)
Repairs and Maintenance Expenses	10	(35,802)	(58,758)
Other Operating Expenses	11	(635,355)	(604,714)
General Expenses	12	<u>(1,006,689)</u>	<u>(1,277,236)</u>
Total Expenditure		<u>(5,056,225)</u>	<u>(5,849,496)</u>
Surplus/(Deficit)		<u>254,245</u>	<u>(1,731,045)</u>

STATEMENT OF FINANCIAL POSITION


STATEMENT OF FINANCIAL POSITION			
As at 30 June 2015			
	Note	2014-2015 Kshs 000	2013-2014 Kshs 000
Assets			
Current assets			
Cash and Cash Equivalents	13	87,515	151,086
Car Loan Fund Investments	14	23,239	21,383
Accounts Receivables	15	-	2,124
Accounts Receivables (ECK)	16	4,420,711	4,420,711
Accounts Receivable (Car Loan)	17	<u>26,823</u>	<u>26,944</u>
Total Current Assets		<u>4,558,288</u>	<u>4,622,248</u>
Non-Current assets			
Property, Plant and Equipment	18	3,314,424	4,413,561
Intangible Assets	19	11,727	16,753
Total Non Current Assets		<u>3,326,151</u>	<u>4,430,313</u>
Total Assets		<u>7,884,439</u>	<u>9,052,562</u>
Liabilities			
Current liabilities			
Accounts Payable	20	(1,301,432)	(2,960,718)
Accounts Payable (ECK)	21	(4,420,711)	(4,420,711)
Accounts Payable (Deposit)	22	(5,417)	(3,415)
Total Current Liabilities		(5,727,560)	(7,384,844)
Non-Current Liabilities			
Total Liabilities		<u>(5,727,560)</u>	<u>(7,384,844)</u>
		<u>2,156,879</u>	<u>1,667,718</u>
Financed by:			
General Fund		1,216,046	1,216,046
Accumulated surplus		889,924	402,493
Car Loan Fund Scheme	23	<u>50,909</u>	<u>49,178</u>
		<u>2,156,879</u>	<u>1,667,717</u>

The notes on page 19 to 33 form an integral part of these financial statements.

The financial statements from page 14 to 33 were approved and authorized by the Commission and signed on its behalf by:



Ezra Chiloba
Commission Secretary/CEO



Ahmed Issack Hassan
Chairman

STATEMENT OF CASH FLOWS

STATEMENT OF CASHFLOWS			
For the year ended 30 June 2015			
	Note	2014-2015 Kshs 000	2013-2014 Kshs 000
Cash flows from Operating Activities:			
Operating Surplus (Deficit)		254,245	(1,731,045)
Adjustments for Non-Cash Items:			
Depreciation and Amortization	9	1,325,624	1,804,037
Equipments Transfer and Write-off	18	51,968	-
Changes in Working Capital:			
Accounts Receivable (Exchequer)	15	-	950,000
Accounts Receivable (Imprest)	15	2,124	298
Accounts Payable (Recurrent)	20	(1,659,285)	(1,084,306)
Accounts Payable (Deposit)	22	2,002	(26,396)
Car Loan Receivables	7	121	(217)
Net Cash Flow From Operating Activities		<u>(23,201)</u>	<u>(87,629)</u>
Cash flows from Investing Activities:			
Purchase of Property Plant and Equipments	18	(38,514)	(72,722)
Car Loan Fund Investments	14	(1,856)	(21,383)
Net Cash Flow From Investing Activities		<u>(40,370)</u>	<u>(94,105)</u>
Cash flows from Financing Activities:			
Net Cash Provided By Financing Activities		-	-
Net Increase (Decrease) in Cash & Cash Equivalents		(63,571)	(181,735)
Cash and Cash Equivalent at 1 st July, 2014		<u>151,086</u>	<u>332,821</u>
Cash and Cash Equivalent as at 30 June 2015		<u><u>87,515</u></u>	<u><u>151,086</u></u>

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS				
For the Year Ended 30th June 2015				
	Car Loan Fund KShs. 000	Accumulated Surplus KShs. 000	General Fund KShs. 000	Total KShs. 000
Balance as at 30th June 2013	47,633	2,135,111	1,216,046	3,398,790
Surplus/ (Deficit) for the Period	1,572	-	1,732,618	1,731,046
Fund Charges	(27)	-	-	(27)
Transfers to/from Accumulated surplus	-	1,732,618	1,732,618	-
Balance as at 30 June 2014	49,178	402,493	1,216,046	1,667,717
Prior Years Adjustment	-	234,917	-	234,917
Surplus/ (Deficit) for the Period	1,735	-	252,514	252,514
Fund Charges	(4)	-	-	(4)
Transfers to/from Accumulated surplus	-	252,514	(252,514)	-
Balance as at 30 June 2015	50,909	889,924	1,216,046	2,156,879

COMBINED BUDGET EXECUTION STATEMENT

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS						
Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	Performance %
Income	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	%
Exchequer Issues	2,993,099	3,794,703	6,787,802	5,233,000	1,554,802	77%
Sale of Tender Documents & Nomination Fees	3,000	-	3,000	789	2,211	26%
Receipts from Sale of Incidental Goods	4,000	-	4,000	1,341	2,659	34%
Total income	3,000,099	3,794,703	6,794,802	5,235,130	1,559,672	
Expenses						
Basic Salaries - Permanent Employees	1,041,814	(95,600)	946,214	922,634	23,580	98%
Basic Wages - Temporary Employees	-	126,933	126,933	39,912	87,021	31%
Personal Allowance - Paid as Part of Salary	724,978	116,873	841,851	800,996	40,855	95%
Employer Contributions to Compulsory NSSF	171,208	-	171,208	145,040	26,168	85%
Utilities Supplies and Services	4,605	-	4,605	4,110	495	89%
Communication, Supplies and Services	93,385	170,077	263,462	59,725	203,737	23%
Domestic Travel and Subsistence, and Other Transportation Costs	65,073	67,720	132,793	94,070	38,723	71%
Foreign Travel and Subsistence, and other transportation costs	31,750	6,450	38,200	30,911	7,289	81%
Printing , Advertising and Information Supplies and Services	53,921	170,742	224,663	179,922	44,741	80%
Rentals of Produced Assets	149,700	327,336	477,036	427,553	49,483	90%
Training Expenses	47,111	276,908	324,019	257,504	66,515	79%
Hospitality Supplies and Services	38,348	278,846	317,194	310,961	6,233	98%
Insurance Costs	193,000	(39,623)	153,377	150,079	3,298	98%
Specialized Materials and Supplies	16,739	1,098,720	1,115,459	381,593	733,866	34%
Office and General Supplies & Services	55,203	806	56,009	30,505	25,504	54%
Fuel Oil and Lubricants	35,663	(4,514)	31,149	24,514	6,635	79%
Other Operating Expenses	208,795	676,746	885,541	845,356	40,185	95%
Routine Maintenance - Vehicles and Other Transport Equipment	39,040	5,821	44,861	29,482	15,379	66%
Routine Maintenance - Other Assets	20,466	1,500	21,966	10,085	11,881	46%
Purchase of Specialized Plant, Equipment and Machinery	9,300	608,962	618,262	486,467	131,795	79%
Total Expenditure	3,000,099	3,794,703	6,794,802	5,307,433	1,561,649	77%
Surplus / (Deficit)	-	-	-	1,977	(1,977)	-

The surplus in the combined budget execution statement differs with the surplus in the statement of financial performance. This is due to depreciation and amortization expense which is a non cash expense that affects the statement of financial performance but not the combined budget execution statement, capital expenditures and accrued expenses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015

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

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

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

2. Summary of Significant Accounting Policies:

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

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

Transfers from Other Government Entities

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

Interest Income

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

b) Budget Information – IPSAS 24

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015

c) Taxes – IAS 12

Current Income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the 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.

e) Intangible Assets – IPSAS 31

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015

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 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015

h) Nature and Purpose of Reserves

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

i) Changes in Accounting Policies and Estimates – IPSAS 3

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

j) Employee Benefits – IPSAS 25

Retirement Benefit plans

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

k) Foreign Currency Transactions – IPSAS 4

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

l) Cash and Cash Equivalents

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

m) Comparative Figures

Comparative figures for the quarter have not been provided since the Commission has not been preparing quarterly financial statements. This will only be practical in subsequent accounting periods.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015

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

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

Estimates and Assumptions

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

Useful Lives and Residual Values

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

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

o) Subsequent Events – IPSAS 14

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

q) Change in Accounting Estimates-IPSAS 3

The Commission restated the amount accrued to creditors as a result of the 2013 General elections. This was after the National Treasury carried out an independent audit of the pending bills in all the 17 Regions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015

3. Government Exchequer Issues

	2014-2015	2013-2014
	Shs 000	Shs 000
Recurrent Exchequer Releases:		
Total Exchequer Releases for Q1	1,486,000	1,130,000
Total Exchequer Releases for Q2	1,175,000	1,060,000
Total Exchequer Releases for Q3	332,000	300,000
Total Exchequer Releases for Q4	2,240,000	1,410,000
Recurrent Subtotal	5,233,000	3,900,000
Development Exchequer Releases:		
Total Exchequer Releases for Q2	20,000	30,000
Total Exchequer Releases for Q3	16,500	-
Total Exchequer Releases for Q4	37,780	33,000
Development Subtotal	74,280	63,000
Exchequer Grand Total	5,307,280	3,963,000

4. Appropriation in Aid (AIA)

	2014-2015	2013-2014
	Shs 000	Shs 000
Receipts from Nomination Fees and Charges Collected	361	3,113
Receipts From Sale Of Tender Documents, Registers And Maps	1,094	2,876
Total	1,455	5,989

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015

5. Grants from International Organizations.

The Commission in the financial year 2014/2015 received funding in kind from UNDP. This was in form of expenses directly incurred by UNDP to facilitate some programs being undertaken by the Commission among them formulation of the Commissions strategic plan. The expenses incurred by UNDP were loaded in IFMIS development vote book and affected the following line items;

• Hospitality Supplies and Services	26,809,500
• Contracted Professional Services	57,532,500
• Training Expenditure	<u>19,338,000</u>
Total	<u>103,680,000</u>

As per IPSAS 23, the commission discloses the economic benefits in the notes to the financial statements since the benefits were not received as actual transfers of cash but in kind.

	2014-2015	2013-2014
	Shs 000	Shs 000
Grants Received	-	103,882
Total	-	103,882

6. Other Grants

In the year 2013/2014, the Commission received KShs. 44,007,499.00 from the Contingency Fund to conduct Othaya Constituency and two (2) County Assembly Wards by elections. There were no other Government Grants in the year 2014/2015.

7. Interest Income

The interest income relates to interest from car loan fixed deposit account. The car loan interest matures every six months and is rolled over plus the principal. The interest received is net of withholding tax. There was a change in the car loan interest receivable of Kshs.121, 381.86.

	2014-2015	2013-2014
	Shs 000	Shs 000
Accrued Interest for the Year	630	751
Interest received during the Year	1,105	821
Total Interest Earned	1,735	1,572

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015

8. Employee Costs

	2014-2015	2013-2014
	Shs 000	Shs 000
Salaries and Wages -Permanent Employees	922,633	1,038,880
Salaries and Wages -Contractual employees	39,912	169,891
Personal Allowances	800,995	564,510
Contributions to Pensions and Health Schemes	145,040	100,732
Domestic Travel and Subsistence and Other	113,265	151,344
Foreign Travel and Subsistence other Transportation costs	30,911	79,393
Total	2,052,756	2,104,750

9. Depreciation and Amortization Expense

	2014-2015	2013-2014
	Shs 000	Shs 000
Property, Plant and Equipment	1,320,598	1,796,857
Intangible Assets	5,026	7,180
Total	1,325,624	1,804,037

10. Repairs & Maintenance Expenditure

	2014-2015	2013-2014
	Shs 000	Shs 000
Refurbishment of Buildings	-	3,418
Routine Maintenance of Vehicles and Other Transport Equipment	26,256	42,185
Maintenance of Software	8,980	-
Routine Maintenance -Other assets	566	13,155
Total	35,802	58,758

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015

11. Other Operating Expenses

	2014-2015	2013-2014
	Shs 000	Shs 000
Witness Expenses	4,669	2,975
Bank Services, Commission & Charges	557	850
Contracted Guards	14,780	95,893
Membership Fees, Dues and Subscriptions	1,698	3,485
Transport Costs & Charges	341	4,371
Legal Dues, Arbitration & Compensation	377,431	481,029
Contracted Professional Services	6,071	5,061
Parking Charges	4,239	11,050
Contracted Technical services	80	-
Payment of Duty	173,520	-
Transfers and Write-offs	51,968	-
Total	635,355	604,714

12. General Expenses

	2014-2015	2013-2014
	Shs 000	Shs 000
Utilities, supplies and services	3,883	10,848
Communications, Supplies and Services	59,725	54,899
Printing ,Advertising and Information Supplies and Services	73,683	176,342
Rentals of Produced Assets	279,788	328,305
Training Expenses	206,498	244,994
Hospitality Supplies and Services	146,790	54,692
Insurance Costs	147,082	204,302
Specialized Materials, Equipment and Supplies	35,487	109,794
Office and General Supplies and services	30,243	22,816
Fuel Oil and Lubricants	23,510	33,511
Maintenance of Software	-	36,733
Total	1,006,689	1,277,236

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015.

13. Cash and Cash Equivalents

Cash and Cash Equivalents	2014-2015	2013-2014
BANK ACCOUNT NAME	Shs 000	Shs 000
KCB IEBC Car Loan Bank Account	848	852
CBK IEBC Recurrent Cash Account	-	428
CBK IEBC Recurrent Main Account	910	28,211
CBK IEBC Deposit Account	5,417	3,415
CBK IEBC Development Bank Account	11,177	783
KCB IEBC REC Mombasa/S. Coast	-	14
KCB IEBC REC Kisumu	8,706	209
KCB IEBC REC Bungoma	82	85
KCB IEBC REC Central Eastern	59	2,543
KCB IEBC REC Central Rift	1	2
KCB IEBC REC Garissa/Ijara	28,853	711
KCB IEBC REC Lower Eastern	250	50
KCB IEBC REC Nairobi	5,190	2,316
KCB IEBC REC North Coast	3,691	1,737
KCB IEBC REC North Rift	10,768	43
KCB IEBC REC Nyanza South	184	102
KCB IEBC REC Nyeri Region	290	351
KCB IEBC REC South Rift	719	98
KCB IEBC REC Thika Region	4,821	1,614
KCB IEBC REC Upper Eastern	-	-
KCB IEBC REC Wajir/Mandera	2	131
KCB IEBC REC Western Region	1,909	139
KCB IEBC University Way	3,637	107,252
Total	87,515	151,086

14. Car Loan Fund Investments

IEBC invested KShs 23,239,304.10, in a fixed deposit account at Kenya Commercial Bank. The funds are rolled over every six months i.e. at the end of January and July every year. In the previous financial year, the amount invested in the car loan fund was Kshs.21, 383,118.40 hence an increase in investments of Kshs.1, 856, 185.70.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015.

15. Accounts Receivables

Accounts Receivables	2014-2015	2013-2014
	Shs 000	Shs 000
Outstanding Imprests	-	2,124
Total	-	2,124

All Imprests issued during the year were accounted for by the end of the 2014/2015 financial year. An amount of Kshs.950, 000,000 relating to exchequer provisions which had been accrued in the 2012/2013 financial year was realized in 2013/2014 financial year.

16. Accounts Receivable -ECK

Account Receivables- ECK	2014-2015	2013-2014
	Shs 000	Shs 000
Exchequer Under Issues	1,418,439	1,418,439
Advances	9,838	9,838
Imprests	1,945	1,945
General Suspense	2,114,658	2,114,658
Pro/District Suspense	875,830	875,830
Total	4,420,711	4,420,711

17. Accounts Receivable - Car Loan

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

Car Loan Fund	2014-2015	2013-2014
	Shs 000	Shs 000
Debtors Outstanding Loan	26,193	26,193
Accrued Interest for the Year	630	751
Total	26,823	26,944

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015.

18. Property, Plant and Equipment Movement Schedule

ASSET TYPE:	OFFICE BUILDINGS	COMPUTER EQUIPMENTS	MOTOR VEHICLES	OFFICE EQUIPMENT	FURNITURES & FITTINGS	TOTAL
REDUCING BALANCE RATES:	-	30%	25%	12.50%	12.50%	
	'000'	'000'	'000'	'000'	'000'	'000'
Cost as at 1st July 2013	-	8,813,514	591,792	226,568	63,408	9,695,283
Acquisitions 2013/2014	62,300	180	-	1,480	8,761	72,721
Disposals during the year	-	-	-	-	-	-
Total cost as at 30th June 2014	62,300	8,813,694	591,792	228,048	72,169	9,768,004
Acquisitions 2014/2015	35,900	1,205	-	553	857	38,515
Transfers to Other Government Entities (at cost)	-	92,922	-	-	-	92,922
Disposals/Write offs (at cost)	-	20,274	-	-	-	20,274
Total Cost as at 30th June 2015	98,200	8,701,703	591,792	228,601	73,026	9,693,323
Depreciation as at 1st July 2013	-	2,765,126	363,217	79,368	14,282	3,221,993
Depreciation for the year 2013-2014	-	1,814,570	57,144	18,585	7,236	1,897,535
Total Accumulated Depreciation as at 30th June 2014	-	4,579,697	420,360	97,953	21,518	5,119,528
Depreciation Charge 2014/2015	-	1,254,970	42,858	16,331	6,439	1,320,598
Transfers to Other Government Entities (Accumulated Depreciation)	-	50,391	-	-	-	50,391
Disposals/Write offs (Accumulated Depreciation)	-	10,837	-	-	-	10,837
Net Depreciation for the year 2015	-	1,193,743	-	-	-	1,259,371
Total Accumulated Depreciation as at 30th June 2015	-	5,773,439	463,218	114,284	27,957	6,378,899
Net Book Value as at 30th June 2015	98,200	2,928,264	128,574	114,316	45,070	3,314,424
Net Book Value as at 30th June 2014	98,200	4,112,006	171,432	130,648	51,508	4,573,795

The transfers to government and the lost equipments have been recognized at the net book value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015

19. Intangible Assets Movement Schedule

INTANGIBLE ASSETS MOVEMENT SCHEDULE	
RATE OF AMMORTIZATION- 30% REDUCING BALANCE.	
	Kshs. '000
Cost as at 1st July 2013	66,851
Acquisitions 2013/2014	-
Disposals	-
Total as at 30th June 2014	66,851
Acquisitions 2014/2015	-
Disposals/Inter government transfers	-
Total as at 30th June 2015	66,851
Amortization as at 1st July 2013	42,918
Amortization for the year 2013-2014	7,180
Total Amortization as at 30th June 2014	50,098
Amortization Charge 2014/2015	5,026
Total Amortization as at 30th June 2015	55,124
Net Book Value as at 30th June 2015	11,727
Net Book Value as at 30th June 2014	16,753

20. Accounts Payable – Recurrent Expenditure

Accounts Payable (Pending Bills)	2014-2015	2013-2014
	Shs 000	Shs 000
Payables -2012/2013 General Election	2,960,718	4,045,024
Other Validated Pending Bills	528,343	-
Bills Paid during the year	(2,187,628)	(1,084,306)
Accounts Payable Outstanding	1,301,432	2,960,718

There was an increase in accounts payables of Kshs.528, 342,793 which comprises of outstanding legal bills of Kshs. 377, 430,636 and training expenditure Kshs.150,912,157. These were after the National Treasury carried out a second validation exercise and approved the pending bills.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015

21. Accounts Payable –ECK

	2014-2015	2013-2014
	Shs 000	Shs 000
General Account of Vote(GAV)	4,364,871	4,364,871
Excess AIA	55,217	55,217
Salary Advance	624	624
Total	4,420,711	4,420,711

22. Accounts Payable: Retentions and Deposits

	2014-2015	2013-2014
	Shs 000	Shs 000
Opening Balance	3,415	29,811
Retention Fees and Other deposits	3,759	1,465
Deposit/Retention Fees paid	1,757	-
Total	5,417	3,415

There was an increase in retentions and deposits of Kshs.2,002,000. These retentions and deposits were in respect of monies retained by the Commission from construction companies who have not yet completed the construction works and deposits required if any other organization hires ballot boxes.

23. Car Loan Fund Scheme

	2014-2015	2013-2014
Car Loan Fund Scheme	Shs 000	Shs 000
Car Loan Fund Investments	23,239	21,383
Car Loan Accounts Receivable	26,823	26,944
Car Loan Bank	847	851
Total	50,909	49,178

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30th June 2015

24. 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.

25. Contingent Liabilities

IPSAS 19 prescribes the accounting treatment for provisions, contingent liabilities and contingent assets and defines their identification and recognition. The contingent liability recognized should be the best estimate of the expenditure required to settle the obligation at the reporting date. The Commission recognizes a possible future obligation of Kshs. 34.45 million to pay outstanding pending bills which currently are un-validated by the National Treasury.

The Commission also recognizes possible future obligations relating to pending court cases that arose after the general election and gratuities payable to staff members who are on a term contract.

26. 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.

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

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

27. Number of Employees


The average number of permanent and pensionable employees for the Commission as at 30th June 2015 was eight hundred and fifty eight (858). The Commission however engages contractual staff on a need basis.

28. Entity Tax Status

The Commission is a government agency, fully funded by the government and is therefore tax exempt. The Commission pays income taxes i.e. PAYE and WHT as per the regulations. During the year the Commission has paid all the withheld taxes to the Kenya Revenue Authority.

PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

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



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Ezra Chiloba
Commission Secretary/CEO



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Ahmed Issack Hassan
Chairman

