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27/9/2017 (Wednesday
afternoon sitting)

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OFFICE OF THE AUDITOR-GENERAL



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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
SALARIES AND REMUNERATION
COMMISSION

FOR THE YEAR ENDED
30 JUNE 2016



Salaries & Remuneration
Commission
Rewarding productivity

SALARIES AND REMUNERATION COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2016

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



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I. KEY COMMISSION INFORMATION AND MANAGEMENT

(a) Background Information

Salaries and Remuneration Commission (SRC) is established under Article 230 of the Constitution of Kenya (CoK 2010) to:

- i. Set and regularly review the remuneration and benefits of all State Officers; and
- ii. Advise the National and County Governments on the remuneration and benefits of all other Public Officers

(b) Functions of the Commission

In addition to the powers and functions of the Commission under Article 230 (4) of the CoK 2010, the Commission is mandated by the Salaries and Remuneration Commission Act, 2011 to:

- a) Inquire into and advise on the salaries and remuneration to be paid out of public funds;
- b) Keep under review all matters relating to the salaries and remuneration of Public Officers;
- c) Advise the national and county governments on the harmonization, equity and fairness of remuneration for the attraction and retention of requisite skills in the public sector;
- d) Conduct comparative surveys on the labour markets and trends in remuneration to determine the monetary worth of the jobs of Public Officers;
- e) Determine the cycle of salaries and remuneration review upon which Parliament may allocate adequate funds for implementation;
- f) Make recommendations on matters relating to the salary and remuneration of a particular State or Public Officer;
- g) Make recommendations on the review of pensions payable to holders of Public Offices; and
- h) Perform such other functions as may be provided by the Constitution or any other written law. The Commission under the Act Section 12 is further compelled to comply with the principle of equal remuneration to persons for work of equal value.

(c) Key Management

The routine management of the Commission is carried out by the Commission Secretariat which is headed by the Commission Secretary, also doubling as the Chief Executive Officer, and the Directors.

(d) Fiduciary Management

During the fiscal year ended 30th June 2016, the following members of the management team were charged with direct fiduciary responsibility:

1. Mrs. Anne Gitau - Commission Secretary
2. Mrs. Janet Mabwa - Director, Corporate Services
3. Mr. Nicholas Siwatom - Director, Remuneration Analysis
4. Mr. John Monyoncho - Director, Research Compliance Policy and Planning

(e) Fiduciary Oversight arrangements

1. Technical SASE Committee of the Commission
2. Technical GIPE Committee of the Commission
3. Corporate Services Committee of the Commission
4. Audit Committee of the Commission

(f) Commission Headquarters

P.O. Box 43126-00100, Williamson House, 6th floor,
4th Ngong Avenue, Tel: +254 2710071/73, Nairobi, KENYA. E-mail: info@src.go.ke,
Website: www.src.go.ke

(g) Principal Bankers

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

(h) Independent Auditors

Auditor General,
Kenya National Audit Office, Anniversary Towers, University Way, P. O. Box 30084,
GPO 00100, Nairobi, Kenya.

(i) Principal Legal Adviser

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

II. THE COMMISSIONERS



**Mrs. Sarah J. C. Serem,
EBS**

Sarah Serem is the Chairperson of the Salaries and Remuneration Commission. She has been with the commission since December 2011. Mrs. Serem holds an MBA in Human Resource Management and a BA degree (Sociology & Political Science) from the University of Nairobi. She has successfully carved out her career in Human Resource Management with over 30 years' experience. She served as the Director of Human Resource at Kenya Post Office Savings Bank (Postbank) for over 20 years where she was instrumental in the transformation of the Postbank management systems and human resource development. She is also a council member of the University of Eastern Africa, Baraton and a Board member of the Adventist Development & Relief Agency (ADRA) both in Africa and internationally. ADRA is a leading humanitarian agency that operate in 125 countries.



**Mr. Daniel Omondi
Ogutu, MBS**

Daniel Omondi Ogutu is the Vice Chairperson of Salaries and Remuneration Commission and holds a Masters Degree in Business Administration (MBA) from Eastern and Southern Africa Management Institute (ESAMI) and Maasterich School of Management, and a Bachelor Degree in Education from Kenyatta University. He has over twenty years of working experience in Human Resource Management and Development. He is currently an Assistant Commission Secretary-Human Resource Management at Commission for University Education. He has a wealth of experience having worked with the Commission for Higher Education (CHE), Agricultural Finance Corporation (AFC), Ministry of State for Public Service, Ministry of State for Provincial Administration and Internal Security, Directorate of Personnel Management (DPM), and Teachers Service Commission.



Mrs Serah Kinyua, HSC

Serah Kinyua holds a Masters Degree from University Connecticut U.S.A. in Public Administration (MPA) and Bachelors Degree in Literature in English, Political Science and Philosophy from Makerere University in Uganda. She served as a Chief Human Resource Manager at the Teachers Service Commission between 1997 and 2002. She served at the Task Force Reviewing Labour Laws representing Teaching Service.



**Hon. Peter Oloo Aringo,
EGH**

Hon. Peter Oloo Aringo holds a Masters Degree from the University of Toronto, Canada. He also served as a Cabinet Minister in the following Ministries:- Information and Broadcasting, 1980 – 1982; Environment and Natural Resources – 1982; Labour, 1985 – 1986; Education, 1986 – 1991; Manpower Development 1991; and An Assistant Minister for Education in 1979 – 1980.



**Mrs. Jacqueline Mugo,
MBS**

Jacqueline Mugo, holds a Bachelor of Laws Degree (LLB, Hons) from University of Nairobi. She is the Executive Director/Chief Executive of the Federation of Kenya Employers. She is an advocate of the High Court of Kenya and has over 30 years' experience in senior executive positions in the Public Service and Private Sector. Mrs. Mugo serves as Secretary General, Business Africa and is a member of the Governing Body of the International Labour Organization, the International Organization of Employers, Trustee National Social Security Fund, Higher Education Loans Board and National Industrial Training Authority.



**Mr. Jason Namasake,
MBS**

Jason Namasake holds a Bachelor of Laws Degree (LLB. Hons) from the University of Dar-es-salaam and a Masters (LLM.) from the University of London. He is an Advocate of the High Court of Kenya and has been a lecturer at the University of Nairobi (1974 – 1980) and the Catholic University of Eastern Africa from 2007 to date. Previously, Mr Namasake worked at the Federation of Kenya Employers for twenty six years, where he served in the Task Force to review Labour Laws in the year 2000. He also served as a member of the Akiwumi Tribunal to review terms and conditions of service for Members of Parliament and staff of the National Assembly in 2009.



**Mrs. Sellestine Kiuluku,
MBS**

Sellestine Kiuluku holds a Masters in Business Administration, (Strategic Management) from ESAMI and Maastricht School of Management – Netherlands. She holds a Bachelor of Education (B.ed) degree from Kenyatta University and is a Certified Public Secretary (CPS (K)). She is the Director Human Resources and Administration with the IEBC. Prior to the above appointments she served as the Director Human Resources and Administrative services with the Nairobi Water Company. Mrs. Kiuluku also worked as the Chief Human Resources and Administration Manager with the National Water Conservation and Pipeline Corporation (NWCPC). Previously she served the National Museums of Kenya (NMK) as Principal Administrative Officer and as a Personnel Officer with Agricultural Development Corporation (ADC).



**Brig. (Rtd) Samuel N.
Kirugi, MBS**

Brig (Rtd) Samuel N. Kirugi holds a Masters degree in Education and a Bachelor of Education Degree from the University of Nairobi. He retired from the former Kenya Defence Forces in January 2004 after twenty five years of service having gained wide experience in command, training, logistics and human resources administration for which he was awarded the Moran of Burning Spear (MBS) in 1994. Since retirement, he has worked with the Armed Forces Pay Review Board (AFRPRB).



**Mrs. Anne Elizabeth
Owuor, HSC**

Anne Owuor holds a Masters of Science Degree in Audit Management & Consultancy and a Post Graduate Diploma in Audit Management & Consultancy from the University of Central England Birmingham and a Master of Business Administration from the same university. She is a Certified Public Accountant, a Fellow of the ICPAK, a Certified Internal Auditor and has Certification in Risk Management Assurance. She retired from Kenya Power Company Limited in 2015 having worked for twenty five years in different managerial positions in Finance, Internal Audit and Commercial Services as well as being the Gender Coordinator. Previously she worked in the Office of the President and Public Service Commission.

She served as a member of The International Public Sector Accounting Standards Board & currently serves in the Program Oversight Committee on the Global Accountancy Development Program of the global International Federation of Accountants organisation. She is also a member of Public Sector Accounting Standards Board of Kenya, and has sat in several boards including ICPAK, KCA University, Chairperson of the Institute of Internal Auditor (K) and Chair of Association of Women Accountants.



Mr. Isaiah Kubai, MBS

Isaiah Kubai holds a Bachelor of Laws Degree (LLB Hons) from University of Nairobi and is he an Advocate of the High Court of Kenya. Mr. Kubai has also served in the Public Office in various capacities some of which include Council Member of Directorate of Industrial Training, Member of Judiciary's Mediation Accreditation Committee, Member of the Employment and Labour Relations Court Rules Committee and Member of the Labour Wages Council. Mr Kubai is also a Member of the Law Society of Kenya and an Officer of the Industrial Court with over 25 years in Practice of Labour Laws.



Mr. James Muhoro, OGW

James Muhoro holds a Bachelor Degree in Literature in English, Political Science, and Philosophy from University of Nairobi, Kenya. He joined the Civil Service (Provincial Administration) in 1978 rising to the position of District Commissioner. He transferred in the Central Government from 1991 as Senior Assistant Secretary and rose to the position of Senior Deputy Secretary. In his wide career of service he served as Ag. Director Kenya Marine and Fisheries Research Institute, Mombasa from 1999 to 2000. He helped in setting up the Interim Independent Boundaries Commission from 2009 to 2010, as the Chief Executive Officer and also the National Police Service Commission from 2012 to 2013.

In his tenure of office he has had extensive training and experience in Public Administration and Management from various public institutions within and outside the Country.



Dr. Kamau Thugge, MBS

Dr. Kamau Thugge is currently the Principal Secretary at The National Treasury. He has previously worked in the Ministry of Finance as Head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor. Before joining the Ministry of Finance he worked with the International Monetary Fund (IMF) as Economist/Senior Economist and Deputy Division Chief. Dr. Thugge holds a Bachelor of Arts (Economics) Degree from Colorado College, USA; Master of Economics from John Hopkins University, USA; and a Doctor of Philosophy (PhD) in Economics, also from John Hopkins University.



Mr. Njee Muturi

Njee Muturi is currently the Solicitor General, State Law Office. He is a Partner at Muturi, Gakuo & Company. He has previously worked in the Office of Deputy Prime Minister as Director-Coordination, and as KANU's Executive Director. Mr. Muturi holds a Bachelor of Law Degree (LLB, Hons) from Poona University, Symbiosis College and Bachelor of Arts (Economics & Political Science) Degree from Poona University Nowrosjee Wadia College, India.



Mrs. Anne Rwamba Gitau

Mrs Anne Gitau is the Commission Secretary. She is a respected Human Resources Professional and leader with over ten years of comprehensive human resources experience ranging from the private sector to the public sector and with diverse and solid experience ranging from human resources consultancy to human resources.

Mrs. Gitau is currently pursuing PhD from the School of Business in Organizational Development at the University of Nairobi. She also has a Masters Degree in Business Administration from the Nairobi University and a Bachelor of Education from Egerton University.

Mrs. Gitau has worked at the Higher Education Loans Board (HELB) as a Human Resources and Administration Manager and Industrial Development Bank.

III. MANAGEMENT TEAM



Mrs. Anne R. Gitau
Commission
Secretary/CEO

Mrs Anne Gitau is the Commission Secretary. She was appointed to the position in June 2015. Previously, she was the Dep. Comm Secretary from April 2012 year to March 2014 when she was appointed as Ag CS. She is a respected Human Resources Professional and leader with over ten years of comprehensive human resources experience ranging from the private sector to the public sector and with diverse and solid experience ranging from human resources consultancy to human resources.

Mrs. Gitau is currently pursuing PhD from the School of Business in Organizational Development at the University of Nairobi. She also has a Masters Degree in Business Administration from the Nairobi University and a Bachelor of Education from Egerton University.

Mrs. Gitau has worked at the Higher Education Loans Board (HIELB) as a Human Resources and Administration Manager and Industrial Development Bank.



Mr. Nicodemus Odongo, Ag. Deputy Commission Secretary

Nicodemus Odongo holds both a Master's and a Bachelor of Arts degrees in Economics from University of Nairobi. He has over 13 years of experience in Policy Research, Planning, Strategy Formulation, Quality Management Systems, Monitoring and Evaluation, and Financial Management.

Previously, he worked with Parliamentary Service Commission as a Senior Economist and Deputy Director, Kenya Revenue Authority where rose to Princip. Research and Planning Officer, and Colgate Palmolive Limited as a Senior Finance Officer.



Mrs. Janet Mabwa, Director Corporate Services

Janet Mabwa has a Master of Science Degree in International Business Administration (Strategic Management) from USIU, and a Bachelor of Science Degree in International Business Administration (Accounting) from USIU. She is also a Certified Public Accountant and Secretary. Previously, she worked with Public Procurement Oversight Authority as General Manager Finance and Administration, NEPAD as Finance and Administration Officer and Company Secretary, K – Rep Advisory as Finance and Administration Manager and Company Secretary, and Tourism Trust Fund as Finance and Administration Manager.



Mr. Nicholas Siwatom Director Remuneration Analysis

Nicholas Siwatom holds a Master's degree in Business Administration from Maseno University, Bachelor of Education (Arts) Degree from University of Nairobi, and Diploma in Personnel Management from IHRM. Previously, he worked with Transnational Bank as Head of Human Resources, Diamond Trust Bank as Senior Manager Human Resources, Kenya Broadcasting Corporation as Head of Human Resources, and Kenya Commercial Bank as Head of Training and Development.



Mr. John K. Monyoncho Director, Research Compliance Policy and Planning

John Monyoncho is currently pursuing a PhD degree at the University of Nairobi. He holds an MBA in Finance and Bachelor's Degree in Economics from the University of Nairobi, and a Bachelor of Science Degree in Statistics from Poona University (India). Mr. Monyoncho has over 20 years of experience in senior management in both public and private sector having worked with Kenya National Bureau of Statistics where he rose to a Technical Manager. He has also worked as a Logistics and Administration Manager with Kenya Integrated Household Budget Survey Programme, Administration Manager with Nairobi Securities Exchange, and as a Technical Assistant to the Economic Secretary and Director of Planning in the Ministry of Finance and Economic Planning.

IV. CHAIRPERSON'S STATEMENT

The financial year 2015/16 has been a busy one for Salaries and Remuneration Commission due to the ongoing job evaluation exercise in the Public Service among other activities. Indeed the Commission invested all its resources to the completion of the job evaluation exercise. To this end, job analysis and job description manuals for five sectors covering Civil Service, County Governments, State Corporations, Constitutional Commissions and Independent Offices have been completed. Job evaluation in the remaining two sectors of Disciplined Service and Research, Public & Tertiary educational institutions has commenced and the same shall be completed within the next financial year.

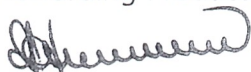
One of the guiding principles for the Commission is that of recognizing productivity and performance while setting remuneration and benefits for public officers. During the financial year, the Commission in partnership with World Bank and Productivity Center embarked on the development of a practical method of measuring public sector performance through the use of productivity indicators among other measures. Given the sensitivity of the subject and the need to involve all stakeholders on productivity measurement, the Commission organized forums with various stakeholders.

The Commission is also developing a Wage Bill Forecasting Model that will facilitate advice on remuneration and benefits based on the wage bill projections. This model will in the long run require a system that will facilitate factual assessment of the wage bill in the country on real time, determine the impact of changes in remuneration of a sector to the overall wage bill, access to the pay roll data of public institutions and monitoring of compliance. All these strategies and processes were made possible with the assistance of key stakeholders that include The National Treasury, Department of Personnel Management and employing Commissions whose officers have been trained on Wage Bill Forecasting. Ultimately, a Pay Policy Manual that will be instrumental in providing standardized interpretation of policies used in the different public sector payrolls shall be developed and implemented.

The other achievements during this period include harmonization of remunerations and benefits, engraining of the principle of equal pay for work of equal value, advice on Collective Bargaining Agreements which has led to industrial harmony, among others. All these have been achieved despite the many challenges that included limited financial resources, litigation from various stakeholders and lean staff establishment.

The Commission will in the next financial year embark on revising its strategic plan with a view to entrenching the constitutional principles of ensuring that the total public compensation bill is fiscally sustainable, attracting and retaining requisite skills in public service, recognition of productivity and performance and transparency and fairness. It will also align the corporate strategy to the changing economic and social environment. We thank the National Government, County governments, Constitutional Commissions and independent offices, and development partners especially World Bank for supporting the work of the Commission. I also wish to extend my sincere gratitude to SRC Commissioners and Secretariat staff who have sacrificed a lot to ensure that the Commission meets its obligations.

On behalf of the Commission, I wish to assure all the stakeholders of our support for successful implementation of remunerative issues in public service and attainment of our motto of 'Rewarding Productivity'.



Mrs. Sarah J.C. Serem, EBS

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Financial Year 2015/2016 started on high note, with H.E. the President of the Republic of Kenya having launched Job Evaluation for the Public Service and the Public Sector Remuneration and Benefits Policy. The Commission concentrated its efforts on the Job Evaluation for the Public Service exercise, which owing to its magnitude, was split into seven sectors for ease of managing the exercise as follows: Civil Service; County Government; Commercial and Strategic State Corporations; Service and Regulatory State Corporations; Constitutional Commissions, Independent Offices and Teaching Service; Disciplined Services; and Public Universities, Research and Tertiary Education, Institutions.

By the end of the financial year, the job evaluation process for the five sectors was almost complete, having comprised stakeholder buy-in, change management, job analysis, job description, job evaluation and job grading. Also, the Commission developed 25,000 job descriptions and trained over 18,000 job analysts in the public sector, both at National and County levels. The only incomplete component of the exercise for the first five sectors was harmonization of job evaluation results as this was dependent on the completion of the exercise for the entire seven sectors. Unfortunately, due to unavoidable circumstances, job evaluation for two sectors (Disciplined Services and Public Universities, Research and Tertiary Education, Institutions) commenced late in the year (June 2016), with only stakeholder engagement, sensitization of stakeholders and change management programmes taking place.

Despite the magnitude of the job evaluation exercise, the Commission set aside time and resources to implement key areas of the Remuneration and Benefits Policy. The Commission issued over 80 advisories to public sector institutions in line with its constitutional mandate, and ensured compliance to the Commission's mandate. Thus, the Commission uploaded key circulars on its website and updated existing compliance data with the objective of empowering institutions to self-regulate as much as possible. In addition, the Commission carried out compliance checks in national institutions and reported to the Audit, Risk and Compliance Committee and mitigation measures were taken accordingly.

The Commission in line with Constitutional requirements continued to engage stakeholders in major decisions taken by building effective media relations. To enhance compliance further, reports were shared with specific national institutions like the Office of the Auditor General, Controller of Budget and Ethics and Anti-Corruption Commission. The Commission, in this period, also released a documentary to educate the public on the concept and rationale of job evaluation for the public service.

The Commission undertook capacity building for its staff to enhance skills that are critical in achievement of its mandate. During the period, over 70 percent of the Commission staff were trained and certified as job evaluation specialists. In addition, most of the staff attended Commission approved training programmes in line with the Commission's priority areas and continuous professional development programmes. Staff also undertook training in technical areas such as wage bill forecasting through World Bank's support. The Commission has continued to reap benefits of continuous staff development and capacity building.

The above positive activities notwithstanding, the Commission faced funding challenges, more so at the beginning of the Financial Year where Kshs. 200 million earlier anticipated for funding job evaluation for two sectors (Disciplined Services and Public Universities, Research and Tertiary Education, Institutions) was not received. Funding was later received in May 2016, occasioning delay in starting J.E for the two sectors.

My profound thanks go to the Commissioners and staff for their collective effort in propelling the Commission towards meeting its mandate. I am deeply indebted to our stakeholders who have been very supportive to the Commission as it fulfils its mandate.



Anne R. Gitau (Mrs.)
Commission Secretary/CEO

VI. CORPORATE GOVERNANCE STATEMENT

The Objects of the Salaries and Remuneration Commission, other Commissions and the independent offices are stipulated under Article 249 of the Constitution of Kenya, 2010. In fulfilment of the objects, the Commissioners assume the ultimate responsibility in ensuring that the Commission is accountable to the public and complies with the highest standards of corporate governance.

The Commission believes in embracing Corporate Governance through creation of the right corporate culture and values. The Commission exercises due care in ensuring that the management of the Commission affairs is carried out in the best interest of the government and the public. The Commissioners and the management possess a range of requisite skills, qualifications and experience to manage the Commission and work in compliance with the provision of Chapter Six of the Constitution of Kenya 2010.

Responsibilities

In recognition of their ultimate responsibility on the Commission affairs, the commissioners' focal point to guide their decisions and actions is based on a foundation of good governance, and on the Commission's core values which are integrity, objectivity, accountability and transparency and teamwork.

The roles and responsibilities of the Commissioners include but not limited to the following:

- Formulation and approval of the Commissions vision, mission, core values, strategy and work plans;
- Approval of annual budget and the final financial statements; and
- Approval of operational policies and manuals.

Role of the Chairperson

The Commission is chaired by the Chairperson who is appointed by the President of the Republic of Kenya in accordance with provisions of Article 230 (2) of the Constitution and Section 4 of the Salaries and Remuneration Act, 2011.

The Chairperson is responsible for the overall Commission leadership and its effectiveness; ensures that key tasks of the Commission are properly understood by the Commissioners and the Secretariat; and assumes overall responsibility for all the Commission decisions, severally with other Commissioners.

Role of the Commission Secretary

The Commission Secretary is appointed by the Commission in accordance with Section 16 of the Salaries and Remuneration Act, 2011. The Commission Secretary doubles as the Secretary to the Commission and the head of the Commission Secretariat. The Commission Secretary is responsible for the overall leadership and day-to-day management of the Commission's operations; efficient and effective management of the secretariat; performance management, operational controls, ethical conduct, and good corporate governance.

Commission Structure and Composition

Functions of the Commission are carried out under a defined structure made up of the full Commission, defined and or ad hoc Committees which facilitate the discharge of the Commission's mandate. The Committees assist the Commission in its responsibilities and

obligations in ensuring that there are independent overights of internal controls and risk management.

Commissioners' Remuneration

The Commission and its Committees meet regularly in accordance with annual schedules. All Members of the Commission are paid a sitting allowance for the meetings they attend up to a maximum of 8 meetings per month. Members of the Commission are also paid for Task force meetings attended on Job Evaluation. The Chairperson of the Commission and the members, with exception of three ex-officio members who are representatives of Government institutions, are also paid a monthly retainer through the consolidated fund by The National Treasury. The retainer, and allowances paid out of consolidated fund are not recognized in these financial statements.

The Commission meetings and Commission Committees

During the year, the Commission held forty seven meetings and committee meetings as reflected in the table below.

No.	Name	COMM.	ARC	SASE	GIPE	CS	LEG
1	Mrs. Sarah J.C. Serem, EBS	32	N/a	N/a	N/a	N/a	N/a
2	Mr. Daniel O. Ogutu, MBS	33	N/a	N/a	16	15	N/a
3	Mrs. Sellestine A.M. Kiuluku, MBS	25	N/a	N/a	12	9	1
4	Mrs. Jacqueline Mugo, MBS	17	N/a	N/a	4	6	7
5	Mrs. Serah N. Kinyua, HSC	33	9	16	N/a	2	N/a
6	Mr. Jason A.N. Namasake, MBS	35	4	15	9	8	10
7	Mr. John Gechaga	17	N/a	N/a	N/a	8	N/a
8	Mr. Njee Muturi/Ms. Christine Agimba	12	2	N/a	7	N/a	N/a
9	Mr. Isaiah Kubaj, MBS	24	10	N/a	14	N/a	4
10	Mr. James Maina Muhoro, OGW	36	8	N/a	15	N/a	1
11	Mrs. Anne E. Owuor, HSC	22	9	15	N/a	2	N/a
12	Brig. (Rtd) Samuel N. Kirugi, MBS	37	2	16	N/a	5	3
13	Hon. Peter Oloo Aringo, EGH	29	N/a	14	N/a	16	N/a
14	Dr. Kamau Thugge EBS/Mr. Francis Anyona	17	2	5	N/a	2	N/a

KEY:

COMM.	-	Commission/Plenary meetings
ARC	-	Audit, Risk and Compliance Committee
SASE	-	Social, Agriculture, Security and Environment Committee
GIPE	-	Governance, Infrastructure, Public Administration Energy Committee
CS	-	Corporate Services Committee
LEG	-	Legal Committee
N/A	-	Not applicable, the Commissioner is not a member of the Committee

The Commission has a structured system of operation made up of committees to assist it in discharging its mandate, responsibilities and obligations. The Commission delegates specific functions to selected Committees with defined formal terms of reference, without abdicating its ultimate responsibility. The terms of reference clearly identify matters reserved for the full Commission and the Committees. The Committees make recommendations to the full Commission, for consideration and adoption/resolution.

The membership and Chairmanship of the Commission Committees is regularly reviewed by the Commission, which is responsible for filling any vacancies. The Commission is cognizant that members collectively have sufficient qualifications and experience to fulfil the duties of the respective Committees. The elected Chairpersons appraise the Full Commission meetings of their activities on a regular basis through oral and/or written reports. The Agenda items for the Commission meetings are set in consultation with the Chairpersons of the Committees.

A. Audit, Risk, and Compliance Committee

The Audit, Risk and Compliance Committee is an independent Committee and was chaired by Commissioner Isaiah Kubai during the year under review. Other Members were Mrs. Serah Kinyua, Dr. Kamau Thugge, Mr. James Muhoro, and Mrs. Anne Owuor, Mr. Jason Namasake, Brig. (Rtd) Samuel Kirugi and Ms. Christine Agimba. The mandate of this Committee is to examine internal and external audit reports, review the Commissions financial statements, risks and internal controls and compliance.

The Committee had eleven meetings during the year under review.

B. Corporate Services Committee

The Corporate Committee is an independent Committee and was chaired by Commissioner Jason N. Namasake as from the beginning of the year and within the year membership of the Committee changed whereby Commissioner Oloo Aringo became the Chairperson. Other Members were Mr. Daniel Ogutu, Brig. (Rtd) Samuel Kirugi, Mrs. Sellestine Kiuluku, Mrs. Jacqueline Mugo, Mr. John Gechaga, and Mr. Francis Anyona

The mandate of this Committee includes but is not limited to, providing oversight and governance on issues pertaining to administration, human resource management and Financial services. The Committee held nineteen meetings during the year under review.

C. Public Administration, Infrastructure, Governance and Energy Sectors (GIPE) Technical Services Committee

The GIPE Committee is an independent Committee and was chaired by Commissioner Daniel Ogutu during the year. The other members are Sellestine Kiuluku, Isaiah Kubai, James Muhoro, Njee Muturi and John Gechaga. The committee is in charge of reviewing remunerations submissions from institutions within the Public Administration, Infrastructure, Governance and Energy Sectors. The Committee held sixteen meetings during the year under review.

D. Social, Agriculture, Security, and Environment (SASE) Technical Services Committee

The SASE Committee is an independent Committee and was chaired by Commissioner Anne Owuor during the year. The other members are Brig. (Rtd) Samuel Kirugi, Dr. Kamau Thugge, Serah Kinyua, Hon. Oloo Aringo, and Jason Namasake. The committee is in charge of reviewing remunerations submissions from institutions within Social, Agriculture, Security and Environment Sectors. The Committee held seventeen meetings during the year under review.

E. Legal Committee

The Committee is an independent Committee and was chaired by Commissioner Namasake during the year. The other members are Mr. Njee Muturi, Mrs. Jacqueline Mugo, Mrs. Ann Owuor, and Mr. Isaiah Kubai. The Committee held eleven meetings during the year. The Committee deliberated on legal matters touching on the Commission's mandate and made recommendations to the Commission. The mandate of this committee is to deliberate on legal issues touching on the Commission mandate and report to the Full Commission.

Job Evaluation (JE) Task Force Committees

The job evaluation task force committees were constituted during the year 2014/15 to oversee the job evaluation exercise. It was established in recognition of the fact that due to the fact that the JE exercise was not only complex and enormous but also that it entailed activities that were over and above the normal Commission activities of remuneration review. The committees will automatically terminate when the exercise is complete. The committees constituting the JE Governance structure are as follows:

- i. JE Steering Committee
- ii. JE Commercial and Strategic State Corporations Committee
- iii. JE Service and Regulatory State Corporations Committee
- iv. JE Civil Service Committee
- v. JE County Committee
- vi. JE Constitutional Commissions, Independent Offices and Teaching Service Committee
- vii. JE Communication Committee
- viii. JE Compliance and Risk Management Committee
- ix. JE Planning and Logistics Committee

Statement of Compliance and Conflict of Interest

Conscious of its responsibilities to members, service providers, suppliers, creditors, employees and society, the Commissioners issued a statement at the end of the year confirming that they have complied with the law, conducted their affairs in accordance with the best principles and practices of corporate governance and that to the best of the knowledge of the Commission and management, no person, employee or agent acting on behalf of the Commission with the knowledge of authority of the Commission or management, committed any offence under the Prevention of Corruption Act or indulged in any unethical behavior in the conduct of the Commission's business, or been involved in money laundering, or any practice or activity contrary to national laws or international conventions.

Code of Conduct

Each Commissioner derives his or her authority and position from a legitimate nomination

overriding fiduciary duty to act in good faith in pursuit of the best interests of the Commission members as a whole. In the discharge of their duties, Commissioners operate within the framework of a collective Commission. In order to enable the Commissioners to operate effectively and in the best interest of the Commission, all Commissioners observe rules and regulations governing the conduct of Commissioners as contained in the Commission manual.

Risk Management

The Commissioners are committed to a process of Enterprise Risk Management that guides in the identification of strategic and operational risks through a structured, systematic, proactive and integrated process. This is done through a risk management framework which enables management to focus in a comprehensive and holistic manner on all risks faced by the Commission. A risk management policy established by the Commissioners is one of the important steps in ensuring that management identifies and manages all risks and Commissioners provide oversight as well as policy direction in managing risks.

Risk Management Structure and Roles

Risk management on an enterprise wide basis requires an integrated approach between the various risk-related specialists, department and staff. The risk management structure of the Commission is comprised of the Audit Committee, the management team and a risk committee at the Secretariat level composed of representatives from each department.

Role of the Audit Committee

The Commission has established committees among them being the audit committee whose mandate is to implement and monitor implemented risk management framework established by the Commission. The Committee also ensures that risk management system implemented by management meets the requirements set out in the policy.

Role of Internal Auditor

In addition to the implementation of risk management framework, the Commission has appointed independent internal auditors whose function is to provide independent assurance to the Commission and management through structured audits, reviews, testing and other techniques, carrying out risk based audits, reporting on effectiveness and efficiency of risk management process as well as reporting on Commission's compliance with the risk policy. Continuous risk assurance audit were conducted during the year to review the Commission's risk status. A review of the strategic and operational risk registers was undertaken.

Role of Management Team

The Management team's role in risk management is that of implementing the risk framework established by the Commissioners. In addition the management receive and approve the quarterly reports on operational risk management issues, report any strategic risks identifies to the Audit Committee and the Commission. The management team also approves risk mitigating actions to be taken by the secretariat risk committee and contribute to the development of the Risk Management system and arranges internal audits on the risk management process at appropriate intervals on behalf of the Commission.

Risk Categories

The Commission has identified and categorized risks as follows:

- Strategic risks: These risks arise out of the Commission's strategic plan

- Financial risks: Risks associated with financial aspect of the Commission
- Operational risk: This refers to all the risks associated with the operations of the Commission
- Legal and regulatory risks: Legal risks can arise from non-compliance with the legal and regulatory requirements.

Risk Training and Awareness

The Commission's commitment to risk management has also been evidenced by the awareness and training given to the members of the Commission, management and the staff of the Commission.

VII. CORPORATE SOCIAL RESPONSIBILITY INVESTMENT

Salaries & Remuneration Commission (SRC) is committed to creating positive, long lasting impact on the communities within which it operates. The Commission's commitment to the society is embedded in its core mandate and principles of ensuring that the country has a fiscal sustainable wage bill.

For SRC, managing its environment for success is best driven done on the platform of strategic and targeted stakeholder engagement/advocacy that will deliver a rallying call for support from the stakeholders that make up its operating environment.

The Commission had a very busy 2015-2016 financial year as it engaged in implementation of Job evaluation project. This involved holding several stakeholders forum both at the county and national Government levels.

To ensure the Job Evaluation (JE) progresses smoothly at the county level the Commission held various fora in the 47 counties between in November 2015.

On 8 February 2016 the Commission held Stakeholders forum in Nairobi for the teaching service prior to launching of the job evaluation for the teaching service aimed at sensitizing 100 TSC county directors and officers of TSC, them about the job evaluation exercise.

This was followed with an extensive stakeholders for the teaching service across the 47 counties that took place 7th to 13th March 2016.

Despite the fact that the implementation of job evaluation for the public service has engaged a major part of the financial resources and human resources, the Commission has also found time to address other aspects that are crucial to its Mandate and Constitutional Principles.

To prepare the ground to address the sensitive issue of labour productivity and performance, the Commission held a consultative forum on the concept of public sector productivity measurement and recognition to the public sector on April 26, 2016. The event attracted 42 participants drawn from the public sector, development partners and trade unions.

The activities carried out by the Commission during the year will not be complete without a mention of the responsibilities it has endeavored to extend towards the larger Kenyan community. The Chairperson visited St Thomas Girls Secondary School and gave a motivational speech to the pupils and teachers in the School. Being a girl's school, she played the role model for the girl-child and left the school community elated and ready to emulate her.

The Commission Secretary also visited Kericho Tea Boys on 9th March 2016 in between her busy schedule of undertaking Job evaluation for the public service. She gave a talk on youth, education and life temptations. She counselled the boys on the need to work hard and succeed in education and other things in life would fall into place. The boys were excited of the unexpected visit.

The SRC staff celebrated Easter by visiting Thomas Barnardo House located on Lang'ata road on April 03, 2016. The staff had collected stuff from their personal items to donate to the children. Thomas Barnardo House is the flagship project of Kenya Children's Home (KCH) and is home to up to 200 orphaned, destitute and abandoned babies and children at any one time.

VIII. REPORT OF THE COMMISSIONNERS

Members of the Commission submit their report together with the audited financial statements for the year ended June 30, 2016, which show the state of affairs of the Commission.

Principal activities

The principal activities of the Commission continue to be:

- i) Inquire into and advise on the salaries and remuneration to be paid out of public funds;
- ii) Keep under review all matters relating to the salaries and remuneration of Public Officers;
- iii) Advise the national and county governments on the harmonization, equity and fairness of remuneration for the attraction and retention of requisite skills in the public sector;
- iv) Conduct comparative surveys on the labour markets and trends in remuneration to determine the monetary worth of the jobs of Public Officers;
- v) Determine the cycle of salaries and remuneration review upon which Parliament may allocate adequate funds for implementation;
- vi) Make recommendations on matters relating to the salary and remuneration of a particular State or Public Officer;
- vii) Make recommendations on the review of pensions payable to holders of Public Offices; and
- viii) Perform such other functions as may be provided by the Constitution or any other written law.

The Commission under the Act Section 12 is further compelled to comply with the principle of equal remuneration to persons for work of equal value.

Results

The results of the Commission financial performance for the year ended June 30, 2016 are set out on pages 1 to 3.

Commissioners

The members of the Commission who served during the year are shown on the pages v to vii

Auditors

The Auditor General is responsible for the statutory audit of the Commission and in accordance to section 81(4) (a) of the Public Finance Management Act, 2012.


Anne R. Gitau (Mrs.)
Commission Secretary

Date:.....20.01.2017.....

IX. STATEMENT OF COMMISSION'S RESPONSIBILITIES

The Public Finance Management Act, 2012 require the Commissioners to prepare financial statements in respect of the Commission, which give a true and fair view of the state of affairs of the Commission at the end of the financial year and the operating results of the Commission for that year. The Commissioners are also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Commissioners are also responsible for safeguarding the assets of the Commission.

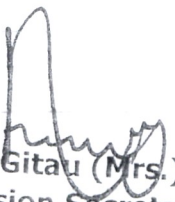
The Commissioners are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Commission as at the end of the financial year ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Commissioners accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Commissioners are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2016, and of the Commission's financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Commission's financial statements were approved by the Commission on 20.01.17 and signed on its behalf by:


Anne R. Gitau (Mrs.)
Commission Secretary


Mrs. Sarah J. C. Serem, EBS
Chairperson



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF SALARIES AND REMUNERATION COMMISSION FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Salaries and Remuneration Commission set out on pages 1 to 18, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and statement of cash flows 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

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 47 of the Public Audit Act, 2015.

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 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. 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

Report of the Auditor-General on the Financial Statements of Salaries and Remuneration Commission for the year ended 30 June 2016

depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Salaries and Remuneration Commission as at 30 June 2016, 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 Salaries and Remuneration Commission Act, 2013 and the Public Finance Management Act, 2012.

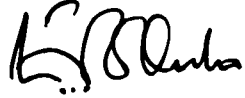
Other Matter

Accounting Systems

The Commission uses two accounting systems to maintain books of account, quick books accounting software and Integrated Financial Management System-IFMIS. These two systems are not integrated and as a result transactions are not captured in both systems concurrently. Whereas quick books accounting system uses accrual method of accounting, IFMIS is cash based. The Commission's financial statements for the year ended 30 June 2016 have been prepared on accrual basis based on quick books accounting system. Audit review revealed that the financial statements reflect balances which differ from IFMIS trial balance figures as analyzed below.

Account Details	Financial Statements Balance (Kshs)	IFMIS Trial Balance (Kshs)	Difference (Kshs)
Total Revenue	970,113,156.00	970,041,900.00	71,256.00
Total Expenses	773,909,242.00	839,419,101.55	65,509,859.55
Total Assets	382,316,501.80	1,704,081,670.85	(1,321,765,169.00)
Total Liabilities	11,083,244.00	19,934,400.45	(8,851,156.45)

The resulting differences are as a result of varying treatment of transactions in the two accounting systems which however have not been reconciled.



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

Nairobi

16 May 2017

XI. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2015/2016 Kshs.	2014/2015 Kshs.
REVENUE			
I Revenue from Non-Exchange Transactions			
Exchequer Transfers	3	970,000,000	596,500,000
		-	-
		970,000,000	596,500,000
II Revenue from Exchange Transactions			
Other Income	4	113,156	248,746
		113,156	248,746
Total Revenue		970,113,156	596,748,746
EXPENDITURE			
Employee Benefits	5	233,233,363	156,681,892
Board Expenses	6	54,787,827	43,396,800
General Expenses	7	180,389,908	153,718,061
Depreciation & Amortization	8	37,277,491	32,175,940
Repairs & Maintenance	9	5,022,346	4,530,516
Contracted Services	10	260,435,207	204,357,814
Total Expenses		771,146,142	594,861,023
Surplus/(Deficit) for the year		198,967,014	1,887,723

The notes set on pages 3 to 7 form an integral part of the Financial Statements.


XII. STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2016

	NOTE	2015/2016 Kshs	2014/2015 Kshs
ASSETS			
Current Assets			
Cash and Cash Equivalents	11	274,172,895	21,417,506
Receivables From exchange transactions	12	28,250,545	47,548,535
		<u>302,423,440</u>	<u>68,966,041</u>
Non-Current Assets			
Property, Plant & Equipment	13a	76,252,182	108,096,808
Intangible Assets	13b	3,675,390	6,451,525
		<u>79,927,572</u>	<u>114,548,333</u>
TOTAL ASSETS		<u>382,351,012</u>	<u>183,514,374</u>
LIABILITIES			
Current Liabilities			
Other Payables from Exchange Transactions	15	2,578,322	14,895,954
Current Employee Benefits Obligation	14	3,984,620	3,690,161
		<u>6,562,942</u>	<u>18,586,115</u>
Non-Current Liabilities			
Non-Current Employee Benefits Obligation	14	4,520,302	6,942,556
TOTAL LIABILITIES		<u>11,083,243</u>	<u>25,528,671</u>
Net Assets		<u>371,267,768</u>	<u>157,985,702</u>
Represented by:			
Equity			
Accumulated Surplus		371,267,768	157,985,702
		<u>371,267,768</u>	<u>157,985,702</u>

The financial statements set out on pages 3 to 7 were signed on behalf of the Commission on 20.01.17 by:


Anne R. Gitau (Mrs.)
Commission Secretary


Mrs. Sarah J. C. Serem, EBS
Chairperson

XIII. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2016

	Accumulated Fund	Total Fund
	Kshs	Kshs
Balance as at 30 June 2014	156,097,980	156,097,980
Surplus/(Deficit) for the Year	1,887,723	1,887,723
Balance as at 30 June 2015	157,985,703	157,985,703
Prior periods adjustments	14,315,051	14,315,051
Surplus/(Deficit) for the Year	198,967,014	196,203,914
Balance as at 30 June 2016	371,267,768	368,504,668

XIV. STATEMENT OF CASH FLOWS

		<u>2015/2016</u>	<u>2014/2015</u>
Cash flows from Operating Activities	NOTE	Kshs	Kshs
Surplus/(deficit) from operating Activities		198,967,014	1,887,723
Non cash Movements			
Depreciation	8	34,501,356	30,685,943
Amortization		2,776,135	1,489,998
Decrease in Receivables from Exchange Transactions	12a	19,297,990	(33,391,068)
Increase in provisions relating to Employee Costs		294,459	850,866
Gain on Disposal of lost Computer Equipment		(5,279)	
Prior Period Adjustments		14,315,051	
Increase in Payables from Exchange Transactions	14& 15	(14,739,887)	9,849,957
Net Cash flows from Operating Activities		<u>255,406,839</u>	<u>11,373,419</u>
Cash flows from Investing Activities			
Purchase of Non-Current Assets	13a	(2,797,610)	(16,428,704)
Purchase of Intangible Assets	13b	-	(4,390,860)
Proceeds from insurance Compensation of lost equipment		146,160	-
Net Cash flows from investing activities		<u>(2,651,450)</u>	<u>(20,819,564)</u>
Cash flows from Financing Activities		-	-
Net Increase/(Decrease) in cash and cash equivalents		<u>252,755,389</u>	<u>(9,446,145)</u>
Cash and cash equivalents at 1st July 2015		21,417,506	30,863,651
Cash and Cash Equivalents as at 30th June 2016		<u>274,172,895</u>	<u>21,417,506</u>

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Budget Adjustments	Final Budget	Actual on Comparison Basis	Performance Difference
	2015/2016 Kshs	2015/2016 Kshs	2015/2016 Kshs	2015/2016 Kshs	2015/2016 Kshs
Revenue					
Exchequer Allocation					
Sale of Tender Documents	722,732,086	247,481,331	970,213,417	970,000,000	213,417
Commission on IPPD Check off	100,000	-	100,000	42,900	57,100
Revenue from disposal of assets	-	-	-	64,977	(64,977)
Total Income	722,832,086	247,481,331	970,313,417	970,254,037	59,380
Expenses					
Employee Benefits	240,837,855	(7,200,000)	233,637,855	233,233,363	404,492
Board/Commission Expenses	45,000,000	18,260,000	63,260,000	54,787,827	8,472,173
Repairs & Maintenance	8,575,000	3,063,000	11,638,000	5,022,346	6,615,654
Contracted Services	216,453,281	170,891,000	387,344,281	260,435,207	126,909,074
General Expenses	211,965,950	62,467,331	274,433,281	180,389,908	94,043,373
Total	722,832,086	247,481,331	970,313,417	733,868,651	236,444,766
Surplus/(Deficit)				236,385,386	(236,385,386)

XVI. NOTES TO THE FINANCIAL STATEMENTS

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

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

The financial statements have been prepared on the basis of the historical cost, except where otherwise stated in the statement of accounting policies below. 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

i) Revenue from non-exchange transactions-IPSAS 23

Exchequer allocations

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

Transfers from other Government entities

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

ii) Revenue from exchange transactions-IPSAS 9

Rendering of Services

The Commission recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of tender documents

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Commission.

b) Budget Information - IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Commission. As a result of the adoption of the accrual basis for budgeting purposes, there are no major timing differences to include in the reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) 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 asset 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 on the assets disposed during the financial year is calculated up to the month of disposal.

It is the policy of the Commission to charge full depreciation on all its non-current assets in the year of purchase and no depreciation in the year of disposal.

d) 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.

e) 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.

f) Contingent liabilities

Contingent liabilities are possible obligations that arose from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Commission; or a present obligation that arises from past events but is not recognized because:

- i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- ii. the amount of the obligation cannot be measured with sufficient reliability.

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

g) Contingent assets

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

h) 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.

i) Employee Benefits - IPSAS 25

Retirement Benefits Plans

The Commission operates a retirement benefit scheme for all its permanent and pensionable employees. Further an amount equivalent to 31% of basic salary has been set aside as gratuity for all employees on contract. The Commission's contribution towards employee pension scheme and staff gratuity for employees on contract are charged to the statement of financial performance in the year to which the employees rendered their services to the Commission.

j) 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.

k) Related Parties - IPSAS 20

The Commission regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the Commission, or vice versa. Members of key management are regarded as related parties and comprise the Directors including the Commission Secretary.

The following transactions were carried out with related parties:

	2015/2016 Kshs.	2014/2015 Kshs.
Key Management Compensations		
i) Salaries and Other short term employment Benefits	29,137,192	25,551,640
Board Remuneration		
ii) Allowances paid to Commissioners	55,474,007	43,396,800
Grants From Related Parties		
iii) Grants from GOK	970,000,000	596,500,000

l) Leases

Leases under which the lessor effectively retains the risks and rewards of ownership are classified as operating leases. Obligations incurred under operating leases are charged against income in equal instalments over the period of the lease

m) Cash and Cash equivalents

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

n) Significant Judgements and sources of estimation uncertainty – IPSAS 1

In preparing the financial statements in conformity with IPSAS, management makes estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities, and the related disclosures, presented in the financial statements at the end of the reporting period. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include: leave provision, useful lives and depreciation methods and asset impairment. Notes relating to the subject are included under the affected areas of the financial statements.

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:

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

	2015/2016	2014/2015
	Kshs.	Kshs.
Staff Leave Days Provision	3,984,620	3,690,161

Provisions are recognized when:

- i. a reliable estimate can be made of the obligation.
- ii. it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- iii. the Commission has a present obligation as a result of a past event;

Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate or reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. Employees' entitlement to annual leave is recognized when it accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up to the amount of the obligation.

3. Exchequer Transfers

	2015/2016 Kshs	2014/2015 Kshs
1st Quarter	60,000,000	10,000,000
2nd Quarter	176,100,000	118,700,000
3rd Quarter	107,300,000	99,500,000
4th Quarter	626,600,000	368,300,000
	<u>970,000,000</u>	<u>596,500,000</u>

4. Other Incomes

	2015/2016 Kshs	2014/2015 Kshs
Sale of Tender	42,900	193,000
Commission on IPPD Check off	64,977	55,746
Gain/(loss) on disposal	5,279	-
	<u>113,156</u>	<u>248,746</u>

5. Employee Benefits

	2015/2016 Kshs	2014/2015 Kshs
Salaries and Allowances	190,083,220	142,958,433
Contribution to Pensions	20,816,859	10,062,866
Gratuity	1,713,727	1,421,769
Staff Medical Insurance	16,634,937	1,387,958
Staff leave Days Provision	3,984,620	850,866
	<u>233,233,363</u>	<u>156,681,892</u>

The cost of all short-term employee benefits is recognized during the period in which the employee renders the related service. The provisions for employee entitlements to salaries and annual leave represent the amount which the organization has a present obligation to pay as a result of employees' services provided as at the reporting date. The provisions have been calculated at undiscounted amounts based on current salary rates.

6. Board Expenses

	2015/2016 Kshs	2014/2015 Kshs
Sitting allowance	45,772,500	43,396,800
Telephone	1,318,665	1,560,055.00
Travel Expenses	7,696,662	9,883,621
	<u>54,787,827</u>	<u>54,840,476</u>

The Board expenses for the comparative FY2014/15 has been reinstated from Ksh 43,396,800 to Ksh 54,840,476. This is due to the re-classification of telephone and travelling expenses that were previously reported under general expenses

7. General Expenses

	2015/2016 Kshs	2014/2015 Kshs
Domestic Travel Subsistence	46,585,255	11,962,696
Foreign Travel Subsistence	2,807,469	1,356,211
Communication, Supplies and Services	6,683,221	6,807,343
Printing and advertising	4,792,937	20,442,339
Rent and Rates	42,075,178	28,105,200
Training expenses (including capacity building)	5,195,104	2,347,980
Catering Services	7,113,360	3,733,982
Postage & Delivery	1,549,941	983,858
Transport Costs and charges	5,000	-
Insurance	2,264,821	407,630
Boards, Committees, conferences and seminars	53,609,451	53,397,234
Supplies & Accessories for computers & printers	3,063,904	3,711,630
Fuel oil and lubricants	1,231,220	1,501,451
Motor Vehicle Insurances	-	359,938
Plant, Equipment and Machinery Insurance	280,208	1,450,001
Specialized Materials and Supplies	257,138	377,130
Office and General Supplies and services	1,687,838	4,276,212
Membership Fees, Dues and subscriptions	805,063	553,551
Parking charges	382,800	500,000
	180,389,908	142,274,385

8. Depreciation and Amortization

	2015/2016 Kshs	2014/2015 Kshs
Property, plant and Equipment	34,501,356	30,685,943
Intangible Assets	2,776,135	1,489,998
	37,277,491	32,175,940

9. Repairs & Maintenance

	2015/2016 Kshs	2014/2015 Kshs
Motor Vehicles	2,281,315	1,486,276
Property, plant and Equipment	2,741,031	3,044,240
	5,022,346	4,530,516

10. Contracted Services

	2015/2016 Kshs	2014/2015 Kshs
Contracted Professional services	245,214,705	198,765,245
Contracted Guards and Cleaning services	3,094,080	2,676,000
Legal Dues/fees, Arbitration and compensation payments	12,126,423	1,756,570
Audit Fees	-	1,160,000
	260,435,207	204,357,814

11. Cash and cash equivalents

	2015/2016 Kshs	2014/2015 Kshs
CBK Main operating account	272,186,964	19,854,791
Cash-on hand and in Transit	1,595,348	172,132
CBK Deposit Account	390,583	690,583
CBK Cash 165 Account	-	700,000
	<u>274,172,895</u>	<u>21,417,506</u>

a.) Banks

Name of the Bank	Bank A/C No.	Currency	2015/2016	2014/2015
CBK, Nairobi	1000181303	Kshs.	272,186,964	19,854,791
CBK Depost, NBI	1000182121	Kshs.	390,583	690,583
CBK 165 Cash Account	1000182539	Kshs.	-	700,000
			<u>272,577,547</u>	<u>21,245,374</u>

12. Receivables

	2015/2016 Kshs	2014/2015 Kshs
Staff Travel & Other Imprests Debtors	-	17,462,192
Prepayments	26,855,386	24,789,508
Deposits	-	4,255,000
Salary Advance	1,395,159	799,548
Withholding Tax recoverable	-	242,287
	<u>28,250,545</u>	<u>47,548,535</u>

13. Non-Current Assets		Motor Vehicles		Office Equipment		Computer Equipment		Furniture & Fittings		Total	
(a) Property, Plant and Equipment		Kshs.		Kshs.		Kshs.		Kshs.		Kshs.	
		25.0%		33.33%		33.33%		12.5%			
<u>Cost/Valuation</u>											
1-Jul-15		22,419,385		44,150,226		14,012,312		76,654,837		157,236,760	
Additions		-		2,797,610				-		2,797,610	
Disposals		-		-		(213,856)		-		(213,856)	
30-Jun-16		22,419,385		46,913,326		13,798,456		76,689,347		159,820,514	
<u>Accumulated Depreciation</u>											
1-Jul-15		15,413,327		17,120,333		3,670,389		12,935,903		49,139,952	
Charge for the Year		5,604,846		14,715,270		4,599,025		9,582,214		34,501,356	
Disposals						(72,975)				(72,975)	
30-Jun-16		21,018,174		31,835,603		8,196,439		22,518,117		83,568,332	
<u>Netbook Value</u>											
1-Jul-15		7,006,058		27,029,893		10,341,924		63,718,934		108,096,808	
30-Jun-16		1,401,212		15,077,723		5,602,018		54,171,230		76,252,182	

(b) Intangible Assets

Cost.	2015/2016
1st July 2015	8,329,237
Additions	-
30th June 2016	8,329,237
Amortization 33.33%	
1st July 2015	1,877,712
for the year	2,776,135
30th June 2016	4,653,847
Net Book Value	
30th June 2016	3,675,390

14. Employment Benefits Obligation

	Opening Bal.	Additional Prov.	Withdrawals	Closing Bal.
Staff Gratuity	6,942,556	1,713,727	(4,135,981)	4,520,302
Leave Prov.	3,690,161	3,984,620	(3,690,161)	3,984,620
	10,632,717	5,698,347	(7,826,142)	8,504,922

15. Other Payables from Exchange Transactions

	2015/2016	2014/2015
i) Current-Payables	Kshs.	Kshs.
Local Creditors	1,752,163	12,872,959
Other Payroll Liabilities	191,322	172,412
Contractors retention	390,584	690,583
Withholding Tax payable	244,252	-
Audit fees	-	1,160,000
	2,578,322	14,895,954

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

ii) Pending Bills

The Commission had pending bills totaling **Kshs.1.75 million** from its suppliers of goods and services as at 30th June 2016. Details of these Bills and the reasons thereof are as listed in annexure I. All the Commissions pending bills have been adequately provided for in its budgetary provisions and will not require additional funding from external parties.

16. Financial Risk Management

The Commission's activities exposes it to a variety of credit and liquidity risks. The overall risk management programme focuses on the unpredictability of the market and seeks to minimize potential adverse effects on its operations.

The Commission regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practices. Risk management is carried out by the management under the direct supervision of the board of directors.

The board provides policies for overall risk management as well as policies covering specific areas such as interest rate risk, credit risk and liquidity risk.

a) Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Commission.

Credit Risk arises from bank balances, receivables and amounts due from related parties. Although this risk is unlikely to occur in the short term, it is mitigated as follows:

- i. Cash and short-term deposits are placed with well-established financial institutions of high quality and credit standing and also approved by the National Treasury;
- ii. Funds are invested in short-term facilities; and
- iii. The organization does not raise debtors in its ordinary course of business.

Credit risk with respect to accounts receivable is limited due to the nature of the Commission's business and its reliance on government grant as the main source of funding. Market risk is the risk that the value of an investment will decrease due to changes in market factors. The above stated mitigating factors apply to market risk as well.

The amount that best describes the Commission's exposure to credit at the end of the financial year is made up as follows.

a) Credit Risk Management

	2015/2016	2014/2015
	Kshs.	Kshs.
Cash at Bank	274,172,895	21,417,506
Prepayments	26,855,386	24,789,508
Deposits	-	4,255,000
Staff Travel Imprests	-	17,462,192
Salary Advances	1,395,159	799,548
Withholding Tax recoverable	-	242,287
	<u>302,423,440</u>	<u>68,966,041</u>

All the Commission's receivables are fully performing and are expected to be repaid.

b) Liquidity Risk Management

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations when they fall due. The Commission's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging the Commission's reputation.

The Commission ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the board of directors.

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

	2015/2016	2014/2015
	Kshs.	Kshs.
Trade payables all due within 30 days	1,752,163	12,872,959
Payroll Deductions	191,322	172,412
Provisions	8,504,921	3,690,161
Contractors retention	390,584	690,583
	<u>10,838,990</u>	<u>17,426,115</u>

17. Contingent liabilities/Assets

i. Litigation Case against the Commission by a former employee

The Commission has a litigation case in court relating to the claim by the Former CEO of Kshs 16,519,706 in respect to terminal dues and damages. The Commission has not recognized this amount in its books as a contingent liability

ii. Gratuity payment for employees on contract.

The Commission has not provided for any claims for gratuity payment in respect of employees on contract in its current year operating budget. This is estimated at Kshs.4,520,302 as at the close of the FY 2015/2016. The Commission did not include the arrears in its budget for 2015/2016. In the event of any employee on contracts opts for separation in the course of the year, the Commission faces the possibility of a claim that will require budgetary support over and above its current operating budget for 2015/2016.

18. Comparatives

Prior period comparative information has been presented in the current financial year. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

19. Subsequent Events

There have been no events subsequent to the financial year end with significant impact on the financial statements for the year ended June 30, 2016.

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS


The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management Comments	Focal Person to resolve the Issue	Status: (Resolved / Not Resolved)	Time frame:

Guidance Notes:

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

Anne R. Gitau (Mrs.)
Commission Secretary

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Mrs. Sarah J. C. Serem, EBS
Chairperson

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