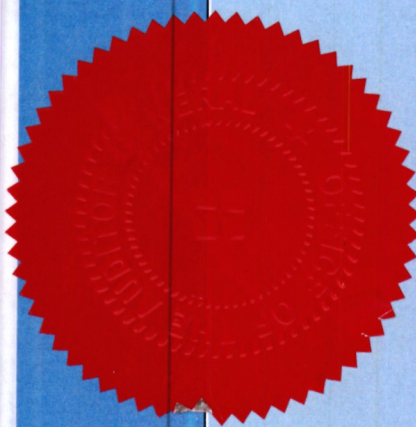


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 15 NOV 2018	DAY: THURSDAY
TABLED BY:	Mr. Adu Duale
CLERK-AT THE-TABLE:	Moses Lemwa

REPORT OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
ETHICS AND ANTI-CORRUPTION  
COMMISSION-STAFF HOUSE MORTGAGE  
AND CAR LOAN SCHEME

FOR THE YEAR ENDED  
30 JUNE 2018





**ETHICS AND ANTI CORRUPTION COMMISSION**

**STAFF HOUSE MORTGAGE AND CAR LOAN SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2018**

---

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



Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Report and Financial Statements for the year ended June 30, 2018

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## I. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

The Ethics and Anti-Corruption Commission (EACC) is a statutory body established under the Ethics and Anti-Corruption Act, 2011. Its mandate is to combat corruption and economic crime through education, prevention, and law enforcement. Although, the Commission is empowered to conduct mediation, conciliation and negotiation, a distinction ought to be made between a power and a function. The Commission is headed by a chairman and four members who are responsible for the general policy and strategic direction.

### (b) Principal Activities

The principal activities of the Commission are to investigate corruption and economic crimes, recover lost public property and obtain compensation for damaged public property, prevent corruption, conduct public education on the dangers of corruption and promote ethics and integrity. EACC staff mortgage and Car loan is a scheme that supports the Commission's staff to acquire homes and purchase cars.

### (c) Key Management

The Commission's day-to-day management is under the following key organs:

1. The Office of the Chief Executive Officer
2. Directorate of Investigations and Asset Tracing
3. Directorate of Preventive Services
4. Directorate of Legal Services
5. Directorate of Ethics and Leadership
6. Directorate of Finance and Planning
7. Directorate of Human Resources and Administration
8. The Department of Supply Chain Management

### (d) Fiduciary Management

This is vested on the Chief Executive Officer who is the accounting officer and is managing the day to day operations of the commission.

#### Designation

1. Secretary / Chief Executive Officer (CEO)
2. Deputy Chief Executive Officer – Technical Services

#### Name

Halakhe D. Waqo  
Michael K. Mubea

### (e) Fiduciary Oversight Arrangements

1. Enforcement Committee
2. Corruption Prevention, Education and Public Engagement Committee
3. Finance, Planning and Supply chain Committee
4. Human resource and Support Services Committee
5. Audit Committee



**(f) Entity Headquarters**

Integrity Centre  
Valley Road/ Milimani Junction  
P.O. Box 61130-00200  
Nairobi, Kenya

**(g) Entity Contacts**

Headquarters, Nairobi  
Integrity Centre  
Jakaya Kikwete /Valley Road Junction  
Po Box 61130-00200, Nairobi  
E-mail [eacc@Integrity.go.ke](mailto:eacc@Integrity.go.ke)

**(h) Entity Bankers**

Kenya Commercial Bank  
P.O. Box 69695-00400  
Agip House  
Nairobi, Kenya

Housing Finance Company  
Kenyatta Avenue  
P.O. Box 30088 - 00100  
Nairobi, Kenya

**(i) Independent Auditors**

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

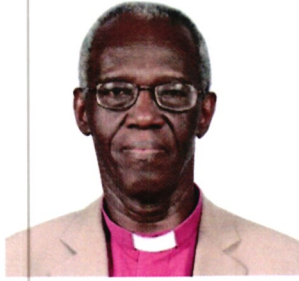
**(j) Principal Legal Adviser**

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



Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Reports and Financial Statements for the year ended June 30, 2018

**COMMISSION MEMBERS**



Arch Bishop (Rtd) Eliud, Wabukala, EBS- Chairman



Sophia Lepuchirit  
Vice Chairperson



Dr. Dabar Abdi Maalim  
Commissioner



Paul Mwaniki Gachoka, FCI Arb  
Commissioner



Rose Mghoi M. Macharia  
Commissioner



Mr. Halakhe D. Waqo, CBS, MCI Arb  
Commission Secretary

**MANAGEMENT TEAM**



Mr. Halakhe D. Waqo, CBS, MCI Arb  
Chief Executive Officer



Mr Michael K. Mubea, EBS  
Deputy Chief Executive Officer



Mr. Abdi A. Mohamud, MBS  
Director-Investigations



Mr. David K. Too  
Director-Legal Services



Ms. Lucy W. Kinuthia  
Director-Ethics &  
Leadership



Ms. Jennifer Kimani  
Director-Finance &  
Planning



Mr. Vincent O. Okong'o  
Director-Field  
Services



## II. CHAIRMAN'S STATEMENT

Significant social, economic and demographic changes have led entities to review staff management and support. These are geared towards improved staff motivation and productivity. The Commission is committed towards the attainment of this goal thus introduced Staff Mortgage and Car Loan Scheme's in the Financial Year 2017/18.

The Scheme, running into its second year is implemented in line with Salaries and Remuneration Commission recommendation. At the Commission, the Scheme is contributing towards attraction and retention of requisite skills as noted with reduced exits of staff in the last two years.

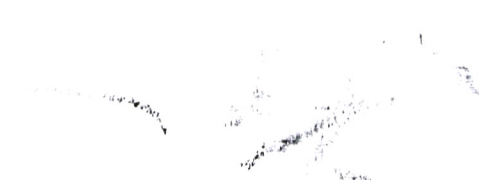
The National Treasury has consecutively funded the basket totalling 730 million at the time of reporting. This has resulted to positive response by staff increased accessibility by staff. The Scheme, is managed by service provider in a revolving fund portfolio. The surplus arising from the Scheme is ploughed back for sustainability. The governance and management of the fund is as set out in the loan entitlement and conditions stipulated in detailed Staff Mortgage and Car Loan Scheme policies and regulations. The Commission supports the operations through Staff Mortgage and Car Loan Scheme Advisory Committee for ease of administration and implementation.

The Commission is blessed with varied religious faith and considered inclusivity of all staff. To this effect, a second service provider was procured during the financial year with capability of handling sharia compliant services. It is further noted, the staff complement is growing towards the optimal therefore the Commission will seek additional basket fund to cater for increased demand.

I urge the staff to take this opportunity to utilize this facility at the earliest opportunity available, which contributes to the overall government goal for increased decent housing for Kenyans in line with the Big 4 Agenda.



**ARCHBISHOP (RTD) ELIUD WABUKALA, EBS**  
**CHAIRMAN**



Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Reports and Financial Statements for the year ended June 30, 2018

**REPORT OF THE CHIEF EXECUTIVE OFFICER**

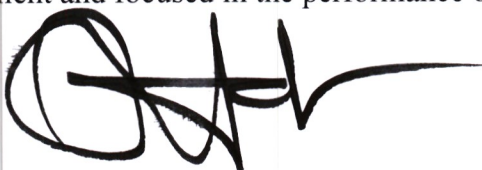
Staff welfare is a major concern for robust Commission culture. In this respect, the Commission initiated Staff Mortgage and Car Loan, in line with Government regulation to which I have the pleasure of presenting for the Financial Year ending 30<sup>th</sup> June, 2018.

The Scheme has directly or indirectly created job satisfaction for remarkable improvements in high staff efficiency, improved industrial relations and social benefits. The financial statements comprise of the Statement of Comprehensive Income, Statement of the Financial Position, Statement of Changes in Net Assets and Statement of Cash Flow. The Commission ensured prudent financial management and reporting in line with Public Finance Management Act (PFMA) 2012, Government Financial Regulations, 2015 and International Public Sector Accounting Standards (IPSAS) resulting in efficient and effective administration of the Scheme.

The Commission established Staff Mortgage and Car Loan Scheme Advisory Committee for ease of administration. Specifically, the Committee reviews, recommends and forward applications to service providers for processing and disbursement. The Scheme has grown overtime recording 52 successful applications for mortgage and 43 for Car loan as at the end of the period under review. The Scheme is a revolving fund whose surplus is ploughed back for sustainability. I further wish to reiterate my commitment for diversity consideration in scheme administration for benefit of all staff. To achieve this objective, the Commission procured the services of the second service provider with sharia compliant facility.

The Scheme financial allocation has grown to Kshs. 730 million from initial Kshs. 300 million from the National Treasury. The Commission commends the Government effort in this respect, however, additional funding is necessary to ensure more staff benefit. It has been noted that the Scheme need to endeavour to attract all categories of staff including the lower cadre that has a tendency of keeping away from the facility. This is matter of concern and every policy direction will be sought to ensure all cadre of staff enjoy the facility.

I encourage all staff members to utilise the facility for improvement of their welfare and to remain resilient and focused in the performance of the Commission mandate



**HALAKHE D. WAQO, CBS, MCI Arb**  
**SECRETARY/CHIEF EXECUTIVE OFFICER**



### **III. CORPORATE GOVERNANCE STATEMENT**

The Commission and the Scheme operations and financial responsibilities are overseen by the Chief Executive Officer who is the accounting officer. The operations are guided by an approved annual budget based on programs whose performance is monitored through outputs and outcomes. The budget is informed by detailed work plans that translate in to annual procurement plans.

The Commission has put in place the following standing committees for oversight purposes; Enforcement, Preventive Services, Corporate Services and Risk and Audit. These committees are comprised of the commissioners and officers co-opted from various directorates. In addition an internal audit department charged with continuous review of systems of internal controls and overall risk management is in place.

Programmes are monitored against the set targets and appropriate feedback provided. Operational performance is monitored on a monthly basis through periodic financial reporting of actual expenditure versus budget performance which provides feedback to user departments on appropriate action plans. Quarterly financial statements are also produced to facilitate continuous evaluation of the overall financial performance of the Commission. The Commission prepares annual statutory financial statements which are audited by the Office of Auditor General who certifies them before inclusion in the annual report.



#### **IV. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

The EACC's corporate social responsibility is based on the fact that, as part of the Kenyan society, we have responsibilities that go beyond our legal obligations for the benefit of the society at large. Our corporate social responsibility entails community engagement, supporting community activities, responding to emerging challenges, donating to charities, helping the needy and application of ethical conduct and participating in matters of topical national interest in Kenya. Our CSR strategy involves building relationships and partnerships and working together with organizations that we believe advance the wellbeing of Kenyans. The EACC's CSR decisions are made not only in the best interest of the Commission but also that of our society.



Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Reports and Financial Statements for the year ended June 30, 2018

**REPORT OF THE COMMISSION AND THE SCHEME**

The Commission and the Scheme submit report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Commission's and the Scheme's affairs.

**Principal activities**

The principal activities of the Commission are to investigate corruption and economic crimes, recover lost public property and obtain compensation for damaged public property, prevent corruption, conduct public education on the dangers of corruption and promote ethics and integrity. EACC staff mortgage and Car loan is a scheme that supports the Commission's staff to acquire homes and purchase cars.

**Results**

The results of the entity for the year ended June 30, 2018 are set out on page 1 to 15.

**Directors**

The members of the Commission who served during the year are shown on page iv in accordance with Ethics and Anti-Corruption Act, 2011.

**Auditors**

The Auditor General is responsible for the statutory audit of Ethics and Anti-corruption Commission in accordance Public Audit Act, No 34 of 2015 and the Ethics and Anti-Corruption Commission Act, 2011.



## V. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 26 of the Ethics and Anti-corruption Act, require the Management to prepare Financial Statements in respect of EACC, which give a true and fair view of the state of affairs of the Commission at the end of the financial year. The Management is also required to ensure that the Commission and the Scheme keep proper accounting records which disclose with reasonable accuracy the financial position of the Commission and the Scheme. The Management is also responsible for safeguarding the assets of the Commission and the Scheme.

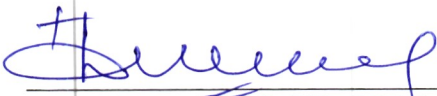
The management is responsible for the preparation and presentation of the Scheme's Financial Statements, which give a true and fair view of the state of the affairs of the Scheme for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (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; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Management accepts responsibility for the Scheme'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 Reporting Standards (IPSAS), and in the manner required by the Public Finance Management Act and the Ethics and Anti-corruption Act. The management is of the opinion that the Scheme's financial statements give a true and fair view of the state of the Scheme's transactions during the financial year ended June 30, 2018, and of the Scheme's financial position as at that date. The Management further confirms the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme financial statements as well as the adequacy of the systems of internal financial controls.

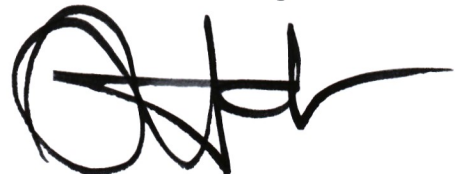
Nothing has come to the attention of the Management to indicate that the Commission and the Scheme will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Scheme's Financial Statements were approved by the Commission on 19<sup>th</sup> September 2018 and signed on its behalf by:



**Arch Bishop (Rtd) Eliud Wabukala, EBS  
Chairperson**



**Halakhe D. Waqo, CBS, MCI Arb  
Secretary/Chief Executive Officer**





## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON ETHICS AND ANTI-CORRUPTION COMMISSION-STAFF HOUSE MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Ethics and Anti-Corruption Commission-Staff House Mortgage and Car Loan Scheme set out on pages 1 to 15, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Ethics and Anti-Corruption Commission-Staff House Mortgage and Car Loan Scheme as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Ethics and Anti-Corruption Commission (EACC Staff Motor Car Loan Scheme) Regulations, 2017 and Ethics and Anti-Corruption (EACC Staff Mortgage Scheme) Regulations, 2017.

Further, as required by Article 229(6) of the Constitution, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

#### Basis for Opinion

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

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, were of most significance in the audit of the financial statements of the current year. There were no Key Audit Matters to report in the year under review.

## **Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to have the Fund cease operations.

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

## **Auditor-General's Responsibilities for the Audit of the Financial Statements**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

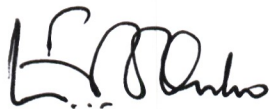
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the consolidated/ financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

**Nairobi**

**06 November 2018**



Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Reports and Financial Statements for the year ended June 30, 2018

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2018**

	<b>Notes</b>	<b>2017-2018 Kshs.</b>	<b>2016-2017 Kshs.</b>
<b>Revenue from exchange transactions</b>			
Interest on Bank Balance	5	20,711,003	17,148,466
Interest on Individuals Staff House Mortgage and Car Loans	6	14,596,483	4,702,090
<b>Total Revenue</b>		<b>35,307,487</b>	<b>21,850,556</b>
<b>Expenses</b>			
3% Commission to Service Provider	7	10,947,362	3,526,568
<b>Total Expenses</b>		<b>10,947,362</b>	<b>3,526,568</b>
<b>Surplus</b>		<b>24,360,125</b>	<b>18,323,988</b>



Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Reports and Financial Statements for the year ended June 30, 2018

**STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2018**

	Notes	2017-2018 Kshs.	2016-2017 Kshs.
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	339,252,802	342,800,542
Short term receivables from staff House Mortgage	9	23,819,847	13,858,383
Short term receivables from staff Car Mortgage	9	10,625,337	6,900,835
		<u>373,697,986</u>	<u>363,559,760</u>
<b>Non-Current Assets</b>			
Long term receivables from staff House Mortgage	10	369,203,666	227,647,490
Long term receivables from staff Car Mortgage	10	31,618,858	27,116,738
		<u>400,822,524</u>	<u>254,764,228</u>
<b>Total Assets</b>		<u><u>774,520,510</u></u>	<u><u>618,323,988</u></u>
<b>Liabilities</b>			
Unrecovered Interest overpayment	11	1,836,397	-
<b>Non-Current Liabilities</b>		-	-
<b>Total liabilities</b>		<u>1,836,397</u>	-
<b>Net Assets</b>			
Reserves(Accumulated fund)	12	42,684,113	18,323,988
Mortgage and Car Loan Revolving fund	13	730,000,000	600,000,000
		<u>772,684,113</u>	<u>618,323,988</u>
<b>Total Net assets and liabilities</b>		<u><u>774,520,510</u></u>	<u><u>618,323,988</u></u>



Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Reports and Financial Statements for the year ended June 30, 2018

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2018**

	Notes	Staff car loan and mortgage fund	Revenue reserve	Total
		Kshs	Kshs	Kshs
Balance as at 30 June 2016		300,000,000	-	300,000,000
Staff car loan and mortgage fund		300,000,000		300,000,000
<b>Surplus/(deficit) for the period</b>		-	<b>18,323,988</b>	<b>18,323,988</b>
<b>Balance as at 30 June 2017</b>		<b>600,000,000</b>	<b>18,323,988</b>	<b>618,323,988</b>
Staff car loan and mortgage fund	15	130,000,000		130,000,000
Surplus/(deficit) for the period		-	24,360,125	24,360,125
Balance as at 30 June 2018		<b>730,000,000</b>	<b>42,684,113</b>	<b>772,684,113</b>



Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Reports and Financial Statements for the year ended June 30, 2018

**STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 30 JUNE 2018**

Notes

	2017-2018 Kshs.	2016-2017 Kshs.
<b>Cash flows From Operating Activities</b>		
Surplus/ (Loss) from operations	24,360,125	18,323,988
	<u>24,360,125</u>	<u>18,323,988</u>
<b>Income from Operations</b>		
(Increase)/Decrease in receivables & Prepayments	(13,685,966)	(20,759,218)
Increase/(Decrease) in receivables & Prepayments	1,836,397	-
	<u>1,836,397</u>	<u>-</u>
<b>Net cash flows from operating activities</b>	<b>12,510,556</b>	<b>(2,435,230)</b>
<b>Cash flows From Investing Activities</b>		
Staff Mortgage and Car Loan long term receivables	(146,058,296)	(254,764,228)
	<u>(146,058,296)</u>	<u>(254,764,228)</u>
<b>Net cash utilized in investing activities</b>	<b>(146,058,296)</b>	<b>(254,764,228)</b>
<b>Cash flows From Financing Activities</b>		
Staff Mortgage and Car Loan Fund	15 <u>130,000,000</u>	<u>300,000,000</u>
<b>Net cash used in Financing activities</b>	<b>130,000,000</b>	<b>300,000,000</b>
<b>Net increase in cash and cash equivalents</b>	<b>(3,547,740)</b>	<b>42,800,542</b>
Bank and Cash equivalents at beginning of year	<u>342,800,542</u>	<u>300,000,000</u>
<b>Bank and cash equivalent at end of year</b>	<b><u>339,252,802</u></b>	<b><u>342,800,542</u></b>



Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Reports and Financial Statements  
for the year ended June 30, 2018

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FY 2017/2018						
	Original budget 2017-2018 Kshs	Adjustments 2017-2018 Kshs	Final budget 2017-2018 Kshs	Actual on comparable basis 2017-2018 Kshs	Performance difference 2017-2018 Kshs	
<b>Revenue</b>						
Government grants and subsidies	-	-	-	-	-	
Development Expenditure	-	-	-	-	-	
Staff mortgage Car loan	130,000,000	-	130,000,000	130,000,000	-	
Other Income				35,307,487	35,307,487	
<b>Total income</b>	<b>130,000,000</b>	<b>-</b>	<b>130,000,000</b>	<b>165,307,487</b>	<b>35,307,487</b>	
<b>Expenses</b>						
Compensation of employees	-	-	-	-	-	
Use Goods and services	-	-	-	10,947,362	(10,947,362)	
Staff Loan	-	-	-	130,000,000	-	
Development Exp	-	-	-	-	-	
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,947,362</b>	<b>(10,947,362)</b>	
<b>Surplus for the period</b>				<b>24,360,125</b>	<b>24,360,125</b>	

**Note:**

Other income: The other income is as a result of interest of 1% on loans issued and interest received from bank balances

Use of goods and service: This represents cost of scheme administration paid to the scheme administrator



## VII. 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, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The Financial Statements have been prepared on the basis of historical cost, unless stated otherwise. The Cash Flow statement is prepared using the indirect method. The Financial Statements are prepared on accrual basis.

### 2. Summary of significant accounting policies

#### a) Revenue recognition

#### Revenue from non-exchange transactions – IPSAS 23

Income is recognized in the period in which it is received. Government and donor funding is only recognized on receipt. Income is not accrued if its recoverability is considered doubtful.

Interest income is recognized on a time proportion basis using the effective interest rate method.

#### 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 entity and can be measured reliably.

#### *Sale of goods*

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 entity.

#### *Interest income*

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



**b) Budget information – IPSAS 24**

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

**c) Investment property – IPSAS 16**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if there cognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

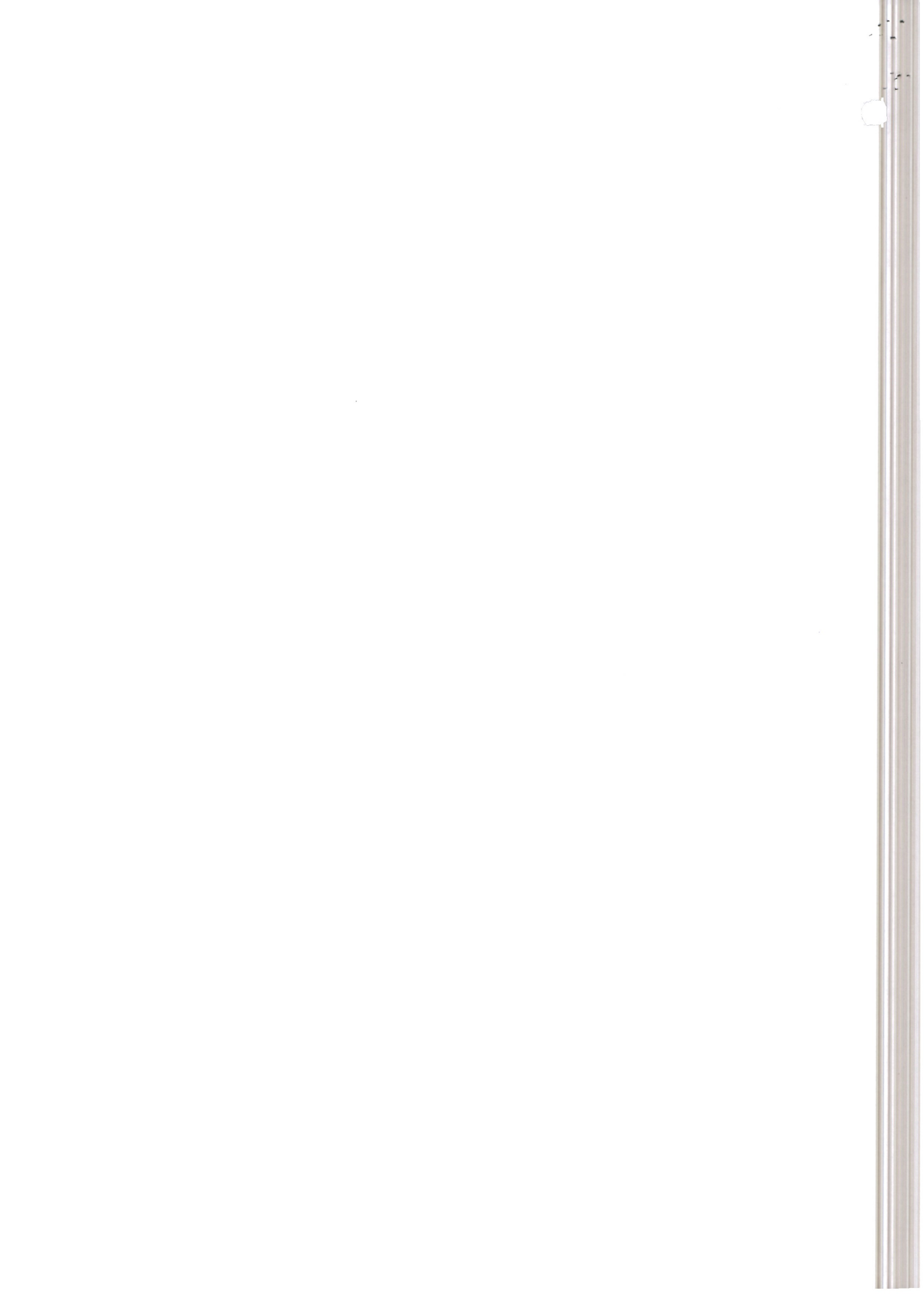
Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

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



**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) Inventories – IPSAS 12**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

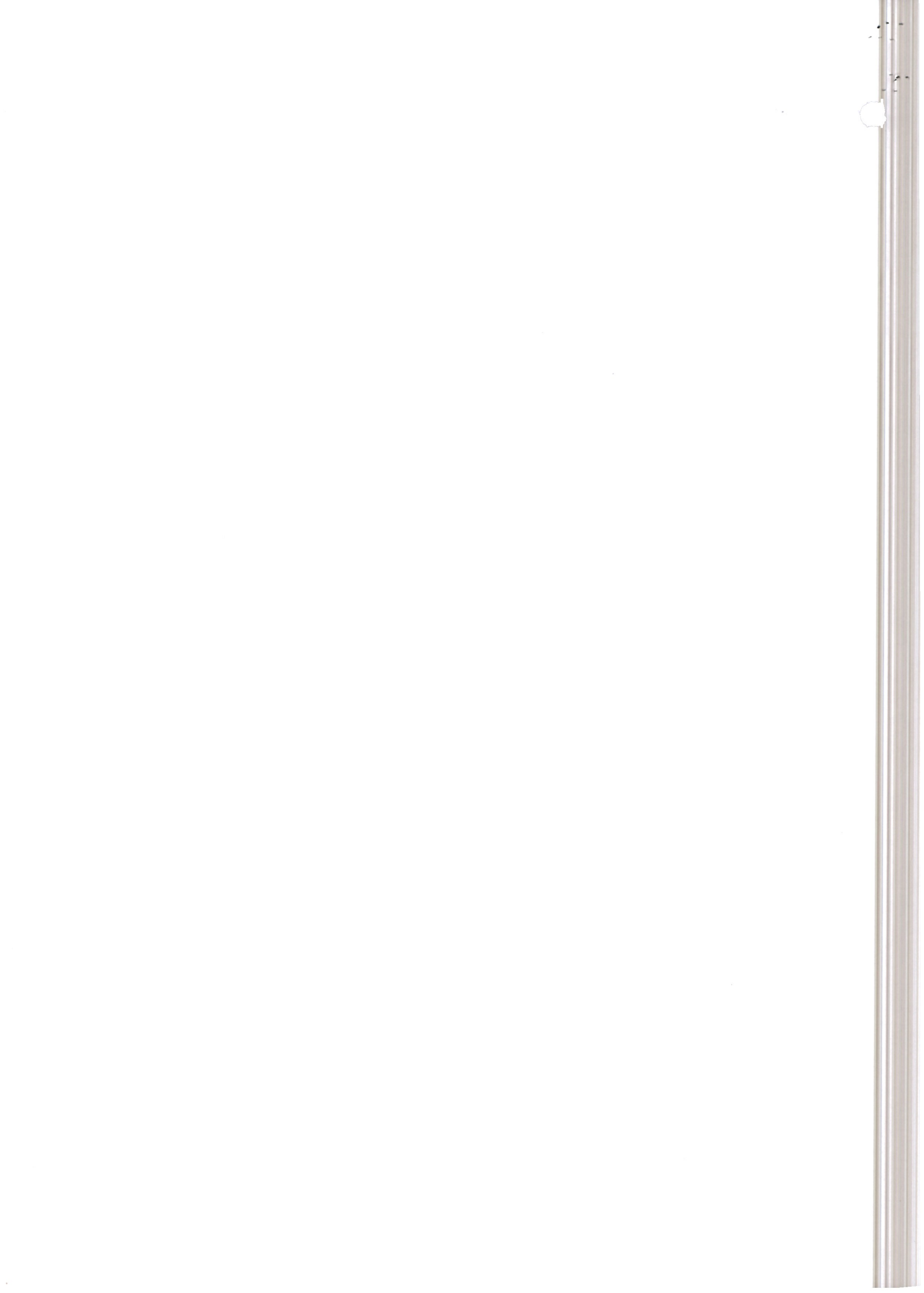
Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**h) 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



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

*Notes to financial statements continued...*

***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.

**i) Changes in accounting policies and estimates – IPSAS 3**

The Entity 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) 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.

**k) Comparative figures**

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

**i) 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 Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

***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 Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes



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- 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

*Notes to financial statements continued...*

**m) Subsequent events**

There have been no events subsequent to the financial year with significant impact in the financial statements for the year ended 30 June 2018.

**n) Key management Remuneration**

There were no remunerations paid to key management under the scheme

**3. ADOPTION OF NEW AND REVISED STANDARDS**

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Impact
IPSAS 39: Employee Benefits	<p>Applicable: 1st January 2018</p> <p>The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.</p> <p>(This is not applicable for EACC since there are no employees paid to work for the scheme)</p>

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019:</p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange</p>



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	transactions which are covered purely under Public Sector combinations as amalgamations.(This is not applicable for EACC)
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*Notes to financial statements continued...*

**4 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 entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds(The Commission did not receive transfers from any government Institution)

<b>5</b>	<b>Income from Bank Balance</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Item</b>	<b>Shs</b>	<b>Shs</b>
	Staff Mortgage Bank Account	9,006,230	9,608,134
	Interest Car Loan Bank Account	11,704,774	7,540,332
	<b>Total Income from Bank Balance</b>	<b>20,711,004</b>	<b>17,148,466</b>
<b>6</b>	<b>Finance income from Individual Staff Mortgage and Car Loans ;4%</b>	<b>2017-2018</b>	<b>2016-2017</b>
		<b>Shs</b>	<b>Shs</b>
	Individual Staff Mortgage 4% Interest	13,027,792	4,187,737
	Individual Car Loan 4% Interest	1,568,691	514,353
	<b>Total Individual Staff Interest</b>	<b>14,596,483</b>	<b>4,702,090</b>
<b>7</b>	<b>Expenses;3% Commission for service Provider</b>	<b>2017-2018</b>	<b>2016-2017</b>
		<b>Shs</b>	<b>Shs</b>
	Individual Staff Mortgage 3% Interest	9,770,844	3,140,803
	Individual Car Mortgage 3% Interest	1,176,519	385,765
	<b>Total Expenses</b>	<b>10,947,362</b>	<b>3,526,568</b>



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*Notes to financial statements  
continued...*

8	<b>Bank Balances</b>		
	<b>Item</b>	<b>2017-2018</b>	<b>2016-2017</b>
		<b>Shs</b>	<b>Shs</b>
	Staff Mortgage Bank Account	29,894,733	169,149,196
	KCB Mortgage loan	130,000,000	-
	Car Loan Bank Account	179,358,069	173,651,346
	<b>Total Income</b>	<b>339,252,802</b>	<b>342,800,542</b>
9	<b>Short -Term Receivables from non-exchange contracts</b>		
		<b>2017-2018</b>	<b>2016-2017</b>
		<b>Shs</b>	<b>Shs</b>
	EACC Mortgage Issuance	23,819,847	13,858,383
	EACC Car Loan Issuance	10,625,337	6,900,835
	<b>Total Short -Term Receivables</b>	<b>34,445,184</b>	<b>20,759,218</b>
10	<b>Long -Term Receivables from non-exchange contracts</b>		
		<b>2017-2018</b>	<b>2016-2017</b>
		<b>Shs</b>	<b>Shs</b>
	EACC Mortgage Issuance	369,203,666	227,647,490
	EACC Car Loan Issuance	31,618,858	27,116,738
	<b>Total Long -Term Receivables</b>	<b>400,822,524</b>	<b>254,764,228</b>
11	<b>Current Liabilities</b>		
		<b>2017-2018</b>	<b>2016-2017</b>
		<b>Shs</b>	<b>Shs</b>
	Interest Due to HFC	1,836,397	-
	<b>Total Current Liabilities</b>	<b>1,836,397</b>	<b>-</b>



**12 Revenue Reserve**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Shs</b>	<b>Shs</b>
Balance Brought Forward	18,323,988	-
surplus for the year	24,360,124	18,323,988
<b>Total</b>	<b>42,684,112</b>	<b>18,323,988</b>

**13 Fund Balances**

<b>Item</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Shs</b>	<b>Shs</b>
Balance Brought Forward	600,000,000	300,000,000
Staff House Mortgage	130,000,000	200,000,000
Car Loan	-	100,000,000
<b>Total Income</b>	<b>730,000,000</b>	<b>600,000,000</b>

**14. Fund performance**

**STATEMENT OF FUND PERFORMANCE**

Scheme	Number of Successful Applicants	<u><b>2017/2018</b></u>		<u><b>2016/2017</b></u>	
		Amount Disbursed	Number of Successful Applicants	Amount Disbursed	Number of Successful Applicants
Mortgage	24	170,300,379	28	247,230,562	
Car Loan	19	19,761,000	24	36,531,000	
<b>Total</b>	<b>43</b>	<b>190,061,379</b>	<b>52</b>	<b>283,761,562</b>	



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*Notes to financial statements continued...*

**14. EACC Staff Car Loan and House Mortgage Scheme**

The Commission received an exchequer amount; Kshs 130,000,000/- for Staff Car Loan and Mortgage Fund. The funding is for Sharia compliant Staff Car and Mortgage Scheme which is yet to be utilised.

**EACC Staff Car Loan and House Mortgage Scheme  
Fund accountability  
Statement As at 30th June  
2018**

	House Mortgage Scheme	House Mortgage Scheme	Car Loan Scheme	Car Loan Scheme	Total
	Interest		Interest		
<b><u>Scheme Funding:</u></b>					
Opening Balance 01.07.2017		410,655,068		207,668,920	618,323,988
Funding for the year		130,000,000			130,000,000
<b>Total Capital Funding</b>		<b>540,655,068</b>		<b>207,668,920</b>	<b>748,323,988</b>
<b><u>Interest</u></b>					
Interest earned ;7% on bank balance		9,006,230		11,704,774	20,711,004
Overpayment of Interest due to HFC				1,836,397	1,836,397
Interest earned ;4% on Loans Issued	13,027,792		1,568,691.00	-	
Less:3% Commission for HFC	(9,770,844)	3,256,948	(1,176,519.00)	392,172	3,649,120
<b>Total Interest</b>		<b>12,263,178</b>		<b>13,933,343</b>	<b>26,196,521</b>
<b>Total Fund</b>		552,918,246		221,602,263	774,520,509
Net Loans Issued		(393,023,513)		(42,244,195)	(435,267,708)
<b>Fund Balance 30.06.2018</b>		<b>159,894,733</b>		<b>179,358,068</b>	<b>339,252,802</b>



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**PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The Commission did not have any Audit follow up issues for the previous Audited Financial Year 2016/17 for the Staff Mortgage Car Loan Fund financial statement.



**Arch Bishop (Rtd) Eliud Wabukala, EBS  
Chairperson**



**Halakhe D. Waqo, CBS, MCI Arb  
Secretary/Chief Executive Officer**

