

REPUBLIC OF KENYA



*Paper laid
By Hon (Hon. Adu
Dualet MP)
24/10/2018
Wednesday
Attorney
Sitting*



OFFICE OF THE AUDITOR-GENERAL

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REPORT

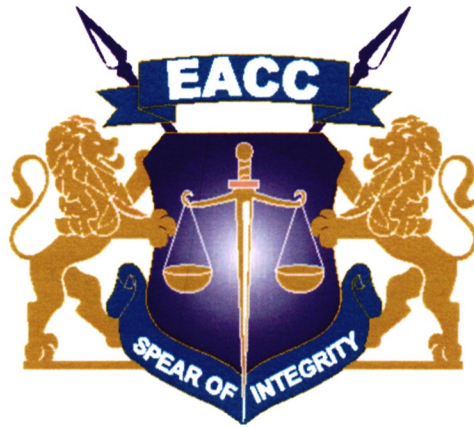
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
ETHICS AND ANTI-CORRUPTION
COMMISSION

FOR THE YEAR ENDED
30 JUNE 2018



ETHICS AND ANTI CORRUPTION COMMISSION

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 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.

(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. The Office of Deputy Chief Executive officer
3. Directorate of Investigations and Asset Tracing
4. Directorate of Preventive Services
5. Directorate of Legal Services
6. Directorate of Ethics and Leadership
7. Directorate of Finance and Planning
8. Directorate of Human Resources and Administration
9. 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	Name
1. Secretary / Chief Executive Officer (CEO)	Halakhe D. Waqo
2. Deputy Chief Executive Officer – Technical Services	Michael K. Mubea

(e) Fiduciary Oversight Arrangements

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

Ethics & Anti-Corruption Commission Annual Report and
Financial Statements for the year ended June 30, 2018

(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-maileacc@Integrity.go.ke

(h) Entity Bankers

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

Kenya Commercial Bank
Milimani Branch
P.O. Box 69695-00400
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

COMMISSION MEMBERS



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



Sophia Lepuchirit Vice Chairperson



Dr. Dabar Abdi Maalim Commissioner



Paul Mwaniki Gachoka, FCIARB Commissioner
Rose Mghoi M. Macharia Commissioner



Mr. Halakhe D. Wago, CBS, MCIARB Commission Secretary

MANAGEMENT TEAM



Mr. Halakhe D. Wago, CBS, MCIARB 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

Once again, I am pleased to present the Commission's financial statements for the year ended 30th June, 2018 during which good performance was recorded in a challenging environment. The Commission operates in a fluid governance environment influenced by macroeconomic, socio-political, and regulatory factors.

The global economy expanded by 3.6 per cent in 2017. Similarly, Kenya's economy is estimated to have expanded by 4.9 per cent in 2017 and at 5.8 percent in 2016. The slowdown in the performance of the economy was partly attributable to uncertainty associated with a prolonged electioneering period coupled with adverse effects of weather conditions. Generally, key macroeconomic indicators largely remained stable and therefore supportive in 2017.

Corruption is multifaceted and the citizenry seems to be accepting it as a norm. In response, the Commission, continually reorients its strategies to mitigate the occurrence, through measures such as focused investigations, asset recovery and prevention activities.

In addition, the Commission has taken a collaborative approach in the fight against corruption by involving key stakeholders. The new strategic orientation being implemented will raise public consciousness on the state of corruption and cultivate acceptance that corruption is undesirable.

On behalf of the entire Commission, I would like to appreciate my fellow Commissioners for their commitment to the work of the Commission. I further thank the Management and all members of staff for the successful year. I appreciate the resilience, dependability, responsibility, loyalty and the courage with which staff perform tasks. The Commission vision is an 'Integrity driven Kenyan society.' Therefore, I call upon all Kenyans and stakeholders to individually and collectively make a conscious decision to engage in the fight against corruption. Let us partner with the Commission to make Kenya a corruption free environment.



ARCHBISHOP (RTD) ELIUD WABUKALA, EBS

CHAIRMAN

III. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am glad for the opportunity to share with you the financial statements for financial year 2017/2018, being the last Report following the retirement of the 2013-2018 Strategic Plan. In the period under review, the financial support has increased considerably resulting to improved programme implementation. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Net Assets and Statement of Cash Flows. The Commission continued to employ prudent financial management in line with Public Finance Management Act and Regulations and International Public Sector Accounting Standards (IPSAS) resulting in prudent financial management and reporting.

The Commission draws its mandate from the Constitution and various statutes that include the Ethics and Anti-Corruption Commission Act, 2011 and the Leadership and Integrity Act, 2012 amongst others. The Commission also enforces the Anti-Corruption and Economic Crimes Act, 2003 which is the principal law that provides for the investigations, prosecution and adjudication of corruption and economic crimes offences in Kenya.

The Commission's mission is to promote integrity and combat corruption through law enforcement, prevention and education that is reflected in increased programmatic outcomes.

During the reporting period, the Commission registered improved output in terms of: concluded cases in court, loss averted through disruption of corruption network, asset recovery and finalized a blueprint for automation of all Commission processes for improved productivity. In addition, all State and Public officers at national and county levels committed to Specific Leadership and Integrity codes reinforce enforcement of Chapter six and Leadership and Integrity Act. The Commission also strengthened staff compliment by recruiting 71 officers, scaling up staff compliment to 717. This was enabled by increased budgetary allocation.

I wish to thank the Commissioners and all members of staff for their spirited dedication and commitment towards achievements of the Commission goals and objectives. Despite the occasional challenges that the Commission has had to grapple with over time, our staff members remained tenacious and focused in the performance of their duties. As the Commission embarks on implementing programmes for the next reporting year, I encourage all of us to maintain that spirit - together we shall achieve more.



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

IV. CORPORATE GOVERNANCE STATEMENT

The Commission operations and financial responsibilities are overseen by the Chief Executive Officer who is the Accounting Officer. The operations are guided by the strategic plan and 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.

V. 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 & Anti-Corruption Commission Annual Report and Financial Statements for the year ended June 30, 2018

REPORT OF THE COMMISSION

The Commission submits its report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Commission'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.

Results

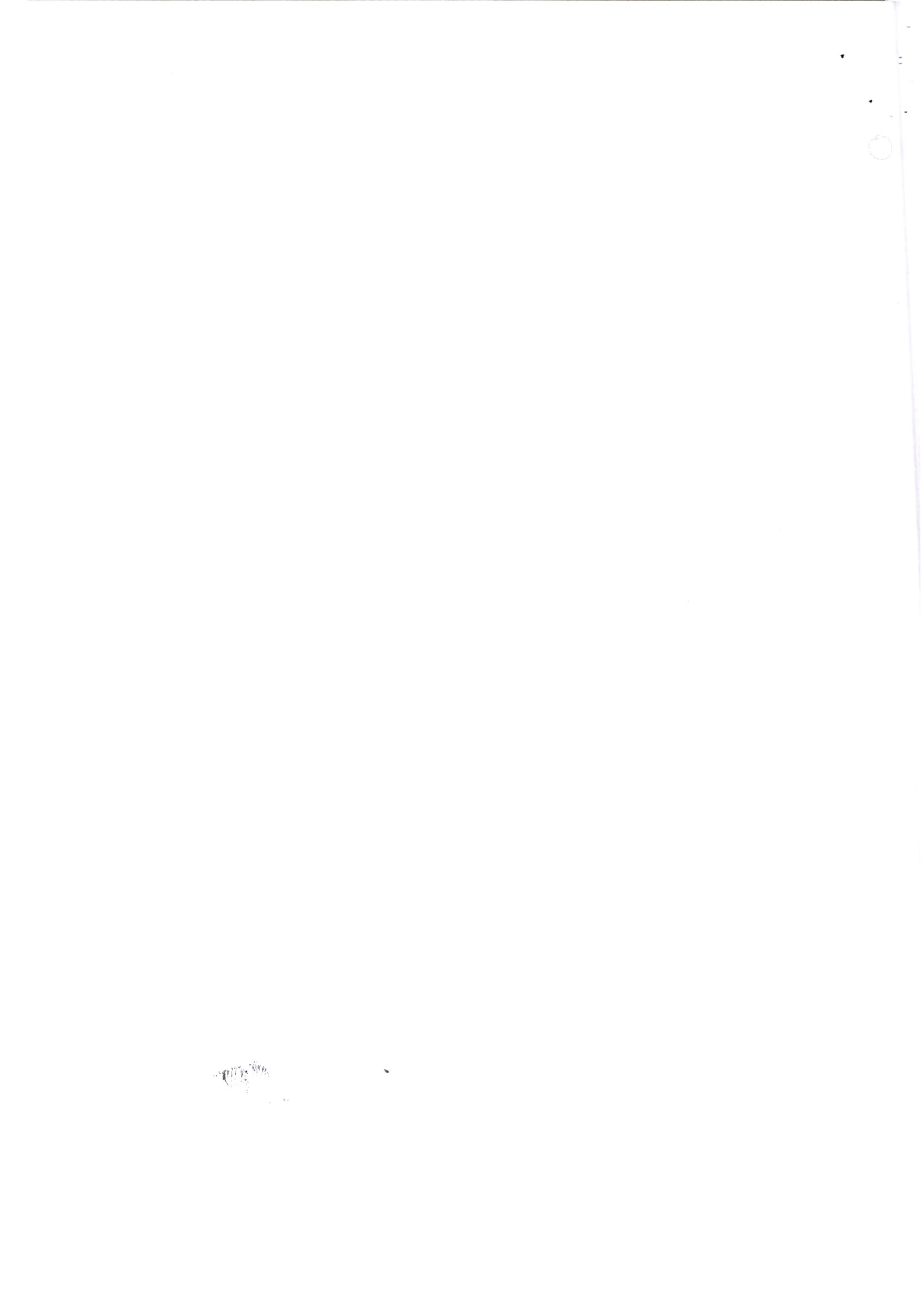
The results of the entity for the year ended June 30, 2018 are set out on page 1 to 22.

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 with Article 229 of the Constitution of Kenya and the Public Audit Act, No 34 of 2015 and the Ethics and Anti-Corruption Commission Act, 2011.



VI. STATEMENT OF COMMISSIONERS 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 and the operating results of the Commission for the period 2017/2018. The Management is also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Management is also responsible for safeguarding the assets of the Commission.


The management is responsible for the preparation and presentation of the Commission's Financial Statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year 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 of the Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Management accepts 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 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 Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2018, and of the Commission's financial position as at that date. The Management further confirms the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission financial statements as well as the adequacy of the systems of internal financial control.

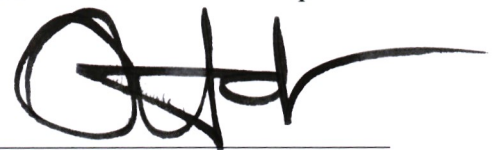
Nothing has come to the attention of the Management to indicate that the Commission will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Commission's Financial Statements were approved by the Commission on 19th 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**

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON ETHICS AND ANTI-CORRUPTION COMMISSION FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Ethics and Anti-Corruption Commission set out on pages 1 to 22, 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 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 Act, 2011.

Further, as required by Article 229(6) of the Constitution, except for the matter described in the Emphasis of Matter section of my report, based on the procedures performed, 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 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.

Emphasis of Matter

Receivable from Exchange Transactions – Compulsory Acquisition of the Integrity Centre Building.

As disclosed in Note 13 to the financial statements, included in the statement of financial position as at 30 June 2018 is an amount of Kshs. 1,518,000,000 receivable from

Report of the Auditor-General on the Financial Statements of Ethics and Anti-Corruption Commission for the year ended 30 June 2018

exchange transactions - National Land Commission (NLC). This amount represents funds remitted by the Ethics and Anti-Corruption Commission to the National Land Commission for compulsory acquisition of the Integrity Centre Building which houses the Commission's offices. As disclosed at note 24 to the financial statements, the idea of acquiring a headquarters for the Ethics and Anti-Corruption Commission started way back in 1999 by the management of the then Kenya Anti-Corruption Authority. The aim was to have a permanent home for the anti-corruption body and to save on the large budget of paying office rent.

Following consultations with the Departmental Committee of National Assembly on Legal Affairs, the Ethics and Anti-Corruption Commission was advised to consider compulsory acquisition of Integrity Centre vide the National Assembly letter ref. KNA/JLA/OC/2017/VOL.II dated 3 April 2017. In light of this advice, the Ethics and Anti-Corruption Commission vide letter ref.EACC.1/1 VOL.VII (107) dated 10 April 2017 sought advice from the National Treasury upon which the National Treasury vide letter ref.DV/ES1271/16/01/A/19 dated 13 April 2017 advised the Ethics and Anti-Corruption Commission to liaise with the Attorney General to request the National Land Commission to acquire the property on their behalf in accordance with Section 107 (1) of the Land Act, 2012. Consequently, vide letter ref. EACC. 1/1/VOL III (111) dated 2 May 2017, the Ethics and Anti-Corruption Commission requested the Office of the Attorney General and Department of Justice to instruct the National Land Commission to commence the compulsory acquisition of the Integrity Centre. The Office of the Attorney General and Department of Justice in a letter dated 12 July 2017 instructed the National Land Commission to compulsorily acquire the Integrity Centre described as LR No. 209/1069 on behalf of the Ethics and Anti-Corruption Commission in accordance with the provisions of Part VIII of the Land Act, 2012. The National Land Commission consequently commenced the process of acquisition of the property in December 2017.

According to the valuation report based on inspection conducted on 14 February 2018, the National Land Commission valued the property at Kshs.1,543,382,916 as detailed below.

Component	Acreage	Value	15% Statutory Allowance	Total Value (Kshs.)
Land	1.203	691,725,000	103,758,750	795,483,750
Improvements		650,347,101	97,552,065	747,899,166
Total Compensation		1,342,072,101	201,310,815	1,543,382,916

As at 30 April 2018, the Ethics and Anti-Corruption Commission had remitted a total of Kshs.1,518,000,000 to the National Land Commission towards the settlement of the property, leaving a balance of Kshs.25,382,916. Additional information indicates that vide Gazette Notice Vol. CXX – No.113 dated 14 September 2018, the National Land Commission transferred and vested the property in the Principal Secretary –National

Treasury, to hold in trust for the Ethics and Anti-Corruption Commission in accordance with Section 121 of the Land Act, 2012.

However, although the National Land Commission in their letter ref.NLC/V&T/AG/001(13) dated 27 June 2017 claim to have requested for valuation services from the Ministry of Lands and Physical Planning, valuation of the property was done by the National Land Commission. No evidence was availed for audit review to clarify whether the Ministry of Lands and Physical Planning played any role in the valuation of the property despite the fact that the Department of Land Valuation in the Ministry is mandated to provide valuation services which forms a basis for revenue collection or the determination of appropriate market rents and market values for leasing or sale and purchase for and by all National and County Government Departments, Commissions, Agencies, Parastatals, Institutions of Higher Learning, Public Schools and all public bodies, in order to protect the monetary interest of the Government.

My opinion is not qualified in respect of this matter.

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. Except for the matter described in the Emphasis of Matter section of my report, 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 Commission'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 intends to have the Commission 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 Commission'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,

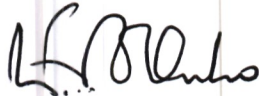
and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee 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 Commission'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 Commission'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 Commission 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 and business activities of the Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

18 October 2018

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

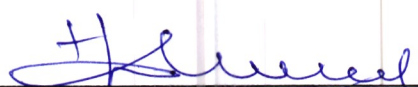
**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2018**


	Notes	2017-2018 Kshs.	2016-2017 Kshs.
Revenue from non-exchange transactions			
Exchequer Receipts-Recurrent	3	3,053,249,724	3,035,621,390
Total Revenue		3,053,249,724	3,035,621,390
Expenses			
Employee costs	4	2,115,094,832	2,002,305,954
Commissioners Expenses	5	25,466,439	-
Depreciation and amortization expense	6	113,941,782	125,842,431
Repairs and maintenance	7	37,680,631	34,919,851
General expenses	8	589,063,679	623,653,958
Transfer to KCB Loan Scheme	22	130,000,000	-
Total Expenses		3,011,247,364	2,786,722,195
Other gains/(losses)			
Gain/Loss on sale of assets	9	2,039,057	973,030
Surplus before tax		44,041,417	249,872,225
Taxation		-	-
Surplus for the period		44,041,417	249,872,225

Ethics and Anti-Corruption Commission Annual Report 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.
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	138,394,574	65,503,392
Receivables from non-exchange transactions	11	42,770,789	37,421,954
Inventories	12	15,522,423	17,230,457
Receivables from exchange (NLC)	13	1,518,000,000	250,000,000
		1,714,687,786	370,155,803
NON CURRENT ASSETS			
Property, Plant and equipment	14	504,495,172	523,052,429
Asset recovery Bank Account	-	-	28,513,501
Intangible Assets	15	28,955,728	31,691,910
Long term receivables from exchange (Gratuity bank investment)	16	4,405,281	46,163,351
		537,856,182	629,421,191
Total Assets		2,252,543,967	999,576,995
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	17	15,296,959	31,821,000
Current portion of borrowings(Accrued liabilities and charges)	18	696,000	8,044,480
		15,992,959	39,865,480
Non-Current Liabilities			
Non-Current provisions(Asset recovery account)	19	43,887,197	28,513,501
Non-current employee benefit obligation(Gratuity fund)	-	-	50,575,619
		43,887,197	79,089,120
Total liabilities		59,880,156	118,954,600
Net Assets			
Acquisition Development fund	13	1,268,000,000	-
Reserves(Accumulated fund)	-	732,333,439	688,292,023
Accumulated surplus	20	192,330,372	192,330,372
		2,192,663,811	880,622,395
Total Net assets and liabilities		2,252,543,967	999,576,995


Arch Bishop (Rtd) Elud Wabukala, EBS
Chairperson


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

Ethics & Anti-Corruption Commission Annual Report and
Financial Statements for the year ended June 30, 2018

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

	Accumulated fund	Acquisition Development Fund	Revenue reserve	Total
	Kshs		Kshs	Kshs
Balance as at 30 June 2016	192,330,372	-	438,419,797	630,750,169
Surplus/(deficit) for the period	-	-	249,872,225	249,872,225
Balance as at 30 June 2017	192,330,372		688,292,022	880,622,394
Acquisition Development fund	-	1,268,000,000	-	1,268,000,000
Surplus for the period	-		44,041,417	44,041,417
Balance as at 30 June 2018	192,330,372	1,268,000,000	732,333,439	2,192,663,811

Ethics & Anti-Corruption Commission Annual Report and
Financial Statements for the year ended June 30, 2018

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

	2017-2018	2016-2017
	Kshs.	Kshs.
Cash flows From Operating Activities		
Surplus/ (Loss) from operations	44,041,417	249,872,225
Add back non-cash payment (Depreciation)	99,466,090	109,998,853
Add back non-cash payment (Amortization)	14,475,693	15,843,578
Profit on disposal of Assets	(2,039,057)	(973,030)
	155,944,143	374,741,627
Income from Operations		
(Increase)/Decrease in inventories	1,708,034	(2,505,741)
(Increase)/Decrease in receivables & Prepayments	(5,348,835)	(5,052,687)
(Increase)/Decrease in receivables -NLC	(1,268,000,000)	(250,000,000)
Increase/(Decrease) in payables	(23,872,521)	12,062,793
	(1,139,569,179)	129,245,991
Net cash flows from operating activities		
Cash flows From Investing Activities		
Purchase of property, plant and equipment	(81,299,273)	(218,732,582)
Purchase of Intangible Assets	(11,739,510)	(32,354,336)
Asset recovery	28,513,501	-
Acquisition development fund	1,268,000,000	-
Proceeds from disposal of plant, property and equipment	2,429,497	3,238,118
Gratuity Fund	(50,575,619)	(10,986,218)
	1,155,328,596	(258,835,017)
Net cash utilized in investing activities		
Cash flows From Financing Activities		
Refund of Surplus to the Treasury	-	-
Asset recovery	15,373,696	-
Gratuity Fund	41,758,070	42,069,183
	57,131,767	42,069,183
Net cash used in Financing activities		
Net increase in cash and cash equivalents	72,891,184	(87,519,843)
Bank and Cash equivalents at beginning of year	65,503,390	153,023,235
	138,394,574	65,503,392
Bank and cash equivalent at end of year		

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS					
	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2017-2018	2017-2018	2017-2018	2017-2018	2017-2018
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Government grants and subsidies	2,768,540,000	300,000,000	3,068,540,000	3,053,249,024	15,290,976
Development Expenditure	1,268,000,000	-	1,268,000,000	1,268,000,000	-
Gain on Disposal	-	-	-	2,039,057	-
Total income	4,036,540,000	300,000,000	4,336,540,000	4,323,288,081	13,251,919
Expenses					
Compensation of employees	1,665,155,099	300,000,000	2,127,716,600	2,115,094,832	12,621,768
Goods and services	765,669,802	-	644,976,962	486,796,244	158,180,718
Commissioners expenses	24,806,439	-	25,466,439	25,466,439	-
Finance cost	600,000	-	600,000	281,375	318,625
Rent paid	102,308,660	-	139,780,000	139,666,691	113,309
Staff Loan	210,000,000	-	130,000,000	130,000,000	-
Development Expenditure	1,268,000,000	-	1,268,000,000	1,268,000,000	-
Total expenditure	4,036,540,000	300,000,000	4,336,540,000	4,165,305,581	171,234,419
Surplus for the period				157,982,500	(157,982,500)

XIV. 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 Commission. 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 Commission.

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.

Notes to financial statements continued...

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.

Notes to financial statements continued...

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

Notes to financial statements continued...

Potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

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.

l) 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.

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Notes to financial statements continued...

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
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset

3. Transfers from other governments - gifts and services-in-kind

	2017-2018	2016-2017
	Shs	Shs
Unconditional grants		
Operational Grant		
Quarter 1	617,955,354	635,000,000
Quarter 2	860,049,970	977,979,000
Quarter 3	559,200,000	833,200,000
Quarter 4	1,016,043,700	589,442,390
Donor Fund -GIZ	700	
Total	3,053,249,724	3,035,621,390
Development Grant	<u>1,268,000,000</u>	-
Total Exchequer	<u>4,321,249,724</u>	-

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Notes to financial statements continued...

4.Employee costs	2017-2018	2016-2017
	Shs	Shs
Salaries and wages	1,020,710,459	981,896,105
Employee related costs - contributions to pension	385,484,772	347,236,807
Travel, Motor car, Accommodation and Subsistence	265,950,517	271,225,813
Housing Benefits and allowances	442,949,084	401,947,229
Total Employee Costs	2,115,094,832	2,002,305,954
5.Commissioners Expenses	2017-2018	2016-2017
	Shs	Shs
Commissioners travelling Allowances	5,521,439	-
Commissioners sitting Allowances	19,285,000	-
Commissioners Airtime Allowances	660,000	-
Total Commissioners Expenses	25,466,439	-
6.Depreciation and Amortization costs	2017-2018	2016-2017
	Shs	Shs
Property, Plant and equipment	99,466,090	109,998,853
Intangible Assets	14,475,692	15,843,578
Total depreciation Costs	113,941,782	125,842,431
7.Repairs and maintenance	2017-2018	2016-2017
	Shs	Shs
Property	1,056,936	2,341,040
Equipment	3,387,253	1,403,019
Vehicles	26,138,533	25,632,687
Other	7,097,909	5,543,105
Total Repairs & Maintenance	37,680,631	34,919,851

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Notes to financial statements continued...

8. General expenses

	2017-2018	2016-2017
	Shs	Shs
Advertising, Publishing and Printing	46,611,772	74,348,659
Audit fees	696,000	696,000
Conferences and delegations	46,687,255	66,661,734
Consulting fees	34,558	7,133,771
Consumables	18,786,616	20,724,789
Electricity	12,579,442	9,972,526
Fuel and Oil	24,998,930	24,527,725
Insurance	16,931,393	15,084,684
Legal Expenses	5,154,358	2,128,909
Licenses and permits	41,132,384	13,882,596
Specialized materials	5,815,224	4,717,087
Postage	2,086,815	2,307,188
Rental	139,666,691	135,725,302
Confidential Expenses	89,195,446	78,145,730
Sewerage and water costs	1,174,156	1,225,541
Research and Development	19,411,190	19,282,504
Telecommunication	12,279,155	13,204,804
Training	71,382,902	106,948,101
Refurbishment of Non-Residential buildings	6,321,354	5,690,360
Bank charges	281,375	245,892
Other Expenses	27,836,664	21,000,056
Total general expenses	589,063,679	623,653,958

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Notes to financial statements continued...

9. Gain on sale of assets

	2017-2018	2016-2017
	Shs	Shs
Property, Plant and equipment	2,039,057	973,029
Total gain/Loss on sale of assets	2,039,057	973,029

10. Cash and cash equivalents

	2017-2018	2016-2017
	Shs	Shs
Banks	106,204,605	63,713,732
Cash on hand and in transit	3,398,888	1,789,660
short term deposits	28,000,000	-
Short term deposits-interest received	791,081	-
Total cash and cash equivalents	138,394,574	65,503,392

11. Receivables from non-exchange contracts

Current receivables	2017-2018	2016-2017
	Shs	Shs
Staff Imprest	8,029,239	3,965,281
Gratuity fund receivable	287,227	56,337
Other Receivables	34,454,323	33,400,336
Total current receivables	42,770,789	37,421,954

12. Inventories

	2017-2018	2016-2017
	Shs	Shs
Consumable stores	6,836,186	8,544,221
Provision for loss of inventory	(2,923,920)	(2,923,920)
Library books	11,610,157	11,610,157
Total inventories at the lower of cost and net realizable value	15,522,423	17,230,457

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Notes to financial statements continued...

13.Receivable from exchange transaction	2017-2018	2016-2017
	Shs	Shs
Opening balance	250,000,000	-
Payment land and building	1,268,000,000	250,000,000
Total Land and Building	1,518,000,000	250,000,000
14. Property Plant and Equipment - Refer to the PPE schedule on page 17.		
15.Intangible assets-software		
Cost	Shs	
As At July 2016	139,501,806	
Additions during the year	32,354,336	
As At June 2017	171,856,142	
Additions during the year	11,739,510	
As at June 2018	183,595,652	
Amortization and Impairment		
As at July 2017	140,164,231	
Charge for the year	14,475,693	
As at June 2018	154,639,924	
Net Book Value 2018	28,955,728	
Net Book Value 2017	31,691,911	

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Notes to financial statements continued...

16. Gratuity Fund Bank Account	2017-2018	2016-2017
	Shs	Shs
Balance brought forward	46,163,351	88,232,535
Additions	48,706,049	157,469,729
Payments	(90,464,119)	(199,538,912)
Total	4,405,281	46,163,352

17. Trade and other payables from exchange transactions	2017-2018	2016-2017
	Shs	Shs
Other payables	15,296,959	31,821,000
Total trade and other payables	15,296,959	31,821,000

18. Accrued liabilities and charges	2017-2018	2016-2017
	Shs	Shs
Accrued audit fees	696,000	696,000
Accrued expenses-utilities	-	7,348,480
Total trade and other payables	696,000	8,044,480

19. Asset Recovery Fund Account	2017-2018	2016-2017
	Shs	Shs
Balance brought forward	28,513,501	100,793,629
Funds recovered in the year	16,525,885	-
Short term deposit	28,000,000	-
Payments	(29,152,189)	(72,280,128)
Total	43,887,197	28,513,501

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Notes to financial statements continued...

20.Accumulated Fund	2017-2018	2016-2017
	Shs	Shs
Balance brought forward	192,330,372	192,330,372
Total	192,330,372	192,330,372

21.Revenue Reserve	2017-2018	2016-2017
	Shs	Shs
Balance brought forward	688,292,022	438,419,797
Surplus for the year	44,041,417	249,872,225
Total	732,333,439	688,292,022

22.Exchequer transfer to loan scheme

The Commission received ksh130, 000,000 with respect to sharia compliant loan scheme towards the end of the Financial year 2017/2018.

The amounts was deposited to KCB bank as the administrator pending implementation of the scheme

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Notes to financial statements continued...

Property, Plant and Equipment

Rates	0		0.125		0.125		0.125		0.25		0.33		
	Land	Shs	Office Equipment	Shs	Security Equipment	Shs	Furniture, Fixtures & Fittings	Shs	Motor Vehicles	Shs	Computer Equipment	Shs	Total
Cost or Valuation:													
As at 1st July, 2016	120,416,497		68,559,914		57,378,878		66,401,484		408,123,039		161,521,215		882,401,027
Additions during the year	-		21,299,878		72,915,142		5,392,506		71,817,708		47,307,348		218,732,582
Disposal	-		(537,886)		-		(878,300)		(12,530,000)		(27,804,395)		(41,750,581)
As at 30th June 2017	120,416,497		89,321,906		130,294,020		70,915,690		467,410,747		181,024,168		1,059,383,028
Additions during the year			13,206,322		34,244,244		4,318,145		(5,200,000)		29,530,562		81,299,273
Disposal													(5,200,000)
As at 30th June 2018	120,416,497		102,528,228		164,538,264		75,233,835		462,210,747		210,554,729		1,135,482,300
Depreciation and impairment													-
At 1 July 2016	-		32,555,839		33,050,505		22,340,516		257,471,072		120,399,307		465,817,239
Depreciation	-		7,144,190		12,155,439		6,152,802		55,367,314		29,179,108		109,998,853
Disposals	-		(387,452)		-		(647,241)		(11,529,580)		(26,921,219)		(39,485,492)
At 30 June 2017	-		39,312,577		45,205,944		27,846,077		301,308,806		122,657,196		536,330,600
Disposals	-		-		-		-		(4,809,560)		-		(4,809,560)
Charge for the year	-		7,901,956		14,916,540		5,923,470		41,427,875		29,296,248		99,466,090
At 30 June 2018	-		47,214,533		60,122,484		33,769,547		337,927,122		151,953,444		630,987,130
Net book values													
At 30 June 2018	120,416,497		55,313,695		104,415,780		41,464,288		124,283,625		58,601,285		504,495,172
At 30 June 2017	120,416,497		50,009,329		85,088,076		43,069,613		166,101,941		58,366,971		523,052,429

Notes to financial statements continued...

23. Contingency Liabilities

The Commission has given no guarantees to third parties. In the ordinary course of business, the Commission has been sued in various cases with potential exposure estimated at Kshs **205,871,981**. The Commission is a defendant or co-defendant in various litigations and claims. The outcomes of these litigations and claims are yet to be determined; hence the Commission has not made any provisions in these accounts towards contingent liabilities.

24. BRIEF HISTORY ON THE ACQUISITION OF LAND/PREMISES FOR EACC HEADQUARTERS

The idea of a headquarters for the institution charged with fighting corruption dates back to 1999 under the then Kenya Anti-Corruption Authority (KACA). The aim of the then management was twofold; first, to have a permanent home for the anti-corruption body so as to pass a clear message that corruption will not be tolerated and secondly, to save on the large budget of paying office rent. KACA advanced the idea by way of efforts to purchase Integrity Centre which was compared with other available options then. Such efforts was, however, shelved after KACA was declared unconstitutional in 2000 and later disbanded in 2001. However, come 2005 when then Kenya Anti-Corruption Commission (KACC) was constituted, the effort was revived. In 2007, the Commission purchased plot L.R. No.26965 in Karen from M/s John Keen Investments Ltd at a total purchase cost including incidental costs of KES. 120,416,496. It was later decided that the location of the land would not be ideal for the Commission's Headquarters due to its limited accessibility to the members of the public and partner institutions.

Various alternatives were explored that would enable the Commission to acquire premises for its Headquarter. The first alternative involved disposing the Karen plot and requesting Treasury to provide additional funds in the Commission's development budget for 2013/14 – 2015/16 MTEF period to allow for purchase of an already built office premise. The second alternative involved requesting Government for an office space. The third alternative involved progressing with the implementation of the Karen project. As such, the Commission wrote to various Government agencies requesting them to help in identifying land or an already built office premise which the Commission could purchase. Among the institutions that responded include the Ministry of Housing, Kenya Railways and National Social Security Fund (NSSF). EACC was given an offer by NSSF to buy six floors which sits on top of the parking silo. In the Commission's 2014/15 Financial Year Budget Estimates, National Treasury provided KES 270 Million to cater for the

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purchase of the office premise. Of this amount, KES 70 Million was to be a direct disbursement by the Government while KES. 200 Million was to be realized from the sale of the Karen plot.

On the 27th June 2014, NSSF gave an offer to the Commission setting the price of the premise at KES. 1.36 Billion. However, on 25th February 2015, the Commission held a Special Meeting to deliberate on this matter and resolved to terminate the process of acquiring the office premise from NSSF.

On 3rd October, 2016 the National Treasury allowed the Commission to initiate the acquisition process for the headquarters together with the Office of the Director of Public Prosecution. Subsequently, the Commission processed an open tender for the subject procurement. Only one bid was received from Citiscape Valuers & Estate Agents Limited for Flamingo Tower Limited which was subjected to pre-set evaluation criteria and found to be responsive. The initial offer was KES 2,950,000,000.00 which was subjected to a series of negotiation and the final negotiated price was agreed at KES 2,688,000,000 payable within two financial years namely; 2016/ 2017 and 2017/2018. However the Ministry of Lands and Physical Planning had valued the office block at KES 2,400,000,000. Pursuant to Section 63(1) of the Public Procurement and Asset Disposal act, 2015, the procurement was terminated on the basis of not offering good value for money since the negotiated price was above the Government Valuation.

Consultations were then held between the Commission and the Departmental Committee of Parliament on Justice and Legal Affairs (JLAC) on 30th March, 2017, upon which the Commission was directed to sever joint acquisition of premises with the Office of the Director of Public Prosecutions and consider compulsory acquisition of Integrity Centre or any other suitable premises (National Assembly's letter dated 3rd April, 2017). The Commission then sought further direction from the National Treasury in light of National Assembly's directive and vide a letter dated 13th April, 2017, the National Treasury advised the Commission to liaise with the Office of the Attorney General (OAG) to request the National Land Commission (NLC) to acquire the property on behalf of EACC.

Pursuant to the advice by The National Treasury as cited above, the Commission set up the Headquarter Premises Acquisition Committee to conduct a survey of potential buildings to be considered for compulsory purchase. The Committee surveyed several properties and prepared a Report that recommended the following buildings to be considered for compulsory acquisition in the order of preference:

- a) Integrity Centre on LR No 209/1069;
- b) Britam Centre on LR No 209/10520;
- c) Viena Court on LR No 209/20777; and
- d) AEA Centre on LR No 209/2500

Based on the Report by the Headquarter Acquisition Committee, the Commission wrote to the Office of the Attorney General vide a letter ref EACC.1/1/VOL III (111) dated 2nd May, 2017 requesting that the OAG writes a letter to the NLC to commence the compulsory acquisition

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process. In return, the Office of the Attorney General and Department of Justice vide letter ref AG/CONF/6/C/53 VOL VI and dated 12th July, 2017 wrote to NLC giving instructions for compulsory acquisition of Integrity Centre described as LR No 209/1069. Consequently, through the Office of the Attorney General, EACC initiated the process of acquisition of permanent premises for its headquarters by compulsory acquisition in accordance with Section 107(1) of the Land Act, 2012 which outlines that, whenever the National or County Government is satisfied that it may be necessary to acquire some particular land through compulsory acquisition, the respective Cabinet Secretary or the County Executive Committee Member shall submit a request for acquisition of land to the National Land Commission to acquire the land on its behalf.

In line with procedures and the Land Act (2012) Section 153, the National Land Commission vide a letter ref NLC/V&T/AG/001(13) dated 27th June 2017 requested the Commission to make a deposit towards compulsory acquisition. Consequently, EACC deposited KES 250 million with NLC on 30th June 2017 in line with the Commission approval dated 28th June 2017.

During the 33rd Special Commission meeting which was held on 5th September, 2017, the Commission directed that a Committee be constituted to review the status of the progress towards acquisition of premises for the EACC Headquarters. Consequently, and in accordance with the Commission's resolution, the Secretary/Chief Executive Officer constituted a Committee vide an Internal Memo dated 5th September, 2017.

Upon conclusion of its task, the Advisory Committee on Acquisition of EACC Headquarter Building submitted a report dated November, 2017 to the Commission in which it observed that the Commission basically had only two options in its quest to acquire headquarter premises, namely:-

1. That the Commission to consider Integrity Centre (despite its current space limitations) for compulsory acquisition with a view to carrying out further development in order to improve its current status and meet the long term space needs. This was subject to:
 - a) The NLC providing a detailed valuation report of the Integrity Centre building;
 - b) The landlord availing copies of all the approved design drawings for the building (architectural, structural, electrical and mechanical drawings) to facilitate possible redevelopment; and
 - c) The National Treasury being notified of the need for:
 - i. Redevelopment funds to upgrade the space to meet the current and medium term needs; and
 - ii. Provision of funds to lease alternative space to allow for redevelopment of the property without disrupting the Commission's operation.
2. The Commission to consider Britam Centre for compulsory acquisition going by the listed advantages and notify The National Treasury about the need for enhanced funding.

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In its valuation report presented to EACC, National Land Commission indicated that the valuation of Integrity Centre Building on L.R 209/1069 for purposes of compulsory acquisition and compensation (based on inspection conducted on 14th February, 2018) is **KES 1,543,382,916.15**. The said Valuation Report was signed by one Joash Oindo who is a Registered and Practicing Valuer.

In addition to the **KES 250,000,000** that EACC remitted to the NLC towards compulsory acquisition of Integrity Centre on 30th June, 2016 vide NLC's compensation fund Account No 0132980000 domiciled at the National Bank of Kenya on 30th June 2017, the NLC; vide letter ref NLC/V &T/AG/001 dated 24th April 2018, requested for a balance of **KES 1,293,382,916** to finalize the acquisition. Consequently, EACC remitted **KES 1,268,000,000** to the NLC on 30th April 2018, leaving a balance of **KES 25,382,916** which is yet to be settled, together with 1% Administrative cost to the NLC.

EACC vide letter ref. EACC.1/1/1 (94) dated 16th July, 2018 wrote the Chairman of NLC seeking a detailed update on the compulsory acquisition process with specific timelines on any outstanding processes considering the fact that the current tenancy lease agreement (non-renewable) with M/s Tegus Limited is due to lapse on 30th August, 2018. Similarly, vide letter ref. EACC.1/1/1 (95) dated 30th July, 2018 addressed to the Landlord; M/s Tegus Limited, EACC sought for an extension of term in the unlikely event that the acquisition process is not concluded by 31st August, 2018.

In response, the NLC gave a Seven Days' Notice to M/S Tegus Limited dated 14th August, 2018 with a copy to EACC in which it was directed that M/S Tegus Limited gives possession of Integrity Centre Building to the Commission by 21st August, 2018. On 30th August, 2018, M/s Tegus Limited and EACC representatives had a handing/taking over meeting which was witnessed by officials from the State Department of Public Works. Vide Gazette Notice Vol CXX – No. 113 dated 14th September, 2018, the NLC transferred and vested to the Principal Secretary – The National Treasury LR No. 209/1069 located along Valley Road/Jakaya Kikwete Road Nairobi measuring 0.4867 Ha

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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.

Ref. No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and Designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Excess acting allowance of Kshs 5,862,895/90 paid to immediate former Chief Executive Officer against provisions of circular No OP/CAB/55/1	Details of evidence of overpayment have been provided to her lawyers	Mr David Kaboro and Mr. Vincent Mutilangi.	Court case ongoing	The Commission is pursuing the individual. The timeframe is open as it may involve a court process.
2	Loss of 410 toners worth Kshs 2,923,920/-	Services of staff involved were terminated, file forwarded to Director of public prosecutions to institute prosecution.	Mr David Kaboro and Mr. Vincent Mutilangi.	Not Resolved	Open as it may involve court process.
3	Development of United Nations Development Programme (UNDP) funded wealth Declaration Management System. Kshs 20,457,206/- incurred without fully attaining the desired deliverables and goals spelt out in the project's financing agreement signed on 5 April 2011.	Fully fledged Directorate set up to look in to issues of leadership integrity including wealth declaration and conflict of interest. Development of the wealth declaration system based on the systems designs that were developed by the UNDP project has commenced	Mr David Kaboro	Resolved	The system implementation is ongoing. The System is expected to be fully operational by the end of this financial year

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

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