

REPUBLIC OF KENYA



*Paper laid
Wednesday
13/12/17
AK*

OFFICE OF THE AUDITOR-GENERAL



PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

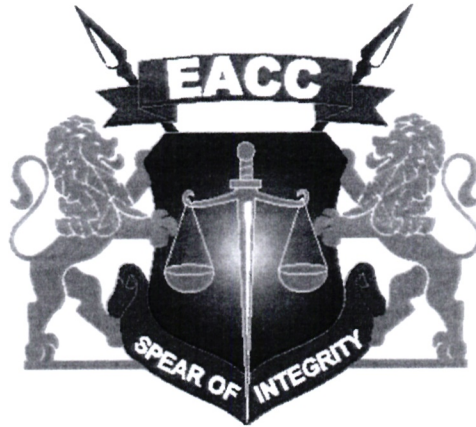
THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR
ENDED 30 JUNE 2017**





ETHICS AND ANTI CORRUPTION COMMISSION
STAFF HOUSE MORTGAGE AND CAR LOAN SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017

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

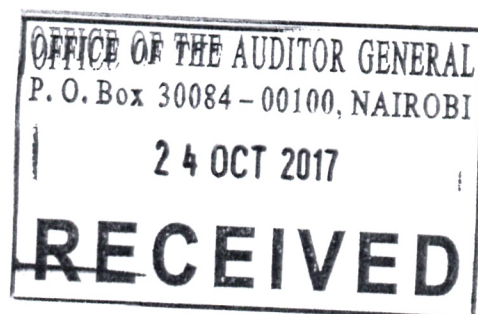


Table of Content

	Page
1. Key Entity Information -----	ii
2. The Commissioners-----	iv
3. Management Team -----	iv
4. Chairman’s Statement -----	v
5. Report of the Chief Executive -----	vi
6. Corporate Governance Statement -----	vii
7. Corporate Social Responsibility Statement-----	viii
8. Report of the Commission and the Scheme -----	ix
9. Statement of Management Responsibilities -----	x
10. Report of the Independent Auditors -----	xi
11. Statement of Financial Performance -----	1
12. Statement of Financial Position-----	2
13. Statement of Changes in Net Assets -----	3
14. Statement of Cash flows -----	4
15. Statement of Comparison of Budget and Actual Amounts -----	5
16. Notes to the Financial Statements -----	6
17. Progress on Follow up of Auditor Recommendations -----	13

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

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

(f) Entity Headquarters

Integrity Center
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

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

COMMISSION MEMBERS



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



Sophia Lepuchirit
Vice Chairperson



Dr. Babar 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-Preventive
Services

II. CHAIRMAN'S STATEMENT

I am pleased to present the Commission's Staff Mortgage and Car Loan Scheme's financial statements for the year ended 30th June 2017.

The Scheme provides staff with the opportunity to buy or build a house using mortgage loan that is repayable within a term of up to twenty years and also facilitates staff to acquire motor vehicles through provision of loan to purchase vehicles that is repayable within a term of up to five years.

The EACC Staff Mortgage and Car Loan Scheme emanates from the Car Loan and Mortgage Schemes for State and Other Public Officers of Government of Kenya that was established in December 2014 by the Salaries and Remuneration Commission's (SRC) in collaboration with the National Treasury. The Commission is grateful to the National Treasury and the Salaries and Remuneration Commission for their respective roles in enabling the Scheme achieve its objectives of facilitating staff access the facility.

The Commission has set up a revolving fund to facilitate its operations and its funding is provided by the National Treasury. The Commission provides the governance and management capabilities to run the funds. The loan entitlement and conditions are stipulated in detailed Staff Mortgage and Car Loan Scheme policies and regulations.

A Staff Mortgage and Car Loan Scheme Advisory Committee has been set up to oversee the administration and implementation of the Scheme. A service provider; Housing Finance Company Limited (HFC) has been procured to facilitate the administration of the Scheme.

It is anticipated that the provision of this facility shall encourage the staff to continue undertaking their duties and responsibilities with zeal and true Kenyan patriotism.



ARCHBISHOP (RTD) ELIUD WABUKALA, EBS

CHAIRMAN

III. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Commission has the pleasure of presenting the EACC Staff Mortgage and Car Loan Scheme's financial statements for the financial year 2016/2017. The financial statements comprise of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Net Assets and Statement of Cash Flows. The Commission employed prudent financial management in line with Government Financial Regulations and International Public Sector Accounting Standards (IPSAS) resulting in facilitation of efficient and effective administration of the Scheme.

The financial year 2016/17 is the maiden year for the Scheme's operation and the activities included application for loans through the Staff Mortgage and Car Loan Scheme Advisory Committee for review, recommendation and forwarding to service provider for processing and disbursement. In the current financial year, the scheme issued twenty eight house Mortgage loans and twenty four car loans to staff. It is expected that the Fund will be more active in the subsequent financial years.

In financial year 2016/17, the Scheme capital was built up to Kshs 600 million. The commission will continue to mobilise budgetary allocations in subsequent financial years to enable all staff access the facility.

I grateful to all stakeholders for the successful establishment, funding and administration of the Scheme. I encourage all staff members to utilise the facility for improvement of their welfare and to remain resilient and focused in the performance of their duties.



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

IV. 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.

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.

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, 2017 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 EACC Staff Mortgage and Car Loan Scheme for the year ended June 30, 2017 are set out on page 1 to 13.

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's Staff Mortgage and Car Loan Scheme in accordance Public Audit Act, 2003 and the Ethics and Anti-Corruption Commission Act, 2011.

VI. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 164 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 and by extension those of the EACC Staff Mortgage and Car Loan Scheme 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.

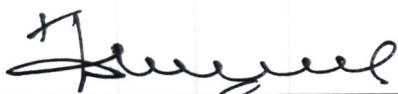
The management is responsible for the preparation and presentation of the Scheme's Financial Statements, which give a true and fair view of the state of the affairs of the Scheme for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate 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, 2017, 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 28th July 2017 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

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

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 2017

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 13, which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive receipts and payments; 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 2017, and 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.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Commission in accordance with ISSAI 30 on Code of Ethics. I have fulfilled my other ethical responsibilities in accordance with other ethical requirements applicable to performing audit of the financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Management's Responsibility for the Financial Statements

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

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 2017

In preparing the financial statements, management is responsible for assessing the Scheme's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Scheme or to ease operations, or have no realistic alternative but to do so.

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

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

Auditor-General's 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 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 Scheme'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 Scheme'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 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 Scheme to cease to continue as a going concern.

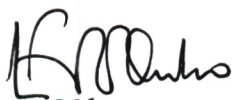
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.

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.

From the matters communicated with management, I determine those matters that were of most significance in the audit of financial statements of the current period and are therefore the key audit matters.

These matters are described in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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

Nairobi

05 December 2017

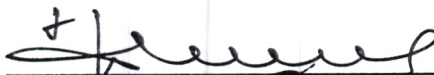
Report of the Auditor-General on the Financial Statements of Ethics and Anti-Corruption Commission Staff House Mortgage and Car Loan Scheme for the year ended 30 June 2017

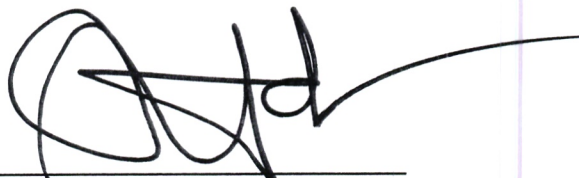
**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2016-2017 Kshs.	2015-2016 Kshs.
Revenue from exchange transactions			
Interest on Bank Balance	3	17,148,466	-
Interest on Individuals' Staff House Mortgage and Car Loans	4	4,702,090	-
Total Revenue		21,850,556	-
Expenses			
3% Commission to service provider	5	3,526,568	-
Total Expenses		3,526,568	-
Surplus before tax		18,323,988	-
Taxation		-	-
Surplus for the period		18,323,988	-

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2017

	Notes	2016-2017 Kshs.	2015-2016 Kshs.
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	342,800,542	300,000,000
Short term receivables from Staff House Mortgage	7	13,858,383	-
Short term receivables from Staff Car Loan	7	6,900,835	-
		<u>363,559,760</u>	<u>300,000,000</u>
NON CURRENT ASSETS			
Long term receivables from Staff House Mortgage	8	227,647,490	-
Long term receivables from Staff Car Loan	8	27,116,738	-
		<u>254,764,228</u>	<u>-</u>
Total Assets		<u><u>618,323,988</u></u>	<u><u>300,000,000.00</u></u>
Liabilities			
Current Liabilities		-	-
Non-Current Liabilities		-	-
Total liabilities		<u>-</u>	<u>-</u>
Net Assets			
Revenue Reserve (Accumulated fund)	9	18,323,988	-
Mortgage and Car Loan Revolving fund	10	600,000,000	300,000,000.00
Total Net Assets and Liabilities		<u><u>618,323,988</u></u>	<u><u>300,000,000.00</u></u>


Arch Bishop (Rtd) Eliud Wabukala, EBS
Chairperson


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

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2017**

	Accumulated fund	Staff car loan and mortgage fund	Revenue reserve	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30 June 2015	-	-	-	-
Staff car loan and mortgage fund		300,000,000		300,000,000
Surplus/(deficit) for the period	-		-	-
Balance as at 30 June 2016	-	300,000,000	-	300,000,000
Staff car loan and mortgage fund		300,000,000		300,000,000
Surplus/(deficit) for the period			18,323,988	18,323,988
Balance as at 30 June 2017	-	600,000,000	18,323,988	618,323,988

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2017**

	2016-2017 Kshs.	2015-2016 Kshs.
Cash Flows From Operating Activities		
Surplus/ (Loss) from operations	18,323,988	-
Income From Operations		
(Increase)/Decrease in receivables & prepayments	(20,759,218)	-
	<hr/>	<hr/>
Net Cash Flows From Operating Activities	(2,435,230)	-
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	-	-
Staff Mortgage and Car Loan long term receivables	(254,764,228)	-
Purchase of intangible assets	-	-
	<hr/>	<hr/>
Net Cash Utilized in Investing Activities	(254,764,228)	-
Cash Flows From Financing Activities		
Staff Mortgage and Car Loan Fund	300,000,000	300,000,000
	<hr/>	<hr/>
Net Cash From Financing Activities	300,000,000	300,000,000
	<hr/>	<hr/>
Net Increase in Cash and Cash Equivalents	42,800,542	300,000,000
Bank and Cash equivalents at Beginning of Year	300,000,000	-
	<hr/>	<hr/>
Bank and Cash Equivalents at End of Year	<u>342,800,542</u>	<u>300,000,000</u>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FY2016/17**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017
	Kshs	Kshs	Kshs	Kshs	Kshs
Public contributions and donations	-	-	-	0	-
Government grants and subsidies	-	-	-	-	-
Staff Mortgage and Car loan Fund	300,000,000	-	300,000,000	300,000,000	-
Other income	-	-	-	21,850,556	21,850,556
Total income	300,000,000	-	300,000,000	321,850,556	21,850,556
Expenses					
Compensation of employees	-	-	-	-	-
Use of Goods and services	-	-	-	3,526,568	(3,526,568)
Finance cost	-	-	-	-	-
Rent paid	-	-	-	-	-
Transfer to House Mortgage and Car loan Fund	300,000,000	-	300,000,000	300,000,000	-
Development Vote	-	-	-	-	-
Total expenditure	300,000,000	-	300,000,000	303,526,568	(3,526,568)
Surplus/(Deficit) for the period	-			18,323,988	18,323,988

The 100% variance the budgeted other income and use of goods and services versus the actuals are explained as follows:

Other income and use of goods and services were not budgeted for in the consolidated budget because previously they were accounted for as items in the statement of financial position. They have now been accounted for as "other income" and "use of goods and services" respectively in the new separate financial statements for the scheme, in line with the audit recommendation.

VIII. NOTES TO THE FINANCIAL STATEMENTS

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

The Scheme'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 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.

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
- Changes in the market in relation to the asset

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 2017.

3 Income from Bank Balances		
Item	2017 Shs 000	2016 Shs 000
Staff Mortgage Bank Account Interest	9,608,134	-
Car Loan Bank Account Interest	7,540,332	-
Total Income from Bank Balances	17,148,466	-
4 Income from Individual Staff Mortgage and Car Loans; 4%		
Item	2017 Shs 000	2016 Shs 000
Individual Staff Mortgage 4% Interest	4,187,737	-
Individual Car Loan Bank 4% Interest	514,353	-
Total from Individual Staff Interest	4,702,090	-
5 Expenses; 3% Commission for service Provider		
Item	2017 Shs 000	2016 Shs 000
Individual Staff Mortgage 3% Interest	3,140,803	-
Individual Car Loan Bank 3% Interest	385,765	-
Total Expenses	3,526,568.00	-
6 Bank Balances		
Item	2017 Shs 000	2016 Shs 000
Staff Mortgage Bank Account	169,149,196	200,000,000
Car Loan Bank Account	173,651,346	100,000,000
Total Income	342,800,542	300,000,000

7 Short-Term Receivables from non-exchange contracts		
	2017	2016
	Shs 000	Shs 000
EACC Mortgage issuance	13,858,383	-
EACC Car Loan issuance	6,900,835	-
Total Short-Term receivables	20,759,218	-
8 Long-Term Receivables from non-exchange contracts		
	2017	2016
	Shs 000	Shs 000
EACC Mortgage issuance	227,647,490	-
EACC Car Loan issuance	27,116,738	-
Total Long term receivables	254,764,228	-
9 Revenue Reserve		
	2017	2016
	Shs 000	Shs 000
Balance brought forward	-	-
Surplus for the year	18,323,988	-
Total	18,323,988	-
10 Fund Balance		
Item	2017	2016
	Shs 000	Shs 000
Balance brought forward	300,000,000	-
Staff House Mortgage	200,000,000	200,000,000
Car Loan	100,000,000	100,000,000
Total Income	600,000,000	300,000,000

11. EACC Staff Car Loan and House Mortgage Scheme

The Commission received an exchequer amount; Kshs 300,000,000/- for Staff Car Loan and Mortgage Fund. This comprised of funding for Staff House Mortgage; Kshs 200,000,000/- and Staff Car Loan; Kshs 100,000,000/-.

EACC-HFC Staff Mortgage and Car Loan scheme

Fund Accountability Statement

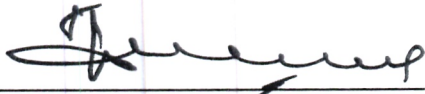
As at 30th June

2017

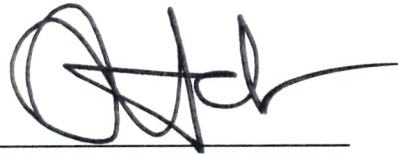
	<u>House Mortgage Scheme Interest</u>	<u>House Mortgage Scheme</u>	<u>Car Loan Scheme Interest</u>	<u>Car Loan Scheme</u>	<u>Total Interest</u>	<u>Total</u>
<u>Scheme Funding:</u>						
Opening balance		200,000,000		100,000,000		300,000,000
Funding for the year		200,000,000		100,000,000		300,000,000
Total Capital Funding		400,000,000		200,000,000		600,000,000
<u>Interest</u>						
Interest earned; 7% on bank balance		9,608,134		7,540,332		17,148,466
Interest earned; 4% on loans issued	4,187,737		514,353		4,702,090	
Less: 3% commission for HFC	(3,140,803)	1,046,934	(385,765)	128,588	(3,526,568)	1,175,522
Total Interest		10,655,068		7,668,920		18,323,988
Total Fund		410,655,068		207,668,920		618,323,988
Net Loans Issued		(241,505,873)		(34,017,573)		(275,523,446)
Fund Balance		169,149,195		173,651,346		342,800,542

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The Financial Year 2016/17 is the first year that the Staff Mortgage Car Loan Fund has been in existence. Therefore there are no previous audit issues since the financial statements have not been audited before.



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



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