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THE AUDITOR-GENERAL

ON

**ETHICS AND ANTI-CORRUPTION
COMMISSION - STAFF HOUSE MORTGAGE
AND CAR LOAN SCHEME**

**FOR THE YEAR ENDED
30 JUNE, 2019**



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

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

**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-----	v
3. Management Team -----	viii
4. Chairman’s Statement -----	xi
5. Report of the Chief Executive -----	xii
6. Corporate Governance Statement -----	xiii
7. Corporate Social Responsibility Statement -----	xiv
8. Management Discussions and Analysis -----	xv
9. Report of the Commission and The Scheme -----	xvi
10. Statement of Management Responsibilities -----	xvii
11. Report of the Independent Auditors -----	xviii
12. Statement of Financial Performance -----	1
13. Statement of Financial Position-----	2
14. Statement of Changes in Net Assets -----	3
15. Statement of Cash flows -----	4
16. Statement of Comparison of Budget and Actual Amounts -----	5
17. Notes to the Financial Statements -----	6
18. Progress on Follow up of Auditor Recommendations -----	15

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 Commission Act, 2011. Its mandate is to combat and prevent corruption, economic crime and unethical conduct in Kenya through law enforcement prevention, public education, promotion of standards and practices of integrity, ethics and anti-corruption. The Commission is comprised of the Chairperson, Commissioners and the Secretary/Chief Executive Officer.

(b) Principal Activities

The principal activities of the Commission include: Investigation of corruption and economic crimes, tracing and recovery of corruptly acquired public property, forfeiture of unexplained wealth, corruption prevention, public education and promotion of ethics and integrity.

(c) Key Management

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

1. The Secretary/ Chief Executive Officer
2. The Deputy Chief Executive Officer
3. Directorate of Investigation
4. Directorate of Preventive Services
5. Directorate of Legal Services
6. Directorate of Ethics and Leadership
7. Directorate of Field Services
8. Directorate of Finance and Planning
9. Department of Human Resources Management
10. Department of Supply Chain Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019.

Designation

1. Secretary / Chief Executive Officer
2. Deputy Chief Executive Officer
3. Directorate of Investigation
4. Directorate of Preventive Services
5. Directorate of Legal Services
6. Directorate of Ethics and Leadership
7. Directorate of Field Services
8. Directorate of Finance and Planning
9. Department of Human Resources Management
10. Department of Supply Chain Management

Name

Mr. Twalib Mbarak
Mr. Michael Mubea
Mr. Abdi A. Mohamud
Mr. Vincent Okong'o
Mr. David Too
Ms. Lucy Kinuthia
Mr. Jackson Mue
Ms. Jennifer Muthoni
Ms. Ellyjoy Bundi
Mr. Robert Kanyi

Ethics and Anti-Corruption Commission Mortgage and car loan Scheme Annual Reports and Financial Statements for the year ended June 30, 2019

(e) Fiduciary Oversight Arrangements

Commission Committees	Members
Enforcement	Paul Mwaniki Gachoka Sophia Lepuchirit
Corruption Prevention, Education and Public Engagement	Dr. Dabar Maalim Rose Mghoi Macharia
Support Services	Rose Mghoi Macharia Dr. Dabar Maalim
Risk & Audit	Raphael Mingisian Lekoolool (Independent Chairperson) Jane Micheni (Representative – National Treasury) Dr. Dabar Maalim Rose Mghoi Macharia
Finance, Planning and Supply Chain Management	Sophia Lepuchirit Paul Mwaniki Gachoka

(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

Ethics and Anti-Corruption Commission Mortgage and car loan Scheme Annual Reports and Financial Statements for the year ended June 30, 2019

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

II. THE COMMISSIONERS

COMMISSION MEMBERS	
 <p>Archbishop (Rtd) Dr. Eliud Wabukala, EBS Chairperson</p>	<p>Archbishop (Rtd) Dr. Eliud Wabukala was appointed the Chairperson of the Ethics and Anti-Corruption Commission (EACC), in January 2017. He is a retired Archbishop of the Anglican Church of Kenya.</p> <p>Archbishop (Rtd) Wabukala was awarded Doctor of Divinity (Hon) and holds a Master Degree in Religion from Wycliffe College, University of Toronto – Canada. He also holds a Bachelor Degree in Divinity from St. Paul’s University – Limuru. He was born in the year 1951.</p> <p>Previously, he served as the Chairperson of the National Anti-Corruption Campaign Steering Committee (NACCSC), The Global Future Anglican Conference and the National Council of Churches of Kenya.</p> <p>Archbishop (Rtd) Wabukala is a professional teacher with many years of teaching experience and previously served; as the Academic Dean at St. Paul’s University, as a lecturer and as Chairperson of the University Council.</p> <p>He has been involved in many peace mitigations and reconciliation including the 2007 post-election violence in Kenya. Archbishop Wabukala was also involved in the reform process in South Sudan.</p>
 <p>Sophia Lepuchirit, Vice-Chairperson</p>	<p>Commissioner Sophia Lepuchirit was appointed a Commissioner in January 2016. She is the Vice Chairperson of the Ethics and Anti-Corruption Commission.</p> <p>She holds a Bachelor of Arts Degree in Public Administration and International Relations from the University of Nairobi and currently pursuing a Master Degree in Business Administration (MBA) at the African Nazarene University. She was born in the year 1959.</p> <p>Prior to her appointment, she held prominent administrative positions in several State Organizations including Jomo Kenyatta Foundation (JKF) where she served as a Director, and Kerio Valley Development Authority where she served as Chairperson. She also served as a member at the National Anti-Corruption Campaign Steering Committee.</p> <p>Ms. Lepuchirit is an anti-corruption crusader, community mobilizer, gender activist, a promoter of affirmative action for the marginalized categories and communities. She is a member of the Minority Rights Groups, London (MRG), International Working Group on Indigenous Issues (IGWIA) – Denmark, and Kenya Pastoralist Forum.</p>

COMMISSION MEMBERS



**Dr. Dabar Abdi Maalim
Commissioner**

Commissioner Dr. Dabar Abdi Maalim was appointed a Commissioner in January 2016.

He holds a PhD in Community Health from University of Reading (UK) and Master Degree from Wales College of Medicine, Cardiff (UK). He was born in the year 1957.

He has over 12 years of experience as a university academician having attained the rank of Assistant Professor at Aga Khan University, East Africa.

Dr. Maalim has also consulted for various national and international institutions including the Government of Kenya, DANIDA, UNICEF-Ethiopia, and World Health Organisation (WHO) both in Kenya and Eritrea, Islamic Development Bank among others. He was the Team Leader/ Coordinator of the Millennium Villages Project (Kenya) and Associate Research Scientist – Earth Institute, Columbia University USA between November 2010 and January 2012.



**Paul Mwaniki Gachoka
Commissioner**

Commissioner Paul Mwaniki Gachoka was appointed a Commissioner in January 2016.

He is an Advocate of the High Court of Kenya. He is a holder of a Bachelor of Laws Degree from the University of Nairobi and holds a Master of Arts in Philosophy and Ethics from Strathmore University. He was born in the year 1965. He is a fellow of Chartered Institute of Arbitrators and Accredited Mediator

Commissioner Gachoka has in-depth legal experience in Kenya and is the Principal Partner at Mwaniki Gachoka and Co. Advocates, representing clients in multi-disciplinary commercial, conveyancing services and civil cases.

He has served as a Director of several private Companies; Further, he has served as a Council Member of the Law Society of Kenya (2003 to 2006).

COMMISSION MEMBERS



**Rose Mghoi Macharia
Commissioner**

Commissioner Rose Mghoi Macharia was appointed a Commissioner in January 2016.

She holds a Master Degree in Human Resource Development from the Institute for Development Policy and Management (IDPM) of the University of Manchester and a Bachelor Degree in Education from University of Nairobi. She was born in the year 1958.

She is a seasoned Human Resource professional and has a wealth of experience in public sector management, education, people development and strategy. She has worked in the Education Sector as a Graduate Teacher, Lecturer and Senior Education Officer.

She also has valuable experience in developing human capital in various State Corporations such as Higher Education Loans Board, Nyayo Tea Zones Development Corporation and Information Communication and Technology Authority.



**Mr. Twalib Mbarak, CBS
Secretary/CEO**




Mr. Twalib Mbarak was appointed Secretary/Chief Executive Officer of the Ethics and Anti-Corruption Commission in January 2019.

He is a holder of Master of Arts Degree in Armed Conflict and Peace Studies and Bachelor of Arts degree from the University of Nairobi. He was born in 1965.

Mr Mbarak joined the Kenya Armed Forces in 1984 where he rose through the ranks and retired as a Major in 1999. He has also served with the National Intelligence Service (NIS), Kenya Anti-Corruption Commission (KACC) and Kenya Electricity Generating Company (KenGen).

Mr Mbarak has extensive experience in Security, Intelligence and Investigation Management. He is a Certified Security Management Professional from the International Security Management Institute, UK. In Kenya, he founded the Association of Corporate and Industrial Security Professionals (ACISMP) an association directing the corporate security in Kenya.

III. MANAGEMENT TEAM

MANAGEMENT TEAM		
	<p>Master of Arts in Armed Conflict & Peace Studies</p> <p>Bachelor of Arts (Political Science and Sociology)</p> <p>Dip in Armed conflict and Peace Studies</p> <p>Diploma Advanced Intelligence Course, Advanced Intelligence Course, FBI undercover Certification Course, Seminar for Senior Management</p>	<p>He is the head of the Secretariat and responsible for the day to day management of the Commission</p>
<p>Mr. Twalib Mbarak, CBS - Secretary/CEO</p>		
	<p>Master in International Relations</p> <p>Bachelor of Laws (LLB)</p> <p>Bachelor of Commerce</p> <p>Diploma in Law</p> <p>Strategic Leadership Development Programme Course</p> <p>Corporate Governance Course</p>	<p>Deputise CEO in the day to day management of the Commission</p>
<p>Mr. Michael Mubea – Deputy Chief Executive officer</p>		
	<p>Master of Science (Security and Risk Management)</p> <p>Bachelor of Laws (LLB)</p> <p>Senior Leadership and Management Course</p> <p>Police Training, Basic Investigations Course</p>	<p>Head of the Investigation Directorate</p>
<p>Mr. Abdi A. Mohamud, MBS - Director, Investigation</p>		

MANAGEMENT TEAM



Master of Business Administration
 Bachelor of Laws (LLB)
 Diploma in Law
 Strategic Leadership Development Programme Course
 Senior Management Course;
 Corporate Governance Training Course;

Head of Legal Services Directorate

Mr. David K. Too, OGW - Director, Legal Services



Master of Social Science (Development Administration)
 Bachelor of Arts (Political Science)
 Strategic Leadership Development Programme Course
 Certification in Governance Ethics and Anti - Corruption Reforms

Head of Ethics and Leadership Directorate

Ms. Lucy W. Kinuthia - Director, Ethics & Leadership



Master of Arts (Economics & Social Studies)
 Master of Arts in Economic Policy Management
 Bachelor of Arts (Economics)
 Strategic Leadership Development Programme Course
 Corporate Governance Course

Head of Preventive Services Directorate

Mr. Vincent O. Okong'o - Director, Preventive Services



Master of Business Administration (Finance)
 Bachelor of Commerce -Accounting Option.
 Certified Public Accountant-K,
 Strategic Leadership Development Programme Course
 Corporate Governance Course
 Senior Management Course

Head of Finance and Planning Directorate

Ms. Jennifer Kimani- Director - Finance and Planning

Ethics and Anti-Corruption Commission Mortgage and car loan Scheme Annual Reports and Financial Statements for the year ended June 30, 2019

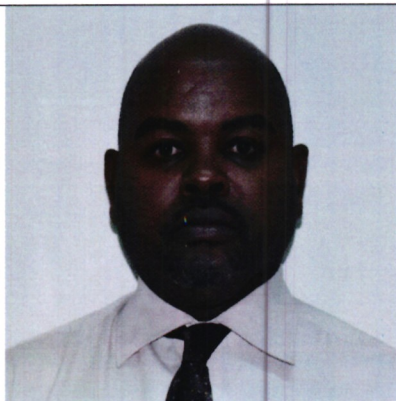
MANAGEMENT TEAM



Master of Science in ICT Policy and Regulation
 Bachelor of Science (Mathematics & Computer Science)
 Post Graduate Diploma in Computer Science, Strategic Leadership Development Programme Course
 Certificate Course in Governance, Ethics and Economic Crimes
 Economic Crime Intelligence Course
 Corporate Governance Course

Head of Field Services Directorate

Mr. Jackson K. Mue - Ag. Director, Field Services



Master of Science (Procurement & Logistics)
 Bachelor of Science (Mathematics & Physics)
 Diploma in Purchasing & Supplies Management
 Strategic Leadership Development Programme Course
 Senior Management Course
 Corporate Governance Course

Head of Supply Chain Management

Mr. Robert K. Wachira- Deputy Director, Supply Chain Management



Master of Business Administration (HRM)
 Bachelor of Education
 Diploma in Human Resources Management
 Strategic Leadership Development Programme Course
 Senior Management Course

Head of Human Resource Management

Ms. Ellyjoy G. Bundi- Head of Human Resource Management

IV. STATEMENT BY THE CHAIRPERSON

The Commission is committed towards continuously improving the welfare of its staff through implementation of various products such as the EACC Staff Mortgage and Car Loan Scheme. The Scheme was initiated in the Financial Year 2016/17 and is implemented in line with Salaries and Remuneration Commission guidelines. The benefits derived by staff are enormous and attribute to attraction and retention of requisite skills.

The National Treasury has funded the basket in consecutive financial periods totalling to Kshs 770 million as at the time of reporting. This is encouraging and we intend to deepen the relationship in order to expand the fund. The uptake of the mortgage and car loan has been on an increase necessitating the Commission to come up with diverse products. Sharia compliant facility was added to the scheme in the course of last Financial Year and operationalized in the period under review.

The governance and management of the fund is as set out in the loan entitlement and conditions stipulated in detailed Staff Mortgage and Car Loan Scheme Policies and Regulations and as per the guidelines by the Salaries and Remuneration Commission.

I urge the staff to utilize the opportunity provided by the Government and acquire homes and cars to take care of their families. I further wish to state the uptake of the facility has a direct effect in supporting the Government's Big Four Agenda.

May the Almighty God bless you all.



ARCHBISHOP (RTD) ELIUD WABUKALA, EBS
CHAIRPERSON

V. REPORT OF THE SECRETARY/CHIEF EXECUTIVE OFFICER

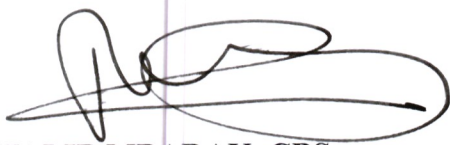
The Commission maintains elaborate policies and practises practices aimed at creating an enabling environment for optimal productivity. In this respect, the Commission initiated the EACC Staff Mortgage and Car Loan scheme, in line with existing Government regulations.

It is a pleasure to present the Financial Statements of the EACC Staff Mortgage and Car Loan scheme for the year ending 30th June, 2019. The Financial Statements presented comprise of the Statement of financial performance, Statement of the Financial Position, Statement of Changes in Net Assets and Statement of Cash Flow.

The Commission always ensures prudent financial management and reporting in line with Public Finance Management Act (PFMA) 2012, Government Financial Regulations, 2015 and International Public Sector Accounting Standards (IPSAS) resulting in efficient and effective administration of the Scheme. The Scheme has been beneficial to staff and has enhanced staff morale and productivity.

The administration of the scheme is overseen by a Staff Mortgage and Car Loan Scheme Advisory Committee in liaison with external professional service providers. The Scheme has facilitated 75 applicants for mortgage and 68 applicants for car loan during the period under review.

I encourage all staff members to utilize the facility for improvement of their welfare and to remain resilient and focused in the performance of their duties.



TWALIB MBARAK, CBS

SECRETARY/ CHIEF EXECUTIVE OFFICER

VI. 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 Commission 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 which are representatives of the secretariat. 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.

VII. 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.

VIII. MANAGEMENT DISCUSSIONS AND ANALYSIS

The Staff Mortgage and Car Loan Scheme was introduced in the financial year 2016/2017 and has steadily grown from the initial Kshs. 300 Million to Kshs. 770 Million reported in the current financial year.

The facility has continued to be an exciting benefit to the Commission's staff. It has grown overtime recording 75 successful applications for mortgage amounting to Kshs 593,938,370 and 68 successful applications for Car loan amounting to Kshs. 88,941,300 as at the end of the period under review.

Performance for the periods 2015/2016 to 2018/2019

	Mortgage	Car Loan	Total
Financing from National Treasury	710,000,000	60,000,000	770,000,000
Principal repayments received	53,802,898	32,765,294	86,568,192
Interest earned	64,672,829	28,759,389	93,432,217
Total Inflows	828,475,726	121,524,683	950,000,409
Loans Issued	593,938,370	88,941,300	682,879,670
Scheme Administration Cost	27,096,417	3,108,961	30,205,378
Total Outflows	621,034,787	92,050,261	713,085,048
Net Inflows	207,440,939	29,474,422	236,915,361

The Management is hopeful that in the future the scheme will be a revolving fund that is self-sustaining. To effectively manage the risk, the management took a decision to engage independent service providers and tap their expertise in credit management. In the last financial year, the scheme introduced Sharia compliant products for the members of staff professing Islam faith.

IX. 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, 2019 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 effects of corruption and promote ethics and integrity. EACC staff mortgage and Car loan is a scheme that supports the Commission's staff to acquire homes and purchase cars.

Results

The results of the entity for the year ended June 30, 2019 are set out on page 1 to 14.

Commission

The members of the Commission who served during the year are shown on page v 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 Public Audit Act, No 34 of 2015 and the Ethics and Anti-Corruption Commission Act, 2011.

X. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 26 of the Ethics and Anti-Corruption Act, require the Management to prepare Financial Statements in respect of EACC, which give a true and fair view of the state of affairs of the Commission and the scheme 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, 2019. 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, 2019, 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 ^{3rd}..... October 2019 and signed on its behalf by:



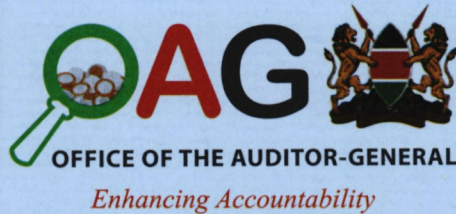
**Arch Bishop (Rtd) Eliud Wabukala, EBS
Chairperson**



**Twalib Mbarak, CBS
Secretary/Chief Executive Officer**

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ETHICS AND ANTI-CORRUPTION COMMISSION - STAFF HOUSE MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Ethics and Anti-Corruption Commission - Staff House Mortgage and Car Loan Scheme set out on pages 1 to 15, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Ethics and Anti-Corruption Commission - Staff House Mortgage and Car Loan Scheme as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Ethics and Anti-Corruption Commission (EACC Staff Motor Car Loan Scheme) Regulations, 2017 and Ethics and Anti-Corruption Commission (EACC Staff House Mortgage Scheme) Regulations, 2017.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Ethics and Anti-Corruption Commission - Staff House Mortgage and Car Loan Scheme in accordance with ISSAI 130 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 audit opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND OVERALL GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects.

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

Responsibilities of Management and those Charged with Governance

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 Scheme's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to have the 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 Scheme's financial reporting process.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 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 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 Scheme 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 Scheme 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

10 August, 2020

Ethics and Anti-Corruption Commission Mortgage and Car loan scheme Annual Reports and Financial Statements for the year ended June 30, 2019

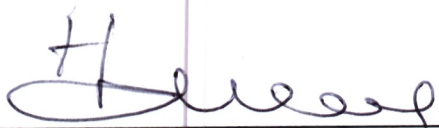
**STATEMENT OF FINANCIAL PERFORMANCE
AS AT 30 JUNE 2019**

	Notes	2018-2019 Kshs.	2017-2018 Kshs.
Revenue from exchange transactions			
Interest on Bank Balance	5	13,462,514	20,711,003
Interest on Individuals Staff House Mortgage and Car Loans	6	20,975,263	14,596,483
Total Revenue		34,437,777	35,307,487
Expenses			
3% Commission to Service Provider	7	15,731,447	10,947,362
Total Expenses		15,731,447	10,947,362
Surplus for the period		18,706,330	24,360,125

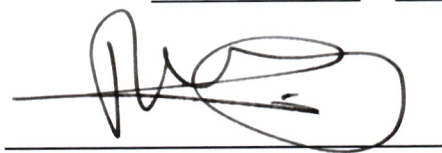
Ethics and Anti-Corruption Commission Mortgage and car loan Scheme Annual Reports and Financial Statements for the year ended June 30, 2019

**STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019**

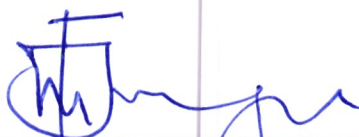
	Notes	2018-2019 Kshs.	2017-2018 Kshs.
Assets			
Current Assets			
Cash and cash equivalents	8	236,915,361	339,252,802
Short term receivables from staff House Mortgage	9	30,887,419	23,819,847
Short term receivables from staff Car Mortgage	9	17,685,327	10,625,337
		<u>285,488,107</u>	<u>373,697,986</u>
Non-Current Assets			
Long term receivables from staff House Mortgage	10	509,248,054	369,203,666
Long term receivables from staff Car Mortgage	10	38,490,679	31,618,858
		<u>547,738,733</u>	<u>400,822,524</u>
Total Assets		<u><u>833,226,840</u></u>	<u><u>774,520,510</u></u>
Liabilities			
Current Liabilities			
	11	1,836,397	1,836,397
Non-Current Liabilities			
		-	-
Total liabilities		<u>1,836,397</u>	<u>1,836,397</u>
Net Assets			
Reserves(Accumulated fund)	12	61,390,443	42,684,113
Mortgage and Car Loan Revolving fund	13	770,000,000	730,000,000
		<u>831,390,443</u>	<u>772,684,113</u>
Total Net assets and liabilities		<u><u>833,226,840</u></u>	<u><u>774,520,510</u></u>



Arch Bishop (Rtd) Eliud Wabukala, EBS
Chairperson



Twalib Mbarak, CBS
Secretary/Chief Executive Officer



Joel I. Mukumu
Ag. Director, Finance and Planning

Ethics and Anti-Corruption Commission Mortgage and car loan Scheme Annual Reports and Financial Statements for the year ended June 30, 2019

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Staff car loan and mortgage fund	Revenue reserve	Total
		Kshs	Kshs	Kshs
Balance as at 30 June 2017		600,000,000	18,323,988	618,323,988
Staff car loan and mortgage fund		130,000,000		130,000,000
Surplus for the period		-	24,360,125	24,360,125
Balance as at 30 June 2018		730,000,000	42,684,113	772,684,113
Staff car loan and mortgage fund	14	40,000,000		40,000,000
Surplus for the period		-	18,706,330	18,706,330
Balance as at 30 June 2019		770,000,000	61,390,443	831,390,443

Ethics and Anti-Corruption Commission Mortgage and car loan Scheme Annual Reports and Financial Statements for the year ended June 30, 2019

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2019**

Notes

	2018-2019	2017-2018
	Kshs.	Kshs.
Cash flows From Operating Activities		
Surplus from operations	18,706,330	24,360,125
	<u>18,706,330</u>	<u>24,360,125</u>
Income from Operations		
Staff Mortgage and Car Loan short term receivables	(14,127,561)	(13,685,966)
Increase/(Decrease) in payables	-	1,836,397
	<u>4,578,769</u>	<u>12,510,566</u>
Net cash flows from operating activities	4,578,769	12,510,566
Cash flows From Investing Activities		
Staff Mortgage and Car Loan long term receivables	(146,916,209)	(146,058,296)
	<u>(146,916,209)</u>	<u>(146,058,296)</u>
Net cash utilized in investing activities	(146,916,209)	(146,058,296)
Cash flows From Financing Activities		
Staff Mortgage and Car Loan Fund	14 40,000,000	130,000,000
	<u>40,000,000</u>	<u>130,000,000</u>
Net cash used in Financing activities	40,000,000	130,000,000
Net increase in cash and cash equivalents	(102,337,441)	(3,547,740)
Bank and Cash equivalents at beginning of year	339,252,802	342,800,542
	<u>339,252,802</u>	<u>342,800,542</u>
Bank and cash equivalent at end of year	<u>236,915,361</u>	<u>339,252,802</u>

Ethics and Anti-Corruption Commission Mortgage and Car loan scheme Annual Reports and Financial Statements for the year ended June 30, 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FY 2018/2019					
	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Government grants and subsidies	-	-	-	-	-
Development Expenditure	-	-	-	-	-
Staff mortgage Car loan	40,000,000	-	40,000,000	40,000,000	-
Other Income	-	-	-	34,437,777	(34,437,777)
Total income	40,000,000	-	40,000,000	74,437,777	(34,437,777)
Expenses					
Compensation of employees	-	-	-	-	-
Use Goods and services	-	-	-	15,731,447	(15,731,447)
Staff Loan	40,000,000	-	40,000,000	40,000,000	-
Total expenditure	40,000,000	-	40,000,000	55,731,447	(15,731,447)
Surplus for the period				18,706,330	(18,706,330)

Note:

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

Use of goods and service: This represents cost of scheme administration recovered by scheme administrators.

Staff Loan: This represents the budgetary allocation during the Financial Year and funds transferred to the scheme.

NOTES TO THE FINANCIAL STATEMENTS

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

The Commission's Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

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

2. Summary of significant accounting policies

a) Revenue recognition

Revenue from non-exchange transactions – IPSAS 23

Income is recognized in the period in which it is received. Government and donor funding is only recognized on receipt. Income is not accrued if its recoverability is considered doubtful. Interest income is recognized on a time proportion basis using the effective interest rate method.

Transfers from other government entities

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

Sale of goods

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

Interest income

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

Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Report and Financial Statement for the year ended June 30, 2019

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 their recognition 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 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.

Notes to financial statements continued...

Contingent liabilities

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

i) Changes in accounting policies and estimates – IPSAS 3

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

j) Cash and cash equivalents

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

k) Comparative figures

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

i) Significant judgments and sources of estimation uncertainty – IPSAS 1

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Useful lives and residual values

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

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

Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Report and Financial Statement for the year ended June 30, 2019

Notes to financial statements continued...

Income from Bank Balance

Item	2018-2019 KShs	2017-2018 KShs
Staff Mortgage Bank Account HFC	3,971,687	9,006,230
Staff Mortgage Bank Account KCB	5,958,222	-
Interest overstated in previous period	(985,805)	-
Interest Car Loan Bank Account	4,518,411	11,704,774
Total Income from Bank Balance	13,462,514	20,711,004

6 Finance income from Individual Staff Mortgage and Car Loans ;4%

	2018-2019 KShs	2017-2018 KShs
Individual Staff Mortgage 4% Interest	18,913,027	13,027,792
Individual Car Loan 4% Interest	2,062,236	1,568,691
Total Individual Staff Interest	20,975,263	14,596,483

7 Expenses;3% Commission for service Provider

	2018-2019 KShs	2017-2018 KShs
Individual Staff Mortgage 3% Interest	14,184,770	9,770,844
Individual Car Mortgage 3% Interest	1,546,677	1,176,519
Total Expenses	15,731,447	10,947,363

8 Bank Balances

Item	2018-2019 KShs	2017-2018 KShs
HFC Staff Mortgage Bank Account	84,949,973	29,894,733
KCB Staff Mortgage Bank Account	122,490,965	130,000,000
HFC Car Loan Bank Account	29,474,423	179,358,069
	236,915,361	339,252,802

Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Report and Financial Statement for the year ended June 30, 2019

Notes to financial statements continued...

Short -Term Receivables from non-exchange contracts		
	2018-2019	2017-2018
	KShs	KShs
EACC Mortgage Issuance	30,887,419	23,819,847
EACC Car Loan Issuance	17,685,327	10,625,337
Total Short -Term Receivables	48,572,745	34,445,184
10 Long -Term Receivables from non-exchange contracts		
	2018-2019	2017-2018
	KShs	KShs
EACC Mortgage Issuance	509,248,054	369,203,666
EACC Car Loan Issuance	38,490,679	31,618,858
Total Long -Term Receivables	547,738,733	400,822,524
11 Current Liabilities		
	2018-2019	2017-2018
	KShs	KShs
Interest Due to HFC	1,836,397	1,836,397
Total Current Liabilities	1,836,397	1,836,397
The interest due to HFC refers to amount credited to the Commission car loan bank account in the previous financial year which was in excess of the expected amount hence refundable to Housing Finance Company Ltd.		
12 Revenue Reserve		
	2018-2019	2017-2018
	KShs	KShs
Balance Brought Forward	42,684,112	18,323,988
Surplus for the year	18,706,330	24,360,124
Total	61,390,442	42,684,112

Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Report and Financial Statement for the year ended June 30, 2019

Notes to financial statements continued...

3 Fund Balances

Item	2018-2019 KShs	2017-2018 KShs
Balance Brought Forward	730,000,000	600,000,000
Staff House Mortgage	40,000,000	130,000,000
Staff Car Loan	-	-
Total	770,000,000	730,000,000

14 Fund Performance

The Scheme recorded 23 applications for Mortgage amounting to Kshs 176,407,429 and 25 for Car Loan amounting to Kshs. 32,648,500 as at the end of the period under review compared with 24 and 19 successful applications respectively in the previous financial year, as analysed in the schedule in note 15.

Statement of Fund Performance

Scheme	2018-2019		2017-2018	
	Number of successful applicants	Amount	Number of successful applicants	Amount
Staff Mortgage	23	176,407,429	24	170,300,379
Staff Car loan	25	32,648,500	19	19,761,000
	48	209,055,929	43	190,061,379

Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Report and Financial Statement for the year ended June 30, 2019

Notes to financial statements continued...

5. EACC Staff Car Loan and House Mortgage Scheme

The Commission funded; Kshs 40,000,000/- for Staff Car Loan and Mortgage Scheme.

Fund Accountability Statement as at 30th June 2019

	House Mortgage Scheme Interest	House Mortgage Scheme	Car Loan Scheme Interest	Car Loan Scheme	Total
Scheme Funding:					
Opening Balance 01.07.2018		552,918,246		221,602,263	774,520,509
Funding for the year		80,000,000		(40,000,000)	40,000,000
Inter-fund transfers		100,000,000		(100,000,000)	-
Total Capital Funding		732,918,246		81,602,263	814,520,509
Interest					
Interest earned on Bank Balance KCB		5,958,222		-	5,958,222
Interest earned on Bank Balance HFC		3,971,687		4,518,411	8,490,098
Interest overstated in 2016-2017		-		(985,805)	(985,805)
Interest earned ;4% on Loans Issued	18,913,027		2,062,236		
Less:3% Commission for HFC	(14,184,770)	4,728,257	(1,546,677)	515,559	5,243,816
Total net Interest		14,658,165		4,048,165	18,706,330
Total Fund		747,576,411		85,640,428	833,226,839
Net Loans Issued KCB		(13,467,257)		-	(13,467,257)
Net Loans Issued HFC		(526,668,215)		(56,176,006)	(582,844,221)
Fund Balance 30.06.2019		207,440,939		29,474,422	236,915,361

Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Report and Financial Statement for the year ended June 30, 2019

Notes to financial statements continued...

6. Events After the reporting period

There were no material adjusting and non-adjusting events after the reporting period

17. Currency

The Financial statements are presented in Kenya Shillings (Ksh).

Ethics and Anti-Corruption Commission Mortgage and Car Loan Scheme Annual Report and Financial Statement for the year ended June 30, 2019

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The Scheme did not have any Audit follow up issues for the previous Audited Financial Year 2017/18 for the Staff Mortgage Car Loan Fund financial statement.



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



**Twalib Mbarak, CBS
Secretary/Chief Executive Officer**