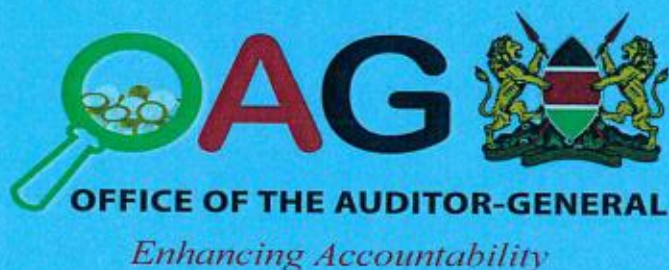


REPUBLIC OF KENYA



**REPORT**

DATE: 22 FEB 2023

DAY

**OF**

TABLED  
BY:

HON DWEN BAYA, MP

CHIEF OF  
THE TABLE:

DEPUTY LEADER OF MAJORITY

CHRISTINE KIRITHI

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE, 2022**





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**ETHICS AND ANTI-CORRUPTION COMMISSION**

**STAFF HOUSE MORTGAGE AND CAR LOAN SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2022**





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## **1. KEY FUND INFORMATION AND MANAGEMENT**

### **a) Background information**

Ethics & Anti-Corruption Commission Staff House Mortgage and Car Loan Scheme Fund was established and derives its authority and accountability from the provisions under Section 84(1), Section 24 (4) (5) (6) (7) of the PFM Act, 2012 and Section 127 (1) (2) of the PFM (National Government) Regulations, 2015.

The EACC Staff House Mortgage and Car Loan Fund was set in the financial year 2016-2017 as a revolving fund pursuant to the salaries and Remuneration Commission (SRC) Circular ref No. SRC/ADM/CIR/1/13 Vol. III (128) of 17<sup>th</sup> December 2014 on Mortgage and Car Loan Schemes for State Officers and other Public Officers of Government of Kenya, with the objective of providing a loan scheme for the purpose of acquisition of motor car and residential property for staff.

The Fund is wholly owned by Ethics & Anti-Corruption Commission (EACC) and is domiciled in Kenya.

### **b) Principal Activities**

The principal activity of the fund is to provide:

- (i) Mortgage loans to EACC staff for the sole purpose of:
  - a) Purchasing an existing residential property;
  - b) Purchase of land and construction;
  - c) Construction, renovation and/or improvement of existing residential property or existing plot/land;
  - d) Takeover loans on existing mortgages or equity release on existing mortgage property/ies.
- (ii) Loans for acquisition of motor car for personal use by EACC staff.

The Fund is administered by the EACC Staff Mortgage and Car Loan Advisory Committee. The committee is charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Fund.

The Scheme's Secretariat and the administrator are drawn from the Ethics & Anti-Corruption Commission (EACC) but its management is under the Housing Finance Corporation bank and the KCB Bank. The role of the banks is to manage the scheme and provide administrative services for the fund.

**c) Commission**

| Ref | Position                    | Name  |
|-----|-----------------------------|---|
| 1   | Chairperson                 | Archbishop (Emeritus) Dr. Eliud Wabukala, EBS |
| 2   | Commissioner                | Dr. Monica Muiru                              |
| 3   | Commissioner                | Col. (Rtd) Alfred Mshimba                     |
| 4   | Secretary to the Commission | Twalib Mbarak, CBS                            |

**d) Key Management**

| Ref | Position                                       | Name   |
|-----|--|--|
| 1   | Fund Administrator                             | Mr. Twalib Mbarak, CBS<br>Secretary/Chief Executive Officer                                      |
| 2   | Fund Accountant                                | CPA Joel I. Mukumu<br>Director, Finance and Planning   |
| 3.  | Staff Mortgage and Car Loan Advisory Committee | Mr. David Too, OGW<br>Director, Legal Services & Asset Recovery/<br>Committee Chairperson        |
| 4   | Staff Mortgage and Car Loan Advisory Committee | Ms. Ellyjoy G. Bundi<br>Ag. Deputy Director, Human Resource<br>Management/ Secretary             |
| 5   | Staff Mortgage and Car Loan Advisory Committee | Mr. Abdi A. Mohamud, MBS<br>Deputy Chief Executive Officer/Director of<br>Investigations/ Member |
| 6   | Staff Mortgage and Car Loan Advisory Committee | Mr. Vincent O. Okong'o<br>Director, Preventive Services/ Member                                  |

|   |  |   |
|---|--|---|
| 7 | Staff Mortgage and Car Loan Advisory Committee | Mr. Jackson K. Mue, OGW<br>Director, Field Services & Coordination/<br>Member |
| 8 | Staff Mortgage and Car Loan Advisory Committee | CPA John Lolkoloi, OGW<br>Director, Ethics & Leadership/ Member               |
| 9 | Staff Mortgage and Car Loan Advisory Committee | Mr. Eddie Odhiambo- Assistant Director,<br>Supply Chain Management/ Member    |

**e) Fiduciary Oversight Arrangements**

| Ref | Position                                       | Name   |
|-----|--|--|
| 1.  | Risk & Audit Committee                         | Mr. Lawrence Nyalle<br>(Independent Chairperson) |
| 2.  | Deputy Director, Internal Audit                | Mr. Hassan Kidzuga                               |
| 3.  | Staff Mortgage and Car loan Advisory Committee | Mr. David Too<br>(Chairperson)                   |
| 4.  | Staff Mortgage and Car loan Advisory Committee | Ms. Ellyjoy G. Bundi<br>(Secretary)              |

**f) Registered Offices**

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

**g) Fund Contacts**

Headquarters, Nairobi  
Integrity Centre  
Jakaya Kikwete /Valley Road Junction  
P. O. Box 61130-00200, Nairobi  
Tel: (254) (020) 4997000  
Mobile: 0709 781000; 0730 997000  
Fax: (020) 2240954  
Email address: [eacc@integrity.go.ke](mailto:eacc@integrity.go.ke)



**h) Fund Bankers**

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

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

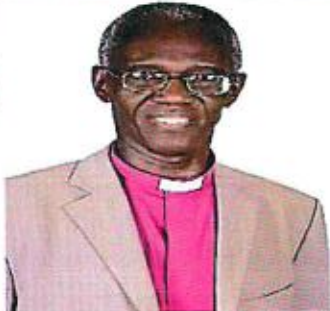
**i) Independent Auditors**



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

**j) Principal Legal Adviser**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112-00200 City Square  
Nairobi, Kenya


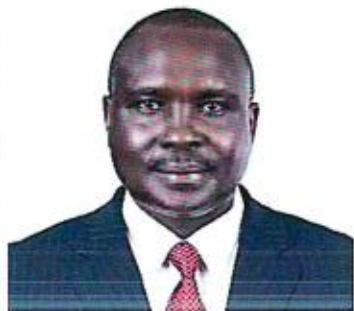
## 2. THE COMMISSION




| Ref | Commission Members   | Details   |
|-----|--|---|
| 1.  |  <p><b>Archbishop (Emeritus) Dr. Eliud Wabukala, EBS -Chairperson</b></p> | <p>Chairperson and Independent Commissioner,</p> <p>Born in the year 1951; 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>Previously 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>He has been involved in many peace mitigations and reconciliation including the 2007 post-election violence in Kenya. Archbishop (Emeritus) Dr. Wabukala, EBS was also involved in the reform process in South Sudan.</p> |
| 2.  |  <p><b>Commissioner Dr. Monica Muiru-Vice-Chairperson</b></p>           | <p>Vice Chairperson and Independent Commissioner</p> <p>Born in the year 1965; She is a trained, experienced and internationally exposed business professional and academic scholar with many years of experience in accounting, finance and management.</p> <p>Previously served as a lecturer at Egerton University and worked at Kenya Broadcasting Corporation (KBC), East African Standard, Mellon Bank in Pittsburgh USA and Motient Corporation, Reston, Virginia, USA.</p> <p>She is a fellow of the Chartered Institute of Marketing, a member of Zonta International and an Associate member of the American Chartered Institute of Accounting.</p>   |

|    |   |  |
|----|---|--|
| 3. |  <p><b>Commissioner Col. (Rtd) Alfred Mshimba</b></p>                        | <p><b>Independent Commissioner</b></p> <p>Born in the year 1959 and appointed on 14th December, 2021. Col. Mshimba is a retired career military officer with over 30 years' experience in leadership, administration, human resource management, procurement and diplomacy.</p> <p>In addition, Commissioner Col. (Rtd) Mshimba, has been recognized for his service and was honoured by receiving the Military Observer, United Nations Western Sahara Morocco (MINRUSO) Medal among other accolades.</p>   |
| 4. |  <p><b>Mr. Twalib Mbarak, CBS<br/>Secretary/Chief Executive Officer</b></p> | <p><b>Born in 1965; Secretary and Chief Executive Officer of the Commission</b></p> <p>Served as Major at Kenya Armed Defence Forces, Senior Officer at National Intelligence Service (NIS), Kenya Anti-Corruption Commission (KACC) and Kenya Electricity Generating Company (KenGen).</p> <p>Experienced 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.</p> |



### 3. MANAGEMENT TEAM

|    | Management  | Details   |
|----|---|---|
| 1. |  <p><b>Mr. Twalib Mbarak, CBS</b><br/><b>Secretary/Chief Executive Officer</b></p>                             | <p>Master of Arts in Armed Conflict &amp; Peace Studies</p> <p>Bachelor of Arts (Political Science and Sociology)</p> <p>Diploma in Armed conflict and Peace Studies</p> <p>Diploma Advanced Intelligence Course</p> <p>Diploma, Private Investigations</p> <p>Advanced Intelligence Course</p> <p>FBI undercover Certification Course</p> <p>Strategic Intelligence Course</p> |
| 2. |  <p><b>Mr. Abdi A. Mohamud, MBS</b><br/><b>Deputy Chief Executive Officer/Director of Investigations</b></p> | <p>Master of Science (Security and Risk Management)</p> <p>Bachelor of Laws (LLB)</p> <p>Strategic Leadership Development Programme</p> <p>Senior Leadership and Management Course</p> <p>Corporate Governance Course</p> <p>Local and International Fraud Investigation courses</p>  |
| 3. |  <p><b>Mr. David K. Too, OGW</b><br/><b>Director, Legal Services &amp; Asset Recovery</b></p>                | <p>Master of Business Administration</p> <p>Bachelor of Laws (LLB)</p> <p>Diploma in Law</p> <p>Strategic Leadership Development Programme Course</p> <p>Senior Management Course</p> <p>Corporate Governance Training Course</p>   |

|    |  |  |
|----|--|--|
| 4. |  <p><b>CPA John Lolkoloi, OGW - Director,<br/>Ethics &amp; Leadership</b></p> | <p>Master of Business Administration (Strategic Management)</p> <p>Bachelor of Commerce (Finance Option)</p> <p>Certified Public Accountant of Kenya</p> <p>Certified Fraud Examiner</p> <p>International Visitor Leadership Program (IVLP)</p> <p>Strategic Leadership Development Programme Course</p> <p>Corporate Governance Training Course</p> |
| 5. |  <p><b>Mr. Vincent O. Okong'o<br/>Director, Preventive Services</b></p>      | <p>Master of Arts (Economics &amp; Social Studies)</p> <p>Master of Arts in Economic Policy Management</p> <p>Bachelor of Arts (Economics)</p> <p>Strategic Leadership Development Programme Course</p> <p>Corporate Governance Course</p>   |
| 6. |  <p><b>CPA Joel I. Mukumu<br/>Director, Finance and Planning</b></p>        | <p>Master of Business Administration (Finance)</p> <p>Bachelor of Commerce (Accounting Option).</p> <p>Certified Public Accountant of Kenya</p> <p>Strategic Leadership Development Programme Course</p> <p>Corporate Governance Course</p> <p>Senior Management Course</p>  |



|    |  |   |
|----|--|---|
| 7. |  <p><b>Mr. Jackson K. Mue, OGW</b><br/><b>Director, Field Services &amp; Coordination</b></p>   | <p>Master of Science in ICT Policy and Regulation<br/>Bachelor of Science (Mathematics &amp; Computer Science)<br/>Post Graduate Diploma in Computer Science,<br/>Strategic Leadership Development Programme Course<br/>Certificate Course in Governance, Ethics and Economic Crimes<br/>Economic Crime Intelligence Course<br/>Corporate Governance Course</p> |
| 8. |  <p><b>Mr. Eddie Odhiambo- Assistant</b><br/><b>Director, Supply Chain Management</b></p>      | <p>Master of Business Administration<br/>Bachelor of Science (Statistics &amp; Computer Science)<br/>Diploma in Purchasing and Supplies Management<br/>Chartered International Procurement Professional</p>   |
| 9. |  <p><b>Ms. Ellyjoy G. Bundi</b><br/><b>Ag. Deputy Director, Human Resource Management</b></p> | <p>Master of Business Administration (HRM)<br/>Bachelor of Education<br/>Diploma in Human Resources Management<br/>Strategic Leadership Development Programme Course<br/>Corporate Governance Course<br/>Senior Management Course</p>   |

#### **4. CHAIRMAN'S REPORT**

The Ethics and Anti-Corruption Commission started the EACC Staff House Mortgage and Car Loan Scheme in July 2016 in line with Salaries and Remuneration Commission Guidelines to enable staff acquire residential houses and motor cars at favourable interest rates as a way of attracting, retaining, and motivating staff. I am also delighted to see the tremendous growth of the scheme from a humbling seed of Kshs 300 million to current cash inflows of Kshs 1,602,454.

I'm pleased to present the EACC Staff House Mortgage and Car Loan Scheme financial statements for the Financial Year 2021/22. The National Treasury has funded the scheme in consecutive financial periods totalling to Kshs 1,085,000,000 as at the time of reporting. The Commission appreciates the support of the Government through The National Treasury. The uptake of the mortgage and car loan has been on an increase and the Commission continues to review the products available to ensure optimal uptake of the facility.

The governance and management of the Scheme is as set out in the loan entitlement and conditions stipulated in the EACC Staff Mortgage and Car Loan Scheme Policies and Regulations, 2016 (Revised 2019) and as per the guidelines issued by the Salaries and Remuneration Commission.

The facilities have helped the staff to improve on their wellbeing as well as that of their families. Indeed, this has a direct effect in supporting the Government's Big Four Agenda on affordable housing.

God bless Kenya, God bless you all.



.....  
**ARCHBISHOP (EMERITUS) DR. ELIUD WABUKALA, EBS**  
**CHAIRPERSON**

## **5. REPORT OF THE FUND ADMINISTRATOR**


The EACC Staff House Mortgage and Car Loan Scheme was established and is governed in line with existing Government regulations. In this regard, the Commission hereby presents the Financial Statements of the Staff House Mortgage and Car Loan scheme for the year ending 30th June, 2022. The Financial Statements presented comprises of the statement of financial performance, statement of financial position, statement of changes in net assets and statement of cash flow.

The EACC Staff House Mortgage and Car Loan Scheme ensures prudent financial management and reporting in line with Public Finance Management Act, (PFMA) 2012, Public Financial Regulations, 2015 and International Public Sector Accounting Standards (IPSAS). As result, the administration of the Scheme has been efficient and effective in meeting the intended purpose.

The implementation and administration of the Scheme is overseen by a Staff Mortgage and Car Loan Scheme Advisory Committee in liaison with external professional service providers. The Committee meets regularly to consider loans applications and make recommendations to the Service providers. The National Treasury has funded the scheme since inception to Kshs. 1,085,000,000 as at date of reporting. In the period under review, the scheme got funding from the National Treasury to the tune of Kshs. 100,000,000. Over time, the total cash inflows into the fund have grown to Kshs. 1,602,206,454. So far, the Scheme has facilitated 146 successful applicants for mortgage and 96 applicants for car loans.

I wish to report that during the period under review, nine mortgage applicants benefited while one car loan applicant was facilitated. Accordingly, the total amount disbursed during the financial year to facilitate staff mortgage is Kshs. 82,462,033 while car loan was Kshs. 2,000,000.

The scheme continues to meet its objective of creating an enabling environment for optimal productivity by providing a competitive loan scheme for members of Staff. The Scheme has been beneficial to staff and has enhanced staff morale and productivity. 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 TO THE COMMISSION/ FUND ADMINISTRATOR**

## 6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

### Introduction

Section 81 (2)(f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each national government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key strategic objectives are contained in the EACC 2018-2023 Strategic Plan. However, to achieve the objective of the Salaries and Remuneration Commission (SRC) circular Ref. No: SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December 2014 that initialized the establishment of the fund, the EACC 2018-2023 Strategic Plan incorporated the following as one of its strategic objectives.

- To attract and retain a productive and motivated human resource

To realise this strategic objective, the EACC Staff House Mortgage and Car Loan Scheme relied on its strategic plan to guide activities, policy formulation and work plans and made the following progress and achievements towards its targeted objective during FY 2021/2022.

Below we provide the progress on attaining the stated objective:

| Program                                   | Objective   | Outcome  | Indicator  | Performance   |
|---|---|--|--|---|
| Control and Management of Public Finances | To attract and retain a productive and motivated human resource | Increased number of staff accessing the mortgage | Percentage of staff retained in EACC and number of staff who accessed the mortgage loans | The number of staff who accessed the mortgage and car loans rose from 232 in FY 2020/2021 to 242 staff in FY 2021/2022. This has led to a motivated workforce and retention of staff in EACC. |



## **7. CORPORATE GOVERNANCE STATEMENT**

### **The EACC Staff House Mortgage and Car Loan Scheme Fund**

The Ethics and Anti-Corruption Commission Staff House Mortgage and Car loan scheme Fund is a revolving fund established pursuant to the Salaries and Remuneration Commission (SRC) circular number SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December 2014 and Section 24 (4)(5)(6)(7) of the Public Finance Management (PFM) Act, 2012 and 127 (1)(2) of the PFM (National Government) Regulations, 2015.

Its mandate is to provide car loans and house mortgage to members of staff. The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the committee at its apex. The operations of the fund are governed by EACC Staff Mortgage and Car Loan Scheme Regulations, 2016 (Revised 2019) and PFM Act, 2012, PFM Regulations, SRC Circulars, National Treasury Circulars and any other government legislations.

### **The Fund Management Committee**

Section 9 & 10 of the EACC Staff Mortgage Regulations, 2016 (Revised 2019) provides for appointment of committee and administrator of the fund. The committee is made up of Twelve members including the Chairperson and a Secretary. The committee is responsible for the long-term strategic direction of the fund. The committee exercises leadership, enterprise, integrity and judgment in directing the Fund.

The committee members are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the fund is delegated to the fund administrator but the committee is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate.

### **Committee Meetings**

The committee meets quarterly or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets. The committee also plays an oversight role over all other financial and operational issues.



### **Statement of Compliance**

The committee confirms that the fund has throughout the financial year 2021/2022 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

### **Internal Control and Risk Management**

The committee is responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

### **Management Team**

The management team headed by the Fund Administrator implements the committee decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the committee's objectives are achieved effectively and efficiently.

### **Auditor**

The fund is audited by the Office of Auditor-General.

## 8. MANAGEMENT DISCUSSION AND ANALYSIS

### a) Operational and financial performance of the Fund during the period

The Scheme was introduced six (6) years ago and has cash inflows of Kshs 1,602,206,454 as reported in the period under review.

The number of applicants who have shown interest in Mortgage and Car Loan facility has grown over time with the waiting list becoming bigger every day. There are 146 successful applications for mortgage amounting to Kshs. 1,120,758,575 and 96 successful applications for Car Loan amounting to Kshs. 126,096,300 as at the end of the period under review.

#### Performance for the periods 2015/2016 to 2020/2022

|                                    | <b>Mortgage<br/>Kshs</b> | <b>Car Loan<br/>Kshs</b> | <b>Total<br/>Kshs</b> |
|------------------------------------|--------------------------|--------------------------|-----------------------|
| Exchequer funding HFC Schemes      | 520,000,000              | 25,000,000               | 545,000,000           |
| Exchequer funding KCB Schemes      | 527,000,000              | 13,000,000               | 540,000,000           |
| Principal repayments received HFC  | 176,651,594              | 94,899,357               | 271,550,951           |
| Principal repayments received KCB  | 39,385,648               | 2,234,909                | 41,620,557            |
| Interest earned on HFC Schemes     | 128,615,960              | 34,424,140               | 163,040,100           |
| Interest earned on KCB Schemes     | 40,208,150               | 786,696                  | 40,994,846            |
| <b>Total Inflows</b>               | <b>1,431,861,352</b>     | <b>170,345,102</b>       | <b>1,602,206,454</b>  |
| Loans Issued HFC Schemes           | 682,521,447              | 116,416,300              | 798,937,747           |
| Loans Issued KCB Schemes           | 438,237,128              | 9,680,000                | 447,917,128           |
|                                    | <b>1,120,758,575</b>     | <b>126,096,300</b>       | <b>1,246,854,875</b>  |
| Scheme Administration Cost         | 93,450,912               | 7,661,267                | 101,112,179           |
| Withholding Tax on Interest Income | 1,319,222                | 57,496                   | 1,376,718             |
| Bank Service Charges               | 4,050                    | 1,665                    | 5,715                 |
| <b>Total Outflows</b>              | <b>1,215,532,759</b>     | <b>133,816,728</b>       | <b>1,349,349,487</b>  |
| <b>Net Inflows</b>                 | <b>216,328,594</b>       | <b>36,528,372</b>        | <b>252,856,967</b>    |

Due to increased demand for mortgage and car loan facility, the fund has been facing inadequate resource challenges due to limited funding by the National Treasury. However, there is a great expectation that in future the scheme will be a self-sustaining revolving fund.

**b) Fund's key projects or investments decision implemented or ongoing**

The Commission has continued to invest in the mortgage and car loan schemes for the staff. This is intended to provide affordable housing for the staff while at the same time facilitating the staff to conveniently commute to and from work.

**c) Fund's compliance with statutory requirements**

The fund complied with all its statutory and tax obligations in the implementation of its mandate. Further the fund complied with all the necessary laws and regulations applicable in the management of the funds

**d) Risk management activities**

The Scheme has put in place risk management framework for risk identification and mitigation. Further it has embedded risk management in all its planning, execution, evaluation and business continuity arrangements.

Some of the key risks facing the scheme fund include

- i) **Strategic Risks:** These are risks that affect the ability to carry out the long-term goals and objectives of the fund due to inadequate funding.
- ii) **Compliance Risks:** These are risks associated with non-compliance with applicable laws and regulations could result in litigation and conflict of interest.
- iii) **Financial Risks:** The risk of financial loss that may include ineffectiveness of internal controls, inadequate funding, inability to service the loans and delay in financial reporting due to reliance on third party financial information. The delayed funding may also result in the Commission's inability to fund all the applications hence delay in issuing loans and acquisition of the properties.
- iv) **Operational Risk:** The risk of direct or indirect loss or inability to provide core services especially to stakeholders, resulting from inadequate or failed financial processes, resources and systems.

**e) Financial Probity and Governance**

To obtain assurance on compliance and prudence in the management of the fund finances, the Scheme prepares the financial statements for the Mortgage and Car loan funds which are subjected to both internal and external audit. The audit findings and recommendations enable the Commission to strengthen the fund operational and financial systems.

## **9. REPORT OF THE FUND ADMINISTRATION COMMITTEE**

The Fund Administration Committee submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Fund affairs.

### **Principal activities**

The principal activity of the fund is to provide financing to the members of staff to purchase, develop or renovate residential property and acquisition of motor cars for private use.

### **Performance**

The performance of the Fund for the year ended June 30, 2022, is set out on pages 1 to 22.

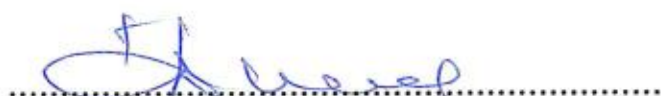
### **The Fund Administration Committee**

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

### **Auditors**

The Auditor-General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Commission



**Archbishop (Emeritus) Dr. Eliud Wabukala, EBS**  
**Chairperson of the Commission**



## **10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund established under the constitution or an act of parliament shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. 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 fund, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the fund; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.



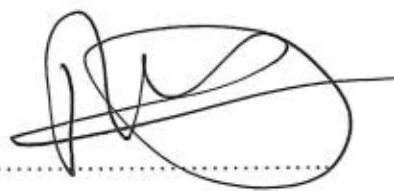
Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

#### **Approval of the Financial Statements**

The Fund's financial statements were approved by the Board on September 23, 2022 and signed on its behalf by:



**Archbishop (Emeritus) Dr. Eliud Wabukala, EBS**  
**Chairperson of the Commission**



**Twalib Mbarak, CBS**  
**Fund Administrator /**  
**Secretary to the Commission**



# REPUBLIC OF KENYA

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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, 2022**

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### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### **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 as set out on pages 1 to 24, which comprise the statement of financial position as at 30 June, 2022 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 the Ethics And Anti-Corruption Commission - Staff House Mortgage and Car Loan Scheme as at 30 June, 2022, 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, Ethics and Anti-Corruption Commission (EACC Staff House Mortgage Scheme) Regulations, 2017 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Other Information**

The Commissioners are responsible for the other information, which comprises the Chairman's Report, Secretary/Chief Executive Officer's report, the statement of corporate governance, management discussions and responsibilities, statement of corporate social responsibility and the statement of commissioners' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

## **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 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 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 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 The Commissioners**

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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Scheme's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Scheme or 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.

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 resources are applied in an effective way.

The Commissioners are responsible for overseeing the Scheme's financial reporting process, reviewing the effectiveness of how Management 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 overall 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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.

- 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 applicable 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 to sustain its services. 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 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.

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

Nairobi

12 October, 2022



**12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH  
JUNE 2022**

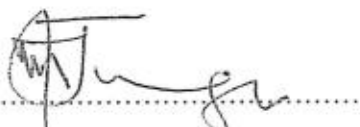
| Description  | Note | 2021/22           | 2020/21           |
|--|------|-------------------|-------------------|
|  |      | Kshs.             | Kshs.             |
| <b>Revenue from exchange transactions</b>                  |      |                   |                   |
| Interest income on Bank Balance                            | 6    | 4,989,878         | 5,781,311         |
|  |      |                   |                   |
| Interest on Individuals Staff House Mortgage and Car Loans | 7    | 36,712,479        | 31,261,631        |
| <b>Total revenue</b>                                       |      | <b>41,702,357</b> | <b>37,042,942</b> |
| <b>Expenses</b>  |      |                   |                   |
| Commission paid to Service Providers                       | 8    | 27,534,359        | 23,446,224        |
|  |      |                   |                   |
| Withholding Tax on Interest Income                         | 9    | 1,376,718         | -                 |
|  |      |                   |                   |
| Bank Service Charges                                       | 10   | 2,130             | 2,400             |
| <b>Total expenses</b>                                      |      | <b>28,913,207</b> | <b>23,448,624</b> |
|  |      |                   |                   |
| <b>Surplus for the period</b>                              |      | <b>12,789,150</b> | <b>13,594,318</b> |

The notes set out on pages 6 to 21 form integral part of these financial statements.

The financial statements on pages 1 to 5 were approved on September, 23 2022 by:



Twalib Mbarak, CBS  
Fund Administrator /  
Secretary to the Commission



CPA Joel Irungu Mukumu  
Fund Accountant /  
Director, Finance & Planning  
ICPAK M/No. 5917



Archbishop (Emeritus) Dr. Eliud Wabukala, EBS  
Chairperson of the Commission





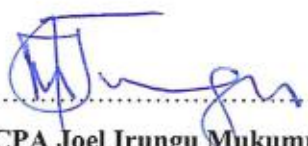
### 13. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

| Description                                      | Note | 2021/22              | 2020/21              |
|--|------|----------------------|----------------------|
|  |      | Kshs.                | Kshs.                |
| <b>Assets</b>                                    |      |                      |                      |
| <b>Current assets</b>                            |      |                      |                      |
| Cash and cash equivalents                        | 11   | 252,856,967          | 132,585,664          |
| Short term receivables from Staff House Mortgage | 12   | 59,349,427           | 55,614,257           |
| Short term receivables from Staff Car Mortgage   | 12   | 12,973,217           | 16,842,507           |
| <b>Total Current Assets</b>                      |      | <b>325,179,611</b>   | <b>205,042,428</b>   |
| <b>Non-current assets</b>                        |      |                      |                      |
| Long term receivables from staff House Mortgage  | 12   | 845,371,903          | 839,431,739          |
| Long term receivables from staff Car Mortgage    | 12   | 15,988,817           | 29,277,015           |
|  |      | <b>861,360,720</b>   | <b>868,708,754</b>   |
| <b>Total assets</b>                              |      | <b>1,186,540,331</b> | <b>1,073,751,182</b> |
| <b>Net assets</b>                                |      |                      |                      |
| Accumulated surplus ( <i>Reserves</i> )          | 13   | 101,540,331          | 88,751,182           |
| Mortgage and Car loan revolving fund             | 13   | 1,085,000,000        | 985,000,000          |
| <b>Total net assets</b>                          |      | <b>1,186,540,331</b> | <b>1,073,751,182</b> |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on September 23, 2022 and signed by:



Twalib Mbarak, CBS  
Fund Administrator /  
Secretary to the Commission



CPA Joel Irungu Mukumu  
Fund Accountant /  
Director, Finance & Planning  
ICPAK M/No. 5917



Archbishop (Emeritus) Dr. Eliud Wabukala, EBS  
Chairperson of the Commission

**14. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2022**

| Description               | Note | Mortgage Fund | Car Loan Fund | Accumulated Surplus | Total         |
|---------------------------|------|---------------|---------------|---------------------|---------------|
|                           |      | Kshs          | Kshs          | Kshs.               | Kshs.         |
| As at 1 July 2020         |      | 800,000,000   | 60,000,000    | 75,156,863          | 935,156,863   |
| Surplus for the period    |      | -             | -             | 13,594,318          | 13,594,318    |
| Transfers from EACC       | 15   | 120,000,000   | 5,000,000     | -                   | 125,000,000   |
| As at 30 June 2021        |      | 920,000,000   | 65,000,000    | 88,751,181          | 1,073,751,181 |
| Balance as at 1 July 2021 |      | 920,000,000   | 65,000,000    | 88,751,181          | 1,073,751,181 |
| Surplus for the period    |      | -             | -             | 12,789,150          | 12,789,150    |
| Transfers from EACC       | 15   | 100,000,000   | -             | -                   | 100,000,000   |
| As at 30 June 2022        |      | 1,020,000,000 | 65,000,000    | 101,540,331         | 1,186,540,331 |

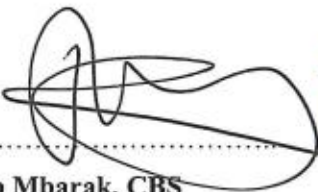
  
Twalib Mbarak, CBS  
Fund Administrator /  
Secretary to the Commission

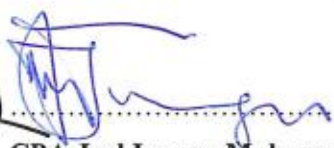
  
CPA Joel Irungu Mukumu  
Fund Accountant /  
Director, Finance & Planning  
ICPAK M/No. 5917

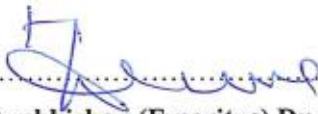
  
Archbishop (Emeritus) Dr. Eliud Wabukala, EBS  
Chairperson of the Commission

**15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2022**

| Description   | Note | 2021/22<br>Kshs.   | 2020/21<br>Kshs.     |
|---|------|--------------------|----------------------|
| <b>Cash flows from operating activities</b>                   |      |                    |                      |
| <b>Receipts</b>   |      |                    |                      |
| Interest income on Bank Balance                               | 6    | 4,989,878          | 5,781,311            |
| Interest on Individuals Staff Mortgage and Car Loans          | 7    | 36,712,479         | 31,261,631           |
| <b>Total receipts</b>   |      | <b>41,702,357</b>  | <b>37,042,942</b>    |
| <b>Payments</b>   |      |                    |                      |
| Commission paid to Service Providers                          | 8    | 27,534,359         | 23,446,224           |
| Withholding Tax on Interest Income                            | 9    | 1,376,718          | -                    |
| Bank Service Charges  | 10   | 2,130              | 2,400                |
| <b>Total payments</b>   |      | <b>28,913,207</b>  | <b>23,448,624</b>    |
| <b>Net cash flow from operating activities</b>                |      | <b>12,789,150</b>  | <b>13,594,318</b>    |
| <b>Cash flows from investing activities</b>                   |      |                    |                      |
| Increase in short-term receivables Staff Mortgage & car loans | 12   | 134,120            | (10,172,396)         |
| Increase in long-term receivables Staff Mortgage & car loans  | 12   | 7,348,034          | (234,206,267)        |
| <b>Net cash flows used in investing activities</b>            |      | <b>7,482,154</b>   | <b>(244,378,663)</b> |
| <b>Cash flows from financing activities</b>                   |      |                    |                      |
| Receipts into the mortgage revolving fund                     | 13   | 100,000,000        | 120,000,000          |
| Receipts into the car loan revolving fund                     | 13   | -                  | 5,000,000            |
| <b>Net cash flows used in financing activities</b>            |      | <b>100,000,000</b> | <b>125,000,000</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |      | <b>120,271,303</b> | <b>(105,784,345)</b> |
| Cash and cash equivalents at 1 July 2021                      | 11   | 132,585,664        | 238,370,009          |
| <b>Cash and cash equivalents at 30 June 2022</b>              |      | <b>252,856,967</b> | <b>132,585,664</b>   |

  
Twalib Mbarak, CBS  
Fund Administrator /  
Secretary to the Commission

  
CPA Joel Irungu Mukumu  
Fund Accountant /  
Director, Finance & Planning  
ICPAK M/No. 5917

  
Archbishop (Emeritus) Dr. Eliud Wabukala, EBS  
Chairperson of the Commission



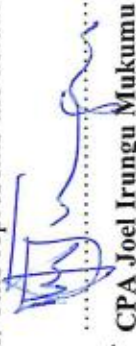
16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2022

| Description                            | Original budget<br>Kshs.<br>A | Adjustments<br>Kshs.<br>b | Final budget<br>Kshs.<br>C=(a+b) | Actual on<br>comparable basis<br>Kshs.<br>d | Performance<br>difference<br>Kshs.<br>e=(c-d) | % of<br>utilization<br>F=d/c |
|--|-------------------------------|---------------------------|----------------------------------|---|---|------------------------------|
| <b>Revenue</b>                         |                               |                           |                                  |   |   |                              |
| Interest on Bank Balance               | 5,781,311                     | -                         | 5,781,311                        | 4,989,878                                   | 791,432                                       | 86%                          |
| Interest on Staff Mortgage & Car Loans | 31,261,631                    | -                         | 31,261,631                       | 36,712,479                                  | (5,450,848)                                   | 117%                         |
| Staff Mortgage and Car Loans           | -                             | 100,000,000               | 100,000,000                      | 100,000,000                                 | -   | 100%                         |
| <b>Total Revenue</b>                   | <b>37,042,942</b>             | <b>100,000,000</b>        | <b>137,042,942</b>               | <b>141,702,357</b>                          | <b>(4,659,415)</b>                            | <b>104%</b>                  |
| <b>Expenses</b>                        |                               |                           |                                  |   |   |                              |
| Use of goods and services              | 23,446,224                    | -                         | 23,446,224                       | 27,534,359                                  | (4,088,135)                                   | 117%                         |
| Withholding Tax on Interest Income     | -                             | -                         | -                                | 1,376,718                                   | (1,376,718)                                   | 100%                         |
| Bank Service Charges                   | 2,400                         | -                         | 2,400                            | 2,130                                       | 270   | 89%                          |
| Staff Mortgage and Car Loans           | -                             | 100,000,000               | 100,000,000                      | 100,000,000                                 | -   | 100%                         |
| <b>Expenditure</b>                     | <b>23,448,624</b>             | <b>100,000,000</b>        | <b>123,448,624</b>               | <b>128,913,207</b>                          | <b>(5,464,583)</b>                            | <b>104%</b>                  |
| <b>Surplus for the period</b>          | <b>13,594,318</b>             | <b>-</b>                  | <b>13,594,318</b>                | <b>12,789,150</b>                           |   |                              |

**Note:**

**Revenue:** This is as a result of interest on loans issued and interest received from bank balances not included in budget estimates.  
**Use of goods and service;** represents cost of scheme administration recovered by scheme administrators but not included in the budget estimates.  
**Staff Mortgage and Car Loan:** This represents the actual budgetary allocation during the financial year.

  
Twalib Mbarak, CBS  
Fund Administrator /

  
CPA Joel Irungu Mukumu  
Fund Accountant / Director, Finance & Planning

  
Archbishop (Emeritus) Dr. Eliud Wabukala, EBS  
Chairperson of the Commission

Secretary to the Commission

ICPAK M/No. 5917



## **17. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

Ethics and Anti-Corruption Commission Staff House Mortgage and Car Loan Scheme Fund is established by and derives its authority and accountability from the Public Finance Management Act (PFMA) 2012. The Fund is wholly owned by the Ethics & Anti-Corruption Commission (EACC) and is domiciled in Kenya. The Fund's principal activity is to provide financing to the members of staff to purchase, develop or renovate residential property and acquisition of motor car for private use.

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant, and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings (**Kshs**), which is the functional and reporting currency of the Fund.

The financial statements have been prepared in accordance with the PFM Act, 2012 and the International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### **3. Adoption of New and Revised Standards**

#### **i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2022.**

| <b>Standard</b>                           | <b>Effective date and impact:</b>  |
|---|--|
| <b>IPSAS 41:</b><br>Financial Instruments | <p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the Fund's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between the Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>The standard has no impact on the EACC Staff House Mortgage and Car Loan Scheme Fund.</p> |
| <b>IPSAS 42:</b><br>Social Benefits       | <p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Fund;</p>   |

| Standard  | Effective date and impact:   |
|---|--|
|   | <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.</p> <p>The standard has no impact on the EACC Staff House Mortgage and Car Loan Scheme Fund.</p>  |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The amendment has no impact on the EACC Staff House Mortgage and Car Loan Scheme Fund.</p> |
| <p>Other improvements to IPSAS</p>  | <p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 29: Financial instruments: Recognition and Measurement</i></li> </ul>  |

| Standard   | Effective date and impact:  |
|--|---|
|  | Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1 <sup>st</sup> January 2023.   |
| IPSAS 43   | <p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> |
| IPSAS 44:<br>Non- Current<br>Assets Held<br>for Sale and<br>Discontinued<br>Operations | <p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>   |

**iii. Early adoption of standards**

The Fund did not early – adopt any new or amended standards in the year 2021/22.



#### **4. Significant Accounting Policies**

##### **a. Revenue recognition**

###### **i) Revenue from non-exchange transactions**

###### **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 Fund and can be measured reliably.

###### **ii) Revenue from exchange transactions**

###### **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 for each period.

##### **b. Budget information**

The original budget for FY 2021/22 was approved on 22<sup>nd</sup> July 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget.

Accordingly, the Fund recorded additional appropriations of Kshs 100,000,000 in the FY 2021/2022 budget following the Commission's approval.

The Fund's budget is prepared on a different basis from the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented

***Significant Accounting Policies (Continued)***

in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts as per the statement of financial performance has been presented under page 5 of these financial statements.

**c. Financial instruments**

**1) Financial assets**

***Initial recognition and measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments; Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Fund determines the classification of its financial assets at initial recognition.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Fund has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, with less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

***Significant Accounting Policies (Continued)***

***Impairment of financial assets***

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a Fund of financial assets is impaired. Management then follows the procedure required by Regulation 145 of the PFM Act, 2012. A financial asset of the Fund is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (*an incurred 'loss event'*) and that loss event has an impact on the estimated future cash flows of the Fund that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors of the Fund are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

**2) Financial liabilities**

***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**d. Contingent liabilities**

The Fund 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.

**e. Contingent assets**

The Fund does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are

***Significant Accounting Policies (Continued)***

appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**f. Changes in accounting policies and estimates**

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

IPSAS-3: Accounting Policies, Changes in Accounting Estimates and Errors is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors.

The standard requires compliance with any specific international financial reporting standard applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

Prior period errors are omissions from, and misstatements in, an entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available and could reasonably be expected to have been obtained and taken into account in preparing those statements. Such errors result from mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

**g. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency



**Significant Accounting Policies (Continued)**

are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**h. Related parties**

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

**i. 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 various commercial banks at the end of the financial year.

**j. Comparative figures**

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

**k. Events after the reporting period**

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

**l. Ultimate and Holding Fund**

The EACC Staff Mortgage and Car Loan Scheme Fund is established under Section 24 (4) PFM Act, 2012. Its ultimate parent is the Ethics and Anti-Corruption Commission.

**m. Currency**

The financial statements are presented in Kenya Shillings (**Kshs**).

## **5. Significant judgments and sources of estimation uncertainty**

The preparation of the Fund'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.

## **6. Interest income on Bank Balance**

| Description                           | 2021/22          | 2020/21          |
|---------------------------------------|------------------|------------------|
|                                       | Kshs.            | Kshs.            |
| Interest on Mortgage Bank Account HFC | 1,794,079        | 1,762,253        |
| Interest on Mortgage Bank Account KCB | 2,363,473        | 3,333,817        |
| Interest on Car Loan Bank Account KCB | 589,065          | 104,607          |
| Interest on Car Loan Bank Account HFC | 243,261          | 580,634          |
| <b>Total Interest Income</b>          | <b>4,989,878</b> | <b>5,781,311</b> |

The Interest Income of **Kshs 4,989,878** relates to the total interest earned on the capital sum deposited in the Free Fund (High Interest) Account at an annualized 91-day Treasury Bill Rate minus 1%.

## **7. Interest on Individuals Staff House Mortgage and Car Loans**

| Description                                  | 2021/22           | 2020/21           |
|--|-------------------|-------------------|
|  | Kshs.             | Kshs.             |
| Individual Staff Mortgage 4% Interest at HFC | 20,254,873        | 21,687,796        |
| Individual Staff Mortgage 4% Interest at KCB | 14,924,381        | 7,456,404         |
| Individual Car Loan 4% Interest at HFC       | 1,219,036         | 1,992,792         |
| Individual Car Loan 4% Interest at KCB       | 314,189           | 124,639           |
| <b>Total Interest Income</b>                 | <b>36,712,479</b> | <b>31,261,631</b> |

## 8. Commission paid to Service Providers

| Description                                    | 2021/22           | 2020/21           |
|--|-------------------|-------------------|
|  | Kshs.             | Kshs.             |
| 3% Commission to Service Provider HFC Mortgage | 15,191,154        | 16,265,847        |
| 3% Commission to Service Provider KCB Mortgage | 11,193,286        | 5,592,303         |
| 3% Commission to Service Provider HFC Car loan | 914,277           | 1,494,594         |
| 3% Commission to Service Provider HFC Car loan | 235,642           | 93,479            |
| <b>Total</b>                                   | <b>27,534,359</b> | <b>23,446,224</b> |

## 9. Withholding Tax on Interest Income

| Description                       | 2021/22          | 2020/21  |
|-----------------------------------|------------------|----------|
|                                   | Kshs.            | Kshs.    |
| Staff Mortgage 1% Interest at HFC | 759,558          | -        |
| Staff Mortgage 1% Interest at KCB | 559,664          | -        |
| Car Loan 1% Interest at HFC       | 45,714           | -        |
| Car Loan 1% Interest at KCB       | 11,782           | -        |
| <b>Total</b>                      | <b>1,376,718</b> | <b>-</b> |

The scheme charges an interest of 4% on loans issued out which a share of 1 % is credited back to the scheme for growth of the fund. The withholding tax of Kshs 1,376,718 relates to the 1% interest income received.

## 10. Bank Service Charges

| Description            | 2021/22      | 2020/21      |
|------------------------|--------------|--------------|
|                        | Kshs.        | Kshs.        |
| Mortgage Bank accounts | 1,065        | 1,800        |
| Car Loan Bank accounts | 1,065        | 600          |
| <b>Total</b>           | <b>2,130</b> | <b>2,400</b> |

## 11. Cash and cash equivalents

| Description                            | 2021/22            | 2020/21            |
|--|--------------------|--------------------|
|  | Kshs.              | Kshs.              |
| HFC Staff Mortgage Bank Account        | 66,509,886         | 38,046,085         |
| KCB Staff Mortgage Bank Account        | 149,818,709        | 76,325,765         |
| KCB Car Loan Bank Account              | 5,999,636          | 5,961,613          |
| HFC Car Loan Bank Account              | 30,528,736         | 12,252,201         |
| <b>Total Cash and Cash equivalents</b> | <b>252,856,967</b> | <b>132,585,664</b> |



**Detailed analysis of the cash and cash equivalents in banks approved by National Treasury in line with Section 28 of the PFM Act are as follows:**

|                                   |                | 2021/22            | 2020/21            |
|-----------------------------------|----------------|--------------------|--------------------|
| Financial Institution             | Account number | Kshs.              | Kshs.              |
| <b>Mortgage and Car Loan Fund</b> |                |                    |                    |
| KCB Bank Limited                  | MM1823230468   | 148,433,540        | 74,872,431         |
| KCB Bank Limited                  | MM2035HC6PL    | 5,921,551          | 5,822,437          |
| Housing Finance Company           | 2025883401-0   | 30,528,736         | 12,252,201         |
| Housing Finance Company           | 2025883104-0   | 66,509,885         | 38,046,085         |
| <b>Sub- Total</b>                 |                | <b>251,393,712</b> | <b>130,993,154</b> |
| <b>Current Account</b>            |                |                    |                    |
| KCB Bank Limited                  | 1233945564     | 78,085             | 139,176            |
| KCB Bank Limited                  | 1233948172     | 1,385,170          | 1,453,334          |
| <b>Sub- Total</b>                 |                | <b>1,463,255</b>   | <b>1,592,510</b>   |
| <b>Grand Total</b>                |                | <b>252,856,967</b> | <b>132,585,666</b> |

The scheme back-up accounts held at Housing finance for both Mortgage and Car loan holds funds that are disbursed to the loan beneficiaries less principal recoveries. It shall thus at all times have a balance equivalent to the total aggregate disbursed loans less principal recoveries. The back-up account does not earn interest.

## **12. Mortgage and Car Loan Receivables**

| Description                                      | 2021/22            | 2020/21            |
|--|--------------------|--------------------|
|  | Kshs.              | Kshs.              |
| <b>Current Receivables</b>                       |                    |                    |
| Short term receivables from staff House Mortgage | 59,349,427         | 55,614,257         |
| Short term receivables from staff Car Mortgage   | 12,973,217         | 16,842,507         |
| <b>Total Current Receivables</b>                 | <b>72,322,644</b>  | <b>72,456,764</b>  |
| <b>Non-Current Receivables</b>                   |                    |                    |
| Long term receivables from staff House Mortgage  | 845,371,903        | 839,431,739        |
| Long term receivables from staff Car Mortgage    | 15,988,817         | 29,277,015         |
| <b>Total Non- Current Receivables</b>            | <b>861,360,720</b> | <b>868,708,754</b> |
| <b>Total Receivables</b>                         | <b>933,683,364</b> | <b>941,165,518</b> |



### 13. Mortgage and Car Revolving Fund

| Description                             | 2021/22              | 2020/21              |
|---|----------------------|----------------------|
|   | Kshs.                | Kshs.                |
| <b>Revolving fund as at 01 July</b>     | <b>985,000,000</b>   | <b>860,000,000</b>   |
| Mortgage Revolving fund                 | 100,000,000          | 120,000,000          |
| Car Loan Revolving fund                 | -                    | 5,000,000            |
|   | <b>1,085,000,000</b> | <b>985,000,000</b>   |
| Accumulated surplus ( <i>Reserves</i> ) | 101,540,331          | 88,751,182           |
| <b>Total funds</b>                      | <b>1,186,540,331</b> | <b>1,073,751,182</b> |

### 14. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

#### a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Fund's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

| Description                              | Total amount<br>Kshs. | Fully<br>performing<br>Kshs. | Past<br>due<br>Kshs. | Impaired<br>Kshs. |
|--|-----------------------|------------------------------|----------------------|-------------------|
| <b>At 30 June 2022</b>                   |                       |                              |                      |                   |
| Receivables From Car loans and mortgages | 933,683,364           | 933,683,363                  | -                    | -                 |
| Bank Balances                            | 252,856,967           | 254,233,686                  | -                    | -                 |
| <b>Total</b>                             | <b>1,186,540,331</b>  | <b>1,187,917,049</b>         | <b>-</b>             | <b>-</b>          |
|  |                       |                              |                      |                   |
| <b>At 30 June 2021</b>                   |                       |                              |                      |                   |
| Receivables From Car loans and mortgages | 941,165,518           | 941,165,518                  | -                    | -                 |
| Bank Balances                            | 132,585,666           | 132,585,666                  | -                    | -                 |
| <b>Total</b>                             | <b>1,073,751,184</b>  | <b>1,073,751,184</b>         | <b>-</b>             | <b>-</b>          |

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Fund has significant concentration of credit risk on amounts due from staff loan beneficiaries.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

#### **b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the Fund's short, medium, and long-term funding and liquidity management requirements. The Fund manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

***Other Disclosures (continued...)***

**c) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Fund on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Fund's income or the value of its holding of financial instruments.

The objective of market risk management is to manage and control of market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (*subject to review and approval by the Audit and Risk Management Committee*) and for the day-to-day implementation of those policies.

There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk.

**d) Interest rate risk**

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

***Management of interest rate risk***

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**e) Capital risk management**

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The Fund capital structure comprises of the following funds:

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| Description                                 | 2021/22              | 2020/21              |
|---|----------------------|----------------------|
|   | Kshs.                | Kshs.                |
| <b>Revolving fund as at 01 July</b>         | <b>985,000,000</b>   | <b>860,000,000</b>   |
| Mortgage Revolving fund                     | 100,000,000          | 120,000,000          |
| Car Loan Revolving fund                     | -                    | 5,000,000            |
|   | <b>1,085,000,000</b> | <b>985,000,000</b>   |
| Accumulated surplus ( <i>Reserves</i> )     | 101,540,331          | 88,751,182           |
| <b>Total funds</b>                          | <b>1,186,540,331</b> | <b>1,073,751,182</b> |
|   |                      |                      |
| Less: Cash and bank balances                | (252,856,967)        | (132,585,664)        |
| Net debt/(excess cash and cash equivalents) | 933,683,364          | 941,165,518          |
| <b>Gearing</b>                              | <b>79%</b>           | <b>88%</b>           |

## 15. Related party

### a) Nature of related party relationship

The scheme fund is related to the Ethics & Anti-Corruption Commission, which provides management and financing to the scheme.

### b) Related party transactions

#### i. Transfers from related parties

| Description         | 2021/22     | 2020/21     |
|---------------------|-------------|-------------|
|                     | Kshs.       | Kshs.       |
| Transfers from EACC | 100,000,000 | 125,000,000 |



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**18. SCHEME ACCOUNTABILITY STATEMENT AS AT 30TH JUNE 2022**

|                                      | House<br>Mortgage<br>Scheme Interest<br>Kshs. | House<br>Mortgage<br>Scheme<br>Kshs. | Car Loan Scheme<br>Interest<br>Kshs. | Car Loan<br>Scheme<br>Kshs. | Total<br>Kshs.       |
|--------------------------------------|---|--------------------------------------|--------------------------------------|-----------------------------|----------------------|
| <b>Scheme Funding:</b>               |   |                                      |                                      |                             |                      |
| Opening Balance 01.07.2021           |   | 982,417,247                          |                                      | 91,333,934                  | 1,073,751,181        |
| Funding for the year                 |   | 100,000,000                          |                                      | -                           | 100,000,000          |
| <b>Total Principal Funding</b>       |   | <b>1,082,417,247</b>                 |                                      | <b>91,333,934</b>           | <b>1,173,751,181</b> |
| <b>Interest</b>                      |   |                                      |                                      |                             |                      |
| Interest earned on Bank Balance HFC  |   | 1,794,079                            |                                      | 589,065                     | 2,383,144            |
| Interest earned on Bank Balance KCB  |   | 2,363,473                            |                                      | 243,261                     | 2,606,734            |
| Interest earned; 4% on Loans Issued  | 35,179,254                                    |                                      | 1,533,224                            |                             |                      |
| Less: 3% Administration fees         | (26,384,440)                                  | 8,794,814                            | (1,149,919)                          | 383,305                     | 9,178,119            |
| Withholding Tax on Interest Income   |   | (1,319,222)                          |                                      | (57,496)                    | (1,376,718)          |
| Bank Service Charges                 |   | (1,065)                              |                                      | (1,065)                     | (2,130)              |
| <b>Total net Interest</b>            |   | 11,632,078                           |                                      | 1,157,072                   | 12,789,150           |
| <b>Total Fund</b>                    |   | <b>1,094,049,325</b>                 |                                      | <b>92,491,006</b>           | <b>1,186,540,331</b> |
| Total Loans Issued KCB Bank          | (438,237,128)                                 |                                      | (9,680,000)                          |                             |                      |
| Total Principal Repaid KCB Bank      | 39,385,649                                    | (398,851,479)                        | (2,234,909)                          | (7,445,091)                 | (406,296,570)        |
| Total Loans Issued HFC Bank          | (682,521,445)                                 |                                      | (116,414,300)                        |                             |                      |
| Total Principal Repaid HFC Bank      | 176,651,595                                   | (505,869,851)                        | 94,899,357                           | (21,516,943)                | (527,386,794)        |
| <b>Total Fund Balance 30.06.2022</b> |   | <b>189,327,995</b>                   |                                      | <b>63,528,972</b>           | <b>252,856,967</b>   |

## 19. ANNEXES


### Annex I: Statement of Scheme Performance


The Scheme recorded nine (9) applications for Mortgage amounting to Kshs. 82,462,033 and only one (1) for Car Loan amounting to Kshs. 2,000,000 as at the end of the period under review compared with forty (40) successful applications for Mortgage and ten (10) successful applications for Car loan in the previous financial year as analysed below.

| Comparative Scheme Performance |                                 |                   |                                 |                    |
|--------------------------------|---------------------------------|-------------------|---------------------------------|--------------------|
| Scheme                         | 2021-2022                       |                   | 2020-2021                       |                    |
|                                | Number of successful applicants | Amount            | Number of successful applicants | Amount             |
|                                | No.                             | Kshs.             | No.                             | Kshs.              |
| Staff Mortgage                 | 9                               | 82,462,033        | 40                              | 301,344,970        |
| Staff Car Loan                 | 1                               | 2,000,000         | 10                              | 13,138,000         |
|                                | <b>10</b>                       | <b>84,462,033</b> | <b>50</b>                       | <b>314,482,970</b> |

**Annex II: Progress on Follow Up of Prior Year Auditor's Recommendations**

The Scheme did not have any Audit follow up issues for the previous Audited Financial Year 2020/21.

  
.....  
**Archbishop (Emeritus) Dr. Eliud Wabukala, EBS**  
**Chairperson of the Commission**

  
.....  
**Twalib Mbarak, CBS**  
**Secretary to the Commission/  
Fund Administrator**

