



REPUBLIC OF KENYA



Enhancing Accountability

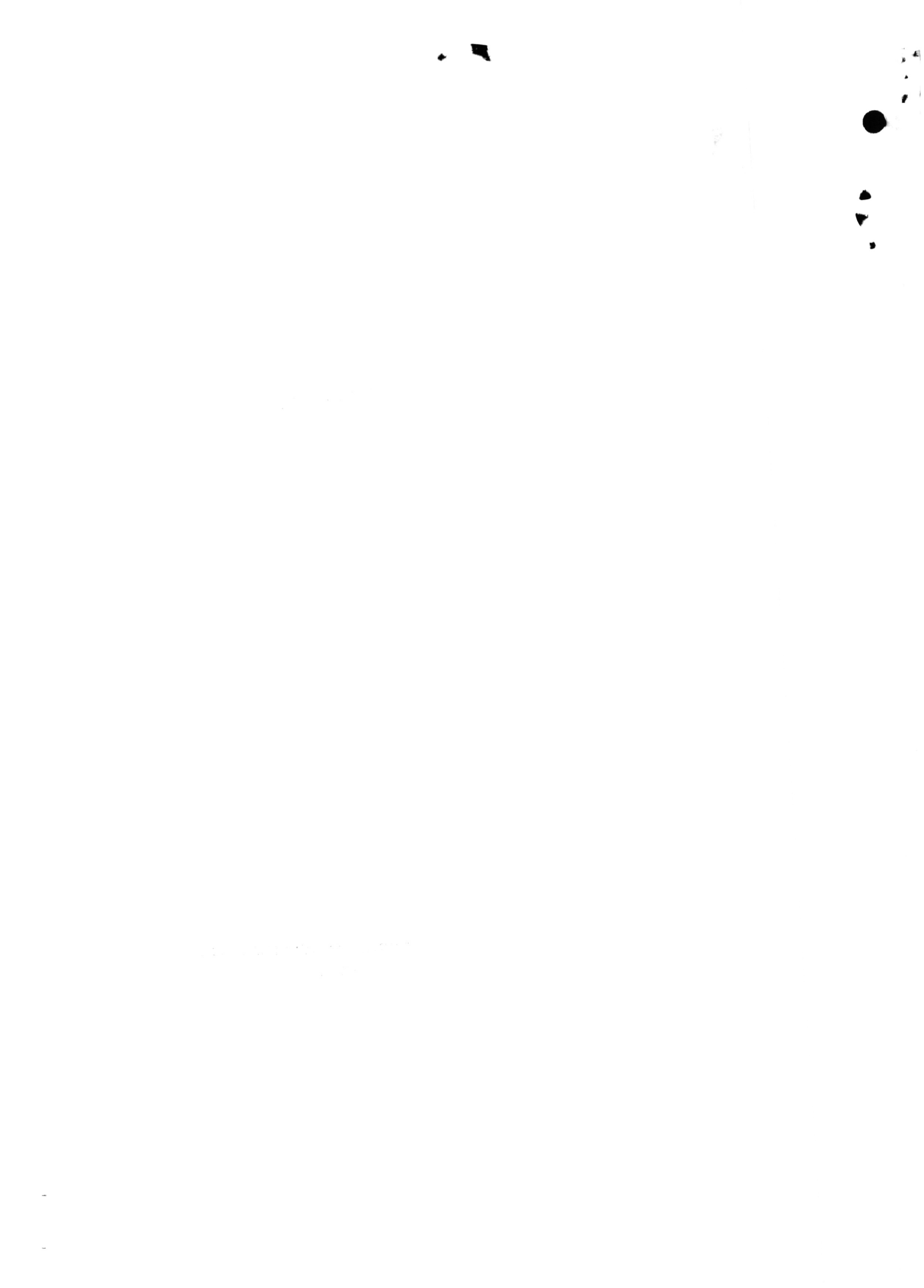
THE NATIONAL ASSEMBLY PAPERS LAID	
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ON

**KENYA NATIONAL COMMISSION ON
HUMAN RIGHTS MORTGAGE AND
CAR LOAN
SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**






29.09.20

KNCHR MORTGAGE & CAR LOAN SCHEME FUND ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDING 30TH JUNE 2020

PREPARED BY: FINANCE DIVISION
KENYA NATIONAL COMMISSION ON HUMAN RIGHTS (KNCHR)


THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 02 MAR 2021 DAY:

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Kenya National Commission on Human Rights (KNCHR)
Car & Mortgage Reports and Financial Statements
For the year ended June 30, 2020

1. KEY ENTITY INFORMATION AND MANAGEMENT

1.1. Background Information

The Kenya National Commission on Human Rights (KNCHR) is an independent institution under Article 59 of the Constitution of Kenya 2010 and established through an Act of Parliament (the Kenya National Commission on Human Rights Act 2011) and in line with the United Nations Paris Principles. It is mandated to further the protection and promotion of human rights in Kenya, acting as a watchdog over the Government in the area of human rights, and the provision of leadership in moving the country towards a human rights state.

Pursuant to the Salaries and Remuneration Commission circular no. SRC/ADM/CIR/1/13Vol. III (128) dated 17th December 2014, the KNCHR operationalized a car loan and mortgage scheme through internal guidelines approved by the board in 2015. An internal Committee was thereafter to oversee the operationalization and implementation of the scheme.

Mortgage and Car Loan Committee offer advisory services to the Secretary to the Commission. However, the Secretary to the Commission is the overall approver for Mortgage and Car Loan scheme for staff. He also engages with the National Treasury for funding issues.

Negotiations with different financial institutions and participation of staff was held which culminated to entering into a Memorandum of Understanding between the KNCHR and KCB for management of both the car loan and mortgage scheme.

The main aim of this scheme is to motivate KNCHR staff by facilitating access to low interest credit facilities to own cars and houses. The KNCHR partnered with Kenya Commercial Bank to administer the fund.

1.2. Principal Activities

The Scheme's principal activity is to provide car and mortgage loans to KNCHR staff.

a) Fund Administration Committee

Ref	Name	Position
1	Anne Mary Okutoyi	Chairperson
2	David Morema	Member
3	Elijah Rottok	Member
4	Kasaine Saibulu	Member

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5	Rosemary Kirui	Member
6	Joseph Mwanduka	Member
7	Maina Mutuaruhiu	Member until December 2019
8	Catherine Mwikali	Secretary

b) Registered Offices

P.O. Box 74359-00200
CVC Plaza, Lenana Road
Nairobi, KENYA

c) Scheme Contacts

Telephone: (254) (020) 3969000, 0721245948
E-mail: info@haki.org
Website: www.knchr.org

d) Scheme's Financial Institution

Kenya Commercial Bank,
Hurlingham Nairobi,
Nairobi, Kenya,
Account Numbers. 1206077581 Mortgage
1206077107 Car Loan

e) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

2. SCHEME CHAIRPERSON'S REPORT

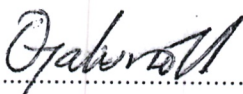
The KNCHR mortgage and car loan scheme was operationalized in 2016 and is managed by an internal committee appointed by the Commission Secretary. The external administration of the scheme is by the Kenya Commercial Bank that manages the scheme accounts and processes the individual applications from members of staff.

For the first time since its inception, the car loan and mortgage schemes received zero budgetary allocation in the financial year 2019/2020. As a result, this has seen a reduction in the number of staff who have been able to enjoy the benefits of the scheme. During the period under review, there was also notable increase in the number of staff members interested in the mortgage scheme as opposed to the car loan scheme.

Several challenges have been recorded during the implementation of the two schemes in the period under review. The main challenge has been lack of adequate financial resources to facilitate staff interested in the facilities. This being a key component of staff retention and motivation needs to be urgently addressed to enable the scheme remain operational. Other challenges cited by the applicants include long procedures before the bank disburses funds and high amounts of advance funds required to be financed by an applicant before accessing the facilities.

Based on these challenges, the Internal Committee prepared a board paper seeking to amend the internal guidelines and among the changes approved include provision for 110% financing in both the car loan and mortgage schemes subject to the thresholds provided for by the Salaries and Remuneration Commission (SRC). The Committee also reached out to the bank to amend the car loan MOU in terms of standardizing the 2/3 salary rule and negotiating for the un-utilized funds in the car loan to incur interest. The committee is currently following up with the bank on the implementation of the proposed amendments. Discussions were also held at the committee level to embark on a process of sourcing for alternative administrators for the scheme but this was not possible due to inadequate funds in both schemes.

Moving forward there is urgent need to allocate resources to both the car loan and mortgage accounts to enable effective implementation and operationalization of the two schemes.



.....
Chairperson, Scheme Fund Committee

3. MANAGEMENT DISCUSSION AND ANALYSIS

During the Financial year 2019/2020, the KNCHR Car and Mortgage scheme was not given any financial allocation. The scheme therefore operated on the available balances in the revolving accounts to facilitate applications.

In the period under review the internal committee facilitated staff to benefit from the scheme as follows: 3 staff applications to the mortgage scheme totaling to Kenya Shillings 15,900,000 were processed and approved while 2 staff applications to the car loan totaling Kenya Shillings 2,900,000 were similarly processed and approved.

The total number therefore of staff that have been facilitated from inception of the scheme to June 2020 is as follows; 7 applications for car loan to the tune of Kenya Shillings 10,822,100 were approved and processed by the bank. 12 application for mortgages totaling to 67,750,000 have been approved, out of which 8 staff members are currently servicing their mortgage facilities while 4 applications are at various stages of appraisals and finalization of the conveyancing formalities pending disbursements.

4. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 81 of PFM Act, 2012 require that, at the end of each financial year KNCHR shall prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Accounting Officer of the KNCHR 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 period. 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) Selecting and applying appropriate accounting policies; and
- (v) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer of the KNCHR accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Accounting Officer 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 period ended June 30, 2020, and of the Fund's financial position as at that date. The Accounting Officer further confirms 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.

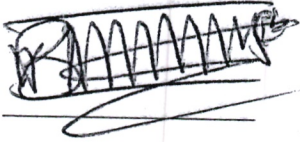
In preparing the financial statements, the Accounting Officer of the KNCHR has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Accounting Officer to indicate that the Fund will not remain a going concern for at least the

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For the year ended June 30, 2020


next twelve months from the date of this statement.

Approval of the financial statements

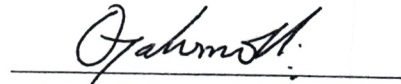
The Fund's financial statements were approved by the Board on 29th September 2020 and signed on its behalf by:



Secretary to the commission



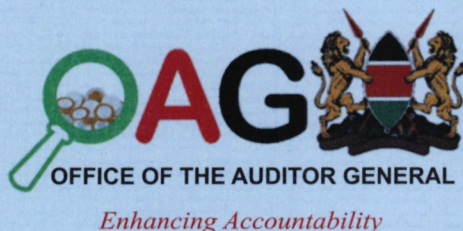
Finance Manager



Chairperson, Scheme Fund Committee

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL COMMISSION ON HUMAN RIGHTS MORTGAGE AND CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya National Commission on Human Rights Mortgage (KNCHR) mortgage and Car Loan Scheme Fund set out on pages 9 to 21, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, statement of comparison of budget and actual amounts 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 KNCHR Mortgage and Car Loan Scheme Fund as at 30 June, 2020, 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 the Public Finance Management Act, 2012 and KNCHR Car and Mortgage Loan Scheme Fund Regulations, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the KNCHR Mortgage and Car Loan Scheme Fund 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 are no key audit matters to communicate in my report.

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 overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective 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 Fund's ability to sustain 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 Fund or to 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.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 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 Fund's ability 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 Fund to cease sustaining 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

08 February, 2021

Report of the Auditor-General on Kenya National Commission on Human Rights Mortgage and Car Loan Scheme Fund for the year ended 30 June, 2020

Kenya National Commission on Human Rights (KNCHR)
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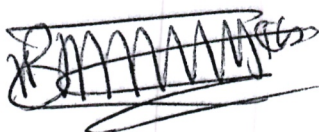
5 FINANCIAL STATEMENTS

5.1 Statement Of Financial Performance For Period Ended 30th June 2020

	Note	FY2019/2020 Kshs	FY2018/2019 Kshs
Revenue from exchange transactions			
Interest Income	1	266,597	2,013,780
Total revenue		266,597	2,013,780
Expenses			
Operating Expenses	2	1,185	1,440
Total expenses		1,185	1,440
Other gains/losses			
Surplus/(deficit) for the period		265,412	2,012,340

The notes set out on pages 19 to 21 form an integral part of these Financial Statements

The Financial Statements were approved on 29th September 2020 and signed by:



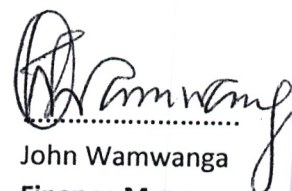
.....
 Dr. Bernard Mogesa
 Commission Secretary

Date: 29/09/2020



.....
 Annemarie Okutoyi
 Chairperson, Scheme Fund Committee

Date: 29/09/2020



.....
 John Wamwanga
 Finance Manager
 (ICPAK NO: 2872)

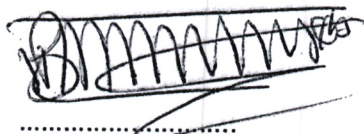
Date: 29/9/20

Kenya National Commission on Human Rights (KNCHR)
Car & Mortgage Reports and Financial Statements
For the year ended June 30, 2020

5.2 Statement of Financial Position As at 30th June 2020

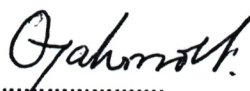
	Note	FY2019/2020	FY2018/2019
		Kshs.	Kshs.
Assets			
Current Assets			
Cash and cash equivalents	3	25,342,327	50,526,053
Long Term Assets			
Receivables-staff car loan and mortgage scheme	6	47,876,249	22,409,047
Non-current assets			
Interest Income Accrued	1	0	18,065
Total assets		73,218,576	72,953,165
Liabilities			
Current liabilities			
Non-current liabilities			
Total liabilities		-	-
Net assets		73,218,576	72,953,165
Revenue reserve(Accumulated fund)		2,277,751	2,012,340
Mortgage and car loan Revolving Fund	7	70,940,825	70,940,825
Total net assets and liabilities		73,218,576	72,953,165

The Financial Statements were approved on 29th September 2020 and signed by:



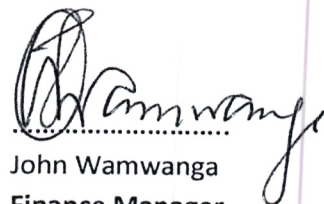
Dr. Bernard Mogesa
 Commission Secretary

Date: 29/09/2020



Annemarie Okutoyi
 Chairperson, Scheme Fund Committee

Date: 29/09/2020



John Wamwanga
 Finance Manager
 (ICPAK NO: 2872)

Date: 29/9/20

Kenya National Commission on Human Rights (KNCHR)
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5.3 Statement Of Changes In Net Assets For The Period Ended 30th June 2020

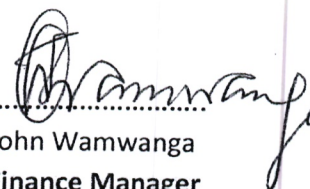
	Revolving Fund
	Kshs
Balance as at 1 st July 2017	0.00
Staff mortgage & car loan fund	56,940,825.00
Balance as at 30 th June 2018	56,940,825.00
Balance as at 1 st July 2018	56,940,825.00
Transfer from KNCHR	14,000,000.00
Surplus for the period	2,012,339.60
Balance as at 30 th June 2019	72,953,164.60
Transfer from KNCHR	0
Balance as at 30 th June 2020	72,953,164.60



.....
 Dr. Bernard Mogesa
 Commission Secretary



.....
 Annemarie Okutoyi
 Chairperson, Scheme Fund Committee



.....
 John Wamwanga
 Finance Manager
 (ICPAK NO: 2872)

Date: 29/09/2020

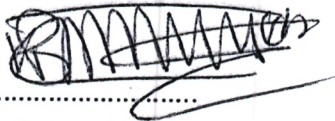
Date: 29/09/2020

Date: 29/9/20

Kenya National Commission on Human Rights (KNCHR)
Car & Mortgage Reports and Financial Statements
For the year ended June 30, 2020

5.4 Statement Of Cash Flows For The Period Ended 30th June 2020

	Note	FY2019/2020 Kshs	FY2018/2019 Kshs
Cash flows from operating activities			
Receipts			
Government grants	5	0	14,000,000
Credit Income	1	266,597	1,995,715
Loan Repayments	8	-2,057,974	4,577,416
Total Receipts		-1,791,377	20,573,131
Payments			
Bank charges	2	1,185	1,440
Loans Disbursed	4	23,409,228	26,986,463
Total Payments		23,410,413	26,987,903
Net cash flows from operating activities		-25,201,790	(6,414,772)
Net increase/(decrease) in cash and cash equivalents		-25,201,790	(6,414,772)
Cash and cash equivalents at the beginning of the year		50,526,053	56,940,825
Cash and cash equivalents at end of the Financial Year		25,324,263	50,526,053



Dr. Bernard Mogesa
Commission Secretary

Date: 29/09/2020



Annemarie Okutoyi
Chairperson, Scheme Fund Committee

Date: 29/09/2020



John Wamwanga
Finance Manager
 (ICPAK NO: 2872)

Date: 29/9/20


Kenya National Commission on Human Rights (KNCHR)
Car & Mortgage Reports and Financial Statements
For the year ended June 30, 2020

5.5. Statement of Comparison of Budget and Actual For the Period Ended 30th June 2020

	Original Budget FY2019/2020	Adjustments	Final Budget	Actual on Comparable basis	Performance difference	% Utilization
	Kshs	Kshs		Kshs	Kshs	
Revenue						
Transfers from KNCHR	0	0	0	0	0	
Other Income	(5,000,000)		(5,000,000)	(30,575,064)	25,575,064	612%
Funds Unutilized B/F	72,953,165		72,953,165	72,953,165	0	100%
Total income	67,953,165	0	67,953,165	42,643,512	25,309,652	63%
Expenses						
Bank Charges	1,450	0	1,450	1,185	265	82%
Loan disbursements	42,000,000		42,000,000	17,300,000	24,700,000	41%
Total expenditure	42,001,450		42,001,450	17,301,185	24,700,265	41%
Surplus for the period	25,951,715		25,951,715	25,342,327	609,387	98%

Budget notes

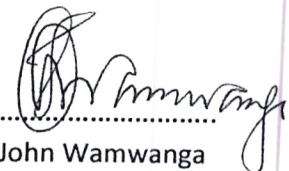
The surplus of Kshs. 25,342,327 represents unutilized fund balance as at 30th June 2020 due to fund operationalization process. However, the same shall be utilized in the FY2020/2021



.....
 Dr. Bernard Mogesa
 Commission Secretary



.....
 Annemarie Okutoyi
 Chairperson, Scheme Fund Committee



.....
 John Wamwanga
 Finance Manager
 (ICPAK NO: 2872)

Date: 29/09/2020

Date: 29/09/2020

Date: 29/9/20

Summary Of Significant Accounting Policies

1. Statement of compliance and basis of preparation

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

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Adoption of new and revised standards

(i) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

3. 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 entity 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 each period.

4. Budget information

The fund budget for FY 2019/2020 would have represented a transfer from KNCHR budget approved by the National Assembly. However, there was no budgetary allocation for Car and Mortgage for the year under review.

The entity's budget is prepared on a different basis to 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 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 and the actuals as per the statement of financial performance has been presented under section 7.5 of these financial statements.

5. Financial instruments

(i) Financial assets

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.

(ii) Financial liabilities

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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.

6. Changes in accounting policies and estimates

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

7. Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

8. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

9. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and 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 Kenya commercial banks at the end of the financial year.

10. Events after the reporting period

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

11. Currency

The financial statements are presented in Kenya Shillings (Kshs)

12. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks. The Fund's overall risk management program focuses on unpredictability of changes in the business environment and seeks to minimize 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 company's management based on prior experience and their assessment of the current economic environment.

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 company has recognized in the financial statement is considered adequate to cover any potentially irrecoverable amounts.

a) Liquidity risk management

The 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 entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

b) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing 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 Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

(i) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company'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 endeavored to bank with institutions that offer favorable interest rates.

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Notes To The Financial Statements

1. Interest income

Description	FY2019/2020	FY2018/2019
	Kshs	Kshs
Credit Interest	0	1,995,715
Interest Income Accrued	266,597	18,065
Total	266,597	2,013,780

2. Operating expenses

Description	FY2019/2020	FY2018/2019
	Kshs	Kshs
Bank charges	1,185	1,440
Total	1,185	1,440

3. Cash and cash equivalents

Description	FY2019/2020	FY2018/2019
	Kshs	Kshs
KCB-Mortgage Current Account -1206077581	24,145,705	35,075,596
KCB-Car Loan Current Account -1206077107	1,196,622	15,450,456
Total cash and cash equivalents	25,342,327	50,526,053

4. Loans disbursed

Description	FY2019/2020	FY2018/2019
	Kshs	Kshs
Loan-car	4,400,000	6,422,100
Loan-Mortgage	19,009,228	20,564,363
Total	23,409,228	26,986,463

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5. Transfers from KNCHR

Description	FY2019/2020	FY2018/2019
	Kshs	Kshs
Transfers from KNCHR. – operations Mortgage	0	10,000,000
Transfers from KNCHR. – operations Car	0	4,000,000
Total	0	14,000,000

6. Receivables-staff car loan and mortgage scheme

Description	FY2019/2020	FY2018/2019
	Kshs	Kshs
Loan-car	8,302,658	5,548,824
Loan-Mortgage	39,573,591	16,860,223
Total	47,876,249	22,409,047

7. Revolving fund

Description	Revolving Fund	TOTAL
	Kshs	Kshs
Balance as at 1 st July 2017	-	-
Staff mortgage & car loan fund	56,940,825	56,940,825
Balance as at 30 th June 2018	56,940,825	56,940,825
Balance as at 1 st July 2018	56,940,825	56,940,825
Transfer from KNCHR	14,000,000	14,000,000
Balance as at 30 th June 2019	70,940,825	70,940,825
Transfer from KNCHR	0	14,000,000
Balance as at 1 st July 2019	70,940,825	70,940,825
Transfer from KNCHR		
Net surplus(Interest earned)		
Balance as at 30 th June 2020	70,940,825	

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8. Loan repayments

Description	FY2019/2020	FY2018/2019
	Kshs	Kshs
Loan Disbursed	23,409,228	26,986,463
Loan Receivables	25,467,202	22,409,047
Total	-2,057,974	4,577,416

9. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The scheme relates to the following entities:

- a) Kenya National Commission on Human Rights (KNCHR)
- b) The National Assembly
- c) Key management
- d) Fund Administrator
- e) The National Treasury
- f) Office of the Auditor General
- g) Office of The Controller of Budgets
- h) Commission on Revenue Allocation
- i) Kenya Commercial Bank (KCB)

10. Progress on follow-up of auditor recommendations

There are no follow up on the Auditor recommendation as KNCHR had not received the Audit Report from the Office of the Auditor General at the point of conclusion of the FY 2019/20 Report.