

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
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OF

THE AUDITOR-GENERAL

ON

**KENYA NATIONAL COMMISSION FOR
UNESCO MORTGAGE AND CAR
LOAN SCHEME**

**FOR THE YEAR ENDED
30 JUNE, 2023**

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**KENYA NATIONAL COMMISSION FOR UNESCO
MORTGAGE & CAR LOAN SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2023**

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

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1. Abbreviations, Acronyms and Glossary of Terms

A. Abbreviations And Acronyms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SG/CEO	Secretary General/Chief Executive Officer

B. Glossary of Terms

Board	The Board of the Commission
Commission	The Kenya National Commission for UNESCO
Comparative Year	The prior period.
Fiduciary Management	Members of Management directly entrusted with the responsibility of financial resources of the organization
Programme	Area of competence of UNESCO
Secretary General	Chief Executive Officer (CEO)
UNESCO	United Nations Educational Scientific and Cultural Organization

2. Key Scheme information and management

a) Background information

KNATCOM Mortgage and Car Loan Scheme is established by and derives its authority and accountability from Kenya National Commission for UNESCO Act, No. 5 of 2013 (*Revised 2014*) on the First Day of April Two Thousand and Sixteen. The Scheme is wholly owned by Kenya National Commission for UNESCO and is domiciled in Kenya.

b) Principal Activities

The principal activity of the Housing Mortgage and Car Loan is to facilitate staff to acquire houses and cars on low credit loans.

i. Scheme's vision.

To be a premium staff housing and car loan scheme.

ii. Mission Statement

To increase availability and affordability of housing and car loans to KNATCOM Staff by providing a modest long-term financing.

The Scheme is administered by the Scheme Administrator. There is a committee charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations, setting up a revolving Scheme for the disbursement of loans, and supervising the day-to-day operations of the Scheme. The Scheme administrator is responsible for the day-to-day operations.

The objective of the approved Mortgage and Car Loan scheme is to facilitate staff to benefit from the Commission's funded loans to purchase cars and access mortgage facilities at a fairly affordable cost.

c) Board of Trustees/Scheme Administration Committee

SN	Position	Name
1	Chairperson	Ag. Secretary General/CEO
2	Other trustees/Committee Members	i. Dr. Joel Ongoto ii. Ms. Naomi Muiruri iii. Mr. Nicholas Kirwa iv. Ms. Aboronia Mworio v. Ms. Beth Muvai Nzatu vi. Dr. Orpha Nyakundi
3	Scheme Manager/ Administrator	Kenya Commercial Bank

Key Scheme and Information Management (Continued)

d) Key Management

SN	Position	Name
1.	Scheme Manager/ Administrator	Secretary General/CEO
2.	Scheme Accountant	Manager, Finance & Accounts
3.	Other Committee members	Dr. James Njogu Dr. Joel Ongoto Ms. Naomi Muiruri Mr. Nicholas Kirwa Ms. Aboronia Mworio Ms. Beth Muvai Nzatu Dr. Orpha Nyakundi

e) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	Ms. Everlyne PISOI
2	Staff Mortgage and car Loan Advisory Committee	i. Dr. James Njogu ii. Dr. Joel Ongoto iii. Ms. Naomi Muiruri iv. Mr. Nicholas Kirwa v. Dr. Orpha Nyakundi vi. Ms. Beth Muvai Nzatu vii. Ms. Aboronia Mworira

f) Registered Offices

P.O. Box 72107 00200
National bank Building
Harambee Avenue/Road/Highway
Nairobi, KENYA

e) Scheme Contacts

Telephone: (254) 0202229053

E-mail: sg@unesco.go.ke.

Website: www.unesc.org

www.unesco.go.ke

sg@unesco.go.ke

[NatcomUnescoke](#)

[@NatcomUnescoKe](#)

[@knatcomunescoke](#)

[Kenya National Commission for UNESCO](#)

g) Scheme Bankers

1. Kenya Commercial Bank

h) Independent Auditor

Auditor-General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

i) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice


Harambee Avenue

P.O. Box 40112



City Square 00200

Nairobi, Kenya

3. The Board of Trustees


	Details of qualifications and experience
<p>1. Trustee</p> 	<p>Dr. Kiprop Lagat Alternate Member DoA: 12th February, 2021 – to date Date of Birth: 31st July, 1970</p> <p>Dr. Kiprop Lagat is the Director of Culture in the Ministry of Sports, Culture and Heritage. He holds a PhD in Anthropology, master’s degree in Museology from the University of East Anglia, United Kingdom and bachelor’s degree in Anthropology from the University of Nairobi.</p> <p>Dr. Lagat has over twenty years of experience in the heritage sector and has participated in numerous projects focused on the research, documentation, preservation and curation of cultural practices and their associated heritage collections. He has previously worked as the Assistant Director in charge of the Nairobi National Museum and as a Principal Research Scientist in the Department of Cultural Heritage at the National Museums of Kenya. As Director of Culture, his responsibility is mainly to coordinate policies and programmes aimed at the preservation, promotion, and revitalization of Kenya’s rich and diverse cultural heritage resources for nationhood and sustainable development.</p> <p>Dr. Lagat has written and published on the arts and cultures of the people of Eastern Africa as well as processes of memorialization. One of his most recent publications is entitled “The Artist Stimulus Programme: Cushioning the Cultural and Creative Industry Sector from the Adverse Effects of Coronavirus Pandemic.” <i>Jahazi</i>, Vol. 9, Issue 1, (2021): 55-60.</p> <p>Dr. Langat has also served in leadership roles. Between 2016 and 2017, he served as an Alternate Board Member of the National Museums of Kenya and is currently a Council Member of the Kenya Cultural Centre. He is also a previous Committee Member of the International Council of Museum’s Committee for Collecting (ICOM – COMCOL).</p>



<p>2. Trustee</p> 	<p>Mr. Andrew Nyawango Opiyo Alternate Member Date of Birth: 27th December, 1967 DoA: 12th February 2021 – to date</p> <hr/> <p>Andrew Nyawango Opiyo is a certified Project Management Professional (PMP) and Information Technology Infrastructure Library (ITIL) professional. He is a member of Information Technology Services Management (ITSM), Project Management Institute (PMI) and Information Systems Audit and Control Association (ISACA). Mr. Opiyo is a holder of Master of Science Information Technology, Moi University; Postgraduate Diploma in Computer Science; and Bachelor of Science (Mathematics and Computer Science) both from the University of Nairobi.</p> <p>He has worked in the Ministry of Finance (The National Treasury) from 1991 to 2016 where he rose through the ranks, from a Systems Analyst/Programmer to the Assistant Director ICT, where he headed the ICT Division. From September 2016 to-date, he has been working in the Ministry of ICT, Innovation and Youth Affairs as the Deputy Director ICT in charge of ICT Shared Services which include Infrastructure, e-Government Systems and Emerging technologies. Mr. Opiyo has been involved in the implementation of ICT systems (infrastructure and information systems). He is widely experienced in systems analysis and development including programming, systems configurations, operating systems management and network installation and management. Systems implemented include ERPs such as Oracle E-Business Suite (Integrate Finance Management Information System-IFMIS), Pensions Management Information System – PMIS, National Optic Fibre Backbone Infrastructure – NOFBI including last mile connectivity among other e-Government services.</p>
<p>3. Trustee</p> 	<p>Ms. Antonina Lentoijoni Alternate Member, Teachers Service Commission Member – Human Resource and Establishment Committee Date of Birth: 4th February, 1973 DoA: 28th July 2022 to date</p> <hr/> <p>Ms. Antonina Lentoijoni is a Deputy Director, Staffing at the Teachers Service Commission. She is professional with over 15 years of working experience at a senior level in handling teacher management functions and 9 years as a teacher. Has vast experience in management of teacher</p>



	<p>recruitment, transfers, teacher promotions, handling teacher disciplinary issues, staff counselling, mentoring and motivation, auditing ISO Processes and maintenance of teacher management data. An expert in strategic planning. Able to maintain good employee relations to facilitate a stable working environment for everyone. Ms. Lentoijoni holds a Master’s Degree in Business Administration – Strategic Management from University of Nairobi. She has also attended several professional, international and local courses. She is the Alternate Director representing the Teachers Service Commission at KNATCOM.</p>
<p>4. Trustee</p> 	<p>Ms. Florence Chemutai Date of Birth: 29th April, 1969 Alternate Director, Gender DoA: 11th Jan, 2023 to date</p> <hr/> <p>Ms Florence Chemutai is a Deputy Director at the State Department for Gender and Affirmative Action. She has over 25 years’ experience in Teaching and Management. She facilitates planning, designing and implementation of gender programmes.</p> <p>Ms Chemutai’ holds a Master’s Degree in Business Administration (MBA) Strategic Planning from KEMU. She has Bachelor of Education from Moi University and Higher Diploma in Human Recourse Management. She has also attended several professional, International and Local Courses, she has been an alternate Director, Uwezo Scheme Oversight Board, and now at KNATCOM.</p>
<p>5. Trustee</p> 	<p>Mr. Charles Chacha Mwita Date of Birth: 20th January, 1964 Alternate Member DoA: 13th March, 2023 to date</p> <p>Mr. Charles Mwita holds an M.Ed degree in Education Administration and Planning and a B.Ed in Literature and English language from the University of Nairobi. In addition, he has attended courses on Human Resource Development and Management both locally and overseas. He attended Strategic Leadership Development Programme as well as Transformative Leadership course at the Kenya School of Government. He trained in South Korea in 2008 on human resource development and in the People’s Republic of China in 2011 on Public Sector Reforms.</p>

	<p>Mr. Mwita has worked in the Public Service for over thirty (30) years in human resource management and the education sector. He has held management level positions such as Assistant Director HRM&D, Cour Director of Education as well as Deputy Director Human Resource Management information system, Ministry of Public Service. While serving in the Ministry of Public Service, Mr. Mwita participated in the Public Service Reforms which included the drafting of the first performance contract documents in the civil service, review of the performance appraisal system, development of service charters, and annual work planning.</p> <p>He also served as Director of Education in charge of Field Coordination and Co-curricular activities where he served as alternate member for Principal Secretary Education in the Athletics Kenya Board and Sports Kenya.</p> <p>Currently, Mr. Mwita is serving as Director of Education responsible for Policy, Partnerships and East African Community Affairs in the Ministry of Education, Headquarters.</p>
<p>6. <i>Trustee</i></p> 	<p>Prof. Grace Bunyi Alternate Member Date of Birth: 19th October 1949 Chair, Finance and Resource Mobilization Committee DoA: 12th February 2021 Date Left: 21st February 2023</p> <hr/> <p>Prof. Grace Bunyi holds a PhD Degree in curriculum studies with a focus on language in education from the University of Toronto, Canada, a Masters Degree in Teacher Education from Kenyatta University and BA Degree, Education Option from University of Nairobi. Prof Bunyi is a career lecturer and researcher at Kenyatta University. She has undertaken many education consultancies for local and international organizations and agencies. She is currently serving as Registrar Corporate Affairs, Kenyatta University. She has previously served as Chairperson of the Department of Education Management, Policy and Curriculum Studies and Coordinator of the Postgraduate Diploma in Education and Content Enhancement Programmes. She is also the Chairperson and Board Member of the Women Educational Researchers of Kenya (WERK) and is a member of the Governing Council of Kiriri Women’s University of Science and Technology.</p>

<p>7. Trustee</p> 	<p>Mr. Patrick Ochich, MEd, BEd Alternate Member Date of Birth: 9th October, 1959 Chairperson, Audit, Risk and Compliance Committee DoA: 12th February 2021 Date Left: 21st February 2023</p> <hr/> <p>Mr. Patrick Ochich holds a Master of Education Degree in Measurement and Evaluation from the University of Nairobi (UoN) and Bachelor of Education Degree from the same university. He has attended the Strategic Leadership Development Programme (SLDP) and Senior Management Course (SMC) at the Kenya School of Government (KSG). Mr Ochich trained at the University of Cambridge Assessment Network in the United Kingdom (UK) on Public Examinations Development and Administration. He has worked for over twenty-eight (28) years in the Public Service and is currently the Director, Test Development at the Kenya National Examinations Council (KNEC), where he has worked since August 2015. He served the Teachers Service Commission (TSC) for 17 years, where he held various positions in several High Schools and National Polytechnics. Mr Ochich has also previously served as a Senior Research Officer at the Kenya Institute of Curriculum Development (KICD) and participated, facilitated and presented papers in local and international educational assessment workshops and conferences.</p>
<p>8. Trustee</p> 	<p>Mr. Abraham Ondeng, OGW Alternate Member Date of Birth: 30th November 1969 DoA: 10th March 2022 to date</p> <hr/> <p>Mr Abraham Ondeng' is a Senior Deputy Secretary at the National Treasury in Administration. He has over 20 years' experience in Administration and Management. He oversees the Government motor vehicle leasing programs, among others.</p> <p>Mr Ondeng' holds a Master's Degree in Project Planning and Management from University of Nairobi, MBA from ESAMI. He has also</p>

	<p>attended several Professional, International and local courses. He has been an Alternate Director at Kenya Yearbook, Information Communication and Technology (ICT) Authority, Office of the Director of Public Prosecution and now at KNATCOM.</p>
<p>9. Trustee</p> 	<p>Prof. Collette A. Suda, PhD, FKNAS, CBS Chairperson, Governance, Strategy and Programmes Committee DoA: 12th February 2021 Date of Birth: July 1957 Date Left: 11th Jan 2023</p> <hr/> <p>Prof. Collette A. Suda, PhD, FKNAS, CBS, was the Principal Secretary (PS), State Department for Gender, Ministry of Public Service and Gender. She also previously served as Chief Administrative Secretary (CAS) and PS, State Department for University Education and Research, Ministry of Education; CAS, Ministry of Energy; Principal Secretary for University Education, Ministry of Education; Principal Secretary, State Department for Science and Technology, Ministry of Education; Secretary for Gender and Social Development, Ministry of Gender, Children and Social Development; Director, Institute of African Studies; and Director, Board of Common Undergraduate Courses, University of Nairobi. Prof Suda has also served as an external examiner, member of the National Commission on Gender and Development as well as the Advisory Board of Women Enterprise Fund, Ministry of Gender, Children and Social Development. She has also served as the Chairperson of the Governing Board of African Institute for Capacity Development (AICAD). Prof. Suda is a full Professor of Sociology at the Institute of African Studies, University of Nairobi, is a Fellow of the Kenya National Academy of Sciences (FKNAS). Prof Suda holds a PhD in Rural Sociology, M.Sc. in Rural Sociology and M.Sc. in Community Development from the University of Nairobi. She has extensive research experience as principal investigator in gender, family studies, social change, and sustainable rural development. She has published widely in international scholarly and peer reviewed journals and co-authored a book. On October 4th, 2007, she delivered her inaugural lecture at the University of Nairobi, entitled: <i>“Formal monogamy” and informal polygyny in Parallel: African Family Traditions in Transition</i>”.</p>









<p>10. Trustee</p> 	<p>Ms. Evelyne Owoko Alternate Member Member, Finance and Resource Mobilization Committee Date of Birth: 28th August 1968 DoA: 28th April 2022 Date Left: 7th September 2022</p> <hr/> <p>Ms. Evelyne Owoko holds Masters degree in Educational Planning and Administration. She taught in various secondary schools from 1993-1998. She joined the Ministry of Education from 1998 to date. Ms. Owoko served as the Director of Policy and East African Community Affairs, State Department of Early Learning and Basic Education, Ministry of Education.</p>
<p>11. Trustee</p> 	<p>Mr. Joshua Mwangi Alternate Member, Ministry of Education Member – Finance and Resource Mobilization Committee Date of Birth: 6th Sept 1967 DoA: 7th September 2022 Date Left: 13th March 2023</p> <hr/> <p>Mr. Joshua Mwangi holds a Master’s degree in Education Administration and Planning from the University of Nairobi, and a Bachelor’s degree in Education degree from Kenyatta University. He has attended training at Kenya School of Government for Strategic Leadership Development Programme (SLDP) and Senior Management Course (SMC) from the same institution. He also attended a Results Based Management course at Kenya Education Management Institute (KEMI). Mr. Mwangi has been a District Education Officer and a Sub - County Director of Education. He has previously served the State Department of Technical Education and Vocational training. In 2020, he joined the State Department of Early Learning and Basic Education as a Deputy Director in the Directorate of Policy Partnership and East Africa community Affairs and served as Ag. Director. He has taught in several schools in Kenya rising to the level of a Head of Department. He is a member of Kenya Association for Public Administration and Management (KAPAM).</p>

<p>10. Scheme Administrator/ Secretary to the Board</p> 	<p>Dr. Evangeline Njoka, MBS Date of Birth: 3rd June, 1960 DoA: 1st June 2018 Date Left: 31st May 2023</p> <hr/> <p>Dr. Evangeline Njoka holds a PhD degree in Education from Durham University, United Kingdom; Master’s degree in Education Management and Planning, University of Nairobi; a Post Graduate Diploma in Education, Catholic University of Eastern Africa, and Bachelor of Science degree, University of Nairobi.</p> <p>Dr. Evangeline Njoka is specialized in Education and Corporate Management and has over thirty-four year’s professional experience. She has served as a secondary school teacher under Teachers Service Commission and rose to become head of two secondary schools. She is currently serving as the Secretary General/CEO, Kenya National Commission for UNESCO. She has also published widely and presented many papers internationally, regionally and locally. ^[OBJ]</p>
<p>11, Scheme Administrator/ Ag., Secretary to the Board</p> 	<p>Dr. James G. Njogu, HSC, PhD, MPhil, BSc Ag. Secretary General/CEO Date of Birth: 12th December 1968 DoA: 1st June 2023 to date</p> <hr/> <p>Dr. James Njogu holds first degree is in Wildlife Management, a Master’s in Biological Sciences from Moi University and a PhD degree is in Social Geography from University of Amsterdam. Dr Njogu is specialised in the field of natural science with a wide experience working in public sector, and non-governmental organization under different capacities. The specific work experience include research, policy analysis, proposal development and reviews, resource mobilization, project management among other including senior management. He has mainly worked on international conventions and agreement under Kenya Wildlife Service. He has also worked as Natural Resource Manager, Ewaso Ngiro South Development Authority and briefly as Ag. Principal Kenya Wildlife Training Institute.</p> <p>In addition to convention, he coordinated matters relating to the <i>International Union for Conservation of Nature (IUCN)</i> Kenya</p>

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For the year ended 30 June, 2023

	<p>Membership and the United Nations Educational, Scientific and Cultural Organization (UNESCO) matters and also strongly involved in developing and negotiating resolutions at United Nation Environment Assembly (UNEA). He has served as representative of Kenya in UNESCO as Member of the Executive Board (2015 – 2019) and chaired of Group V(a), Committee on Non-Governmental Partners (NGP). Others included vice chair of Kenya Man and Biosphere (MAB) National Committee, member of Kenya UNESCO Natural Science Expert Committee and Cultural Expert Committee; Chair for Eastern and Southern Africa (ESARO) IUCN Regional Committee (2013 -2016); Chair IUCN Kenya National Committee. He served focal point and member of standing committee for various conventions.</p>
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4. Management Team

Name	Details of qualifications and experience			
Scheme Administrators				
	<p>Dr. Evangeline Njoka, MBS. PhD, MEd, BSc, PGDE Secretary General/CEO DoA: 1st June 2018 Date Left: 31st May 2023</p>	<p>Dr. James G. Njogu, HSC. PhD, MPhil, BSc Deputy Secretary General – Programmes/ Ag Secretary General/CEO DoA: 1st June 2023 to date</p>	<p>Dr. Joel Ongoto, PhD, MEd, Bed Ag. Deputy Secretary General, Research and Resource Mobilization and Director, Social and Human Sciences Programme</p>	<p>Mr. Nicholas Kirwa, IHRM, LLB, HND-HRM. Ag. Head of Human Resource & Administration</p>
				
	<p>Ms. Naomi Muiruri, MBA, BCom, CPA Manager, Finance & Accounts Scheme Accountant</p>	<p>Ms. Beth Muvai, Manager, Legal Officer</p>	<p>Dr. Orpha Nyakundi, Deputy Director - Ethics, Science and Sports</p>	<p>Ms. Aboronia Mworira, Senior Office Administrator</p>

5. Chairman's Report



KNATCOM Mortgage and Car Loan Scheme was operationalized in April 2016. Its affairs are managed by the Mortgage and Car Loan Committee. This is an internal Committee established by the Secretary General. Kenya Commercial Bank is the Scheme administrator and tasked with the management of the Scheme as well keeping the schemes accounts. They also process individual applications from the staff members.

The Board allocated funds to the scheme and it has continuous to done so. The scheme also relies on revolving monies arising out of recoveries of the loans given the staff and the interests earned thereof. The bank also invests the available balances in the revolving accounts and plough back to facilitate applications. The scheme is still in its infant stage and the revolving fund hardly enough to support the demand for mortgage and car loans by the members of staff.

The challenges are mainly lack of adequate financial resources to facilitate staff interest from the members of staff. Further, there has been no allocation from the exchequer for this scheme. The Committee will keep on with liaison with management canvass for more funds as this scheme is vital artery in staff retention and motivation.

A handwritten signature in blue ink, consisting of stylized initials and a surname.

**Chairperson,
Housing Mortgage and Car Loan Committee**

6. Report of the Manager/ Administrator



KNATCOM mortgage and Car Loan Scheme was operationalized in 2016. Its affairs are managed by the Mortgage and Car Loan Committee. This is an internal Committee established by the Secretary General. Kenya Commercial Bank is the Scheme administrator and tasked with the management of the Scheme as well keeping the schemes accounts. They also process individual applications from the staff members.

The Board allocated funds to the scheme and it has continuous to done so. The scheme also relies on revolving monies arising out of recoveries of the loans given the staff and the interests earned thereof. The bank also invests the available balances in the revolving accounts and plough back to facilitate applications. The scheme is still in its infant stage and the revolving fund hardly enough to support the demand for mortgage and car loans by the members of staff.

The challenges are mainly lack of adequate financial resources to facilitate staff interest from the members of staff. Further, there has been no allocation from the exchequer for this scheme. The Committee will keep on with liaison with management canvass for more funds as this scheme is vital artery in staff retention and motivation.

The mortgage and car Loan management committee is constituted in a consultative senior management meeting of the commission shared by secretary General/CEO. Critical department must be represented in the committee. The Committee are appointed with letters of appointment signed by Secretary General with ToRs for a term of one year.

Roles and functions of the Administration Committee members

- I. supervise and control the day-to-day administration of the Scheme;
- II. determine and regulate interest payable by loanees;
- III. approve all housing development and financing proposals;
- IV. enter into agreement with persons or legal entities for the purposes of providing services to the Scheme;
- V. develop criteria for the beneficiaries of the Scheme;
- VI. establish management guidelines and engage such staff as may be necessary to assist the Committee in administering the Scheme; and

VII. such other duty as may be directed by the Board for the purposes of the proper management of the Scheme.



Name: Dr. James Njogu, HSC

Scheme Administrator

7. Statement of Performance Against Predetermined Objectives

Guidance

Kenya National Commission for UNESCO Mortgage scheme develops its annual work plans based on the above two pillars. Assessment of the Board's performance against its annual work plan is done on regular basis. The Scheme achieved its performance targets set for the FY 2022/2023 period for its two strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues		Objective	Key Performance Indicators	Activities	Achievements
i.	Sustainability of the Scheme	Encourage more staff to utilize the funds	Number of loans disbursed	Processing of loans	Loans disbursed
ii.	Grow the scheme	Increase amount of the money in the pool	Portfolio returns	Prompt recoveries and deductions	Ploughing back portfolio returns

8. Corporate Governance Statement

- a. The Mortgage and Car Loan management committee is constituted in a consultative senior management meeting of the Commission Chaired by Secretary General/CEO. Critical departments must be represented in the Committee. The Committee members are appointed, with letters of appointment issued to them and signed by Secretary General with ToRs for a term of one year. A member can be removed if there is a prove of an inappropriate behaviour contrary to their ToR. The role of the of administrative Committee members is to;
- i. supervise and control the day-to-day administration of the Scheme;
 - ii. determine and regulate interest payable by loanees;
 - iii. approve all housing development and financing proposals;
 - iv. enter into agreement with persons or legal entities for the purposes of providing services to the Scheme;
 - v. develop criteria for the beneficiaries of the Scheme;
 - vi. establish management guidelines and engage such staff as may be necessary to assist the Committee in administering the Scheme; and
 - vii. such other duty as may be directed by the Board for the purposes of the proper management of the Scheme.
- b. Number of Scheme Administration Committee meetings held and the attendance to those meetings by members. The Committee meetings are held by the members as and when need arises but at least four times in a financial year.
- c. Succession plan. There is successive appointment of the Committee members at the beginning of every financial year. Thus, every Committee appointment succeeds the preceding Committee. Therefore, in all practical reasons, there is no gap between the incoming and the outgoing Committee.
- d. The Scheme is in the process of developing a Service Charter, to ensure that the Committee focus on service delivery, measure and assess performance.

- e. During the period under review, the Mortgage and Car Loan Committee were not trained but the Scheme has scheduled trainings in the future. Members ensured that all the applications submitted were approved.
- f. Conflict of interest register is always availed during meetings and the Committee Members record to state whether they are conflicted or not.
- g. Board and Scheme committee have no remunerations whatsoever, whether sitting allowances or any other monetary or material gain.
- h. Compliance with existing laws and regulations – The scheme operates within the confines of the law and regulations in place.
- i. Ethics and conduct as well as governance audit undertaken, has not been carried out, but the Committee reassures of its commitment to conduct its affairs in a proper, just and a fair manner. All members have been trained on the tenets of ethical conduct by EACC.

9. Management Discussion and Analysis

During the Financial year 2022/2023, KNATCOM Housing Mortgage and Car Loan Scheme did not receive additional funding during the year. As a result, the scheme continued to draw its operating capital from the revolving fund to facilitate applications. The total amount in the revolving Kshs. 61,426,929.

In the period under review, the uptake from staff was relatively low, we had one application from a member of Staff of Ksh. 8,000,000 which was approved, however, the applicant by the closer of the financial year was still finalising with the seller and the Scheme Administrator (KCB). Likewise, one member of staff benefited from the Car Loan within the year under review. The exact amount of Kshs. 2.7 million was disbursed to the applicant as requested. It's anticipated that in the next financial year it is likely that the uptake will be affected by the Housing Levy as outlined in the Financial Act, 2023. However, on a positive note, there might be an increase in the uptake of the two schemes owing to the additional staff recruited. This solely depend on if there will be additional funds in the kitty.

The total number of staff who have been facilitated from the inception of the scheme in 2016 to June 2023 is as follows; 10 applications for **Mortgage Scheme** totalling Kshs. 60,413,326.00 have been approved, processed and disbursed by the Kenya Commercial Bank. Five (5) applications for **Car Loan** to the tune of Kshs. 7,451,500.00 have so far been approved, processed and disbursed by the Kenya Commercial Bank. By the closure of the financial year, seven (7) staff members were servicing their mortgage facilities and four (4) were servicing their car facilities.

The mortgage & Car Loan Scheme was in compliance with statutory requirements.

There were no major risks reported that affected the Mortgage & Car Loan Scheme during the financial year under review safe for reliance on the revolving fund to finance staff requests. There were no material arrears in statutory and other financial obligations.

10. Environmental And Sustainability Reporting

The scheme exists to transform staffs' lives. This is the purpose and the driving force behind the scheme. It's what guides the Scheme to deliver its strategy and is achieved by putting the staff's welfare at the apex of the scheme. This is implemented by availing and disbursing affordable loans and improving operational excellence. There is a great potential to make the scheme more financially sustainable in the coming years by canvassing for direct budgetary allocation and having scalable housing solutions through cooperation and exchange of ideas with other Hosing and Car Loan Schemes.

We shall continue to enlighten the beneficiaries of the scheme to buy or build energy and water saving houses that are eco-friendly. That notwithstanding, the Scheme is in the process of developing the Environmental Policy.

11 Report of the Board of Trustee/ Scheme Administration Committee

The Scheme Administration Committee submit their report together with the audited financial statements for the year ended 30 June, 2023 which show the state of the Scheme affairs.

Principal activities

The principal activity of the Housing Mortgage and Car Loan is to facilitate staff to acquire houses and cars on low credit loans

Performance

The performance of the Scheme for the year ended 30 June, 2023 is set out on page 1

Trustees

The members of the Board of Trustee / Administration Committee are shown on page ix -xvi.

Auditors

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

By Order of the Board



.....

**Sessional Chairperson,
Scheme Administration Committee**

12 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 the Scheme established by Kenya National Commission for UNESCO Act, No. 5 of 2013 (*Revised 2014*) 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 Scheme is responsible for the preparation and presentation of the Scheme'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, 2023. 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 scheme; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Scheme accepts responsibility for the Scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kenya National Commission for UNESCO Act, No. 5 of 2013 (*Revised 2014*). The Administrator of the Scheme is of the opinion that the Scheme's financial statements give a true and fair view of the state of Scheme's transactions during the financial year ended June 30, 2023, and of the Scheme's financial position as at that date.

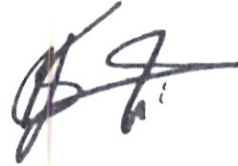
The Administrator further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Scheme has assessed the Scheme's ability to continue as a going concern.

Approval of the financial statements

The Scheme's financial statements were approved by the Board on **_29th September 2023** and signed on its behalf by:



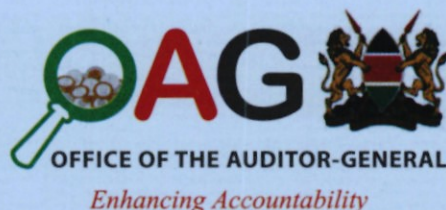
Name: Dr. Kiprop Lagat
Sessional Chairperson of the Scheme



Name: Dr. James Njogu, HSC
Scheme Administrator

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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 FOR UNESCO MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2023

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 the intended purpose.
- C. Report on the 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 are 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 Kenya National Commission for UNESCO Mortgage and Car Loan Scheme set out on pages 1 to 24, which comprise the

statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows, 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 Kenya National Commission for UNESCO Mortgage and Car Loan Scheme as at 30 June, 2023 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 Kenya National Commission for UNESCO Act, 2013 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kenya National Commission for UNESCO Mortgage and Car Loan Scheme Management in accordance with ISSAI 130 on the 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 judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else 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

1. Gaps in the Car Loan Regulations

Review of the Car Loan Regulations, 2018, revealed the following gaps:-

- i. Regulation 9 on interest on loans does not specify the per centum on the prevailing rate to be prescribed by the Government and adopted by the Commission;

- ii. The Regulations are silent on the interest payable on unutilized funds;
- iii. Regulation 30 on management of costs states that 'the financing institution may charge an interest of not more than two (2) per centum per annum of the value of the loan to cover its management costs'. However, the interest payable by the car loan borrowers is four (4) per centum per annum as disclosed in the section on discussion by the management. The remaining two (2) per centum interest charged is unsupported.

In the circumstances, the regularity of the car loan Regulations, 2018 could not be confirmed.

2. Gaps in the Housing Scheme Fund Regulations

Review of the Housing Scheme Fund Regulations, 2015, revealed the following gaps;

- i. Regulation 14 on interest on loan conflicts with Regulation 30 on management costs where the interest payable to the mortgage finance institutions are not at par. Regulation 14 provides that interest payable is not to be more than 2.5% while Regulation 30 provides 2% to be the interest payable as management costs.
- ii. The Regulations are silent on the interest payable on unutilized funds. However, the status reports from the bank indicate that interest of 1.8% per annum is paid to the Commission and whose basis was not provided for independent confirmation. This was contrary to Regulation 14 of Kenya National Commission for UNESCO (Housing Scheme Fund) Regulations, 2015 which states that, 'the interest payable on a loan shall be at the rate of at least three per centum on a monthly reducing balance or such other rate as may from time to time be determined by the Committee'. No documentation was provided to confirm determination of the rate by the Committee.

In the circumstances, the regularity of the Regulations could not be confirmed.

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 comply, 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 THE 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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Weaknesses in the Management of the Scheme

The Commission entered into an agreement with a Bank on 21 April, 2016 to manage the housing scheme and deposited Kshs.30,000,000 for the mortgage scheme. Further, the Commission entered into an undated agreement in year 2020 with the Bank to manage and administer the car loan scheme and deposited seed capital of Kshs.20,000,000 on 23 October, 2020 to manage the scheme. The signed agreements allowed the Bank to charge interest at the rate of three (3) per centum on the deposit account for purposes of managing the car loan scheme and interest of 4% per annum on a reducing balance on mortgage loans. However, the Commission was to earn no interest on the deposits and no justification was provided for this arrangement. Further, mortgage status report indicated interest of 1.8% and 0.5% on unutilized and utilized funds respectively whose basis was not provided for audit.

In the circumstances, the controls over the management of the Scheme are weak.

Basis for Conclusion

The audit was conducted in accordance with ISSAIs 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 the Management and Board of Trustees

The 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 controls as the 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 controls, risk management and overall governance.

In preparing the financial statements, the Management is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate the Scheme or cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Trustees 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 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 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 controls 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 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 controls.
- 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 Commission'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 Commission to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 March, 2024

13. Statement of Financial Performance for the year ended 30 June, 2023

	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Revenue from exchange transactions			
Interest income	6	426,195	252,041
Total revenue		426,195	252,041
Expenses			
Use of goods and services	7	3,195	1,305
Total expenses		3,195	1,305
Surplus/ (Deficit)		423,000	250,736

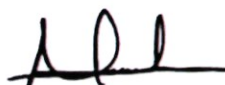
(The notes set out on pages 6 to 23 form an integral part of these Financial Statements).

The financial statements were approved on 29th September 2023 by:



Name: Dr. James Njogu, HSC
Scheme Administrator

Date 21/12/2023.....



Name: Naomi Muiruri
Scheme Accountant

ICPAK M/No...16120...

Date 21/12/2023.....



Name: Dr. Kiprop Lagat
Sessional Chairperson of the
Board

Date 21/12/2023.....

14. Statement of Financial Position as at 30 June, 2023

	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	8	24,252,158	22,250,924
Total Current Assets		24,252,158	22,250,924
Non-current assets			
Receivables	9	37,174,771	38,753,004
Total Non-Current Assets		37,174,771	38,753,004
Total assets		61,426,929	61,003,929
Net assets			
Mortgage revolving fund		48,650,393	48,650,393
Car loan revolving fund		8,000,000	8,000,000
Accumulated surplus		4,776,536	4,353,536
Total net assets and liabilities		61,426,929	61,003,929

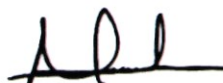
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The Scheme financial statements were approved on **29 September 2023** and signed by:



**Name: Dr. James Njogu, HSC
Scheme Administrator**

Date 21/12/2023.....



**Name: Naomi Muiruri
Scheme Accountant**

ICPAK M/No...16120...

Date 21/12/2023.....



**Name: Dr. Kiprop Lagat
Sessional Chairperson of the
Board**

Date 21/12/2023.....

15. Statement of Changes in Net Assets for the year ended 30 June, 2023

	Mortgage Fund	Car Loan Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
As at 1 July, 2021	36,650,393	20,000,000	4,102,800	60,753,193
Surplus/(deficit) for the period	-	-	250,736	250,736
Funds received during the year	12,000,000	(12,000,000)	-	-
As at 30 June, 2022	48,650,393	8,000,000	4,353,536	61,003,929
Balance as at 1 July, 2022	48,650,393	8,000,000	4,353,536	61,003,929
Surplus/(deficit) for the period	-	-	423,000	423,000
As at 30 June, 2023	48,650,393	8,000,000	4,776,536	61,426,929

16. Statement of Cash Flows for the year ended 30 June, 2023

	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Interest received		426,195	250,736
Total receipts		426,195	250,736
Payments			
Bank Charges		3,195	-
Total payments		3,195	-
Net cash flow from operating activities	10	423,000	250,736
Cash flows from investing activities			
Proceeds from loan principal repayments-mortgage		2,778,838	4,454,329
Proceeds from loan principal repayments-Car loan		1,485,895	1,585,862
Loan disbursements paid out-Mortgage		-	(5,000,000)
Loan disbursements paid out-Car loan		(2,686,500)	-
Net cash flows used in investing activities		1,578,233	1,040,191
Cash flows from financing activities			
Receipts into the mortgage revolving fund		-	12,000,000
Receipts into the car loan revolving fund		-	(12,000,00)
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		2,001,233	1,290,927
Cash and cash equivalents at 1 July		22,250,924	20,959,998
Cash and cash equivalents at 30 June		24,252,157	22,250,925

17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June, 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
Revenue						
Interest income	426,195	-	426,195	426,195	-	100%
Total Revenue	426,195	-	426,195	426,195	-	100%
Expenses						
Bank Charges	3,195	-	3,195	3,195	-	100%
Expenditure	3,195	-	3,195	3,195	-	100%
Surplus for the period	423,000	-	423,000	423,000	-	100%

18. Notes to the Financial Statements

1. General Information

Kenya National Commission for UNESCO Mortgage & Car Loan Scheme is established by and derives its authority and accountability from Kenya National Commission for UNESCO Act 2012 (Revised 2014). The Scheme wholly owned by the Government of Kenya and is domiciled in Kenya.

The Scheme's principal activity of the Housing Mortgage and Car Loan is to facilitate staff to acquire houses and cars on low credit loans

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 Scheme's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Scheme financial statements have been prepared in accordance with the PFM Act, 2012 and 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 2023.*

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</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 a Commission’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of</p>

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Standard	Effective date and impact:
	<p>the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <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 Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) 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>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p>

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Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li data-bbox="619 271 1386 353">• IPSAS 29: Financial instruments: Recognition and Measurement <p data-bbox="619 371 1386 510">Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p data-bbox="563 707 916 741"><i>Applicable 1st January 2025</i></p> <p data-bbox="563 759 1394 1099">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 cashflows of an Entity.</p> <p data-bbox="563 1122 1394 1205">The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p data-bbox="563 1225 916 1258"><i>Applicable 1st January 2025</i></p> <p data-bbox="563 1276 1394 1462">The Standard requires, 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 data-bbox="563 1485 1394 1671">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 Commission did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early.*

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 Scheme and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such Scheme.

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 scheme budget for the FY 2022/2023 would have represented a transfer from the Commission's budget approved by the National Assembly. However, there was no budgetary allocation for Mortgage and Car Loan Scheme for the year under review. The scheme operates a revolving fund from which funds are available for borrowing at any given time provided the borrower meets all the conditions.

The Scheme'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

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Mortgage & Car loan Scheme Annual Report and Financial Statements
For the year ended 30 June 2023***

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 as per the statement of financial performance has been presented under section 5 of these financial statements.

c. Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The Commission does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (Amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Significant Accounting Policies (Continued)

I. Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Significant Accounting Policies (Continued)

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

II. Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

d. Contingent liabilities

The Scheme 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 Scheme 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 Scheme the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are 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. Nature and purpose of reserves

The Scheme creates and maintains a revolving fund. This is made up of initial allocation to the scheme, beneficiaries repayments and interest earned on both utilized and unutilized funds held in the call account recouped back to the scheme.

g. Changes in accounting policies and estimates

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

Significant Accounting Policies (Continued)

h. Related parties

The Scheme 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 Scheme vice versa. Members of key management are regarded as related parties and comprise the Trustees, the Fund Administrator, Chairperson and Scheme Accountant, employees of the Commission, and Board of the Commission and Kenya Commercial Bank (KCB).

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 commercial bank 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 Scheme

The Scheme is established under Section 24 (4) PFM Act under the Kenya National Commission for UNESCO. Its ultimate parent is the Ministry of Education of the Government of Kenya.

m. Currency

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

Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

The preparation of the Scheme'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.

a) Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Scheme. Such changes are reflected in the assumptions when they occur.
(see IPSAS 1.140.)

*Kenya National Commission for UNESCO
Mortgage & Car loan Scheme Annual Report and Financial Statements
For the year ended 30 June 2023*

Notes to the Financial Statements

6. Interest income

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Interest Income from Mortgage Loans	426,195	252,041
Interest Income from Car Loans	-	-
Total Interest Income	426,195	252,041

7. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Bank charges - Mortgage	2,130	1,305
Bank charges - Car Loan	1,065	-
Total	3,195	1,305

8. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Cash and cash equivalents-Mortgage	20,492,593	17,288,624
Cash and cash equivalents-Car loan	3,759,565	4,962,300
Total Cash and Cash equivalents	24,252,158	22,250,925

8 a) Detailed analysis of the cash and cash equivalents

Financial Institution	Account number	2022/2023	2021/2022
		Kshs.	Kshs.
Mortgage and Car Loan Scheme			
KCB Bank – KICC Branch	1182233910	20,492,593	17,288,624
KCB Bank – KICC Branch	1279249609	3,759,565	4,962,300
Grand Total		24,252,158	22,250,925

Notes to the Financial Statements

9. Receivables from exchange transactions

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Long Term Loan Repayments Due-Mortgage	32,937,771	35,716,609
Long Term Loan Repayments Due-Car loan	4,237,000	3,036,395
Total Receivables from Exchange Transactions	37,174,771	38,753,004
Ageing analysis (receivable from exchange transactions)	2022 - 2023 %of total	2021 - 2022 %of total
Less than 1 year	0%	0%
Between 1-2 years	0%	0%
Between 2-3 years	0%	0%
Over 3 years	100%	100%
Total (tie to totals above)	100%	100%

Notes to the Financial Statements (continued)

10. Net cash flows from operating activities

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	423,000	250,736
Adjusted for:		
Depreciation	0	0
Amortisation	0	0
Gains/ losses on disposal of assets	0	0
Interest income	0	0
Finance cost	0	0
Working capital adjustments	423,000	250,736
Increase in inventory	0	0
Increase in receivables	0	0
Increase in payables	0	0
Net cash flow from operating activities	423,000	250,736

Notes to the Financial Statements (continued)

11. Financial risk management

The Scheme's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Scheme 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 Scheme doesn't hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

Notes to the Financial Statements (continued)

a) Credit risk

The Scheme 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 Scheme'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 Scheme's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2022				
Receivables From Exchange Transactions	38,753,004	38,753,004	-	-
Total	38,753,004	38,753,004		
At 30 June 2023			-	-
Receivables From Exchange Transactions	37,174,771	37,174,771	-	-
Total	37,174,771	37,174,771	-	-

Notes to the Financial Statements (continued)

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 Scheme has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of trustees sets the Scheme'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 Scheme Administrator, who has built an appropriate liquidity risk management framework for the management of the Scheme short, medium, and long-term funding Scheme liquidity management requirements. The Scheme manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Scheme 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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2022				
Trade Payables	-	-	-	-
Total	-	-	-	-
At 30 June 2023	-	-	-	-
Trade Payables	-	-	-	-
Total	-	-	-	-

Notes to the Financial Statements (continued)

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Scheme 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 Scheme'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 optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Scheme's Finance Department is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

There has been no change to the Scheme'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 Scheme's financial condition may be adversely affected as a result of changes in interest rate levels. The Scheme interest rate risk arises from bank deposits. This exposes the Scheme to flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Scheme's deposit.

Management of interest rate risk

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

Notes to the Financial Statements (continued)

12. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Scheme 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 is related to the following entities:

- a) National government
- b) Ministry of Education
- c) Key management;
- d) Board of Trustees/Committee

13. Events after the Reporting Period

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

14. Ultimate And Holding Entity

The Mortgage and car loan is a Scheme under the sponsorship of Kenya National Commission for UNESCO which is a Semi-Autonomous Government Agency under the Ministry of Education

15. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling.

19. Annexes

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Scheme responsible for implementation of each issue.
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Scheme Manager/Accounting Officer

Name: Dr. James Njogu, HSC



Date. 21/12/2023.