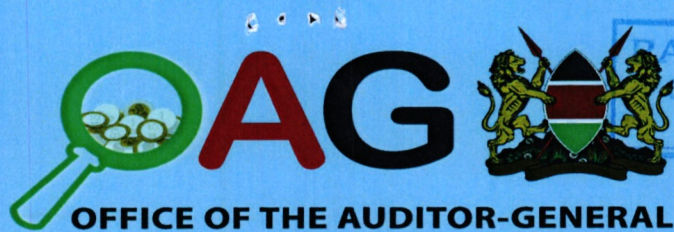



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

 <b>REPORT</b> THE NATIONAL ASSEMBLY	
DATE:	15 FEB 2022 Thursday
TABLED BY:	LDM
CLERK-AT THE-TABLE:	Gertrude Chebet

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE, 2021**



**KENYA NATIONAL COMMISSION ON  
HUMAN RIGHTS CAR & MORTGAGE  
LOAN SCHEME  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEAR ENDING 30 JUNE 2021**

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



**Kenya National Commission on Human Rights (KNCHR)**  
**Car & Mortgage Loan Scheme Reports and Financial Statements**  
**For the year ended 30 June 2021**

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Car & Mortgage Loan Scheme Reports and Financial Statements  
For the year ended 30 June 2021**

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**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 17 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 Kenya National Commission on Human Rights and Kenya Commercial Bank 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

**Kenya National Commission on Human Rights (KNCHR)**  
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**For the year ended 30 June 2021**

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4	Kasaine Saibulu	Member
5	Rosemary Kirui	Member
6	Joseph Mwanduka	Member
7	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](mailto:info@haki.org)  
Website: [www.knchr.org](http://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  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

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**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 second time since its inception, the car loan and mortgage schemes received zero budgetary allocation in the financial year 2020/2021. This trend has resulted in a sharp decrease for the amounts available for loaning under both the car and mortgage loan scheme. The Commission is currently relying on the revolving nature of the two funds to facilitate members of staff who are interested in either of the facilities. Since the two schemes are still in the early stages of growth, these revolving funds are hardly enough to support the interests from members of staff especially those requiring mortgage facilities.

The challenges recorded in the previous year still remain with the main one being lack of adequate financial resources to facilitate staff interested in the facilities. Other challenges cited from applicants includes the long and sometimes bureaucratic processes at the bank. In addition, because there has been no allocation from the exchequer on the two funds, the discussions around sourcing for an alternative administrator have been put on hold.

The Committee continues working closely with the management to lobby treasury for more funds to the two schemes as this is a critical aspect of staff retention and motivation.



.....

Chairperson, Scheme Fund Committee

**Kenya National Commission on Human Rights (KNCHR)**  
**Car & Mortgage Loan Scheme Reports and Financial Statements**  
**For the year ended 30 June 2021**

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**3. MANAGEMENT DISCUSSION AND ANALYSIS**

During the Financial year 2020/2021, the KNCHR Car and Mortgage scheme was not given any financial allocation. The scheme therefore continues operating on the available balances in the revolving accounts to facilitate applications.

In the period under review, there was low uptake from staff on the two schemes that may be attributed to two factors; One the insufficient funds in both schemes and secondly the unprecedented COVID 19 pandemic. The committee carried forward an application from the previous year for a mortgage application of Kenya Shillings 10,000,000 but due to insufficient funds could not be processed. In addition, as at June 2021, there were 7 staff who had indicated interest in the mortgage scheme but the available balances could not sustain the individual applications.

As such, no application on either of the scheme was processed during the period under review. It is however envisaged that in the next financial year there shall be an increase in the uptake of the two schemes as the revolving kitty grows. The bank however continued facilitated staff who had applied for loans in the previous year and who were at various stages of conveyancing.

The total number of staff that have been facilitated from inception of the scheme to June 2021 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 applications for mortgages totaling to 67,750,000 have been approved, out of which 11 staff members are currently servicing their mortgage facilities while 1 application is at the final stage of conveyancing pending disbursement.

**Kenya National Commission on Human Rights (KNCHR)**  
**Car & Mortgage Loan Scheme Reports and Financial Statements**  
**For the year ended 30 June 2021**

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#### 4. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

The Fund Administrative Committee 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 Fund Administrative Committee 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 Fund Administrative Committee 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, 2021, and of the Fund's financial position as at that date. The Fund Administrative Committee 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 Fund Administrative Committee 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

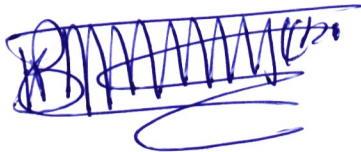
**Kenya National Commission on Human Rights (KNCHR)**  
**Car & Mortgage Loan Scheme Reports and Financial Statements**  
**For the year ended 30 June 2021**

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of the Committee to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund's financial statements were approved by the Fund Administrative Committee on 8 December 2021 and signed on its behalf by:



Secretary to the commission



Finance Manager

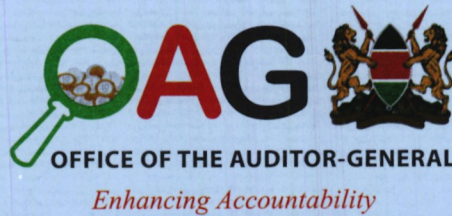


Chairperson, Scheme Fund Committee

ICPAK No 2872

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL COMMISSION ON HUMAN RIGHTS CAR AND MORTGAGE LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2021

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Kenya National Commission on Human Rights Car and Mortgage Loan Scheme as set out on pages 1 to 15, which

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*Report of the Auditor-General on Kenya National Commission on Human Rights Car and Mortgage Loan Scheme for the year ended 30 June, 2021*

comprise the statement of financial position as at 30 June, 2021 and, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya National Commission on Human Rights Car and Mortgage Loan Scheme as at 30 June, 2021, 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 Public Finance Management Act, 2012 and Kenya National Commission on Human Rights 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 Kenya National Commission on Human Rights Car and Mortgage Loan Scheme Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and Commissioners**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Scheme to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

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

**Nairobi**

**25 January, 2022**

**Kenya National Commission on Human Rights (KNCHR)  
Car & Mortgage Loan Scheme Reports and Financial Statements  
For the year ended 30 June 2021**

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**6. FINANCIAL STATEMENTS**

**6.1. Statement Of Financial Performance For Period Ended 30 June 2021**

		FY2020/2021	FY2019/2020
	Note	Kshs	Kshs
Revenue from exchange transactions			
Interest Income	1	1,547,224	266,597
Total revenue		1,547,224	266,597
Expenses			
Operating Expenses-Bank Charges	2&9	3,195	1,185
3% Commission to the bank	2	1,401,344	
Total expenses		1,404,539	1,185
Other gains/losses			
Surplus/( deficit) for the period		142,685	265,412

The notes set out on pages 11 to 15 form an integral part of these Financial Statements

The Financial Statements were approved by Fund Administrative Committee on 8 December 2021 and signed by:

Dr. Bernard Mogesa  
**Commission Secretary**



Date: 08/12/2021

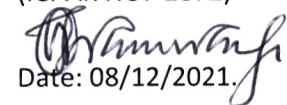
Anne Okutoyi  
**Chairperson, Scheme Fund Committee**



Date: 08/12/2021

John Wamwanga  
**Finance Manager**

(ICPAK NO: 2872)



Date: 08/12/2021.

**Kenya National Commission on Human Rights (KNCHR)**  
**Car & Mortgage Loan Scheme Reports and Financial Statements**  
**For the year ended 30 June 2021**

6.2. Statement of Financial Position As at 30 June 2021


	Note	FY2020/2021	FY2019/2020
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	16,471,388	25,342,327
Current portion of long term receivables	5	6,656,004	
<b>Total current Assets</b>		<b>23,127,392</b>	<b>25,342,327</b>
<b>Long Term Assets</b>			
Receivables-staff car loan and mortgage scheme	5	46,812,602	47,876,249
Undrawn Funds	10	3,421,987	
<b>Non-current assets</b>			
Interest Income Accrued		0	0
<b>Total assets</b>		<b>73,361,981</b>	<b>73,218,576</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
<b>Non-current liabilities</b>			
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>73,361,981</b>	<b>73,218,576</b>
<b>Prior year adjustment</b>			
Revenue reserve(Accumulated fund)		2,421,156	2,277,751
Mortgage and car loan Revolving Fund	6	70,940,825	70,940,825
<b>Total net assets and liabilities</b>		<b>73,361,981</b>	<b>73,218,576</b>

There is a timing difference of Kes 99,334 between the bank interest recognition and posting in loanee bank statements.

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

The entity financial statements were approved on 08 December 2021 and signed by:

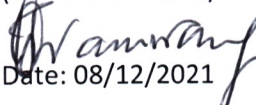
Dr. Bernard Mogesa  
**Commission Secretary**

  
 Date: 08/12/2021

Anne Okutoyi  
**Chairperson, Scheme Fund Committee**

  
 Date: 08/12/2021

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

  
 Date: 08/12/2021

**Kenya National Commission on Human Rights (KNCHR)**  
**Car & Mortgage Loan Scheme Reports and Financial Statements**  
**For the year ended 30 June 2021**

6.3. Statement Of Changes In Net Assets For The Period Ended 30 June 2021

	Revolving Fund	Revenue Reserve	Total
	Kshs	Kshs	Kshs
Balance as at 1 July 2017	0		
Staff mortgage & car loan fund	56,940,825		56,940,825
Balance as at 30 June 2018	56,940,825		56,940,825
Balance as at 1 July 2018	56,940,825		56,940,825
Transfer from KNCHR	14,000,000		14,000,000
Accumulated Surplus		2,013,059	2,013,059
Balance as at 30 June 2019	70,940,825		70,940,825
Transfer from KNCHR	0		0
Surplus for the period		265,411	265,411
Balance as at 30 June 2020	70,940,825		70,940,825
Transfer from KNCHR	0		0
Surplus for the period		142,685	142,685
Balance as at 30 June 2021	70,940,825	2,421,155	73,361,980

Dr. Bernard Mogesa  
**Commission Secretary**



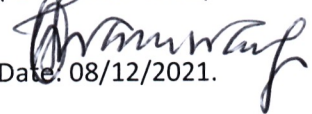
Date: 08/12/2021

Anne Okutoyi  
**Chairperson, Scheme Fund Committee**



Date: 08/12/2021

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



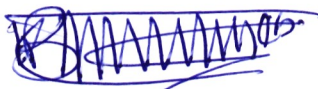
Date: 08/12/2021.

**Kenya National Commission on Human Rights (KNCHR)**  
**Car & Mortgage Loan Scheme Reports and Financial Statements**  
**For the year ended 30 June 2021**

6.4. Statement Of Cash Flows For The Period Ended 30 June 2021

	Note	FY2020/2021 Kshs	FY2019/2020 Kshs
Cash flows from operating activities			
Receipts			
Government grants	6	0	0
Interest Income	1	1,547,225	266,597
Loan Repayments	7	6,121,855	-2,057,974
Total Receipts		7,669,079	-1,791,377
Payments			
Operating Expenses-Bank charges	2&9	3,195	1,185
Loans Disbursed	4	21,000,000	23,409,228
Total Payments		21,003,195	23,410,413
Net cash flows from operating activities		(13,334,116)	-25,201,790
Net increase/(decrease) in cash and cash equivalents		(13,334,116)	-25,201,790
Cash and cash equivalents at the beginning of the year		25,324,262	50,526,053
Cash and cash equivalents at end of the Financial Year		11,990,147	25,324,263

Dr. Bernard Mogesa  
**Commission Secretary**



Date: 08/12/2021

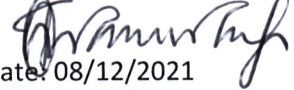
Anne Okutoyi  
**Chairperson, Scheme Fund Committee**



Date: 08/12/2021

John Wamwanga  
**Finance Manager**

(ICPAK NO: 2872)



Date: 08/12/2021

**Kenya National Commission on Human Rights (KNCHR)**  
**Car & Mortgage Loan Scheme Reports and Financial Statements**  
**For the year ended 30 June 2021**

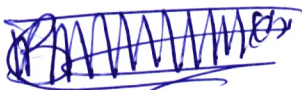
6.5. Statement of Comparison of Budget and Actual For the Period Ended 30 June 2021

	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Performance difference	% Utilization
	FY2019/2020					
	Kshs	Kshs		Kshs	Kshs	
<b>Revenue</b>						
Transfers from KNCHR	0	0	0	0	0	
Interest Income	1,547,224		1,547,224	1,547,224	0	100%
<b>Total income</b>	<b>1,547,224</b>	<b>0</b>	<b>1,547,224</b>	<b>1,547,224</b>		<b>100%</b>
<b>Expenses</b>						
Bank Charges	3,195	0	3,195	3,195	0	100%
3% Commission to the bank	1,401,344		1,401,344	1,401,344	0	100%
<b>Total expenditure</b>	<b>1,404,539</b>		<b>1,404,539</b>	<b>1,404,539</b>	<b>0</b>	<b>100%</b>
<b>Surplus for the period</b>	<b>142,685</b>		<b>142,685</b>	<b>142,685</b>		<b>100%</b>

**Budget notes**

The surplus of Kshs. 142,685 represents unutilized earnings on the fund balance as at 30 June 2021 due to fund operationalization process. However, the same shall be utilized in the FY2021/2022.

**Commission Secretary**



Date: 08/12/2021

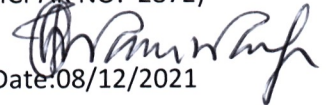
**Chairperson, Scheme Fund Committee**



Date: 08/12/2021

**Finance Manager**

(ICPAK NO: 2872)



Date: 08/12/2021

## 6.6. 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 Fund did not adopt early any new or amended standards in year 2021.

### 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 Fund and can be measured reliably.

#### (ii) Revenue from exchange transactions

##### Interest income

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

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**4. Budget information**

The fund budget for FY 2020/2021 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 fund'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 6.5 of these financial statements above.

**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.

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(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 Fund Administrative Committee 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 Fund, or vice versa. Members of key management are regarded as related parties and comprise the Fund Administrative Committee members, the Commissioners, 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.

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**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 Fund Administrative Committee. 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.

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates, which will affect the 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 Fund Administrative Committee.

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

**Management of interest rate risk**

To manage the interest rate risk, Fund Administrative Committee has endeavored to bank with institutions that offer favorable interest rates.

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6.7. Notes To The Financial Statements

1. Interest income

Description	FY2020/2021	FY2019/2020
	Kshs	Kshs
Interest Income from Mortgage loans(3%m)	1,108,760	0
Interest Income from car loans (4%c)	292,584	
Interest Income from Bank N.9	145,880	266,597
<b>Total</b>	<b>1,547,224</b>	<b>266,597</b>

2. Operating expenses

Description	FY2020/2021	FY2019/2020
	Kshs	Kshs
Bank charges-Note 9	3,195	1,185
3% Interest on Mortgage	1,108,760	
4% interest on car loan	292,584	
Total Interest	1,401,344	
<b>Total Operating Expenses</b>	<b>1,404,539</b>	<b>1,185</b>

3. Cash and cash equivalents

Description	FY2020/2021	FY2019/2020
	Kshs	Kshs
KCB-Mortgage		
Current Account -1206077581	12,741,614	24,145,705
KCB-Car Loan	3,729,774	1,196,622
Current Account -1206077107		
<b>Total cash and cash equivalents</b>	<b>16,471,388</b>	<b>25,342,327</b>

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4. Loans disbursed

Description	FY2020/2021 Kshs	FY2019/2020 Kshs
Loan-car	0	4,400,000
Loan-Mortgage	21,000,000	19,009,228
<b>Total</b>	<b>21,000,000</b>	<b>23,409,228</b>

5. Receivables-staff car loan and mortgage scheme

Description	FY2020/2021 Kshs	FY2019/2020 Kshs
<b>Current portion of loans</b>		
Current portion of long term receivables-Mortgage	4,679,088	
Current portion of long term receivables-Car	1,976,916	
<b>Total Current portion of loan receivables</b>	<b>6,656,004</b>	
<b>Long term loan</b>		
Mortgage	43,020,012	39,573,591
Car Loan	3,792,590	8,302,658
<b>Total long term receivables</b>	<b>46,812,602</b>	<b>47,876,249</b>
<b>Total</b>	<b>53,468,606</b>	<b>47,876,249</b>

6. Revolving fund

Description	Revolving Fund Kshs	TOTAL Kshs
Balance as at 1 July 2017	-	-
Staff mortgage & car loan fund	56,940,825	56,940,825
Balance as at 30 June 2018	56,940,825	56,940,825
Balance as at 1 July 2018	56,940,825	56,940,825
Transfer from KNCHR	14,000,000	14,000,000
Balance as at 30 June 2019	70,940,825	70,940,825
Transfer from KNCHR	0	0
Balance as at 1 July 2019	70,940,825	70,940,825

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Transfer from KNCHR		
Net surplus(Interest earned)		
Balance as at 30 June 2020	70,940,825	70,940,825
Transfer from KNCHR	0	
Net surplus	0	
Balance as at 30 June 2021	70,940,825	70,940,825

**7. Loan repayments**

Description	FY2020/2021	FY2019/2020
	Kshs	Kshs
Loan Receivables 01.07.2020	38,590,461	
Loan Disbursed	21,000,000	23,409,228
Total Loans	59,590,461	23,409,228
Loan Receivables 30.06.2121	53,468,606	25,467,202
Net loan repaid	6,121,855	-2,057,974

**8. Interest Income from Bank**

Description	Bank Statements
	Kshs
July 2020	19,196
August 2020	15,880
September 2020	15,167
October 2020	15,688
November 2020	15,182
December 2020	13,228
January 2021	11,468
February 2021	10,728
March 2021	7,004

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April 2021	7,234
May 2021	7,676
June 2021	7,429
<b>Total</b>	<b>145,880</b>

**9. Bank charges**

Description	Bank Statements
	Kshs
1 July 2020-C	1,065
13 July 2020-M	1,065
12 July 2021-M for June 2021	1,065
<b>Total</b>	<b>3,195</b>

**10. Undrawn Funds**

Description	
	Kshs
David Morema	3,070,093
James Mwenda	351,894
<b>Total</b>	<b>3,421,987</b>

**10. 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) KNCHR Fund Administrative Committee
- c) The National Assembly

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- d) Key management
- e) Fund Administrator
- f) The National Treasury
- g) Office of the Auditor General
- h) Office of The Controller of Budgets
- i) Commission on Revenue Allocation
- j) Kenya Commercial Bank (KCB)

**11. Progress on follow-up of auditor recommendations**

There are no follow up on the Auditor recommendation as the KNCHR Fund has no pending audit matters on the scheme relating to prior years.