



*Enhancing Accountability*

**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

THE NATIONAL ASSEMBLY

DATE: 20 JUN 2023

TABLED  
BY:

WORK-AT  
THE TABLE:

*Tuesday*  
*for Omer Bayu, MP*  
*Deputy leader majority*  
*Anzoge Mwale*

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA NATIONAL COMMISSION  
FOR UNESCO MORTGAGE SCHEME**

**FOR THE YEAR ENDED  
30 JUNE, 2016**





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**KENYA NATIONAL COMMISSION FOR UNESCO  
MORTGAGE SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE, 2016**

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

**Contents**

1. Key Scheme information and management.....	iii
2. The Board of Trustees/ Scheme Administration Committee.....	vii
3. Management Team.....	xi
4. Chairman's Report.....	xii
5. Report of the Scheme Manager/ Administrator.....	xiii
6. Corporate Governance Statement.....	xv
7. Management Discussion and Analysis.....	xvi
8. Environmental and Sustainability reporting.....	xvii
9. Report of The Trustees/ Scheme Administration Committee.....	xx
10. Statement of Management's Responsibilities.....	xxi
11. Report of the Independent Auditor.....	xxiii
12. Statement of Financial Performance for the year ended 30 June, 2016.....	1
13. Statement of Financial Position as at 30 June, 2016.....	2
14. Statement of Changes in Net Assets for the year ended 30 June, 2016.....	3
15. Statement of Cash Flows for the year ended 30 June, 2016.....	4
16. Statement of Comparison of Budget and Actual amounts for the year ended 30 June, 2016.....	5
17. Notes to the Financial Statements.....	6
Appendix.....	21

## **1. Key Scheme information and management**

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### **a) Background information**

The Kenya National Commission for UNESCO (KNATCOM) was transformed into a state corporation on 25th January 2013, following the enactment of the Kenya National Commission for UNESCO Act, No. 5 of 2013. (Revised 2014) KNATCOM was first established as a department under the Ministry of Education through a Cabinet Decision No. 170 of 1964. This was subsequent to Kenya's Membership to UNESCO on April 7, 1964, as the 73rd Member and in line with UNESCO Constitution of 1945. The Commission fulfils a critical role as enshrined in the UNESCO Constitution and the Charter for National Commissions. As a corporate body, the Commission aims to promote peace building, sustainable development, and intellectual collaboration through UNESCO's areas of Education, Culture, Sciences, Communication, and Information. The commission has a dual mandate of promoting Kenya's interest in UNESCO as well as coordination and implementing UNESCO's activities in Kenya. Pursuant to the National Housing Policy for Kenya 2004 (Sessional Paper No. 3), which entail amongst other things called for employers to facilitate their employees to acquire housing. At the heart of Employer Assisted Housing is the idea that employees should be able to afford to live in the communities or neighbourhoods in which they work, and that there are multiple benefits to being able to do so. This was buttressed by the Salaries and Remuneration Commission Circular no SRC/ADM/CIR/1/13Vol III (128) dated December 17<sup>th</sup>, 2014. Hinged on this, KNATCOM operationalized a Mortgage scheme through internal guidelines approved by the Board in 2016. An internal Committee was thereafter established by the Secretary General to oversee the operationalization and implementation of the scheme. KNATCOM entered a Memorandum of Understanding with Kenya Commercial Bank (KCB) who were appointed as Scheme Administrators. The Committee offer advisory services to the Secretary General and facilitate staff to access low credit facilities to own houses and cars.

**b) Principal Activities**

KNATCOM's mandate is to promote Kenya's national interests in UNESCO and UNESCO's international interests in Kenya, regionally and globally in the areas of education, sciences, culture, and communication and information.

Ref	Committee Members	Role
1	Dr. James Njogu	Chairperson
2	Mr. Nicholas Kirwa	Secretary
3	Ms. Naomi Muiruri	Member
4	Dr. Joel Ongoto	Member
5	Ms. Aboronia Mworira	Member
6	Dr. Evangeline W. Njoka	Scheme Administrator

**Scheme's vision.**

To be the premium staff housing loan scheme in Kenya.

**Mission Statement**

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

**c) Board of Trustees/Scheme Administration Committee**

Ref	Position	Name
1	Chairperson	Dr. Kiprop Lagat
2	Other trustees/Committee Members	Mr. Andrew Nyawango Opiyo Ms. Antonina Lentoijoni Ms. Florence Chemutai Mr. Charles Chacha Mr. Abraham Ondeng' Dr. Evangeline Njoka
3	Scheme Manager/Administrator	Secretary General/CEO

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

**d) Key Management**

Ref	Position	Name
1	Scheme Manager/ Administrator	Secretary General/CEO
2	Scheme Accountant	KNATCOM Finance & Accounts Manager
3.	Other Housing Mortgage & Car Loan Committee	Dr. James Njogu. Dr. Joel Ongoto Ms. Naomi Muiruri Mr. Nicholas Kirwa Ms. Aboronia Mworio

**e) Fiduciary Oversight Arrangements**

Ref	Position	Name
1	Directorate Internal Audit	KNATCOM Audit and Risk Assurance Manager
2	Mortgage and car Loan Committee Members	i. Dr. James Njogu ii. Dr. Joel Ongoto iii. Ms. Naomi Muiruri iv. Mr. Nicholas Kirwa v. Ms. Aboronia Mworio

**f) Registered Offices**

P.O. Box 72107 - 00200  
National Bank Building  
Harambee Avenue  
Nairobi, KENYA

**g) Scheme Contacts**

Telephone: (254) 020 2229053/2  
E-mail: [sg@unesco.go.ke](mailto:sg@unesco.go.ke)  
Website: [www.unesco.go.ke](http://www.unesco.go.ke)

**h) Scheme Bankers**

Kenya Commercial Bank  
KICC Nairobi,  
Nairobi, Kenya  
Accounts Number;  
Mortgage: **1182233910**

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

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**i) Independent Auditors**

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

**j) Principal Legal Adviser**

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

## **2. The Board of Trustees/ Scheme Administration Committee**

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**Dr. Kiprop Lagat**

Alternate Member

DoA: 12<sup>th</sup> February 2021 – to date

Date of Birth: 31<sup>st</sup> July 1970

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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.

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.

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." *Jahazi*, Vol. 9, Issue 1, (2021): 55-60.

Dr. Lagat 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).

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**Mr. Andrew Nyawango Opiyo**

Alternate Member

DoA: 12<sup>th</sup> February 2021 – to date

Date of Birth: 27<sup>th</sup> December, 1967

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**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.

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

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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.

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**Mr. Abraham Ondeng'**  
**Date of Birth: 30<sup>th</sup> November, 1969**  
**Alternate Member, Treasury**  
**DoA: 10<sup>th</sup> March, 2022 to date**

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.

Mr Ondeng' holds a Master's Degree in Project Planning and Management from University of Nairobi, MBA from ESAMI. He has also attended several Professional, International and local courses. He has been an Alternate Director at Kenya Year Book, Information Communication and Technology (ICT) Authority, Office of the Director of Public Prosecution and now at KNATCOM.

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**Ms. Antonina Lentoijoni**  
**Date of Birth: 1973**

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**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 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.

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**Ms. Florence Chemutai**  
**Date of Birth: 29th April 1969**

**Alternate Director, Gender**

**DoA: 11<sup>th</sup> Jan, 2023 to date**

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.

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 Fund Oversight Board, and now at KNATCOM.

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**Mr. Charles Chacha**  
**Date of Birth: 20<sup>th</sup> January, 1964**

**Alternate Member**

**DoA: 13<sup>th</sup> March, 2023 to date**

**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.

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, County 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. 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.

Currently, Mr. Mwita is serving as Director of Education responsible for Policy, Partnerships and East African Community Affairs in the Ministry of Education, Headquarters.

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**Dr. Evangeline Njoka, MBS**  
**Date of Birth: 3<sup>rd</sup> June, 1960**

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**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.

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.

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**3. Management Team**

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**Dr. Evangeline Njoka, MBS.**  
PhD, MEd, BSc, PGDE  
Secretary General/CEO



**Dr. James G. Njogu, HSC.**  
PhD, MPhil, BSc  
Deputy Secretary General –  
Programmes



**Dr. Joel Ongoto,**  
PhD, MEd, Bed  
Ag. Deputy Secretary  
General, Research and  
Resource Mobilization and  
Director, Social and Human  
Sciences Programme



**Mr. Nicholas Kirwa,**  
IHRM, LLB, HND-HRM.  
Ag. Head of Human Resource  
& Administration



**Ms. Naomi Muiruri,**  
MBA, BCom, CPA  
Manager, Finance &  
Accounts

#### **4. Chairman's Report**

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KNATCOM mortgage 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's 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 funds are 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.



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

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## **5. Report of the Scheme Manager/ Administrator**

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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**

- a) Review and oversee the overall lending policy of the Commission's mortgage and car loan.
- b) Deliberate and consider loan applications within the discretionary limits
- c) Review mortgage and car loan policy from time to time as need be;
- d) Ensure that there are effective procedure and resources for lending are secured before approval.
- e) In liaison with Scheme administrators (KCB bank) the committee ensures minimal credit loss and maximize recoveries.
- f) Review any related party transactions that may arise within the Commission
- g) Direct, monitor, review and consider all issues that may materially impact on the present and future quality of the Commission's mortgages and car loan, and;
- h) Conduct loan reviews in fairness and without any undue influence of any staff member

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

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- i) Number of Scheme Administration Committee meetings held and the attendance to those meetings by members.
- j) Succession plan. The formation of the Mortgage and Loan Committee is such that each time the term existing Committee expires, a new member is appointed immediately and therefore there is gap.
- k) Existence of a service charter,
- l) Induction and training, Administration Committee members and member's performance, During the period under review, the Mortgage and Car Loan Committee were not scheduled for any training due to budget constraints.
- m) Conflict of interest. This is always recorded during meetings
- n) Board remuneration. None
- o) Ethics and conduct as well as governance audit undertaken (if any)

All the Committee members have been trained on ethics and conduct by EACC



.....  
**Name: Dr. Evangeline Njoka, MBS**  
**Scheme Administrator**

## **6. Corporate Governance Statement**

### **a. Process of appointment and removal of Trustees/ Administration Committee members,**

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.

### **b. Roles and functions of the Administration Committee members**

i.	Review and oversee the overall lending policy of the Commission's mortgage and car loan.
ii.	Deliberate and consider loan applications within the discretionary limits
iii.	Review mortgage and car loan policy from time to time as need be;
iv.	Ensure that there are effective procedure and resources for lending are secured before approval.
v.	In liaison with Scheme administrators (KCB bank) the committee ensures minimal credit loss and maximize recoveries.
vi.	Review any related party transactions that may arise within the Commission
vii.	Direct, monitor, review and consider all issues that may materially impact on the present and future quality of the Commission's mortgages and car loan, and; Conduct loan reviews in fairness and without any undue influence of any staff member
viii.	Number of Scheme Administration Committee meetings held and the attendance to those meetings by members
ix.	Succession plan
x.	Existence of a service charter,
xi.	Induction and training, Administration Committee members and member's performance,
xii.	Conflict of interest
xiii.	Board remuneration.
xiv.	Ethics and conduct as well as governance audit undertaken (if any)
xv.	Number of Scheme Administration Committee meetings held and the attendance to those meetings by members
xvi.	Succession plan
xvii.	Existence of a service charter,
xviii.	Number of Scheme Administration Committee meetings held and the attendance to those meetings by members
xix.	Succession plan
xx.	Existence of a service charter,
xxi.	Induction and training, Administration Committee members and member's performance,
xxii.	Conflict of interest
xxiv.	Board remuneration.

## **7. Management Discussion and Analysis**

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During the Financial year 2015/2016, KNATCOM Housing Mortgage Scheme was allocated Kshs. 30,000,000 as seed capital in order to start its operation following the approval of the board.

In the period under review, none of the members of Staff benefited from the Scheme. It's anticipated that in the next financial year there likely to be an increase in the uptake of the two schemes owing to the additional staff recruited. There was no staff who was facilitated by the scheme in 2016

The Mortgage Scheme was in compliance with statutory requirements. There were no major risks reported that affected the Mortgage Scheme during the financial year under review safe for reliance on the revolving funds to finance staff requests.

## **8. Environmental and Sustainability reporting**

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KNATCOM exists to transform lives. This is our purpose and the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

### **Sustainability strategy and profile**

KNATCOM's programmes and activities as articulated in the Strategic Plan, are geared towards sustainable development of citizens. The Commission's strategy is founded on three pillars; social pillar that ensures that we put the customer/citizen first, economic pillar that ensures that we deliver relevant services efficiently and within budget, and environmental pillar that focuses on achieving environmental sustainability and green approaches in our operations.

Our environment sustains life and any pressure subjected to it has social-economic and ecological implications at individual, institutional, national and even global levels manifested in the form of pollution, biodiversity and habitat loss and degradation and climate change. All these implications affect livelihoods, human health, environmental productivity and compromises the ability of the environment to provide a continuous stream of ecosystem services that are key to not only for socio-economic prosperity, but also for quality human survival. To mitigate on practices that affect environmental sustainability, the Commission, through its five UNESCO programmes of Education, Natural Sciences, Social and Human Sciences, Culture, and Communication and Information; empowers students, youth and communities on preservation and protection of environment through planned activities such as capacity building, conferences, and through various UNESCO networks such as UNESCO Chairs at universities, UNESCO clubs and ASPnet in schools and Technical and Vocational Education (TVET) institutions, all hinged on international best practices.

The Commission, through the five UNESCO areas of competence which forms the bulk of the it's programmatic work associates programmatic planning and implementation with the global agenda 2030 and Africa Agenda 2063 hence each programme endeavours to link and customize programme activities to relevant Sustainable Development Goals (SDGs) and the African agenda.

As part of mainstreaming practices in the workplace, efforts have been made to sensitize staff on the need to embrace environmental sustainability in the course of discharging their duties to ensure that corporate responsibility is embraced and practiced by all. An empowered workforce is key in achieving compliance as this constituent at the workplace will be aware of, committed to, concerned about, the environment, and its associated problems, and equipped

with the knowledge, attitudes, motivations, commitment, and skills to work individually and collectively toward solutions to address existing challenges and the prevention of new ones through embracing ethics, understanding, and empowerment and spurred action. The top management is therefore conscious of the Commission's need to live in harmony with nature and contribute towards environmental sustainability through offsetting and minimizing any deleterious effects emanating from its activities within the office and when implementing programme activities in the field. This is important for the environment's sake but also the influence it has on the diverse stakeholders that interact with the Commission.

As part of Corporate Social Responsibility (CSR) activities, the Commission has continued to support annual tree planting exercise across UNESCO World Heritage sites and Forest reserves.

### **Environmental Performance**

The operations of the Commission are guided by various policies and procedures that have been developed to guide the operations of the Commission ensuring that it pursues its vision and mission and its mandate. Some of the policies that have been developed include but not limited to the Corporate Social Responsibility, the Work Environment, Health and Safety Policy, Quality Management System Policies and procedures, ICT policy. While implementing these policies and in embracing best practices in environmental stewardship, as well as compliance with statutory laws and regulations, the Commission has continued to create an impact in environmental sustainability across all its programmes.

Education for sustainable (ESD) development is key in promoting environmental management. The Education Programme has championed implementation of the ESD in Kenya through the UNESCO Associated Schools Project Network in Kenya. ASPnet institutions promote innovative waste management practices including recycling. ASPnet institutions also promote greening of environment through planting and caring of indigenous trees and fruit trees. The Commission provides opportunities for teachers in the ASPnet institutions to share information and good practices through annual workshops/conferences. ASPnet is supposed to help learners develop values, skills and attitude for ESD. Some of the key challenges faced in promoting ESD is the inadequate understanding of the three pillars of ESD which leads to some of the institutions emphasizing one or two pillars only, hence interfering with the wholistic understanding of the economic, environmental and social pillars. The Natural sciences programme coordinates UNESCO Man and Biosphere programmes in Kenya. Biosphere reserves help ensure the environmental, economic, and social sustainability of the designated area, by promoting sustainable use of natural resources. They help communities enjoy ecosystem services in an environmentally friendly way. The activities which have been undertaken include: promoting conservation of endangered and threatened

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

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avian and mammal species in Arabuko Sokoke Forest, Lewa and Ngare Ndare Forest and habitat restoration in areas with potential to be new biosphere reserves. Sensitizing communities on the importance of conservation of water towers and lake basins was also carried out. Towards this end, workshops were held in Kisumu and Kakamega with focus on Kakamega Forest, Ruma Valley, Ndere Island and Lake Victoria basin. Blue economy provides livelihood to significant population of Kenya and a substantial contributor to GDP besides ocean being a reservoir of a vast biodiversity of fauna and flora and a climate regulator. Sensitization activities for Indian ocean stakeholders on conservation efforts towards ensuring healthy and resilient ocean and sustainable utilisation of ocean and marine resources were undertaken.

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**9. Report of The Trustees/ Scheme Administration Committee**

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The Trustees/Scheme Administration Committee submit their report together with the audited financial statements for the year ended 30 June, 2016, which show the state of the Scheme affairs.

**Principal activities**

The principal activity of the housing mortgage scheme is to facilitate staff to acquire houses on low credit loans

**Performance**

The performance of the Scheme for the year ended 30 June, 2016, is set out on page 1

**Trustees**

The members of the Board of Trustee / administration committee are shown on page iv.

**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



.....  
**Session Chairperson,**  
**Scheme Administration Committee**

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## **10. Statement of Management's Responsibilities**

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Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, KNATCOM Scheme Administration Committee shall prepare financial statements for the Scheme in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Mortgage and Car Loan Committee 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 Scheme for and as at the end of the financial year ended on 30 June, 2016. 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 Scheme,
- 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 f Scheme;
- v. Selecting and applying appropriate accounting policies, and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Mortgage and Car Loan Committee 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 Public Finance Management (PFM) Act, 2012. The Mortgage and Car Loan Committee 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 30 June 2016, and of the Scheme's financial position as at that date.

The Mortgage and Car Loan Committee 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 Mortgage and Car Loan Committee has assessed the Scheme'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.

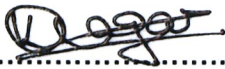
**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

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Nothing has come to the attention of the Mortgage and Car Loan Committee to indicate that the Scheme will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Scheme financial statements were approved by the Scheme Administrative Committee on \_\_\_04<sup>th</sup> May, 2023\_\_\_ and signed on its behalf by:



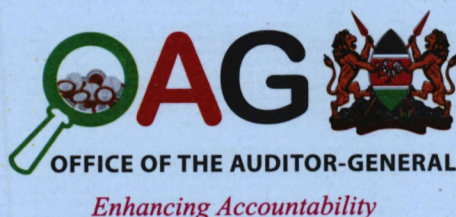
.....  
**Name: Dr. Kiprop Lagat**  
**Session Chairperson of the Scheme**



.....  
**Name: Dr. Evangeline Njoka, MBS**  
**Scheme Administrator**

# 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 FOR UNESCO MORTGAGE SCHEME FOR THE YEAR ENDED 30 JUNE, 2016**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Kenya National Commission for UNESCO Mortgage Scheme set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2016, 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 for UNESCO Mortgage Scheme as at 30 June, 2016, 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 the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya National Commission for UNESCO Mortgage 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 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, except for the matter 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**

#### **Late Submission of Financial Statements**

The financial statements for the Kenya National Commission for UNESCO Mortgage Scheme for the year ended 30 June, 2016 were submitted to the Auditor-General on 10 March, 2023, seventy-seven (77) months after the statutory deadline to submit of 30 September, 2016. This was contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution of Kenya 2010, the Public Finance Management Act, 2012 and any other legislation shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.

In the circumstances, the Scheme's Management was in breach of the law.

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 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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

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

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

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

The Board of Trustees is 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 controls 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 controls 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 noncompliance. 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 Scheme's 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 Scheme's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Scheme to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 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 May, 2023

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

**12. Statement of Financial Performance for the year ended 30 June, 2016.**

Description	Note	2015/2016 Kshs.
<b>Revenue from exchange transactions</b>		
Mortgage Interest income	6	34,582
<b>Total revenue</b>		<b>34,582</b>
<b>Expenses</b>		
Administrative costs		-
Use of goods and services	7	-
<b>Total expenses</b>	7	<b>--</b>
<b>Surplus/Deficit after Tax</b>		<b>34,582</b>

(The notes set out on pages 6 to 21 form an integral part of these Financial Statements).

The financial statements were approved on ...04<sup>th</sup> May, 2023....by:

**Scheme Manager/ Administrator**

Dr. Evangeline Njoka, MBS

Sign:  .....

Date: 04/05/2023

**Scheme Accountant**

Ms. Naomi Muiruri  
ICPAK M/No 16120

Sign:  .....

Date: 04/05/2023

**Session Chairperson  
of the Board/Scheme**

Dr. Kiprop Lagat

Sign:  .....

Date: 4/05/2023

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

**13. Statement of Financial Position as at 30 June, 2016**

Description	Note	2015/2016
		Kshs.
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents-Mortgage	8	30,034,582
<b>Total Current Assets</b>		<b>30,034,582</b>
<b>Non-current assets</b>		
Receivables Mortgage	9	-
<b>Total assets</b>		<b>30,034,582</b>
<b>Net assets</b>		
Mortgage revolving fund		30,000,000
Accumulated surplus (Reserves)		34,582
<b>Total net assets and liabilities</b>		<b>30,034,582</b>

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 04<sup>th</sup> May, 2023 and signed by:

**Scheme Manager/ Administrator**

Dr. Evangeline Njoka, MBS

Sign: 

Date: 04/05/2023

**Scheme Accountant**

Ms. Naomi Muiruri  
ICPAK M/No 16120

Sign: 

Date: 04/05/2023

**Session Chairperson  
of the Board/Scheme**

Dr. Kiprop Lagat

Sign: 

Date: 4/05/2023

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

**14. Statement of Changes in Net Assets for the year ended 30 June, 2016**

Description	Mortgage Scheme Kshs.	Accumulated surplus Kshs.	Total Kshs.
As at 1 July 2015	-	-	-
Surplus/(deficit) for the period	-	34,582	34,582
Funds received during the year	30,000,000	-	30,000,000
Transfers	-	-	-
<b>As at 30 June 2016</b>	<b>30,000,000</b>	<b>34,582</b>	<b>30,034,582</b>

**Scheme Manager/ Administrator**

Dr. Evangeline Njoka, MBS

Sign: 

Date: 09/05/2023

**Scheme Accountant**

Ms. Naomi Muiruri  
ICPAK M/No 16120

Sign: 

Date: 04/05/2023

**Session Chairperson  
of the Board/Scheme**

Dr. Kiprop Lagat

Sign: 

Date: 4/05/2023

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

**15. Statement of Cash Flows for the year ended 30 June, 2016**

Description	Note	2015/2016 Kshs.
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Interest received		34,582
Other income		-
<b>Total receipts</b>		<b>34,582</b>
<b>Payments</b>		
Administrative costs		-
Finance cost		-
<b>Total payments</b>		<b>-</b>
<b>Net cash flow from operating activities</b>	<b>10</b>	<b>34,582</b>
<b>Cash flows from investing activities</b>		
Proceeds from loan principal repayments-mortgage		-
Loan disbursements paid out-Mortgage		-
<b>Net cash flows used in investing activities</b>		<b>-</b>
<b>Cash flows from financing activities</b>		
Receipts into the mortgage revolving fund		30,000,000
<b>Net cash flows used in financing activities</b>		<b>30,000,000</b>
Net increase/(decrease) in cash and cash equivalents		30,034,582
Cash and cash equivalents at 1 July, 2015	8	-
<b>Cash and cash equivalents at 30 June, 2016</b>	<b>8</b>	<b>30,034,582</b>

**Scheme Manager/ Administrator**

Dr. Evangeline Njoka, MBS

Sign: 

Date: 29/05/2023

**Scheme Accountant**

Ms. Naomi Muiruri  
ICPAK M/No 16120

Sign: 

Date: 04/05/2023

**Session Chairperson  
of the Board/Scheme**

Sign: 

Date: 4/05/2023

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

**16. Statement of Comparison of Budget and Actual amounts for the year ended 30 June, 2016**

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
<b>Revenue</b>						
Interest income	34,582	0	34,582	34,582	0	100%
<b>Total Revenue</b>	<b>34,582</b>	<b>-</b>	<b>34,582</b>	<b>34,582</b>	<b>-</b>	<b>100%</b>
<b>Expenses</b>						
Bank Charges	-	0	-	-	0	100%
<b>Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100%</b>
<b>Surplus for the period</b>	<b>34,582</b>		<b>34,582</b>	<b>34,582</b>		<b>100%</b>

**Scheme Manager/ Administrator**

Dr. Evangeline Njoka, MBS

Date: 04/05/2023

**Scheme Accountant**

Ms. Naomi Muiruri  
ICPAK M/No 16120

Sign: 

Date: 04/05/2023

**Session Chairperson of the Board/Scheme**

Dr. Kiprop Lagat

Sign: 

Date: 4/05/2023

**17. Notes to the Financial Statements**

**i. General Information**

KNATCOM Mortgage scheme derives its accountability from the Kenya National Commission Act 2013 (Revised 2014) Act. The Scheme is wholly owned by the commission and is domiciled in Kenya. KNATCOM Mortgage Scheme's principal activity is to provide facilitation for KNATCOM Staff to acquire houses on low credit.

**ii. 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 financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Scheme's.

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

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

**iii. Adoption Of New and Revised Standards**

- i. New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2016.

Standard	Effective date and impact:
<p><b>International Public Sector Accounting Standards (IPSAS) 33: First time adoption of Accrual Basis IPSAS</b></p>	<p>Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the International Public Sector Accounting Standards Board (IPSASB) published International Public Sector Accounting Standards (IPSAS) 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS). International Public Sector Accounting Standards (IPSAS) 33 grants transitional exemptions to entities adopting accrual basis International Public Sector Accounting Standards (IPSAS) (IPSAS) for the first time, providing a major tool to help entities along their journey to implement International Public Sector Accounting Standards (IPSAS). It allows first-time adopters three years to recognise specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognising and measuring assets and liabilities during the transition period.</p> <p>The Commission adopted International Public Sector Accounting Standards (IPSAS) in the year ended 30 June 2014 and, therefore, provisions of first-time adoption of accrual basis does not apply to the Commission.</p>
<p><b>International Public Sector Accounting Standards (IPSAS) 34: Separate Financial Statements</b></p>	<p>Effective for annual periods beginning on January 1, 2017)</p> <p>In January 2015, the International Public Sector Accounting Standards Board (IPSASB) published International Public Sector Accounting Standards (IPSAS) 34, Separate Financial Statements. International Public Sector Accounting Standards (IPSAS) 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when a Commission prepares separate financial statements.</p> <p>The Commission does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply/the Commission is a parent company and has prepared consolidated financial statements and therefore the standard does not apply.</p>
<p><b>International Public Sector Accounting Standards (IPSAS) 35:</b></p>	<p>Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the International Public Sector Accounting Standards Board (IPSASB) published International Public Sector Accounting Standards (IPSAS) 35, Consolidated Financial Statements. International Public Sector Accounting Standards (IPSAS) 35 establishes principles</p>

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

Standard	Effective date and impact:
<p><b>Consolidated Financial Statements</b></p>	<p>for the preparation and disclosure of consolidated financial statements when a Commission controls one or more entities. It requires a Commission that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> <li>- Its power over the other Commission.</li> <li>- Its exposure or rights to variable benefits from involvement with the other Commission.</li> <li>- Its ability to control the nature, timing and number of benefits from the other Commission.</li> </ul> <p>Once control is assessed the controlling Commission is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of International Public Sector Accounting Standards (IPSAS) 35.</p> <p>The Commission does not have any subsidiaries, joint ventures or investments and, therefore, the standard does not apply</p>
<p><b>International Public Sector Accounting Standards (IPSAS) 36: Investments in Associates and Joint Ventures</b></p>	<p>(Effective for annual periods beginning on January 1, 2017)</p> <p>In January 2015, the International Public Sector Accounting Standards Board (IPSASB) published International Public Sector Accounting Standards (IPSAS) 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p>The Commission does not have investments in associates or joint ventures.</p>
<p><b>International Public Sector Accounting Standards (IPSAS) 37: Joint Arrangements</b></p>	<p>(Effective for annual periods beginning on January 1, 2017)</p> <p>In January 2015, the International Public Sector Accounting Standards Board (IPSASB) published International Public Sector Accounting Standards (IPSAS) 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. The Commission does not have an interest in a joint arrangement and, therefore, the standard does not apply.</p>

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

Standard	Effective date and impact:
International Public Sector Accounting Standards (IPSAS) 38: Disclosure of Interests in Other Entities	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the International Public Sector Accounting Standards Board (IPSASB) published International Public Sector Accounting Standards (IPSAS) 38, Disclosure of Interests in Other Entities. International Public Sector Accounting Standards (IPSAS) 38 requires a Commission to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. The Commission does not have interests in other entities and, therefore, the standard does not apply

**ii. Early adoption of standards**

The Scheme did not early – adopt any new or amended standards in the year 2015/2016.

**iv. 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.

**ii) Revenue from exchange transactions**

**Interest income**

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

**b. Budget information**

The original budget for Financial Year 2015/2016 was approved by the Board and the subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Scheme upon receiving the respective approvals in order to conclude the final budget.

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 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 16 of these financial statements.

**c. Financial instruments**

**1) Financial assets**

***Initial recognition and measurement***

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

***Loans and receivables***

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

***Held-to-maturity***

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

***Impairment of financial assets***

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

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

## **2) Financial liabilities**

### ***Initial recognition and measurement***

Financial liabilities within the scope of International Public Sector Accounting Standards (IPSAS) 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Scheme determines the classification of its financial liabilities at initial recognition.

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

### **d. Contingent liabilities**

The 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 in 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 reserves in terms of specific requirements. (Scheme to state the reserves maintained and appropriate policies adopted).

**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.

**h. Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**i. 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, or vice versa. Members of key management are regarded as related parties and comprise the Directors/ Trustee, the Scheme Managers, and Scheme Accountant.

**j. Cash and cash equivalents**

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

**k. Comparative figures**

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

**l. Events after the reporting period**

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

**m. Currency**

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

**v. Significant judgments and sources of estimation uncertainty**

The preparation of the Scheme's financial statements in conformity with International Public Sector Accounting Standards (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.)

**b) Useful lives and residual values**

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

- i) The condition of the asset is based on the assessment of experts employed by the Scheme
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funding to replace the asset
- v) Changes in the market in relation to the asset

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

**Notes to the Financial Statements**

**6. Interest income**

Description	2015/2016
	Kshs.
Interest Income from Mortgage Loans	34,582
<b>Total Interest Income</b>	<b>34,582</b>

**7. Use of Goods and Services**

Description	2015/2016
	Kshs.
Bank charges	-
<b>Total</b>	<b>-</b>

**8. Cash and cash equivalents**

Description	2015/2016
	Kshs.
Cash and cash equivalents-Mortgage	30,034,582
<b>Total Cash and Cash equivalents</b>	<b>30,034,582</b>

**8. b) Detailed analysis of the cash and cash equivalents in banks approved by National Treasury in line with Section 28 of the Public Finance Management (PFM) Act, 2012. are as follows:**

Financial Institution	Account number	2015/2016
		Kshs.
KCB Mortgage	1182233910	30,034,582
<b>Grand Total</b>		<b>30,034,582</b>

**Kenya National Commission for UNESCO  
Mortgage Scheme Annual Report and Financial Statements  
For the Year Ended 30 June, 2016**

**Notes to the Financial Statements**

**9. Receivables from exchange transactions**

Description	2015/2016
	Kshs.
<b>Non-Current Receivables</b>	
Long Term Loan Repayments Due-Mortgage	-
<b>Total Receivables from Exchange Transactions</b>	<b>-</b>

**10. Net cash flows from operating activities**

	2015/2016
	Kshs.
Surplus/ (deficit) for the year before tax	34,582
Working capital adjustments	
Increase in payables	
<b>Net cash flow from operating activities</b>	<b>34,582</b>

*(The total of this statement should tie to the cash flow section on net cash flows from operating activities)*

**Other Disclosures**

**vi. 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 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 Scheme's financial risk management objectives and policies are detailed below:

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

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

**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.

**Kenya National Commission for UNESCO**  
**Mortgage Scheme Annual Report and Financial Statements**  
**For the Year Ended 30 June, 2016**

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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's interest rate risk arises from bank deposits. This exposes the Scheme to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Scheme's deposits.

***Management of interest rate risk***

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

**vii. 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) Kenya National Commission for UNESCO
- b) KNATCOM Scheme Administrative Committee
- c) Key management;
- d) Scheme administrator
- e) The National Treasury
- f) Office of the Auditor General
- g) Office of the controller of Budgets
- h) Commission on revenue allocation
- i) Kenya Commercial Bank (KCB)Annexes

**Appendix**

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

There is no follow up on the auditor recommendation as the KNATCOM Scheme has no pending audit matters on the scheme relating to prior years.