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REPORT

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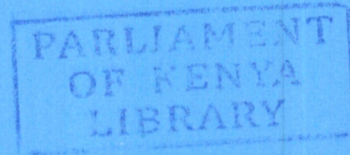
Chief Whip
- Majority

CLERK-AT

THE AUDITOR-GENERAL

Moses Lemona

ON



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

**FOR THE YEAR ENDED
30 JUNE, 2019**





**KNCHR MORTGAGE & CAR LOAN
SCHEME FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDING 30TH JUNE 2019**

PREPARED BY: FINANCE DIVISION
KENYA NATIONAL COMMISSION ON HUMAN RIGHTS

Kenya National Commission on Human Rights (KNCHR)
Car & Mortgage Reports and Financial Statements
For the year ended June 30, 2019

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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 17th December 2014, the KNCHR operationalized a car loan and mortgage scheme through internal guidelines approved by the board in 2015. An internal Committee was thereafter appointed in June 2016 to oversee the operationalization and implementation of the scheme. Negotiations with different financial institutions and participation of staff was held which culminated to entering into a Memorandum of Understanding between the KNCHR and KCB for management of both the car loan and mortgage scheme.

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

Principal Activities

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

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a) Fund Administration Committee

Ref	Name	Position
1	Anne Mary Okutoyi	Chairperson
2	David Morema	Member
3	Elijah Rottok	Member
4	Kasaine Saibulu	Member
5	Rosemary Kirui	Member
6	Joseph Mwanduka	Member
7	Maina Mutuaruhiu	Member
8	Catherine Mwikali	Secretary

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b) Registered Offices

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

c) Scheme Contacts

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

d) Scheme's Financial Institution

Kenya Commercial Bank,
Hurlingham Nairobi,
Nairobi, Kenya,
Account Numbers. 1206077581 Mortgage

e) Independent Auditors

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

f) **Principal Legal Adviser**

Office of the Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

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2. SCHEME CHAIRPERSON'S REPORT

The KNCHR mortgage and car loan scheme is operationalized by an internal committee which supervises and reviews applications before approvals are forwarded to the financial institution for processing. The applications are on a first come basis and subject to availability of funds.

From its inception to June 2019, the Scheme's Committee, in liaison with Kenya Commercial Bank reviewed and approved applications for 5 staff for car loans and 10 staff for mortgage facilities. As a result of these, the 15 staff members have been able to access low interest cars and houses.

The uptake of the mortgage scheme has gained traction in the period under review with the balances as of 30th June 2019 indicating 1,408,744 in the mortgage account as compared with 13,950,456 for the car loan account. However, the car loan scheme is relatively new with the MOU having been finalized in March 2018.

Several challenges have been recorded during the implementation of the two schemes including complaints of bureaucratic, long procedures before the bank disburses funds, failure by the bank to disclose the full panel of service providers, insufficient resources especially in the mortgage scheme, high amounts of advance funds financed by an applicant to access the facilities, and eligibility for staff nearing retirement

The Committee pursuant to its mandate and in a bid to address some of the challenges cited above is currently undertaking a review of the internal guidelines and taking stock of how the scheme has met its objectives in facilitating staff acquisition to low interest cars and houses.



Chairperson, Scheme Fund Committee

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3. MANAGEMENT DISCUSSION AND ANALYSIS

During the Financial year 2018/2019, the KNCHR Car and Mortgage scheme was allocated KSh. 14,000,000 allocated as follows: 10,000,000 for mortgage and 4,000,000 for car loan. This was a drastic reduction from the allocations of the previous FY 2017/2018 which were 28,000,000 allocated as follows; 20,000,000 mortgage and 8,000,000 car loan respectively.

The KNCHR entered into agreements with KCB Bank to manage the funds on behalf of the Commission. The Bank charges an interest of 3% and 3.5% on a reducing balance respectively for the mortgage and car loan schemes.

From inception, 5 car loan applications totaling to 7,922,100 were approved and disbursements effected by KCB. 10 mortgage applications totaling to 54,250,000 were reviewed and forwarded to the bank to processing. Out of these, funds were disbursed for 5 applications, 3 were pending disbursements while 2 were at the appraisal stage awaiting approval.

The following is a matrix of the Committee meetings held during the period under review;

DATE OF MEETING	MEMBERS PRESENT
21/9/2017	<p>Present</p> <ol style="list-style-type: none"> 1. Rosemary Kirui 2. Joseph Mwanduka 3. Doreen Bosibori-representing HR 4. David Morema 5. Elijah Rottok 6. AnneMary Okutoyi-Chairing
29/11/2017	<p>Present</p> <ol style="list-style-type: none"> 1. Rosemary Kirui-Chairing 2. Catherine Mwikali 3. David Morema 4. Maina Mutuaruhiu <p>Apologies</p> <ol style="list-style-type: none"> 1. Anne Mary Okutoyi 2. Elijah Rottok

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14/12/2017	<p>Present</p> <ol style="list-style-type: none"> 1. Catherine Mwikali 2. Maina Mutuaruhiu-Chairing 3. David Morema 4. Elijah Rottok <p>Apologies</p> <ol style="list-style-type: none"> 1. Anne Mary Okutoyi 2. Rosemary Kirui 3. Kasaine Saibulu
18/01/2018	<p>Present</p> <ol style="list-style-type: none"> 1. Catherine Mwikali 2. Joseph Mwanduka (Chairing) 3. Rosemary Kirui 4. David N. Morema <p>Apologies</p> <ol style="list-style-type: none"> 1. Anne Mary Okutoyi 2. Maina Mutuaruhiu 3. Kasaine Saibulu
4/4/2018	<p>Members Present</p> <ol style="list-style-type: none"> 1. Anne Mary Okutoyi (Chairing) 2. David Morema 3. Joseph Mwanduka 4. Doreen Bosibori-representing HR 5. Elijah Rottok <p>Apologies</p> <ol style="list-style-type: none"> 1. Rosemary Kirui 2. Kasaine Saibulu 3. Maina Mutuaruhiu
11/6/2018	<p>Present</p> <ol style="list-style-type: none"> 1. Joseph Mwanduka 2. David N. Morema 3. Doreen Bosibori- representing HR

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	<ol style="list-style-type: none">4. Anne Mary Okutoyi-Chairing5. Elijah Rottok <p>Apologies</p> <ol style="list-style-type: none">1. Kasaine Saibulu2. Maina Mutuaruhiu3. Rosemary Kirui
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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 shall prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Accounting Officer of the KNCHR is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the period. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Selecting and applying appropriate accounting policies; and
- (v) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer of the KNCHR accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Accounting Officer of

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the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the period ended June 30, 2019, and of the Fund's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on 20th Aug 2019 and signed on its behalf by:



Secretary to the Commission



Finance Manager

(ICPAK NO: 2872)

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL COMMISSION ON HUMAN RIGHTS MORTGAGE AND CAR LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya National Commission on Human Rights Mortgage (KNCHR) mortgage and Car Loan Scheme Fund set out on pages 11 to 23, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, statement of comparison of budget and actual amounts and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of KNCHR Mortgage and Car Loan Scheme Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and KNCHR Car and Mortgage Loan Scheme Fund Regulations, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the KNCHR Mortgage and Car Loan Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

08 February, 2021