

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY PAPERS LAID	
<b>REPORT:</b>	16 MAR 2023
	DAY: Thursday
TABLED BY:	Deputy Majority Party Leader
OF K-AT TABLE:	Joyle Lemereille

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE, 2022**







# **KENYA NATIONAL COMMISSION ON HUMAN RIGHTS CAR & MORTGAGE LOAN SCHEME**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022**

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







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**1. KEY FUND INFORMATION AND MANAGEMENT**

**(a) 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.

The Fund is established and derives its authority and accountability from the Salaries and Remuneration Commission circular no. SRC/ADM/CIR/1/13Vol. III (128) dated 17<sup>th</sup> 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 formed to oversee the operationalization and implementation of the scheme.

The Fund is wholly owned by the Kenya National Commission on Human Rights and is domiciled in Kenya.

**(b) Principal activities**

The principal mandate of the Fund is to motivate the KNCHR staff by facilitating access to low interest credit facilities to own cars and houses.

At the onset of operationalizing the KNCHR mortgage and car loan scheme in 2016, negotiations with different financial institutions and participation of staff were 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 Fund is therefore administered by the Kenya Commercial Bank that manages the funds and disbursement of funds to the applicants.



Internally, there is the car loan and mortgage committee charged with the responsibility of processing loans from applicants in accordance with laid down approved regulations. The Mortgage and Car Loan Committee offer advisory services to the Secretary to the Commission. However, the Secretary to the Commission is the overall approver for Mortgage and Car Loan scheme for staff. He also engages with the National Treasury for funding issues.

**(c) Fund Administration Committee**

Ref	Position	Name
1	Chairperson	Anne Mary Okutoyi
2	Committee Members	Elijah Kandie David Morema Kasaine Saibulu Rosemary Kirui Joseph Mwanduka Catherine Mwikali-Secretary
3	Fund Administrator	Dr. Bernard Mogesa

**(d) Key Management**

Ref	Position	Name
1	Fund Administrator	Dr. Bernard Mogesa
2	Fund Accountant	Joseph Mwanduka
3	Committee Chairperson	Ann Mary Okutoyi
4	Finance manager	John Wamwanga

**(e) Fiduciary Oversight Arrangements**

Ref	Position	Name
1.	Commissioners	Roseline Odede-Chairperson Dr. Raymond Nyeris-Vice Chairperson Prof. Marion Mutugi-Commissioners Dr. Dennis Wamalwa-Commissioner Hon. Sarah Bonaya- Commissioner
1.	Commission Secretary/CEO	Dr. Bernard Mogesa
2.	Staff car Mortgage and car Loan Advisory Committee	Anne Mary Okutoyi-Chair
3.	Finance Manager	John Wamwanga
4.	Human Resources Manager	Catherine Mwikali
5.	Internal Audit	Charles Kai



**(f) Registered Offices**

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

**(g) Fund Contacts**

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

**(h) Fund Bankers**

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

**(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. FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience
<p>1. Committee Member 1- Ann Mary Okutoyi</p> 	<p>Mrs Anne Okutoyi is an advocate of the High Court of Kenya with over 15 years of experience in human rights. She is a certified International Criminal Investigator, a certified SGBV Advisor in the Justice Rapid Response and UN Women expert roster, and a certified professional mediator. Anne is currently pursuing her doctor of philosophy degree in human rights from the University of Nairobi. She is a holder of a Master's degree in Human Rights from the University of Nairobi, an LLB degree from Moi University and a post graduate diploma from the Kenya School of Law.</p> <p>Anne is currently a Director at the Kenya National Commission on Human Rights (KNCHR) heading its Research, Advocacy and Outreach directorate.</p>
<p>2. Committee Member 2- Elijah Kandie Rottok</p> 	<p>Elijah was appointed member in the year 2018, He has a Master of Laws (LL.M) University of Nairobi, Dip Kenya School of Law (Dip KSL) and Bachelor of Laws Degree (LL.B) Moi University. He has 10 years' experience in the Human Rights sector.</p> <p>He is a Committee Member of the KNCHR Staff Car Loan and Mortgages Scheme.</p>



<p>4. Committee Member 3 - David Morema</p> 	<p>David was appointed as a member to the committee in the year 2018. David holds a bachelor's degree in Purchasing and Supplies Management (JKUAT) and CIPS-UK graduate Diploma. David is currently pursuing an Advanced Diploma in Customs Administration at KESRA. David has also registered for a Masters course in Business Intelligence and Data Analytics at St. Mary's University MN. David is a pragmatic and result oriented professional with over 10 years' experience in matters that pertains to supply chain management.</p>
<p>3. Committee Member 4-Catherine Mwikali Kiiva-George</p> 	<p>Mrs Catherine Mwikali Kiiva –George is a certified Human Resources Professional (CHRP) and a Certified Mediator with over 18 years in organizational development, Human Resources and administration. She is a holder of a Master of Science Degree in Management and Organizational Development from the United States International University (USIU), Kenya and a Bachelor of Arts Degree in Anthropology from the University of Nairobi. She also holds a Higher Diploma in Human Resources Management from the Kenya Institute of Management – Nairobi and a certificate in Strategic Leadership Development Programme from the Kenya School of Government. Currently, she is the Deputy Director/Head of Human Resources &amp; Administration.</p>





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<p>4. Committee Member 5- Kasaine Saibulu</p> 	<p>Kasaine Saibulu</p> <p>Diploma in Security management</p> <p>Join the fund management in 2018</p> <p>Position: Assistant officer</p> <p>Member of mortgage and car loan committee</p> <p>Member of Sacco credit committee</p>
<p>5. Committee Member 6- Rosemary Kirui</p> 	<p>Rosemary Kirui was employed by KNCHR in August 2015 as a Legal Officer. She was born in 1988. She holds a Bachelor of Laws and a Diploma from Kenya School of Law.</p>
<p>6. Committee Member 7- Joseph Mwanduka</p> 	<p>Joseph was appointed member in the year 2018, He is a Senior Accountant working with Kenya National Commission of Human Rights. He has a Bachelor of Commerce- Finance Option from The University of Nairobi, He has over 30 years' experience in the accounting field having worked in various organization in different capacities.</p> <p>He is a Committee Member of the KNCHR Staff Car Loan and Mortgages Scheme.</p>




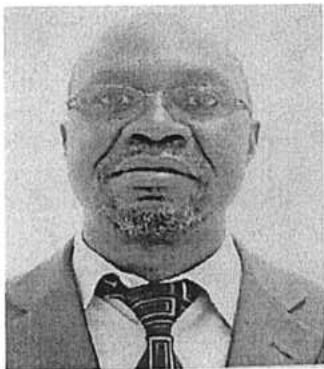
The Fund does not have Trustees as it is still young and managed by Kenya Commercial Bank under the

watch of a committee appointed by the host institution –Kenya National Commission on Human Rights (KNCHR).

### 3. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>1. Fund administrator- Dr. Bernard Mogesa</p> 	<p>Dr. Bernard Mogesa became the Chief Executive Officer of KNCHR in 2018. He has over twenty years' work experience. He became the KNCHR Car and Mortgage Loan Scheme Fund Administrator in 2018. He is a holder doctorate degree. He is also a Certified Public Mediator.</p>
<p>2. Chair of the Mortgage and Loan Committee- Ann Marie Okutoyi</p> 	<p>Mrs Anne Okutoyi is an advocate of the High Court of Kenya with over 15 years of experience in human rights. She is a certified International Criminal Investigator, a certified SGBV Advisor in the Justice Rapid Response and UN Women expert roster, and a certified professional mediator. Anne is currently pursuing her doctor of philosophy degree in human rights from the University of Nairobi. She is a holder of a Master's degree in Human Rights from the University of Nairobi, an LLB degree from Moi University and a post graduate diploma from the Kenya School of Law.</p>



	Anne is currently a Director at the Kenya National Commission on Human Rights (KNCHR) heading its Research, Advocacy and Outreach directorate.
<p>3. Fund Accountant- Joseph Mwanduka</p> 	<p>There was no designated Fund Accountant. However, The KNCHR Accountant assisted.</p> <p>Joseph Mwanduka was appointed member in the year 2018, He is a Senior Accountant working with Kenya National Commission of Human Rights. He has a Bachelor of Commerce- Finance Option from The University of Nairobi, He has over 30 years' experience in the accounting field having worked in various organization in different capacities.</p> <p>He is a Committee Member of the KNCHR Staff Car Loan and Mortgages Scheme.</p>
<p>4. Finance Manager-John Wamwanga</p> 	<p>John Wamwanga became the Finance Manager of KNCHR in March 2008. He has over 20 years' work experience in the field of Finance and Accounts. He has been part of the Management of the Car and Mortgage Loan Scheme from the year 2018 to date.</p> <p>He is a holder of Bachelor of Arts Degree in Economics and Sociology from the University of Nairobi. He is also a Certified Public Accountant of Kenya and an active member of the Institute of Certified Public Accountants of Kenya.</p>

The Fund does not have a management team of its own but uses a Committee appointed by the host institution -Kenya National Commission on Human Rights (KNCHR).





#### 4. CHAIRMAN'S REPORT

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

For the third time since its inception, the car loan and mortgage schemes received zero budgetary allocation in the financial year 2021/2022. As a result, this has seen a reduction in the number of staff who have been able to enjoy the benefits of the scheme.

Several challenges have been recorded during the implementation of the two schemes in the period under review. The main challenge has been the lack of adequate financial resources to facilitate staff interested in the facilities. This being a key component of staff retention and motivation needs to be urgently addressed to enable the scheme to remain operational.

Based on previous challenges and proposals to review the Scheme so as to make it more accessible to as many staff as possible, the Committee is in the process of negotiation with its Fund Administrator, KCB, to amend the Memorandum of Understanding and include a provision for 100% financing in both the car loan and mortgage schemes subject to the thresholds provided for by the Salaries and Remuneration Commission (SRC).

The Committee did try to also negotiate with KCB on the revision of the car loan MOU to include interest for the un-utilized funds in the car loan to incur interest. However, this negotiation was not successful as the bank maintained the position that if this was to be implemented then the interest charged on staff would increase which is not favourable to members of staff.

Looking at the demand and current financial status of the two schemes, there is urgent need to allocate resources to both the car loan and mortgage accounts to increase the number of staff that can access facilities which will go a long way on boosting the morale and retention of staff at



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the Kenya National Commission on Human Rights.



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Ann Okutoyi

Chairperson, Scheme Fund Committee





## 5. REPORT OF THE FUND ADMINISTRATOR

I am pleased to present the financial statements for the year ended 30th June 2022, in compliance with Section 84 (2) of the Public Finance Management Act, 2012. The objective of the Kenya National Commission on Human Rights fund is to motivate Commission staff by facilitating access to low interest credit facilities to own residential homes and acquire vehicles to facilitate their transport to work.

The Commission has engaged Kenya Commercial Bank to manage the Fund. In the Financial Year 2021/22, two staff members got loans approved to purchase a residential house at a total of Kshs. 10,250,000 but bank is still processing these loans. Additionally, four staff members have received car loans totalling Kes 5,250,000.

It is worthwhile to note that since inception, fourteen staff members have been facilitated with houses. So far, a total of Kshs. 61,328,013 have been disbursed as at 30th June 2022 for houses. A total of Kshs 16,072,100 have been disbursed to eleven staff. It is encouraging to note that the beneficiaries of the scheme have continued to service their loans as scheduled, as contained in the financial statements.

In administering the Fund, the Commission maintained adequate financial management controls to ensure compliance, transparency and accountability. The measures were aimed at making sure that the funds are utilized prudently and included maintenance of proper accounting records. Further, the financial Statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and represents a true and fair view of the state of affairs of the Fund for the period under review.

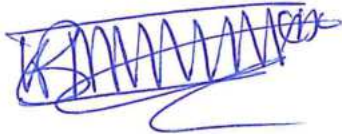
As the Accounting Officer and Fund Administrator, I confirm the completeness of the accounting records maintained for the Fund, which have been relied upon, in the preparation of the financial statements.



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Finally, I confirm that in preparing the financial statements, I have assessed the Fund's ability to continue as a going concern and nothing has come to my attention to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.



Dr. Bernard Mogesa  
KNCHR Fund Administrator



## 6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

### Introduction

The Kenya National Commission on Human Rights' fund performance against predetermined objectives is as detailed below:

Program	Objective	Outcome	Indicator	Performance
KNCHR Staff Car Loan Scheme	Provide loan scheme for purchase of Motor vehicle	Strengthened Welfare of KNCHR Employees	No. of Staff benefited from Car loan Scheme	7 staff members benefited
KNCHR Staff Mortgage Scheme	Provide loan scheme for purchase or development of property	Strengthened Welfare of KNCHR Employees	No. of Staff benefited from Mortgage Scheme	3 staff members benefited

## 7. CORPORATE GOVERNANCE STATEMENT

The KNCHR mortgage and car loan scheme is governed by the internal policy approved by the board in 2015 that sets out the overarching guiding principles and frameworks for the operations. These include stipulating the eligibility criteria of staff, processing of applications, roles, and responsibilities of the key players in the process

The policies set out an elaborate governance structure that gives the necessary check and balances. The policy provides for a Staff Loans Committee composed of 7 members with a quorum of 5 members which shall be constituted by the Commissioners. Membership of the Committee shall be representative of all levels and will be headed by a Chair appointed by the Commissioners.

For the purpose of administration and supervision of the Staff Mortgage Loans Schemes, the Deputy Director of Human Resources sits as secretary to the Committee.

The Current Membership of the Staff Loans Committee is as illustrated on the below table:



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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	Catherine Mwikali	Secretary

The Roles and Functions of the Staff Loans Committee are as follows:

- (a) Vet all loans applications and advice the Commission Secretary. In determining the criteria for loans approval, the committee will consider the following;
  - (i) Terms of service
  - (ii) Period of service remaining
  - (iii) Pending disciplinary cases (suspension or interdiction)
  - (iv) Period of employment with KNCHR
  - (v) Waiting period
  - (vi) Ability to repay.
- (b) Approve or decline loan application and make recommendations to the Commission Secretary.
- (c) Advise Finance during budgeting based on the trend of the previous year.

Approvals of loan applications are done at two levels, by the staff loan committee and the Financial Institution upon appraisal. Appeals and representations of compelling nature may be presented to the Staff Loans Committee.

The Human Resources Manager is bestowed the responsibility of managing and facilitating the issuance of staff mortgage loans. She also serves as the Secretariat to the Staff Loans Committee. The Finance Manager as well has key obligations under the policy including preparing budgets, following up with the Treasury and ensuring funds are remitted to the Financial Institution,





managing the funds on behalf of the Commission in conjunction with the Human Resource Manager and advising the Staff Loan Committee on funds balances. In addition, the Internal Auditor also plays a key role in ensuring compliance with the laid down rules and regulations.

The Staff Loans Committee is advisory and the overall approval and accountability lie with the Commission Secretary who is the accounting holder of all funds of the Kenya National Commission on Human Rights. The Commissioners play a general oversight of the scheme.

The process of vetting and approval of applications by the staff loan committee entails deliberations that are minutes and recommendations issued to the Commission Secretary. In the period under review, the following is a log of Staff committee meetings held and the attendance:

Date Of Meeting	Attendance
27 <sup>th</sup> August 2021	<ol style="list-style-type: none"> <li>1. Anne Mary Okutoyi -Chairing</li> <li>2. Doreen Bosibori - (representing the HR Manager who was on leave)</li> <li>3. Rosemary Kirui</li> <li>4. Kasaine Saibulu</li> <li>5. Elijah Rottok</li> </ol>
21 <sup>st</sup> September 2021	<ol style="list-style-type: none"> <li>1. Anne Mary Okutoyi – Chairing</li> <li>2. Catherine Mwikali</li> <li>3. Kasaine Saibulu</li> <li>4. Rosemary Kirui</li> <li>5. Elijah Rottok</li> </ol>
28 <sup>th</sup> February 2022	<ol style="list-style-type: none"> <li>1. Anne Mary Okutoyi – Chairing</li> <li>2. Catherine Mwikali</li> <li>3. Kasaine Saibulu</li> <li>4. Rosemary Kirui</li> <li>5. David Morema</li> <li>6. Elijah Rottok</li> </ol>
5 <sup>th</sup> May 2022	<ol style="list-style-type: none"> <li>1. Anne Mary Okutoyi – Chairing</li> <li>2. Catherine Mwikali</li> <li>3. Kasaine Saibulu</li> <li>4. David Morema</li> <li>5. Elijah Rottok</li> </ol>
30 <sup>th</sup> May 2022	<ol style="list-style-type: none"> <li>1. Anne Mary Okutoyi – Chairing</li> <li>2. Catherine Mwikali</li> <li>3. Kasaine Saibulu</li> <li>4. David Morema</li> </ol>



The Staff Committee is guided by the Institutional service charter as well as the Human Resource Manual on its conduct and guiding values including declaration of conflict of interest at every meeting and deliberation. The KNCHR Mortgage and Car loan scheme is included in the induction training of all new staff. In terms of remuneration the members currently operate on a pro-bono basis. Based on the amount and nature of work that the Committee carries out in addition to their day-to-day tasks, it is highly recommended that remuneration be considered for the Members.

## 8. MANAGEMENT DISCUSSION AND ANALYSIS

During the Financial year 2021/2022, the KNCHR Car and Mortgage scheme was not given any financial allocation. The scheme, therefore, operated on the available balances in the revolving accounts to facilitate applications.

In the period under review, the internal committee facilitated staff to benefit from the scheme as follows: 2 staff applications to the mortgage scheme totalling Kenya Shillings 10,250,000 were processed and approved. One of these applications has been approved by the bank pending disbursement while the other is at the appraisal stage. With regards to the car loan scheme, the committee processed and approved 5 staff applications totalling Kenya Shillings 7,640,000. Out of these 5 applicants, 4 have finalized the bank processes and funds are already disbursed whilst 1 applicant is still at the bank's appraisal stage.

The total number therefore of staff members that have been facilitated from the inception of the scheme to 30th June 2022 is as follows; 12 applications for car loan to the tune of Kenya Shillings 18,462,100 were approved and processed by the bank. 11 of these applicants are currently servicing their respective facilities while 1 is at the appraisal stage of the bank. With regards to the mortgage scheme, 13 applications totalling to Kenya Shillings 67,078,013 have been approved, out of which 11 staff members are currently servicing their mortgage facilities while 2 applications are at various stages of appraisals and finalization of the conveyancing formalities pending disbursements. In the period under review, one applicant whose facility had previously been



approved opted not to take the facility hence the funds were channelled to other applicants.



## 9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Kenya National Commission on Human Rights is committed to sustainable development (meeting the needs of the present without compromising the ability of future generations to meet their own needs) as a guiding principle within its work. Concern for the environment is an integral and fundamental part of this commitment. KNCHR aim is to reduce any negative impact on the environment borne out of our operations. Our mandate as the flagship national human rights institution and having base in the regions to serve clusters of Counties, KNCHR assesses the environmental impacts of its operations and set objectives and targets in order to improve environmental performance. The Commission:

- Promotes and encourages involvement of local communities in environmental initiatives/schemes and specifically on areas targeting business and human rights. The Commission, in liaison with other stakeholders has developed a national action plan on business and human rights;
- Promotes responsibility for the environment within the organization and communicates and implements the environmental policy at all levels within the workforce;
- Reduces the use of energy, water and other resources in its work stations;
- Comply with all relevant environmental legislations and regulations as established by NEMA; and
- Identifies and provides appropriate training, advice and information for staff and encourage them to develop new ideas and initiatives.

### Community Engagements

As the body charged with the protection and promotion of human rights in Kenya, the Commission has implemented its role of protection and promotion of the rights through various initiatives as follows:

- (a) Processed and investigated complaints on human rights violations against Human Rights Defenders at the grassroots;





- (b) Collaborating with the Witness Protection Agency and Defenders Coalition-the National Coalition of Human Rights Defenders to provide safe houses for witnesses of human rights cases;
- (c) Support to Human Rights Defenders in conflict with the law through representation and watching brief by our lawyers on pro bono basis;
- (d) Free training of magistrates and judicial officers on rights of Human Rights Defenders;
- (e) Review of bills and policies to check on their compliance with national and international human right standards and issuing advisories to the county assemblies and both Senate and the National Assembly;
- (f) Partnerships and dialogue with relevant bodies such as the Council of Governors, County Assemblies Forum, parliamentary caucuses such as the Kenya Parliamentary Human Rights Association (KEPHRA) and the Parliamentary Caucus on Business and Sustainable Development Goals.
- (g) Lobbying for enactment/ amendment of legislation or policy on a certain human rights concern or matter of public interest. For instance, the Commission took an active part in advocating for the passage of the Prevention of Torture Act and the National Coroners Service Act through the Kenya Parliamentary Human Rights Caucus.
- (h) Convening and facilitating stakeholders' engagements to elicit views on particular proposed legislation or policy and encouraging their participation in the public participation processes. For example, the Commission has on various occasions convened disabled persons' organizations to discuss the recent proposed amendments to the Persons with Disabilities Act, 2003 and the Mental Health Act and present joint memoranda on key issues.
- (i) Sensitization and capacity building on implications of certain government policies and legislative proposals
- (j) Direct engagement with the House Committees and sponsors of Bills on salient issues
- (k) Working closely with various actors such as the Office of the Attorney General and Department of Justice; direct engagements with Parliamentary and Senate Committees and the relevant line Ministries.



- (l) The Commission has carried out a study on Alternative Justice Systems.
- (m) The Commission developed a national Action Plan on Business and Human Rights
- (n) KNCHR developed County Action Plans and Indicators for the realization of the rights to Water and Sanitation for the Northern Counties of Marsabit and Garissa.

The Commission also engages with communities through membership in various human rights and social justice working groups such as; Referral Partners Network Working Group; Penal Reforms Working Group; Death Penalty Working Group, Judicial Reforms Working Group; Kenya Transitional Justice Network Working Group; Police Reforms Working Group; Human Rights Defenders Working Group; Protection Working Group on Internal Displacement (PWGID) and Intersex Person's Implementation Coordination Committee amongst others.



## **10. REPORT THE FUND ADMINISTRATION COMMITTEE**

The Fund Administration Committee submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Fund affairs.

### **Principal activities**

The principal activities of the Fund are issuance of loans.

### **Performance**

The performance of the Fund for the year ended June 30, 2022, is set out on page 1.

### **Administration Committee**

The members of the Administration Committee who served during the year are shown on page iv.

### **Auditors**

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

By Order of the Board



.....  
Ann Okutoyi

Chair of the Fund Administration Committee



## 11. STATEMENT OF FUND COMMITTEE'S RESPONSIBILITIES

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund established by Kenya National Commission on Human Rights shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Fund 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 financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the fund; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Fund 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 Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date.

The Administrator further confirm 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 Administrator of the Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going



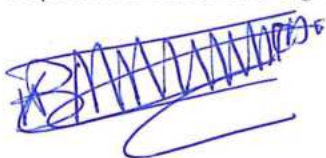


concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Fund's financial statements were approved by the Fund Administrative Committee on 29 September 2022 and signed on its behalf by:



Dr. Bernard Mogesa  
Commission Secretary



Anne Okutoyi  
Chairperson, Scheme Fund Committee



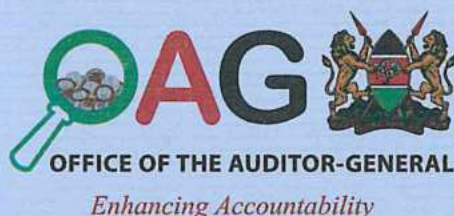
John Wamwanga  
Finance Manager  
(ICPAK NO: 2872)





# REPUBLIC OF KENYA

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Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL COMMISSION ON HUMAN RIGHTS CAR AND MORTGAGE LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

An unmodified means that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

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

#### **Opinion**

I have audited the accompanying financial statements of Kenya National Commission on Human Rights Car and Mortgage Loan Scheme as set out on pages 1 to 16, which



comprise of the statement of financial position as at 30 June, 2022 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 the Kenya National Commission on Human Rights Car and Mortgage Loan Scheme as at 30 June, 2022, 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 Kenya National Commission on Human Rights Car and Mortgage Loan Scheme Fund Regulations, 2015.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

### **Conclusion**

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

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

### **Conclusion**

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



## **Basis for Conclusion**

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

## **Responsibilities of Management and those Charged with Governance**

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 governance.

In preparing the financial statements, Management is responsible for assessing the Scheme's ability 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.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, 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 Scheme's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My

conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Scheme to cease to sustain its services.

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

02 February, 2023



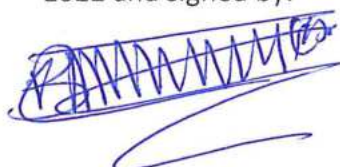


13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

		FY2021/2022	FY2020/2021
	Note	Kshs	Kshs
Revenue from exchange transactions			
Interest Income	13 & 20	1,731,200	1,547,224
<b>Total revenue</b>		<b>1,731,200</b>	<b>1,547,224</b>
Expenses			
Operating Expenses-Bank Charges	21	1,065	3,195
3% & 4% Commission to the bank	14	1,623,601	1,401,344
<b>Total expenses</b>		<b>1,624,666</b>	<b>1,404,539</b>
Other gains/losses			
<b>Surplus/( deficit) for the period</b>		<b>106,534</b>	<b>142,685</b>

The notes set out on pages 6 to 14 form an integral part of these Financial Statements

The Financial Statements were approved by Fund Administrative Committee on 29 September 2022 and signed by:



Dr. Bernard Mogesa  
Commission Secretary

Date: 29/09/2022



Anne Okutoyi  
Chairperson, Scheme Fund Committee

Date: 29/09/2022



John Wamwanga  
Finance Manager  
(ICPAK NO: 2872)

Date: 29/09/2022.

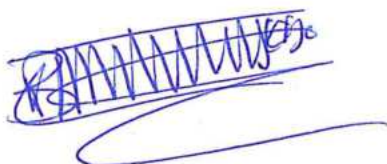


14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	FY2021/2022	FY2020/2021
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	15	19,323,420	16,471,388
Current portion of long-term receivables	17	6,963,513	6,656,004
<b>Total current Assets</b>		<b>26,286,933</b>	<b>23,127,392</b>
<b>Long Term Assets</b>			
Receivables-staff car loan and mortgage scheme	17	44,791,583	46,812,602
Undrawn Funds	22	2,390,000	3,421,987
<b>Total Non-current assets</b>		<b>47,181,583</b>	<b>50,234,589</b>
Interest Income Accrued			0
<b>Total assets</b>		<b>73,468,516</b>	<b>73,361,981</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
<b>Non-current liabilities</b>			
<b>Total liabilities</b>			-
<b>Net assets</b>		<b>73,468,516</b>	<b>73,361,981</b>
<b>Prior year adjustment</b>			
Revenue reserve(Accumulated fund)		2,527,691	2,421,156
Mortgage and car loan Revolving Fund	18	70,940,825	70,940,825
<b>Total net assets and liabilities</b>		<b>73,468,516</b>	<b>73,361,981</b>

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

The entity financial statements were approved on 29 September 2022 and signed by:



Dr. Bernard Mogesa  
Commission Secretary



Anne Okutoyi  
Chairperson, Scheme Fund Committee



John Wamwanga  
Finance Manager  
(ICPAK NO: 2872)

Date: 29/09/2022

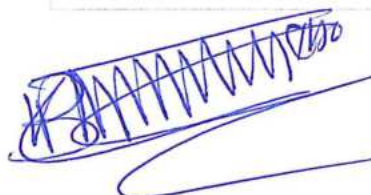
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15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Mortgage Fund	Car loan Fund	Revenue Reserve	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 30 June 2020	56,828,013	14,112,812	2,278,471	73,219,295
Transfer from KNCHR				0
Surplus for the period			142,685	142,685
Balance as at 30 June 2021	56,828,013	14,112,812	2,421,156	73,361,981
Transfer from KNCHR				
Surplus for the period			106,534	106,534
Balance as at 30 June 2022	56,828,013	14,112,812	2,527,691	73,468,516



Dr. Bernard Mogesa  
Commission Secretary



Anne Okutoyi  
Chairperson, Scheme Fund Committee

John Wamwanga  
Finance Manager  
(ICPAK NO: 2872)

Date: 29/09/2022

Date: 29/09/2022

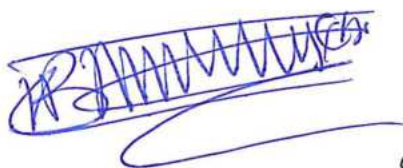
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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

		FY2021/2022	FY2020/2021
	Note	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Interest Income	13	1,731,200	1,547,225
Total Receipts		1,731,200	1,547,225
Payments			
Finance Cost-Operating Expenses	14	1,624,666	1,404,539
Total payments		1,624,666	1,404,539
Net cash flow from operating activities		106,534	142,686
Cash flows from investing activities			
Proceeds from loan principal repayments	19	6,963,510	6,121,855
Loans Disbursed	16	4,218,010	19,598,656
Net cash flows used in investing activities		2,745,500	-13,476,801
Net increase/(decrease) in cash and cash equivalents		2,852,032	-13,334,116
Cash and cash equivalents at the beginning of the year		16,471,388	25,324,262
Prior Year Adjustment			4,481,241
Cash and cash equivalents at end of the Financial Year		19,323,420	16,471,388

There is a prior year adjustment of Kshs. 4,481,241 because there had been an error in the previous year in cash flow for Cash and Cash Equivalent. However, note 15 has the correct value.



Dr. Bernard Mogesa  
Commission Secretary



Anne Okutoyi  
Chairperson, Scheme Fund Committee



John Wamwanga  
Finance Manager  
(ICPAK NO: 2872)

Date: 29/09/2022

Date: 29/09/2022

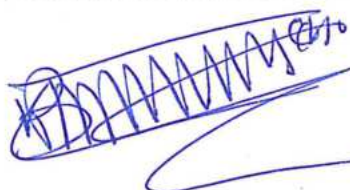
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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 30 JUNE 2022

	Original Budget FY2021/2022	Adjustments	Final Budget	Actual on Comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	%
<b>Revenue</b>						
Transfers from KNCHR	0	0	0	0	0	
Interest Income	1,731,200		1,731,200	1,731,200	0	100%
<b>Total income</b>	<b>1,731,200</b>	<b>0</b>	<b>1,731,200</b>	<b>1,731,200</b>		<b>100%</b>
<b>Expenses</b>						
Bank Charges	1,065	0	1,065	1,065	0	100%
3% & 4% Commission to the bank	1,623,601		1,623,601	1,623,601	0	100%
<b>Total expenditure</b>	<b>1,624,666</b>		<b>1,624,666</b>	<b>1,624,666</b>	<b>0</b>	<b>100%</b>
<b>Surplus for the period</b>	<b>106,534</b>		<b>106,534</b>	<b>106,534</b>		<b>100%</b>



Dr. Bernard Mogesa  
Commission Secretary



Anne Okutoyi  
Chairperson, Scheme Fund Committee



John Wamwanga  
Finance Manager  
(ICPAK NO: 2872)

Date: 29/09/2022

Date: 29/09/2022

Date: 29/09/2022



## **18. NOTES TO THE FINANCIAL STATEMENTS**

### **18.1 Summary Of Significant Accounting Policies**

#### **1. Statement of compliance and basis of preparation**

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

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

#### **2. Adoption of new and revised standards**

##### **(i) Early adoption of standards**

The Fund did not adopt early any new or amended standards in year 2022.

#### **3. Revenue recognition**

##### **(i) Revenue from non-exchange transactions**

##### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Fund and can be measured reliably.

##### **(ii) Revenue from exchange transactions**

##### **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net



carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

#### **4. Budget information**

The fund budget for FY 2021/2022 would have represented a transfer from KNCHR budget approved by the National Assembly. However, there was no budgetary allocation for Car and Mortgage for the year under review.

The fund's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 6.5 of these financial statements above.

#### **5. Financial instruments**

##### **(i) Financial assets**

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are



subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

## **(ii) Financial liabilities**

### **Loans and borrowing**

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

## **6. Changes in accounting policies and estimates**

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

## **7. Borrowing costs**

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

## **8. Related parties**

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





## **9. Cash and cash equivalents**

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

## **10. Events after the reporting period**

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

## **11. Currency**

The financial statements are presented in Kenya Shillings (Kshs)

## **12. Financial risk management**

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks. The Fund's overall risk management program focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

### **a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the Fund Administrative Committee. The



amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statement is considered adequate to cover any potentially irrecoverable amounts.

**a) Liquidity risk management**

The ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

**b) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates, which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Fund Administrative Committee.

The Fund Administrative Committee is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

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



**(i) Interest rate risk**

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

**Management of interest rate risk**

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



## Notes To The Financial Statements

### 13. Interest income

Description	FY2021/2022	FY2020/2021
	Kshs	Kshs
Interest Income from Mortgage loans(3%m)	1,391,520	1,108,760
Interest Income from car loans (4%c)	232,081	292,584
Interest Income from Bank N.8	107,599	145,880
<b>Total</b>	<b>1,731,200</b>	<b>1,547,224</b>

### 14. Operating expenses

Description	FY2021/2022	FY2020/2021
	Kshs	Kshs
Bank charges-Note 9	1,065	3,195
3% Interest on Mortgage	1,391,520	1,108,760
4% interest on car loan	232,081	292,584
Total Interest	1,623,601	1,401,344
<b>Total Operating Expenses</b>	<b>1,624,666</b>	<b>1,404,539</b>

### 15. Cash and cash equivalents

Description	FY2021/2022	FY2020/2021
	Kshs	Kshs
KCB-Mortgage		
Current Account -1206077581	18,856,839	12,741,614
KCB-Car Loan	466,581	3,729,774
Current Account -1206077107		
<b>Total cash and cash equivalents</b>	<b>19,323,420</b>	<b>16,471,388</b>

### 16. Loans disbursed

Description	FY2021/2022	FY2020/2021
	Kshs	Kshs
Loan-car	5,250,000	0
Undrawn Funds b/f	(3,421,990)	
Loan-Mortgage	0	19,598,656
Undrawn funds c/f	2,390,000	
<b>Total</b>	<b>4,218,010</b>	<b>19,598,656</b>





### 17. Receivables-staff car loan and mortgage scheme

Description	FY2021/2022	FY2020/2021
	Kshs	Kshs
Current portion of loans		
Current portion of long-term receivables-Mortgage	4,586,706	4,679,088
Current portion of long-term receivables-Car	2,376,807	1,976,916
Total Current portion of loan receivables	6,963,513	6,656,004
Long term loan		
Mortgage	38,525,688	43,020,012
Car Loan	6,265,895	3,792,590
Total long-term receivables	44,791,583	46,812,602
Total	51,755,096	53,468,606

### 18. Revolving fund

Description	Revolving Fund	TOTAL
	Kshs	Kshs
Balance as at 1 July 2017	-	-
Staff mortgage & car loan fund	56,940,825	56,940,825
Balance as at 30 June 2018	56,940,825	56,940,825
Balance as at 1 July 2018	56,940,825	56,940,825
Transfer from KNCHR	14,000,000	14,000,000
Balance as at 30 June 2019	70,940,825	70,940,825
Transfer from KNCHR	0	0
Balance as at 1 July 2019	70,940,825	70,940,825
Transfer from KNCHR		
Net surplus (Interest earned)		
Balance as at 30 June 2020	70,940,825	70,940,825
Transfer from KNCHR	0	
Net surplus	0	
Balance as at 30 June 2021	70,940,825	70,940,825
Transfer from KNCHR	0	
Net surplus	0	
Balance as at 30 June 2022	70,940,825	70,940,825



## 19. Loan repayments

Description	FY2021/2022	Balance as at 30 June 2021
	Kshs	Kshs
Loan Receivables 01.07.2021	53,468,606	38,590,461
Loan Disbursed	5,250,000	21,000,000
Total Loans	58,718,606	59,590,461
Loan Receivables 30.06.2022	51,755,096	53,468,606
Net loan repaid	6,963,510	6,121,855

## 20. Interest Income from Bank

Description	Bank Statements	Bank Statements
	FY2021/2022	FY2020/2021
	Kshs	Kshs
July 2021	7,968	19,196
August 2021	8,279	15,880
September 2021	8,012	15,167
October 2021	8,641	15,688
November 2021	8,789	15,182
December 2021	9,082	13,228
January 2022	9,082	11,468
February 2022	8,892	10,728
March 2022	9,873	7,004
April 2022	9,554	7,234
May 2022	9,873	7,676
June 2022	9,554	7,429
Total	107,599	145,880



## 21. Bank charges

Description	Bank Statements	Bank Statements
	2021/2022	2020/2021
	Kshs	Kshs
1 July 2021-C		1,065
13 July 2021-M		1,065
12 July 2021-M for June 2022	1,065	1,065
Total	1,065	3,195

## 22. Undrawn Funds

Description	2021/2022	2020/2021
	Kshs	Kshs
Washington Barasa-Car Loan	2,390,000	
David Morema-Mortgage		3,070,093
James Mwenda - Mortgage		351,894
Total	2,390,000	3,421,987



## **19. ANNEXES**

### **1. Related party balances**

#### **Nature of related party relationships**

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

- (a) Kenya National Commission on Human Rights (KNCHR)
- (b) KNCHR Fund Administrative Committee
- (c) The National Assembly
- (d) Key management
- (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)

### **2. Progress on follow-up of auditor recommendations**

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

