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**REPORT**  
**OF**  
**THE AUDITOR-GENERAL**  
**ON**  
**DIANI MUNICIPALITY**

PAPERS LAID	
DATE	23/02/2022
TABLED BY	SML
COMMITTEE	-
CLERK AT THE TABLE	GETRUDE

**FOR THE YEAR ENDED**  
**30 JUNE, 2020**



OFFICE OF THE AUDITOR GENERAL  
P.O.Box 95202, MOMBASA

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**COUNTY GOVERNMENT OF KWALE**  
**DIANI MUNICIPALITY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2020**

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

**KWALE COUNTY GOVERNMENT**  
**Diani Municipality**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

Article 184 of the Constitution of Kenya 2010 mandated parliament to enact a legislation to provide inter alia the criteria for classifying areas as urban areas and cities; establishing the principles of governance and management of urban areas and cities and to provide for participation by residents in the governance of urban areas and cities within 1 year of the promulgation of the Constitution.

Parliament enacted the Urban Areas and Cities Act in the year 2011 which legislation had an effective date falling after the first elections held under the Constitution of Kenya 2010.

Section 9 of the Urban Areas and Cities Act empowers the County Governor, on the resolution of the County Assembly, to confer on a qualifying town, the status of a Municipality by grant of a Charter in the prescribed form.

The County Assembly of Kwale duly approved the request by the County Governor of Kwale for grant of the Municipality of Diani Charter on 28<sup>th</sup> July, 2018.

The Municipality of Diani shall have all the powers, general and special, governmental or proprietary, expressed or implied, which may be possessed or assumed by municipalities under the Urban Areas and Cities Act, the County Governments Act and the County of Kwale By-laws

**The objectives of the Diani Municipality are to:-**

- i. Provide for efficient and accountable management of the affairs of the Municipality.
- ii. Provide for a governance mechanism that will enable the inhabitants of the Municipality to:
  - a. Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations.
  - b. Verify whether public resources and authority are utilized or exercised, as the case may be, to their satisfaction.
  - c. Enjoy efficiency in service delivery.
- iii. Vigorously pursue the developmental opportunities which are available in the Municipality and to institute such measures as are necessary for achieving public order, safety, security and the provisions of civic amenities, so as to enhance the quality of life of the inhabitants of the Municipality.
- iv. Provide a high standard of social services in a cost effective manner to the inhabitants of the Municipality.
- v. Promote social cohesiveness and a sense of civic duty and responsibility among the inhabitants and stakeholders in the Municipality in order to

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- vi. facilitate collective action and commitment towards achieving the goal of a harmonious and stable community.
- vii. Providing for services, laws and other matters for Municipality's benefit.
- viii. Fostering the economic, social and environmental well-being of its community

**FUNCTIONS OF THE DIANI MUNICIPALITY**

The Municipality of Diani shall, within the boundaries of the Municipality, perform the following functions:

- i. Promotion of Urban Planning, Design and aesthetics;
- ii. Promotion of decent and affordable housing;
- iii. Promotion, regulation and provision of refuse collection and solid waste management services;
- iv. Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider);
- v. Construction and maintenance of urban roads and associated infrastructure;
- vi. Construction and maintenance of storm drainage and flood controls;
- vii. Construction and maintenance of walkways and other non-motorized transport infrastructure;
- viii. Construction and maintenance of recreational parks and green spaces;
- ix. Construction and maintenance of street lighting;
- x. Construction, maintenance and regulation of traffic controls and parking facilities;
- xi. Construction and maintenance of bus stations and taxi stands;
- xii. Regulation of outdoor advertising;
- xiii. Construction, maintenance and regulation of municipal markets and abattoirs;
- xiv. Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- xv. Promotion, regulation and provision of municipal sports and cultural activities;
- xvi. Promotion, regulation and provision of animal control and welfare;
- xvii. Development and enforcement of municipal plans and development controls;
- xviii. Municipal administration services (including construction and maintenance of administrative offices);
- xix. Promoting and undertaking infrastructural development and services within municipality;

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- xx. Controlling and abating of nuisance from public or private property;
- xxi. Provide for the destruction and/or removal of any public hazards which may become dangerous or detrimental to the public;
- xxii. Any other functions as may be delegated by the County Executive Committee.

**b) Principal Activities**

The principal activity/mission/ mandate of the Diani Municipality is to provide for efficient and accountable management of the affairs of the Municipality.

**Mission**

“To create and enhance a system of functional human settlements that will enable a sustainable environment for public and private investment and optional use of available natural resources.”

**Core Values**

The department of Environment and Natural Resources upholds the values of transparency and accountability/integrity, inclusiveness and equity, empowerment, quality/result oriented and innovation.

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

Ref	Name	Position
1.	Said Ali Majani	Chairperson
2.	Mariam Rashid Choka	Vice Chairperson
3.	Athumani Juma Bwika	Member
4.	Maureen Njeri Muhinja	Member
5.	Mambeya Suleiman Hamis	Member
6.	Saumu Beja Mahaja	Member
7.	Nuru Mohammed Mbogah	Member
8.	Hamisi O. Mwandaro	Municipal Manager

*(This section will be applicable for Public Municipality's that have a Board of Trustees/Municipality Administration Committee. Input names of all the members who held office during the period)*

**d) Key Management**

	Name	Designation
i.	Nuru M. Mbogah	Member of the Diani Municipality Board
ii.	Hamisi O. Mwandaro	Diani Municipal Manager
iii.	Filex Marago	Accountant
iv.	Annastacia Maithya	Procurement Officer

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**e) Registered Offices**

P.O. Box 4 – 80403  
Kwale County Headquarters  
Off Kwale – Kinango Road  
Kwale

**f) Municipality Contacts**

Telephone: 040-3206000  
E-mail: [info@kwale.go.ke](mailto:info@kwale.go.ke)  
Website: [www.kwale.go.ke](http://www.kwale.go.ke)

**g) Independent Auditors**



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

**h) Principal Legal Adviser**



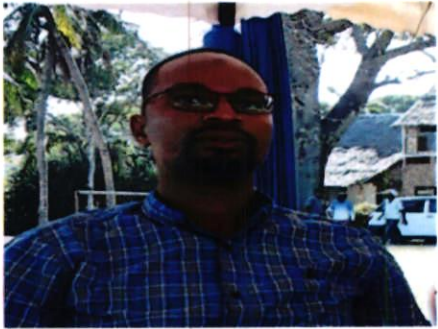
County Attorney  
P.O. Box 4  
Kwale 80400  
Kwale, Kenya

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**2. THE BOARD MEMBERS**

Name	Details of qualifications and experience
 <p><b>MR. SAIDI ALI MAJANI (Chairman)</b></p>	<p>Date of Birth : 12<sup>th</sup> March, 1982</p> <p>He holds a Bachelor of Information Technology (Islamic University- Uganda)</p> <p>Experience:            Teacher in Dar ulum Secondary, Gombato secondary and Ukunda secondary schools.            Project officer – Pact Kenya            Currently businessman</p>
 <p><b>MS. MARIAM RASHID CHOKA (Vice chairman)</b></p>	<p>Date of Birth : 9th May, 1988</p> <p>Graduate, bachelor’s degree in Economics and sociology. CPA Part 2.</p> <p>Experience:            Working with Diani Sea Resort in accounts department, Worked with Donje maize Milling company as a manager from 2019 to 2020, worked with Kenya Red cross society as an accountant from 2016 to 2018 and an intern at Base Titanium in 2016.</p>

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 <p><b>MR. ATHUMANI JUMA BWIKA</b> (Member)</p>	<p>Date of Birth : 17th September, 1981</p> <p>Bachelor of Sharia in Islamic studies, Diploma in Arabic languages &amp; Islamic studies (Umma University), certificate in Arabic languages &amp; Islamic studies (Umma University).</p> <p>Experience:          BOM Mabokoni Primary, Chairman of county bursary fund Gombato bongwe ward, Member of Association of Madrasa Kenya (A.m.K.E), community mobiliser ummulqura integrated ecde, and to date working as ateacher /Ustadh/imamat Saifullah Islamic Centre (Ukunda)</p>
 <p><b>MS. MAUREEN NJERI MUHINJA</b> (Member)</p>	<p>Date of Birth : 29th December, 1972</p> <p>She holds a Masters in Administration (Urban planning) and a Bachelors Degree in Administration (Geography and Sociology) form the University of Nairobi</p> <p>Experience:          She Worked as a Senior Planner in the Ministry of Lands, Physical planning department.</p>
 <p><b>MR. MAMBEYA SULEIMAN HAMISI</b> (Member)</p>	<p>Date of Birth : 23rd June, 1980</p> <p>He holds a Bsc. Agricultural Engineering – Egerton University and is a Student undertaking Msc. Project Management in JKUAT, Licenced PV photovoltaic T3 Technician – EPPRA, Registered by the Engineer’s board of Kenya an Institute of the Engineers of Kenya.</p> <p>He has Experience in Water and Energy i.e water treatment, water reticulation systems, boreholes waste water treatment, Irrigation solar and diesel generator power systems, fire fighting water pumping systems, street lighting and design of water features, preparation of tender documents and projects supervision.</p>

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**MS. SAUMU BEJA MAHAJA**  
**(Member) – CECM - Environment**

Date of Birth: 16<sup>th</sup> April 1989

She has a Master's degree in Environmental Studies Community Development and a Bachelor of Environmental Science from Kenyatta University.

Her Professional Trainings and Certification include;

- Project Planning and Management Training by East African Institute of Certified Studies
- Geo-Spatial Database Development and Management Training at the Regional Centre for Mapping and Resource Development Nairobi
- Monitoring and Evaluation Training by East African Institute of Certified Studies

She is currently the County Executive Committee Member for Environment and Natural Resources For Kwale County



**MS. NURU MOHAMED MBOGAH**  
**(Member) – CO Environment**

Date of Birth: 8th December, 1988

She holds a Master of Science in Water Resources Engineering from the University of Dar es Salaam-Tanzania and a Certificate in Computer Maintenance and Networking Technology.

She also holds a MSc. Dissertation - Defining Onset and End of Rainy Seasons in Tanzania. Bachelor of Science in Water and Environmental Engineering.

She is currently the Chief Officer, Environment and Natural Resources at County Government of Kwale

Experience:

- Water engineer and EIA associate at Manken Geohydrotech Consultants, Mombasa, Kenya.
- Director of Programs – PDF Tanzania.
- Program Director at PDF (People's Development Forum) Tanzania.

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**MR. HAMISI O. MWANDARO (Secretary) –  
Municipal Manager**

Date of Birth : 1<sup>st</sup> January, 1964

He holds a BA Economics and Sociology (UON)  
Diploma in clearing warehousing and practical  
freight forwarding.

He was the Sub county administrator – County  
Government of Kwale  
And also worked as an Operations coordinator –  
Grain bulk handlers and Manager NCPB

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**3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES**

**Introduction**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The Municipality of Diani shall have all the powers, general and special, governmental or proprietary, expressed or implied, which may be possessed or assumed by municipalities under the Urban Areas and Cities Act, the County Governments Act and the County of Kwale By-laws



**The key objectives of the Diani Municipality are to:-**

1. Provide for efficient and accountable management of the affairs of the Municipality.
2. Provide for a governance mechanism that will enable the inhabitants of the Municipality to:
  - Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations.
  - Verify whether public resources and authority are utilized or exercised, as the case may be, to their satisfaction.
  - Enjoy efficiency in service delivery.

The Diani municipality had an annual budget of kshs 33,500,000 for the financial year 2019 – 2020 which was executed through the department of Environment and natural resources management.

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**4. MANAGEMENT TEAM**

Name	Details of qualifications and experience
 <p><b>MS. NURU MOHAMED MBOGAH</b>  <b>(Member) – CO Environment</b></p>	<p>Date of Birth: 8th December, 1988</p> <p>She holds a Master of Science in Water Resources Engineering from the University of Dar es Salaam- Tanzania and a Certificate in Computer Maintenance and Networking Technology.</p> <p>She also holds a MSc. Dissertation - Defining Onset and End of Rainy Seasons in Tanzania.            Bachelor of Science in Water and Environmental Engineering.</p> <p>She is currently the Chief Officer, Environment and Natural Resources at County Government of Kwale</p> <p>Experience:</p> <ul style="list-style-type: none"> <li>• Water engineer and EIA associate at Manken Geohydrotech Consultants, Mombasa, Kenya.</li> <li>• Director of Programs – PDF Tanzania.</li> <li>• Program Director at PDF (People’s Development Forum) Tanzania.</li> </ul>
 <p><b>MR. HAMISI O. MWANDARO</b>  <b>Secretary To The Board</b>  <b>(Municipality Manager)</b></p>	<p>Date of Birth : 1<sup>st</sup> January, 1964</p> <p>He holds a BA Economics and Sociology (UON)            Diploma in clearing warehousing and practical freight forwarding.</p> <p>He was the Sub county administrator – County Government of Kwale</p> <p>And also worked as an Operations coordinator – Grain bulk handlers and Manager NCPB</p>

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**MR. FILEX MARAGO**  
**(Accountant)**

Date of Birth : 5th December, 1975

**Education & Professional Qualification**

Holds a bachelors degree in Business Administration (KEMU)

- CPA 1
- KCSE – Bujumba Secondary School
- KCPE – Amagoro Primary

Experience  
- Accountant Kwale County Government 2013 to date  
Accountant defunct Kwale County Council, Nakuru Municipal council, Bungoma County Council and Malaba Town council 2005 – 2013



**MS. ANNASTACIA MAITHYA**  
**(Procurement Officer)**

Date of Birth : 23<sup>rd</sup> July, 1967

**Education & Professional Information**

- KCSE –
- Holds Diploma in Procurement and Material Management
- Bachelor of Business management supplies option
- CPA 1

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**5. BOARD/MUNICIPALITY CHAIRPERSON'S REPORT**

Municipality of Diani Board is composed of 8 members; four members of the Board of the Municipality appointed through a competitive process by the County Executive Committee and approved by the County Assembly of Kwale and nominated members from the following backgrounds:

- i. An umbrella body representing professional associations in the Diani.
- ii. An association representing the private sector in the Diani.
- iii. A cluster representing registered associations of the informal sector in the Diani.
- iv. A cluster representing registered neighbourhood associations in the Diani.

The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralised system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments. Diani Municipality is a child of the Kenya Urban Support Programme (KUSP) through the County Government of Kwale and the municipal charter of the municipality of Diani.

**Conclusion**

FY 2019/2020 was a good year in general which presented a good beginning of the Municipality. Good progress was made and the momentum has been created to enable Diani Municipality continue on a trajectory into prosperity.

Signed: \_\_\_\_\_

SAID ALI MAJANI

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**6. REPORT OF THE MUNICIPALITY ADMINISTRATOR**

It is with great pleasure that I present the Municipality of Diani financial statements for the year ended 30<sup>th</sup> June 2020. The financial statements present the financial performance of the Municipality over the past year.

The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralised system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments. Diani Municipality is a child of the Kenya Urban Support Programme (KUSP) through the County Government of Kwale.

**Financing of the County Governments**

The Municipality received its funds from the county treasury being the share of county resources through the budgetary process.

**Financial Performance**

**a) Revenue**

**Figure 1: THE MUNICIPALITY OF DIANI FY 2019/2020**

The only source of funding for the municipality is the county treasury.

The municipality's approved budget was Ksh 33,500,000. The department of environment undertook and paid for projects of Kshs 25,714,500 on behalf of the Municipality.

The table below represents an analysis of revenue performance during the year.

<b>Revenue classification</b>	<b>Revenue budget (Kshs)</b>	<b>Actual received through the department of environment(Kshs)</b>	<b>Realisation (%)</b>
County Treasury Disbursements	33,500,000	25,714,500	77%
Borrowings			
Own generated revenues			
<b>Total</b>	<b>33,500,000</b>	<b>25,714,500</b>	<b>77%</b>

**b) Payments**

The total expenditure for the year amounted to KShs 25,714,500 which was spent on development expenditure by the department on behalf of the Municipality.

	<b>2019-2020</b>	<b>2018-2019</b>
Development Expenditure (paid through the department of environment)	25,714,500	-
Recurrent Expenditure	-	-
	<b>25,714,500</b>	<b>-</b>

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In the financial year 2019/2020, the Municipality did two development projects in Diani town. Below are projects photographs;



**Cabro paving of Blue Jay to Kongo Mosque road**

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**Beautification of Kona ya beach to beach road**

**c) Cash flows**

In the FY 2019/2020, the Municipality did not have liquidity disruptions. This was as a result of timely disbursement of funds by the County Treasury.

**d) Accounts receivables**

Imprest management is a critical area of focus in the Municipality. Our aim is to adhere to the PFM regulations on imprest management. We appreciate that we have no outstanding imprests as at 30<sup>th</sup> June, 2020.

**e) Pending bills**

We are happy to report that the Municipality has only Kes. 0 as Pending bills. Our focus as a Municipality is to settle the bills as soon as possible.

**f) Fixed assets**

Diani Municipality is still in its infancy stage and has not yet acquired any assets.

**Despite the notable achievements, we have experienced some challenges during the year. These include:**

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- i. IFMIS system failure – The IFMIS network is sometimes faulty and unavailable making access to the system limited. We recommend that the hardware and software necessary for the broadcasting of the network be upgraded to enable better access to the IFMIS system.
- ii. Delay in IFMIS system (i-sourcing) delayed procurement procedures. The absorption rate was though not affected courtesy of our few projects (two).

**Conclusion**

FY 2019/2020 was a good year in general which presented a good beginning of the Municipality. Good progress was made and the momentum has been created to enable Diani Municipality continue on a trajectory into prosperity.

I take this opportunity to thank H.E. the Governor and the Deputy Governor for their support. I would also want to thank the KUSP for their good gesture of supporting infrastructural development in the county through the Municipality initiative. Not to forget also my sincere thanks to the County Executive Committee Member in charge of Environment and her Chief officer who have worked hand in hand to ensure that Diani Municipality achieves its mission.

I thank all staff in the entire Municipality for their continued commitment and dedication through hard work in delivering services to the people of Diani Municipality.

Signed: \_\_\_\_\_

HAMISI O. MWANDARO

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**7. CORPORATE GOVERNANCE STATEMENT**

The municipality strives to ensure that there is accountability, transparency and integrity. The municipality recognises that it has responsibilities to its stakeholder.

The board has ultimate authority over and oversight of, and regards corporate Governance as critical element in achieving the municipality objectives.

Four (4) members of the Board of the Municipality shall be appointed through a competitive process by the County Executive Committee and approved by the County Assembly. While Five (5) members of the Board shall be nominated by the following umbrella bodies:

- i. an umbrella body representing professional associations in the area;
- ii. an association representing the private sector in the area;
- iii. a cluster representing registered associations of the informal sector in the area;
- iv. a cluster representing registered neighbourhood associations in the area; and
- v. an association of the Municipality;
- vi. and appointed by the County Executive Committee with the approval of the County Assembly

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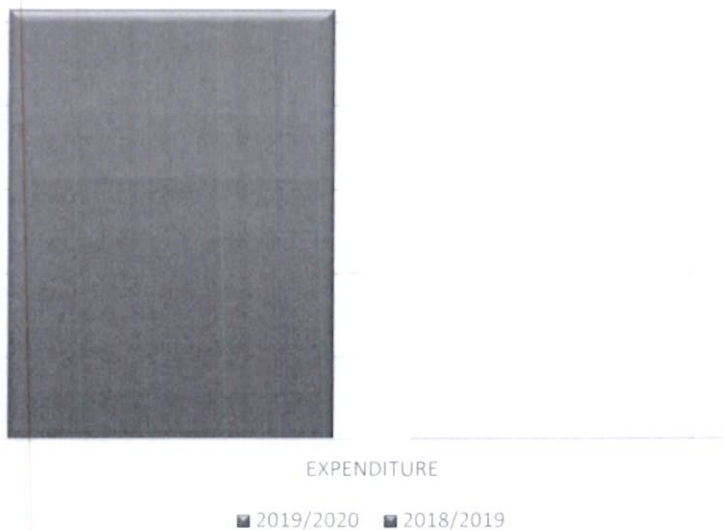
**8. MANAGEMENT DISCUSSION AND ANALYSIS**

**a) Payments**

The expenditure for the year amounted to KShs 25,714,500 being expenditure on development projects undertaken by the department in Diani Municipality. Viz cabro paving of Bluejay congo road and ukunda beautification totalling to 25,714,500.

	<b>2019-2020</b>	<b>2018-2019</b>
Expenditure	25,714,500	-

**Expenditure Analysis graph**



**b) Revenue**

The Municipality did not collect any revenues during the period under review.

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**c) Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Accrual-basis IPSAS financial reporting under the accrual basis of Accounting, as prescribed by the PSASB. The receivables and payables are disclosed in the Statement of Assets and Liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB and PFM Act 2012.

**d) Accounts receivables**

Imprest management is a critical area of focus in Kwale Municipality. Our aim is to adhere to the PFM regulations on imprest management. We appreciate that we have no outstanding imprests as at 30th June, 2020.

**Challenges Facing the Municipality**

Despite the notable achievements, we have experienced some challenges during the year. These include:

- i. Delay in IFMIS system (i-sourcing) delayed procurement procedures. The absorption rate was though not affected courtesy of our few projects (two).
- ii. Delay in disbursement of funds from the National treasury.

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**9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Diani municipality is charged with the responsibility of providing and promoting a clean environment for the business community. Further, the municipality has the responsibility of improving the infrastructural network including streets, lighting and drainage.

The department has also involved in the following corporate social responsibility:

**1. Sustainability strategy and profile**

The Diani municipality is responsible for the provision and promotion of a clean environment for the business community. This is achieved through garbage collection, construction and maintenance of drainages and clearing bushes within the municipality.

The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

**2. Environmental performance**

This is one of the critical areas of the municipality's services. The municipality in collaboration with the Department of Environment has successfully:

- i. Maintained a clean friendly environment eg participating in community cleanup
- ii. Developed and implemented environmental awareness creation programmes
- iii. Developed Waste management policies.
- iv. Established measures to mitigate against water, air, noise and other forms of pollution.

**3. Employee welfare**

Employee welfare has been achieved through the following:

- Having an optimal staff organization structure for effective and efficient public service delivery.
- Harmonization of job grading and remuneration through job evaluation and making recommendations to the Salaries and Remuneration Commission on remuneration, pensions and gratuities for county employees;
- Promotion of the National Values and Principles as espoused by Articles 10 and 232 of the Constitution of Kenya;
- Strengthening county public service in the management of county affairs by upholding the requirements of Chapter 6 of the Constitution on Leadership and Integrity by recruiting and developing able and competent personnel with the highest standards of integrity;
- Regular monitoring, evaluation and reporting on the extent to which the National Values and Principles referred to in Articles 10 and 232 of the Constitution are compiled within the county public service;
- Facilitate disciplinary control over persons holding or acting in public service officers and ensuring the staff code of conduct is adhered to by all county employees; and
- Promoting coherent, integrated human resource planning and budgeting and carrying out staff audits to discourage incidences of "ghost workers" and advise the county government on human resources development and management

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**4. Market place practices**

**Corruption Prevention**

The Municipality is committed to prevent corruption, unethical practices and promote standards and best practices in governance in all its activities. As the institution grows, budgets will be available for participation and implementation of the anti-corruption policies by way of engaging with the relevant bodies and formulation of the required policies.

**5. Community Engagements-**

Through public participation the residents have played a role in decision making processes, participate in monitoring and evaluation, and demand for accountability from leaders and duty bearers. This has well been demonstrated through having committees in the municipality's projects implementation.

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**10. REPORT OF THE MEMBERS OF THE BOARD**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Municipality affairs.

**Principal activities**

The principal activities of the Municipality are to provide a variety of services to residents within its area of jurisdiction. These include the services that were hitherto provided by the defunct Municipal Council and the ones that have been transferred from the national government. The county is headed by the County Governor, who is responsible for the general policy and strategic direction of the County

**Results**

The results of the Municipality for the year ended June 30, 2020 are set out on page 26 to 55

**Trustees**

The members of the Board of Trustees who served during the year are shown on Page 4.

**Auditors**

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

By Order of the Board



Member of the Board

Date: 05/03/2021

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**11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Municipality established by, the constitution of Kenya 2010 and the urban areas and cities act 2011, shall prepare financial statements for the Municipality in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Municipal Manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2020. 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 Municipality; (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 Municipality; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Municipality Manager accepts responsibility for the Municipality'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 Municipality is of the opinion that the Municipality's financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30, 2020, and of the Municipality's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Municipality, which have been relied upon in the preparation of the Municipality's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Municipality has assessed the Municipality'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 Municipality 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 Municipality's financial statements were approved by the Board on 5/3/ 2021 and signed on its behalf by:

  
\_\_\_\_\_  
Administrator of Municipality

# REPUBLIC OF KENYA



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

## REPORT OF THE AUDITOR-GENERAL ON DIANI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Diani Municipality set out on pages 26 to 56, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in equity, statement of cash flows and the 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Diani Municipality as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2019 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### Inaccuracies in Cash and Cash Equivalents

As disclosed in Note 11 to the financial statements, the statement of financial position reflects cash and cash equivalents nil balance. However, the Management had not opened a bank account. This is contrary to Section 179(1) of the Urban Areas and Cities Act, 2019 which states that, "an urban area or city shall open and maintain a bank account in the name of the Urban Area or City, and with the approval of the respective County Executive Committee member for finance". It has not been clearly explained how the Municipality transacted without a bank account and a cashbook.

Consequently, the accuracy, completeness and validity of cash and cash equivalents nil balance reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Diani Municipality 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 qualified 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.

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.33,500,000 and Kshs.25,714,500 respectively, resulting to an underfunding amounting to Kshs.7,785,500 or 23% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.33,500,000 and Kshs.25,714,500 respectively, resulting to an underperformance amounting to Kshs.7,785,500 or 23% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources Section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Non-compliance with the Public Sector Accounting Standards Board Requirements**

The financial statements did not indicate the accountant's ICPAK registration number, the statement of performance against predetermined objectives does not indicate progress towards achieving the set objectives. Further, related party disclosure in Note 25(b) to the financial statements has not been completed with inter-party transactions yet the Department of Environment and Natural Resources transferred road construction projects

to the Municipality. This is contrary to Public Sector Accounting Standards Board (PSASB) reporting template issued for the year ended 30 June, 2020.

In the circumstances, the presentation of the financial statements for the year under review is not in accordance with the prescribed PSASB format.

## **2. Unapproved Budget**

The statement of comparison of budget and actual amounts reflects a final budget totalling to Kshs.33,500,000. However, there was no evidence to confirm that the budget estimates were approved by the Members of the Municipality Board. This is contrary to Section 20(l) of the Urban Areas and Cities Act, 2019 which states that 'the Board shall prepare and submit the Municipality's budget for approval by the County Executive Committee'.

Consequently, the Management was in breach of the law.

## **3. Non-compliance with Municipality Charter**

The Diani Municipality Charter Sections 3.2 and 3.3 provide for powers and functions of the Municipality and which include exercise of executive authority as delegated by the County Executive Committee. The functions entail making by-laws, developing policies and plans, setting targets for service delivery and collecting taxes, rates and levies as delegated by the County Government. However, evidence that the Municipality is facilitated/resourced through adequate financing to undertake the functions was not available for audit verification.

Further, the annual reports disclosed the County Executive Committee Member and Chief Officer for Environment and Natural Resources and the Municipality Manager are charged with running of the Municipality. Also, the Report of the Chairperson of the Board is substituted with a Forward from the County Executive Committee Member. This is contrary to Section 3.3 (a) of the Diani Municipal Charter which provides that the Board shall oversee affairs of the Municipality.

In addition, the financial statements provide the Chief Officer department of Environment and Natural Resources as the accounting officer instead of the Municipality Manager.

Consequently, the Management was in breach of the Charter.

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 effective 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 the Members of the Board**

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

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

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

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

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

Because of its inherent limitations, internal 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 Municipality'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 Municipality 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 Municipality 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, 2022**

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**13. FINANCIAL STATEMENTS**

**13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020**

	Note	2019/2020	2018/2019
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
		-	-
<b>Revenue from exchange transactions</b>			
Interest income	4	-	-
Other income	5	-	-
		-	-
<b>Total revenue</b>		-	-
<b>Expenses</b>			
Municipality administration expenses	6	-	-
General expenses	8	-	-
Finance costs	9	-	-
<b>Total expenses</b>		-	-
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	10	-	-
<b>Surplus/( deficit) for the period</b>		-	-

The notes set out on pages 43 to 55 form an integral part of these Financial Statements



Accounting Officer  
Nuru M. Mbogah



Municipality Accountant  
Filex Marago

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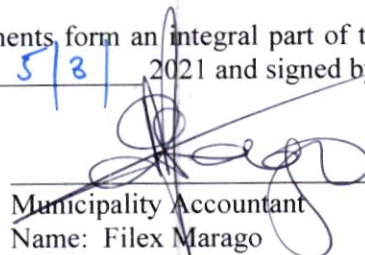
**13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	2019/2020 KShs	2018/2019 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	-	-
Current portion of long- term receivables from exchange transactions	12	-	-
Prepayments	14	-	-
Inventories	15	-	-
		-	-
<b>Non-current assets</b>			
Property, plant and equipment	16	25,714,500	-
Intangible assets	17	-	-
Long term receivables from exchange transactions	12	-	-
		<b>25,714,500</b>	-
<b>Total assets</b>		<b>25,714,500</b>	-
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	18	-	-
Provisions	19	-	-
Current portion of borrowings	20	-	-
Employee benefit obligations	23	-	-
		-	-
<b>Non-current liabilities</b>			
Non-current employee benefit obligation	23	-	-
Long term portion of borrowings	20	-	-
<b>Total liabilities</b>		-	-
<b>Net assets</b>		<b>25,714,500</b>	-
Revolving Municipality		-	-
Capital Reserves		25,714,500	-
Accumulated surplus		-	-
<b>Total net assets and liabilities</b>		<b>25,714,500</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 5/8 2021 and signed by:



Accounting Officer  
Name: Nuru M Mbogah



Municipality Accountant  
Name: Filex Marago

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**13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020**

	<b>Capital Reserves</b>	<b>Revaluation Reserve</b>	<b>Accumulated surplus</b>	<b>Total</b>
		<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>Balance as at 1 July 2018</b>	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Municipalities received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	-	-	-	-
<b>Balance as at 1 July 2019</b>	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Transfers	25,714,500	-	-	25,714,500
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2020</b>	<b>25,714,500</b>	-	-	<b>25,714,500</b>

(The Capital funds relate to assets transferred to the Municipality. During the year, two roads were built by the department of Environment)

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**13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019/2020	2018/2019
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Interest received	4	-	-
Receipts from other operating activities	5	-	-
<b>Total Receipts</b>		-	-
<b>Payments</b>			
Municipality administration expenses	6	-	-
General expenses	8	-	-
Finance cost	9	-	-
		-	-
<b>Adjusted for:</b>			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21	-	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)	22	-	-
<b>Net cash flows from operating activities</b>		-	-
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments			
Loan disbursements paid out			-
<b>Net cash flows used in investing activities</b>		-	-
<b>Cash flows from financing activities</b>			
Proceeds from revolving municipality receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		-	-

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Cash and cash equivalents at 1 JULY		-	
<b>Cash and cash equivalents at 30 JUNE</b>	11	-	-

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

**13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2020**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	-	33,500,000	33,500,000	25,714,500	7,785,500	77%
Interest income	-	-	-	-	-	-
Other income	-	-	-	-	-	-
<b>Total income</b>	-	<b>33,500,000</b>	<b>33,500,000</b>	<b>25,714,500</b>	<b>33,500,000</b>	<b>77%</b>
<b>Expenses</b>						
Municipality administration expenses	-	-	-	-	-	-
General expenses	-	33,500,000	33,500,000	25,714,500	7,785,500	77%
Finance cost	-	-	-	-	-	-
<b>Total expenditure</b>	-	<b>33,500,000</b>	<b>33,500,000</b>	<b>25,714,500</b>	<b>7,785,500</b>	<b>77%</b>
<b>Surplus for the period</b>	-	-	-	-		

The Municipality did not receive any funds in the financial year but instead the department of Environment incurred Kshs 25,714,500 to finance the construction of roads

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**13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The Municipality'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 Municipality. 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. 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 entity 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.

**3. Budget information**

The original budget for FY 2019/2020 was approved by the County Assembly on 29th June, 2019. 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality did not record any additional appropriations for the FY 2019/2020.

The Municipality'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 on page 31 of these financial statements.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4. Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**5. Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**6. Financial instruments**

*Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of 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 Entity 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.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Held-to-maturity***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity 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, 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 Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets 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 financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors 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)

***Financial liabilities***

***Initial recognition and measurement***

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity 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.

***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.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**7. Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**8. Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

The Entity 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.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Contingent assets*

The Entity 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 Entity 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.

**9. Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. Entity to state the reserves maintained and appropriate policies adopted.

**10. 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.

**11. Employee benefits – Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a Municipality), and will have no legal or constructive obligation to pay further contributions if the Municipality does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to municipality obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit municipalities are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**12. 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.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**13. 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.

**14. Related parties**

The Entity 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

**15. 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**16. Comparative figures**

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

**17. Events after the reporting period**

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

**18. Ultimate and Holding Entity**

The entity is a County Public Entity established by Article 184 of the Constitution of Kenya and Section 9 of the Urban Areas and Cities Act. Its ultimate parent is the County Government of Kwale.

**19. Currency**

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**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. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**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:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of municipality to replace the asset
- Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**21. Financial risk management**

The Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Municipality's 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 Municipality 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 Municipality's financial risk management objectives and policies are detailed below:

**a) Credit risk**

The Municipality 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 entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2019</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2018</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The entity has no significant concentration of credit risk.

The board of trustees sets the Municipality's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Municipality 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.

The table below represents cash flows payable by the Municipality under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2019</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2018</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Municipality's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) 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 entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Municipality to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Municipality'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.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Capital risk management**

The objective of the Municipality's capital risk management is to safeguard the Municipality's ability to continue as a going concern.

	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Revaluation reserve	-	-
Revolving municipality	-	-
Accumulated surplus	-	-
<b>Total municipalities</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	-	-

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**13.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	-	-

(Provide brief explanation for this revenue)

**2. Transfers from County Government**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
<b>Total</b>	-	-

**3. Fines, penalties and other levies**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Late payment penalties	-	-
Fines	-	-
<b>Total</b>	-	-

(Provide brief explanation for this revenue)

**4. Interest income**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
<b>Total interest income</b>	-	-

(Provide brief explanation for this revenue)

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**5. Other income**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
<b>Total other income</b>	<b>-</b>	<b>-</b>

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

**6. Municipality administration expenses**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Staff costs (Note 7)		
Loan processing costs		
Professional services costs		
Administration fees	-	
<b>Total</b>	<b>-</b>	<b>-</b>

**7. Staff costs**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. General expenses**

Description	2019/2020	2018/2019
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	-
<b>Total</b>	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. Finance costs**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
<b>Total</b>	-	-

**10. Gain/(loss) on disposal of assets**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	-	-

**11. Cash and cash equivalents**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others	-	-
<b>Total cash and cash equivalents</b>	-	-

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Detailed analysis of the cash and cash equivalents are as follows:

		2019/2020	2018/2019
Financial institution	Account number	KShs	KShs
<b>a) Fixed deposits account</b>			
		-	-
		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
		-	-
		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
		-	-
		-	-
<b>Sub- total</b>		-	-
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		-	-

**12. Receivables from exchange transactions**

Description	2019/2020	2018/2019
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Current receivables</b>		
<b>Non-Current receivables</b>		
Long term loan repayments due	-	-
<b>Total Non- current receivables</b>	-	-
<b>Total receivables from exchange transactions</b>	-	-

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**Additional disclosure on interest receivable**

Description	2019/2020	2018/2019
	KShs	KShs
<b>Interest receivable</b>		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

13. Receivables from Non-Exchange transaction

Description	KShs	KShs
	2019/2020	2018/2019
	KShs	KShs
Transfer to County Executive	-	-
Transfer to Diani Municipality	-	-
<b>Total receivables from non-exchange transactions</b>	-	-

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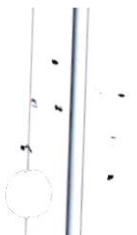
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14. Prepayments**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**15. Inventories**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	<b>-</b>	<b>-</b>



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Infrastructure	Total
Cost	KShs	KShs	KShs	KShs		KShs
<b>At 1<sup>st</sup> July 2018</b>	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	-	-	-	-	-	-
<b>At 1<sup>st</sup> July 2019</b>						
Additions	-	-	-	-	25,714,500	-
Disposals	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2020</b>	-	-	-	-	<b>25,714,500</b>	-
<b>Depreciation and impairment</b>						
At 1 <sup>st</sup> July 2018	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	-	-	-	-	-	-
<b>At 1<sup>st</sup> July 2019</b>						
Depreciation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2020</b>	-	-	-	-	-	-
<b>Net book values</b>						
<b>At 30<sup>th</sup> June 2019</b>	-	-	-	-	-	-
<b>At 30<sup>th</sup> June 2020</b>	-	-	-	-	<b>25,714,500</b>	-

The addition of Kshs 25,714,500 was the value of the project transferred by the department of environment.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**17. Intangible assets-software**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
<b>NBV</b>	-	-

**18. Trade and other payables from exchange transactions**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
<b>Total trade and other payables</b>	-	-

**19. Provisions**

<b>Description</b>	<b>Leave provision</b>	<b>Bonus provision</b>	<b>Other provision</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
Balance at the beginning of the year(1.07.2019)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
<b>Balance at the end of the year (30.06.2020)</b>	-	-	-	-

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**20. Borrowings**

Description	2019/2020	2018/2019
	KShs	KShs
<b>Balance at beginning of the period</b>	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
<b>Balance at end of the period</b>	-	-

The table below shows the classification of borrowings into external and domestic borrowings:

Description	2019/2020	2018/2019
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from organisation	-	-
Sterling Pound denominated loan from 'organisation	-	-
Euro denominated loan from organisation'	-	-
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	-	-

The table below shows the classification of borrowings long-term and current borrowings:

Description	2019/2020	2018/2019
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	-	-

*(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)*

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**21. CHANGES IN RECEIVABLE**

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 <sup>st</sup> July 2019 (A)	-	-
Account receivable issued during the year (B)	-	-
Account receivable settled during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

**22. CHANGES IN ACCOUNTS PAYABLE**

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1 <sup>st</sup> July 2019 (A)	-	-
Accounts Payable held during the year (B)	-	-
Accounts Payable paid during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

**23. Employee benefit obligations**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
<b>Total employee benefits obligation</b>	-	-	-	-

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**24. Cash generated from operations**

	2019/2020	2018/2019
	KShs	KShs
<b>Surplus/ (deficit) for the year before tax</b>	-	-
<b>Adjusted for:</b>		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	-	-

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

**25. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the Municipality 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 municipality/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Trustees; etc

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**b) Related party transactions**

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

**c) Key management remuneration**

	2019/2020	2018/2019
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

	2019/2020	2018/2019
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
<b>Total</b>	-	-

**e) Due to related parties**

	2019/2020	2018/2019
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
<b>Total</b>	-	-

**26. Contingent assets and contingent liabilities**

<b>Contingent liabilities</b>	2019/2020	2018/2019
	KShs	KShs
Court case against the Municipality	-	-
Bank guarantees	-	-
<b>Total</b>	-	-

*(Give details)*

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**14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>

**Guidance Notes:**

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.

