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Enhancing Accountability



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ON

**KENYA INFORMAL SETTLEMENT
IMPROVEMENT PROJECT NO. P113542**

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

**STATE DEPARTMENT FOR HOUSING AND
URBAN DEVELOPMENT**



PROJECT NAME: KENYA INFORMAL SETTLEMENT IMPROVEMENT PROJECT

**IMPLEMENTING ENTITY: STATE DEPARTMENT FOR HOUSING AND URBAN
DEVELOPMENT**

**PROJECT ID: P113542
CREDIT NUMBER: 4873**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

CONTENTS

PAGE

1. PROJECT INFORMATION AND OVERALL PERFORMANCE	
2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES	ix
3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	x
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	xi
5. REPORT OF THE INDEPENDENT AUDITORS ON THE KISIP PROJECT.....	xiii
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020	1
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020.....	2
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020	3
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS.....	4
10. NOTES TO THE FINANCIAL STATEMENTS	5
11. OTHER IMPORTANT DISCLOSURES	23
12. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	26

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Kenya Informal Settlement Improvement Project.

Objective: The key objective of the project is to improve living conditions of informal settlements in selected Counties in Kenya.

Address: The project headquarters office is located in Nairobi County, Kenya.

The address of its registered office is:

Ardhi House,
 1st Ngong Avenue,
 Nairobi

Contacts:

The following are the project contacts:
 P. O. Box 30119, 00100
 Nairobi

1.2 Project Information

Project Start Date:	The project start date is 01.07.2011
Project End Date:	The project end date is 30 12 2020
Project Manager:	The project manager is Mrs Peris Mang'ira.
Project Sponsor:	The project sponsor is IDA, AFD, SIDA and GoK.

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department for Housing and Urban Development.
Project number	P113542, TF:18327
Strategic goals of the project	The strategic goals of the project are as follows: (i) Strengthening institutions and programme management (ii) Enhancing tenure security (iii) Investing in infrastructure and service delivery (iv) Planning for urban growth
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Strengthening institutions and programme management; (ii) Enhanced land tenure; (iii) Building of roads, floodlights, water and sewerage, and waste management;

Kenya Informal Settlement Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020

	(iv) Extensive studies and planning on preventing informal settlements in future
Other important background information of the project	The project completed its seventh year of implementation.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) lack of security of tenure (ii) lack of physical infrastructure e.g. roads, foot paths, lighting, water, sewer and waste disposal
Project duration	The project started on 1st July 2011 and is expected to run until 30 June 2016. The time was extended to November 2019

1.4 Bankers

The following are the bankers for the current year:

Designated account: Equity Bank Limited
Head Office, Equity Centre Branch
Account No. 0810295112857

Central Bank of Kenya
Account No. 1000339888

Project Account: Cooperative Bank of Kenya
Upper Hill Branch
Account No. 01141161460400

Auditors

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

1.5 Project Governance

The Project's governance framework requires the stakeholders to uphold the highest professional, ethical, moral and legal standards. This is achieved through effective segregation of duties with clear checks and balances as articulated in the Project Loan/Credit Agreement, the PFM Act, 2012, the Project Design Report, the Implementation Manual and the Finance and Procurement Manuals.

1. The Project Steering Committee (PSC)

This Committee is responsible for overseeing the implementation of the Project, approving the annual work plan and budget, and ensuring that the activities are in compliance with the donor and government policies.

2. International Development Association

These are the project sponsors. They are responsible for reviewing and approving the project's withdrawal applications, expenditure justifications, no objection requests, reviewing and approving the annual work plan and budget, expenditure category reallocation request, and participating in implementation support missions.

3. The Parent Ministry

The parent ministry ensures that the Project's budget is captured in its development projects and disburses the government counterpart funding. The ministry reviews and tracks the Project's annual work plan and budget against the set targets and makes the approvals. The parent ministry also oversees the execution of the project coordinating team.

4. The Auditor

The Supreme Audit Institution in Kenya, that is, the Office of the Auditor General, is mandated by the Constitution of Kenya Chapter 12, Part 6, Article 229 which establishes the Office of the Auditor General. Chapter 15, Article 248, Section 3 and Article 249, Section 2 (a) and (b) and section 10 of the Public Audit Act, 2015 provide for the independence of the Office of the Auditor General.

The Auditor General is mandated to audit all national government entities, which include government development projects and present these statutory financial statements to the Parliament. This facilitates the submission of the audited report to the project's sponsors by 31 December each year.

1.6 Roles and Responsibilities

This team is based in Nairobi and is responsible for the project management and coordination functions. The PCT comprises of the Project Coordinator and a team of Technical Officers. The PCT is also supported by other administrative staff.

These key staff, who form the project coordinating team that is involved in the day to day management of the project and its implementation are:

**Kenya Informal Settlement Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020**

Names	Title designation	Key qualification	Responsibilities
Peris Mang'ira	Project Coordinator SDS Physical Planning	M.A. Planning, Registered Planner; Member AAK , KIP	Overall programme coordination.
Stella Gitimu	Head of Component 1 DD Slum Upgrading	MBA, BA Land Economics ISK	Manage component 1 activities
George Arwa	Head of Component 2 SAD Survey	MA Environmental Management Bsc Land Survey BA Urban Planning ISK, AAK	Manage component 2 activities
Julius Mugwika	Head of Component 3 SPSE (S)	Msc Civil Engineering MIEK	Manage component 3 activities
Wagura Theuri	Project Accountant PHO	MA, BA (Econ), CPA(K) Member ICPAK	Financial Management

1.7 Funding summary

The Project duration is five years (from 2011 to 2017) with a further extension to November 2019. The financing budget of US\$ 157.3 Million equivalent to KES 15 Billion as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 06 2020)		Undrawn balance to date (30 06 2020)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
SIDA	\$8,300,000	847,179,454	8,300,000	847,179,454	-	-
(ii) Loan						
IDA	\$100,000,000	9,246,591,028	95,892,675	9,246,591,028	-	-
AFD	€35,000,000/ \$38,987,556	3,977,196,321	38,987,556	3,977,196,321	0	0
(iii) Counterpart funds						
Government of Kenya	\$10,000,000	1,010,000,000	14,144,988	1,430,058,301	0	0
Total	158,300,000	15,080,966,803	157,325,219	15,501,025,104	0	0

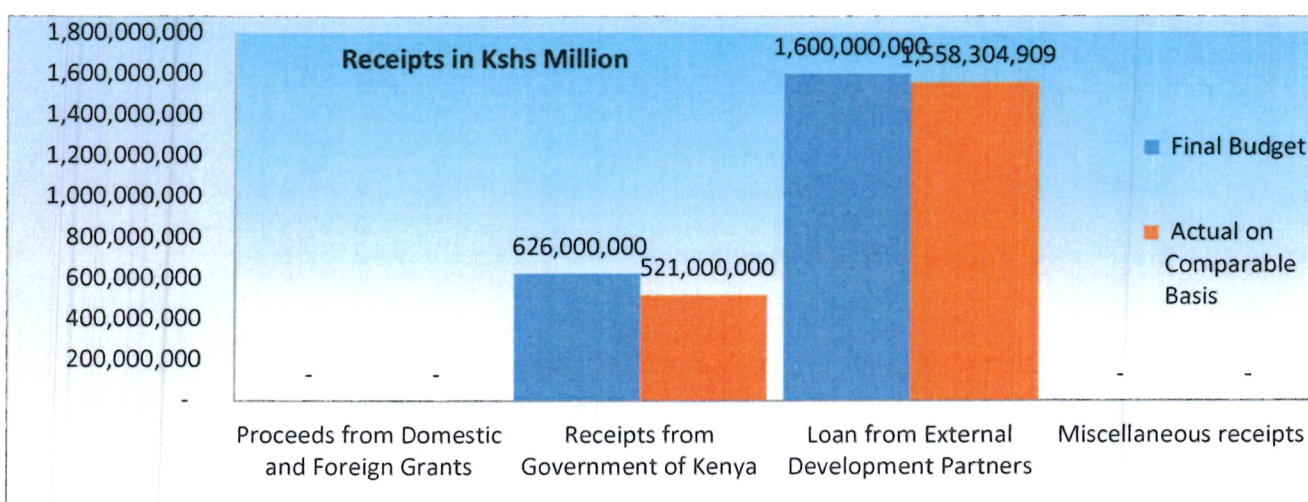
1.8 Summary of Overall Project Performance:

1.8.1 Budget performance against actual amounts for current year and for cumulative to-date

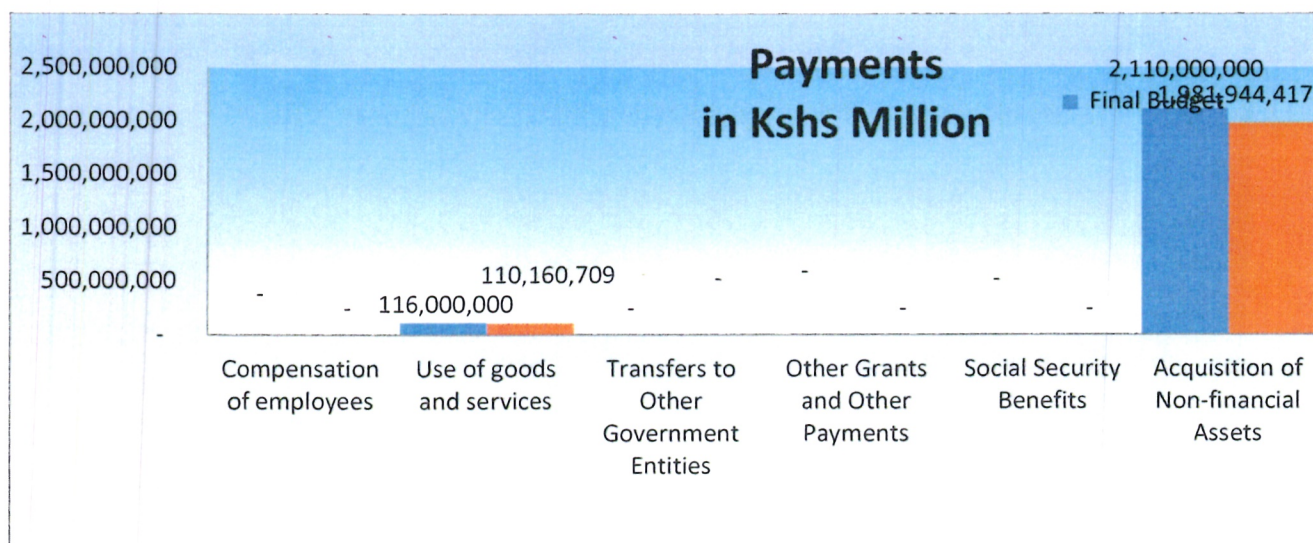
During the year under review, the Project received KShs 2,118,310,132 and incurred expenditure of KShs 2,067,715,347. The cumulative receipts and expenditures are KShs. 13,627,572,998 and KShs. 12,645,511,911 respectively.

Receipts & Payments Utilization

Revenue Utilisation Bar Graph



Payment Utilization Bar Graph



People in informal settlements provided with access to improved drainage infrastructure under KISIP (Number). Access to drainage facilities were prioritised by communities in all Counties owing to constant flooding and need for storm water management; storm water drainage canals were constructed in Mombasa, Embu, Kericho, Kitui, Kisumu, Eldoret, Nakuru, Machakos, Naivasha and Nairobi. This has benefitted approximately 1,000,000 people in these urban areas.

Number of People in urban areas provided with access to all-season roads within a 500-meter range under KISIP (number). Investments in access road network consist of settlement main access roads connecting the settlements and trunk roads, settlement roads providing access within the settlements, walkways and footpaths. A total of 98.289 km of settlement access roads and 120.078 km of footpaths have been constructed through KISIP benefitting 1,000,000 people.

Number of people in urban areas provided with access to improved water sources under KISIP (number). Construction of 112.494 km of water pipeline has been completed with 9,312 water connections done to date; 11 Water Kiosks have been constructed in providing additional access to water. This has enabled 262,780 people to have access to water sources which are safe and clean. 21 ablution blocks have been completed under the project.

Implementation of the National Hygiene Programme (Kazi Mtaani)

Towards the end of the year, the programme also implemented the National Hygiene Program, which was the first of the Government of Kenya's efforts to cushion the most vulnerable population from the effects of the deadly COVID-19 pandemic as well as the drastic response measures against the virus. Specifically, the program dubbed 'Kazi Mtaani', has the twin objective of ensuring clean environments and putting money in the pockets of the youth. The total cost of the programme was Kshs. 716M as indicated in the notes under the item "Rehabilitation of civil works". Additionally, Kshs 104,726,947 were spent by KENSUP to purchase personal protective equipment for the workers as well as payment for wages.

The first phase of Kazi Mtaani kicked off as a pilot program that focused on select informal settlements in the 8 counties of Nairobi, Mombasa, Kiambu, Nakuru, Kisumu, Kilifi, Kwale, and Mandera. The amount used under phase I was Kshs. 300M from the KISIP budget, Kshs. 200M being donor funds from AfD and Kshs. 100M being counterpart funds. An additional Kshs. 416 was re-allocated within the State Department towards the programme. The counties that were selected for the pilot phase were selected based on the increased cases of COVID 19 and those with higher likelihood of cases as well as those with high urban population density. A few weeks after the confirmation of the first positive case in Kenya, these areas were already beginning to bear the brunt of the government's response strategies such as the restricted movements policies initiated to contain the spread of the virus. With the contraction of the economy which has negatively affect many sectors, majority of low-income earners who are casuals had lost the opportunity to earn their daily wages and with it their ability to meet their families' basic needs leading to more desperation.

It was therefore envisaged that Kazi Mtaani would help plug those income losses and reduce the desperation in those areas. A total of 26,148 young people across 27 informal settlements in the counties were enlisted in the programme where they earned a daily wage of Ksh 653.10 in major urban areas and Ksh 600 in others. The wages were paid directly to the workers through mobile money transfer and has gone a long way in supporting the youth to fend for their families. From the project, 1,696.94km of streets and paths were cleared; 2,282,558.515 tons of garbage was collected; 11,493,968m² of bushes were cleared and 1,5=471.956km of drainage canals were cleaned,

unclogged and cleared.

Implementation challenges and recommended way forward

Issue/challenge	Lesson	Recommendation
1. Complex tenure security arrangements and operational delays occasioned by changes in land surveying information	Interpretation of legislation on roles and responsibilities of key actors in land management continue to negatively affect delivery of results.	KISIP national team is taking a more active role in supervision Involvement of the relevant county officials in identification and verification of list of beneficiaries.

1.9 Summary of Project Compliance:

The Program has ensured that all its activities carried out are within the laws of the Republic of Kenya and that all regulations and procedures have been followed. Among the regulations include the Environmental and Social Impact Assessment (ESIA) for which authority was issued for the implementation of the project. In cases of inconsistency between the GOK Regulations and those of the donors, the latter have been applied.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

The key development objectives of the project are to:

- a) To complete tenure regularization for settlements under the project;
- b) To benefit persons living in selected settlements through both infrastructure and tenure options under KISIP
- c) To benefit females and males under the KISIP interventions;
- d) To provide people with access to improved drainage infrastructure under the project;
- e) To provide people living in urban informal settlements with access to all season roads within a 500-meter radius under KISIP;
- f) To provide people in urban areas with access to improved water sources under KISIP;

Progress on attainment of Strategic development objectives

Project	Objective	Outcome	Indicator	Performance
Tenure security enhancement	To enhance tenure regularization under the project	Enhanced ownership of land to pave way for infrastructure and housing development	Enhanced security of tenure	Tenure security improved in 80 informal settlements
Project beneficiaries by gender	To benefit females and males under the KISIP interventions	Females and males benefitted from KISIP interventions alike	Gender parity in project beneficiaries	50% of males and females benefitted from the project
People with access to improved drainage infrastructure	To provide people with access to improved drainage infrastructure under the project	Improved access to drainage infrastructure within settlements	Number of people with improved drainage infrastructure under the project	1,000,000 people with improved drainage infrastructure resulting from drainage canals constructed under the project
People with access to all season road within a 500 meter radius	To provide people living in urban informal settlements with access to all season roads within a 500-meter radius under KISIP	Improved access to all season roads within 500 meter radius	Number of people with improved access to all season roads within 500 meter radius	1,000,000 people with access to improved all season road within a 500 meter radius

Kenya Informal Settlement Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020

People within urban areas with access to improved water sources	To provide people in urban areas with access to improved water sources under KISIP	Improved access within urban areas to improved water sources	Number of people with access to improved water sources within urban areas	262,780 persons benefitted with improved water sources within urban areas under the project
Total project beneficiaries – tenure and infrastructure	To benefit persons living in selected settlements through both infrastructure and tenure options under KISIP	Improved living conditions of people living in slums and informal settlements through tenure security and installation of infrastructure and service delivery	Number of people benefiting from the project – tenure and infrastructure	1,389,980 persons have benefitted from both tenure and infrastructure installation from the project.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

KISIP exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on three pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar:

1. Sustainability strategy and profile -

KISIP is being implemented in the fastest growing urban areas in Kenya which have witnessed increased number of people living and working in informal settlements. The five major urban areas per population and contribution to the GDP are: Nairobi, Mombasa, Kisumu, Eldoret and Nakuru. Mombasa works were completed and handed over by H.E President on 5th January 2017. Works in the Counties of Nairobi, Nakuru, Kericho, Kisumu, Machakos, Embu, Kitui have been completed. As a result of KISIP, 1,389,980 people are currently benefitting from KISIP interventions, of which 694,990 are females. The urban transition is well under way in Kenya and urbanization is projected to continue to grow at a rapid pace. Devolution will further speed up the rate of urbanization for the country. Due to the growth and entrenchment of devolution, the urban areas of Nakuru and Eldoret are currently being prepared to assume city status, which will increase Kenyan cities from three to five: Nairobi, Mombasa, Kisumu, Nakuru and Eldoret. KISIP has intervened in all the major five urban areas and hence supporting efforts aimed at sustainable urbanization. The urban transition in Kenya will play an important role in determining the country's growth prospects and social stability. KISIP was formulated to bridge and contribute to improving the living conditions of people living in informal settlements in Kenya and make urban areas more liveable.

2. Environmental and social management

The project developed and implements an effective Environmental and Social Management Framework. This has facilitated resettlement of project affected persons including resettlement of structures and businesses. Compliance with the environmental policies and concerns are addressed through environmental impact assessments (EIAs), which further have the provisions for an effective Environmental Management Plans (EMP) to ensure sustainability of the KISIP projects. Additionally, under the National Hygiene Programme (1A), further safeguard protocols were developed for the implementation of the Kazi Mtaani programme. These have continued to be used even under the GoK financing of the second phase of the programme.

3. Community Engagements-

The communities were greatly involved throughout the year through the Settlement Executive Committees (SECs) in resolving various issues pertaining to operationalization of bio digesters in Nairobi and Naivasha; participation in planning and survey activities of RAP implementation and infrastructure development.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Principal Secretary for the State Department for Housing and Urban Development and the Project Coordinator for Kenya Informal Settlement Improvement Project are responsible for the preparation and presentation of the project's financial statements, which give a true and fair view of the state of affairs of the project for and as at the end of the quarter ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement 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 project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

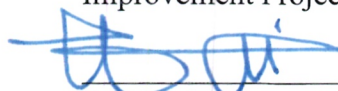
The Principal Secretary for the State Department for Housing and Urban Development and the Project Coordinator for Kenya Informal Settlement Improvement Project accept responsibility for the project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

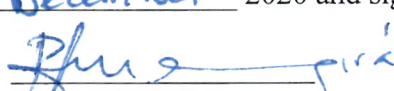
The Principal Secretary for the State Department for Housing and Urban Development and the Project Coordinator for Kenya Informal Settlement Improvement Project are of the opinion that the project's financial statements give a true and fair view of the state of project's transactions during the financial period ended June, 2020, and of the project's financial position as at that date. The Principal Secretary for State Department for Housing and Urban Development and the Project Coordinator for Kenya Informal Settlement Improvement Project further confirm the completeness of the accounting records maintained for the project, which have been relied upon in the preparation of the project financial statements as well as the adequacy of the systems of internal financial control.

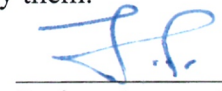
The Principal Secretary for the State Department for Housing and Urban Development and the Project Coordinator for Kenya Informal Settlement Improvement Project confirm that the project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Principal Secretary for the State Department for Housing and Urban Development and the Project Coordinator for Kenya Informal Settlement Improvement Project on 18th December 2020 and signed by them.


Principal Secretary
Name: Charles M. Hinga CBS


Project Coordinator
Name: Peris Mang'ira


Project Accountant:
Name: Wagura Theuri
ICPAK No: 13047

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR GENERAL ON KENYA INFORMAL SETTLEMENT IMPROVEMENT PROJECT NO. P113542 FOR THE YEAR ENDED 30 JUNE, 2020 - STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Informal Settlement Improvement Project set out on pages 1 to 26 which comprise the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with provisions of Article 229 of the Constitution of Kenya, Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Informal Settlement Improvement Project as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Financing Agreements between the Republic of Kenya International Development Association (IDA)-No.4873-KE and Agency Francaise De development (AFD)-CKE 1055 01 J and Grant Agreement with Swedish International Agency (SIDA)-TF:018327 dated 23 May, 2011, 17 December, 2015 and 7 July, 2015 respectively and the Public Finance Management Act, 2012.

In addition, the special account statement present fairly, the special account transactions and the closing balance has been reconciled with the books of account.

Basis for Opinion

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

Emphasis of Matter

Special Account Reconciliation

The statement of receipts and payments reflects proceeds from domestic and foreign grants of Kshs.1,558,304,909 and as disclosed under Note 10.5 to the financial statements. However, this excludes amounts withdrawn but unclaimed of USD12,998,243.20 equivalent to Kshs.1,335,530,325 as at 30 June, 2020 reflected in the Project special account statement. The amount represents cumulative funds transfers to the Project bank account, but whose expenditure returns had not been submitted to the National Treasury by the close of the financial year.

My opinion is however not modified on the effects of the above matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the International Development Association (IDA), except for the matter under emphasis of matter, I report based on my audit that: -

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such 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 controls, risk management and overall governance.

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

Management is also responsible for the submission of its financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Project 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 review 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 Project'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 Project 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 Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathunga
AUDITOR-GENERAL

Nairobi

31 December, 2020

**Kenya Informal Settlement Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020**

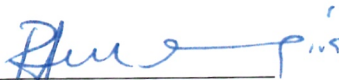
**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED
30TH JUNE 2020**

	Note	2019/20		2018/19		Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payments controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from Government entities	10.3	521,000,000	-	150,000,000	-	1,430,058,301
Proceeds from domestic and foreign grants	10.4	-	-	-	-	847,179,454
Loan from external development partners	10.5	1,558,304,909	-	1,896,986,000	-	13,223,787,349
Miscellaneous receipts	10.6	-	-	71,324,132	-	205,852,804
TOTAL RECEIPTS		2,079,304,909	-	2,118,310,132	-	15,706,877,907
PAYMENTS						
Compensation of employees	10.7	-	-	-	-	-
Purchase of goods and services	10.8	110,160,709	-	125,172,774	-	715,370,436
Social security benefits	10.9	-	-	-	-	-
Acquisition of non-financial assets	10.10	1,981,944,417	-	1,942,542,573	-	13,924,151,220
Transfers to other government entities	10.11	-	-	-	-	373,272,002
Other grants and transfers and payments	10.12	-	-	-	-	-
TOTAL PAYMENTS		2,092,105,125	-	2,067,715,347	-	15,012,793,657
SURPLUS/(DEFICIT)		(12,800,216)	-	50,594,785	-	694,084,250

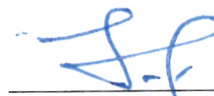
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Principal Secretary
Name: Charles M. Hinga CBS



Project Coordinator
Name: Peris Mang'ira



Project Accountant:
Name: Wagura Theuri
ICPAK No: 13047

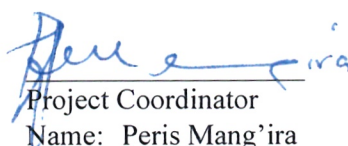
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

	Note	2019/20	2018/19
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10.14.A	694,084,250	706,884,466
Cash Balances	10.14.B	-	-
Cash Equivalents (short-term deposits)	10.14.C	-	-
Total Cash and Cash Equivalents		694,084,250	706,884,466
Accounts receivables – Imprest and Advances	10.15	0	0
TOTAL FINANCIAL ASSETS		694,084,250	706,884,466
REPRESENTED BY			
Fund balance b/fwd	10.16	706,884,466	656,289,681
Prior year adjustments	10.17	-	-
Surplus/(Deficit) for the year		(12,800,216)	50,594,785
NET FINANCIAL POSITION		694,084,250	706,884,466

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 18th December 2020 and signed by:



Principal Secretary
Name: Charles M. Hinga CBS



Project Coordinator
Name: Peris Mang'ira



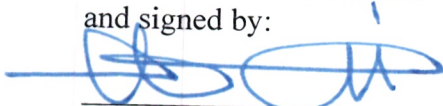
Project Accountant:
Name: Wagura Theuri
ICPAK No: 13047

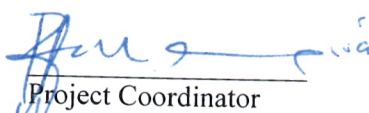
Kenya Informal Settlement Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020

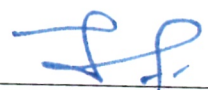
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

		2019/20	2018/1
	Note	KShs	KSh
Receipts for operating activities			
Transfer from Government entities	10.3	521,000,000	150,000,00
Proceeds from domestic and foreign grants	10.4	-	
Miscellaneous receipts	10..6	-	71,324,13:
		521,000,000	221,324,13:
Payments for operating activities			
Compensation of employees	10.7		
Purchase of goods and services	10.8	(110,160,709)	(125,172,774
Social security benefits	10.9		
Transfers to other government entities	10.11		
Other grants and transfers	10.12		
Adjusted for:			
Change in Imprests & Advances			
Adjustments during the year	10.15		
		(110,160,709)	(125,172,774)
Net cash flow from operating activities		410,839,292	96,151,358
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	10.10	(1,981,944,417)	(1,942,542,573)
Net cash flows from Investing Activities		(1,981,944,417)	(1,942,542,573)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	10.5	1,558,304,909	1,896,986,000
Net cash flow from financing activities		1,558,304,909	1,896,986,000
NET INCREASE IN CASH AND CASH EQUIVALENT		(12,800,216)	50,594,785
Cash and cash equivalent at BEGINNING of the year		706,884,466	656,289,681
Cash and cash equivalent at END of the year		694,084,250	706,884,466

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 18/12 2020 and signed by:


Principal Secretary
Name: Charles M. Hinga CBS


Project Coordinator
Name: Peris Mang'ira



Project Accountant:
Name: Wagura Theuri
ICPAK No: 13047


Kenya Informal Settlement Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020


9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	210,000,000	416,000,000	626,000,000	521,000,000	105,000,000	83%
Proceeds from domestic and foreign grants	-	-	-	-	-	
Proceeds from borrowings	1,850,000,000	-250,000,000	1,600,000,000	1,558,304,909	41,695,091	97%
Miscellaneous receipts	-	-	-	-	-	0%
Total Receipts	2,060,000,000	166,000,000	2,226,000,000	2,079,304,909	146,695,091	93%
Payments						
Compensation of employees						0%
Purchase of goods and services	116,000,000	-	116,000,000	110,160,709	5,839,292	95%
Social security benefits	-	-	-	-	-	0%
Acquisition of non-financial assets	1,944,000,000	166,000,000	2,110,000,000	1,981,944,417	128,055,584	94%
Transfers to other government entities						0%
Other grants and transfers	-	-	-	-	-	0%
Total Payments	2,060,000,000	166,000,000	2,226,000,000	2,092,105,125	133,894,875	94%

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.


Principal Secretary
Name: Charles M. Hinga CBS


Project Coordinator
Name: Peris Mang'ira


Project Accountant:
Name: Wagura Theuri
ICPAK No: 13047

10. NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these financial statements are set out below

10.1 Basis of Preparation

10.1.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

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

The accounting policies adopted have been consistently applied to all the years presented.

10.1.2 Reporting entity

The financial statements are for the Kenya Informal Settlement Improvement Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.1.3 Reporting currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

10.2 Significant Accounting Policies

a) Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Government.

• Transfers from the Exchequer

Transfer from Exchequer is be recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

• External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

- **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements the time associated cash is received.

b) Recognition of payments

The Project recognises all payments when the event occurs and the related cash has actually been paid out by the Project.

- **Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

- **Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

- **Interest on borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

- **Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

c) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

d) 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.

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

f) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

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. Annex 4 of this financial statement is a register of the contingent liabilities in the year.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

g) 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.

h) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

i) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

j) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year no loan disbursements were received in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

l) Comparative figures

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

m) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2020.

n) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period (s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.3 RECEIPTS FROM GOVERNMENT OF KENYA

These represent counterpart funding and other receipts from government as follows:

	2019/20	2018/19	Cumulative
	KShs	KShs	to-date
<i>Counterpart funding through State Department for Housing and Urban Development</i>			
Counterpart funds Quarter 1			145,000,000
Counterpart funds Quarter 2			235,000,000
Counterpart funds Quarter 3	70,000,000		191,569,780
Counterpart funds Quarter 4	35,000,000	150,000,000	442,488,521
Counterpart funds for National Hygiene Programme	416,000,000		416,000,000
	521,000,000	150,000,000	1,430,058,301
<i>Other transfers from government entities</i>			
Appropriations-in-Aid			
Total	521,000,000	150,000,000	1,430,058,301

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.4 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2020, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs	
						FY 2019/20	FY 2018/19
			KShs	KShs	KShs	KShs	KShs
Grants Received from Bilateral Donors (Foreign Governments)							
	0					0	0
Grants Received from Multilateral Donors (International Organizations)							
SIDA							-
Grants Received from Local Individuals and organisations							
Total							-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.5 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020, we received funding from development partners in form of negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
			KShs	KShs	FY19/20	FY18/19
Loans Received from Bilateral Donors (Foreign Governments)						
Loans Received from Multilateral Donors (International Organisations)						
International Development Association (IDA)		123,031	12,754,589		12,754,589	
French Development Agency (AFD)		15,057,556	1,545,550,321		1,545,550,321	1,896,986,000
Total		15,180,587	1,558,304,909	-	1,558,304,909	1,896,986,000

10.6 MISCELLANEOUS RECEIPTS

	TOTAL RECEIPTS		Cumulative to- date
	FY 2019/20	FY 2018/19	
	KShs	KShs	KShs
Property income	-		-
Sales of goods and services	-		-
Administrative fees and charges	-		-
Fines, penalties and forfeitures	-		-
Voluntary transfers other than grants	-		-
Other receipts not classified elsewhere		71,324,132	205,852,804
	<u>-</u>	<u>71,324,132</u>	<u>205,852,804</u>

**This receipt was an amount received from an encashed performance guarantee.

10.7 COMPENSATION OF EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.8 PURCHASE OF GOODS AND SERVICES

	FY 2019/20			FY 2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	15,058,476		15,058,476	13,910,061	93,767,071
Communication, supplies and services	4,650,076		4,650,076	6,373,486	41,213,464
Domestic travel and subsistence	55,592,591		55,592,591	41,809,559	321,493,700
Foreign travel and subsistence	-		-	5,976,662	5,976,662
Printing, advertising and – information supplies & services	3,923,520		3,923,520	1,104,614	40,734,711
Rentals of produced assets	-		-	-	-
Training payments	18,529,890		18,529,890	44,865,983	142,315,865
Hospitality supplies and services	-		-	668,500	4,443,430
Insurance costs	168,796		168,796	0	1,651,798
Specialized materials and services					
Other operating payments					
Routine maintenance – vehicles and other transport equipment	12,237,360		12,237,360	10,463,909	63,773,735
Routine maintenance- other assets					
Exchange rate losses/gains (net)					
Total	110,160,709		110,160,709	125,172,774	715,370,430

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.9 SOCIAL SECURITY BENEFITS

No payments for social security benefits

10.10 ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2019/20			FY 2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of buildings					
Construction of buildings					
Refurbishment of buildings					
Construction of roads					
Construction of civil works	819,096,612		819,096,612	1,477,218,625	9,488,535,605
Overhaul & refurbishment of construction and civil works					
Purchase of vehicles & other transport equipment					82,478,360
Overhaul of vehicles & other transport equipment					
Purchase of household furniture & institutional equipment					
Purchase of office furniture & general equipment	5,504,593		5,504,593	107,544,562	247,517,757
Purchase of specialised plant, equipment and machinery					
Rehabilitation & renovation of plant, equipment & machinery					
Purchase of certified seeds, breeding stock and live animals					
Research, studies, project preparation, design & supervision	441,343,212		441,343,212	357,779,386	3,389,619,497
Rehabilitation of civil works	716,000,000		716,000,000		716,000,000
Acquisition of strategic stocks					
Acquisition of land					
Total	1,981,944,417	-	1,981,944,417	1,942,542,573	13,924,151,220

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.11 TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30th June 2020, we transferred funds to reporting government entities as shown below:

	FY 2019/20			FY 2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities					
<i>Athi Water Services Board</i>	-		-		203,237,099
<i>Coast Water Services Board</i>	-		-		71,200,000
<i>Lake Victoria North Water Services Board</i>					98,834,903
	-	-	-		373,272,002
Transfers to County Government					
TOTAL	-	-	-		373,272,002

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.12 OTHER GRANTS AND TRANSFERS AND PAYMENTS

There were no other grants and transfers and payments

10.13 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts (Note 8.13A)	694,084,250	706,884,466
Cash in hand (Note 8. 13B)		
Cash equivalents (short-term deposits) (Note 8.13C)		
Total	<u>694,084,250</u>	<u>706,884,466</u>

The project has 1 number of project accounts spread within the project implementation area and 2 number of foreign currency designated accounts managed by the National Treasury as listed below:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.14 A Bank Accounts

Project Bank Accounts

	FY 20119/20	FY 2018/19
	KShs	KShs
<u>Foreign Currency Accounts</u>		
No foreign currency accounts		
Total Foreign Currency balances	-	=
<u>Local Currency Accounts</u>		
Co-operative Bank of Kenya [A/c No...01141161460400]	691,534,250	704,334,466
Others (amount held by Bank as collateral)	2,550,000	2,550,000
Total local currency balances	694,084,250	706,884,466
Total bank account balances	<u>694,084,250</u>	<u>706,884,466</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2020 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

	FY 2019/20	FY 2018/19
	KShs	(restated)
	KShs	KShs
(i) Equity Bank Limited [A/c NO:0810295112857]		
Opening balance	12,754,589	0
Total amount deposited in the account	-	12,754,589
Amount withdrawn (as per Statement of Receipts & Payments)-Grant		
amount withdrawn (as per Statement of Receipts & Payments)- Loan	12,754,589	
Total amount withdrawn (as per Statement of Receipts & Payments)		
Closing balance (as per SDA bank account reconciliation attached)	=	<u>12,364,581</u>
(ii) KISIP-CKE 1055 01 J [A/c No 1000339888]		
Opening balance (as per the SDA reconciliation)	165,164,750	148,920,864
Total amount deposited in the account	1,380,385,571	1,909,135,418
Total amount withdrawn (as per Statement of Receipts & Payments)	1,545,550,321	1,896,986,000
Closing balance (as per SDA bank account reconciliation attached)	=	<u>161,070,283</u>

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix i* support these closing balances.

NB; The difference between opening balances is due to exchange rate movements; closing balances for IDA have been restated to reflect actual exchange rate.

10.14B Cash In Hand

There was no cash at hand as at 30.06.2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.14C Cash equivalents (short-term deposits)

	FY 2019/20	FY 2018/19
	KShs	KShs
Co-Operative Bank of Kenya [A/C No.....]		
Total	=	=

10.15 OUTSTANDING IMPRESTS AND ADVANCES

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2018</i>	<i>Balance 2017</i>
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

10.16 FUND BALANCE BROUGHT FORWARD

	FY 2019/20	FY 2018/19
	KShs	KShs
Bank accounts	694,084,250	706,884,466
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	694,084,250	706,884,466

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.17 PRIOR YEAR ADJUSTMENT

	FY 2019/20	FY 2018/19
	KShs	KShs
Bank accounts		
Cash in hand		
Cash equivalents (short-term deposits)		
Receivables - Outstanding Imprests		
Total	=	=

10.18 CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Outstanding Imprest as at 1 st July 2019 (A)	-	-
Imprest issued during the year (B)	-	-
Imprest surrendered during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

10.19 CHANGES IN ACCOUNTS PAYABLE – DEPOSITS AND RETENTIONS

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Deposit and Retentions as at 1 st July 2019 (A)	-	-
Deposit and Retentions held during the year (B)	-	-
Deposit and Retentions paid during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

Kenya Informal Settlement Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020

OTHER IMPORTANT DISCLOSURES (Continued)

11.4 External Assistance

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
External assistance received in cash	-	-
External assistance received as loans and grants	-	-
External assistance received in kind- as payment by third parties	-	-
Total	xxx	xxx

a) External assistance relating loans and grants

There was no External assistance relating loans and grants

b) Undrawn external assistance

There was no External assistance relating loans and grants

c. Classes of providers of external assistance

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

Provide details of the reasons for external assistance e.g. Economic development or welfare objective, Emergency relief, Trading activities etc

OTHER IMPORTANT DISCLOSURES (Continued)

d. Non-monetary external assistance

there was no non-monetary assistance.

e Purpose and use of external assistance

PAYMENTS MADE BY THIRD PARTIES	FY 2019/2020	FY 2018/2019
	Kshs	Kshs
Compensation of Employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to Other Government Units	-	-
Other grants and transfers	-	-
Social Security Benefits	-	-
Acquisition of Assets	-	-
Finance Costs, including Loan Interest	-	-
Repayment of principal on Domestic and Foreign borrowing	-	-
Other Payments	-	-
TOTAL	-	-

N/B The above sub-classification will be adopted based on the purpose of the external assistance and how the external assistance was used.

f. External Assistance paid by Third Parties on behalf of the Entity by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of the entity

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

**Kenya Informal Settlement Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020**

12. PROGRESS ON FOLLOW UP OF AUDITOR 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.

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

The project received an unqualified audit opinion in the FY 2018/2019



Principal Secretary

18/12/2020
Date



Project Coordinator

18/12/2020
Date

*Kenya Informal Settlement Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020*

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	626,000,000	521,000,000	105,000,000	83%	There was a challenge in availability of exchequer
Proceeds from domestic and foreign grants	-	-	-	-	
Proceeds from borrowings	1,600,000,000	1,558,304,909	41,695,091	97%	
Miscellaneous receipts	-	-	-	0%	
Total Receipts	2,226,000,000	2,079,304,909	146,695,091	93%	
Payments					
Compensation of employees	-	-	-	0%	
Purchase of goods and services	116,000,000	110,160,709	5,839,292	95%	
Social security benefits	-	-	-	0%	
Acquisition of non-financial assets	2,110,000,000	1,981,944,417	128,055,584	94%	
Transfers to other government entities	-	-	-	0%	
Other grants and transfers	-	-	-	0%	
Total payments	2,226,000,000	2,092,105,125	133,894,875	94%	

Explain all variance below 90% and above 100%

ANNEX 4 CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Payable to	Currency	Estimated Amount Kshs	Expected date of payment	Remarks
1						
2						
3						
4						
5						

Kenya Informal Settlement Improvement Project
Reports and Financial Statements
For the financial year ended June 30, 2020

APPENDICES

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations
- iii. Cash Count Certificate
- iv. Special Deposit Account(s) reconciliation statement(s)

