

REPUBLIC OF KENYA



Enhancing Accountability



PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY REPORT	
DATE: 29 NOV 2023	DAY: WED
TABLED BY: OF	Hon Owen Baya, ^{MP} Deputy majority leader
CLERK-AT-THE-TABLE:	Fenays Mushi

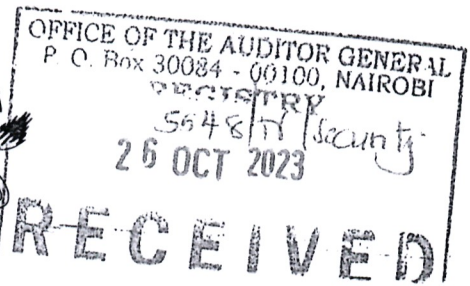
THE AUDITOR-GENERAL

ON

**KENYA URBAN SUPPORT PROGRAM
(IDA CREDIT NO.61340 KE)**

**FOR THE YEAR ENDED
30 JUNE, 2023**

**STATE DEPARTMENT FOR HOUSING AND
URBAN DEVELOPMENT**



PROJECT NAME: KENYA URBAN SUPPORT PROGRAM

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

PROJECT GRANT/CREDIT NUMBER: IDA 61340

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

Table Contents

	Page
1. Acronyms and Glossary of Terms.....	iii
2. Project Information and Overall Performance	iv
3. Statement of Performance against Project’s Predetermined Objectives	xviii
4. Environmental and Sustainability reporting	xx
5. Statement of Project Management responsibilities.....	xxi
6. Report of the Independent Auditor on Financial Statements for Kenya Urban Support Program.....	xxiv
7. Statement of Receipts and Payments for the year ended 30th June 2023.	1
8. Statement of Financial Assets as at 30 th June 2023	2
9. Statement of Cashflow for the year ended 30 th June 2023.....	3
10. Statement of Comparison of Budget and Actual amounts for year ended 30 th June 2023.....	5
11. Significant Accounting Policies.....	6
12. Notes to the Financial Statements.....	14
13. Annexes.....	36

1. Acronyms and Glossary of Terms

KUSP	Kenya Urban Support Program
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
UIG	Urban Institutional Grant
UDG	Urban Development Grant
IDA	International Development Association
CECM	County Executive Committee Member
CO	County Officer
FY	Financial year
IPF	Investment Project Financing
IDA	International Development Association
NEMA	National Environmental Management Authority
IPDU	Integrated Projects Delivery Unit
LVC	Land Value Capture
NPCT	National Program Co-ordinating team

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Kenya Urban Support Program.

Objective

The key objective of the project is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya.

Address

The project headquarters offices are in Nairobi County, Kenya.

The address of its registered office is: The Ministry of Lands, Public Works, Housing, and Urban Development

State Department of Housing and Urban Development

P.O Box 34477-00100

Nairobi

Telephone number is (254) 340972

The project also has offices/branches in the 45 counties excluding the counties of Nairobi and Mombasa, and to other eligible urban areas within those counties.

Contacts: The following are the project contacts

Telephone: Contacts: (254)3 340972

Project information and overall performance (continued)**2.2 Project Information**

Project Start Date:	The project start date is 26 July 2017
Project End Date:	The project end date is 31 December 2023 (6 years after effective starting date)
Project Manager:	The Project Coordinator is Mr Charles K'Onyango
Project Sponsor:	The project sponsor is through a hybrid of the Investment Project Financing (IPF) and Program for Results (P for R) instruments) from the International Development Association (IDA) and counterpart funds from the Government of Kenya (GoK).

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Housing and Urban Development in the Ministry of Lands, Public Works, Housing, and Urban Development.
Project number	IDA 61340
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <ul style="list-style-type: none"> (i) Support for the establishment, operationalization and strengthening of the institutional framework for urban management as part of the national level interventions (Window 1) (ii) Strengthening management and administration of urban finances (including conditional grants) in Window 1 (iii) Provision of support for planning, urban infrastructure, and service delivery in Window 1

	<p>(iv) Assist County Governments Address Urban Development and Management Issues as part of the county level interventions (Window 2)</p> <p>(v) Ensure Urban institutions are established and operational (UIG minimum conditions are achieved) in Window 2</p> <p>(vi) Ensure Urban institutions are performing effectively in delivering urban infrastructure and services (UDG performance standards are achieved) in Window 3</p>
<p>Achievement of strategic goals</p>	<p>The project management aims to achieve the goals through the following means: Through institutional arrangements at the national, county and urban board levels</p>
<p>Other important background information of the project</p>	<p>The project key objective is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya.</p>
<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas: Establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya</p>
<p>Project duration</p>	<p>The project started on 26th July 2017 and is expected to run until 31st December 2023.</p>

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the current year:

- i) Central Bank of Kenya- DA Account
Haille Sellassie
A/c No 1000317876
- ii) Central Bank of Kenya- Kshs Account
Haille Sellassie
A/c No 1000396946

2.5 Independent Auditor

The project is audited by the Auditor General, Office of Auditor General, P.O Box 30084 – 00100 Nairobi.

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Charles K'Onyango	Programme Coordinator	Registered Planner	Overall programme coordination.
Solomon Ambwere	Deputy Programme Coordinator, KUSP Head in Urban Planning and Urban Management	Registered Planner	Deputy to programme coordinator, Management of Urban Planning
Daniel Sakwa	KUSP Head of Institutional Development and Management Support	Land Surveyor	Management of component 1 activities
Eng.Charles Mutunga	Head of Infrastructure Management	Registered Engineer	Management of Infrastructure Services
Patrick Gachanja	Head of Grants Management	Chief Economist	Management of Grants
Purity Tharamba	Programme Accountant	Certified Public Accountant	Accounting and Financial Management
Mercy Kimani	Deputy Head, Urban Planning	Urban	Management of Urban

	and Urban Management	Planner and Surveyor	Planning
Francis Owade	Deputy Head, Infrastructure Management	Architect	Social safeguards
Simon Wekesa	Deputy Head, Institutional Development and Management	Economist	Monitoring and Evaluation
Kenneth Nyaseda	Program Environmental Officer	Registered planner	Environmental
Ann Wamuyu	Program Finance Officer	Finance	Finance
Monica Odeny	Program Procurement Officer	Procurement	Procurement

2.7 Funding summary

The Project is for duration of 6 years from 2017 to 2023 with an approved budget of US\$ 320 million equivalent to KShs 32,822,400,000 as highlighted in the table below:

*Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 06 2023)		Undrawn balance to date (30 06 2023)	
	Donor currency(USD) (A)	KS\$hs (A')	Donor currency (B)	KS\$hs (B')	Donor currency (A)-(B)	KS\$hs (A')-(B')
(i) Loan						
IDA	300,000,000	31,020,000,000	287,322,342	30,035,259,858	12,677,658	984,740,142
(ii) Counterpart funds						
Government of Kenya	20,000,000	2,068,000,000	4,161,227	430,270,916	15,838,773	1,637,729,084
Total	320,000,000	33,088,000,000	291,483,569	30,465,530,774	28,516,431	2,622,469,226

*Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2023)		Cumulative amount paid to date – (30 th June 2023)		Unutilised balance to date (30th June 2023)	
	USD	Kshs	USD	Kshs	USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
IDA Loan	287,322,342	30,035,259,858	285,874,534	29,835,418,919	1,447,808	199,840,939
(ii) Counterpart funds						
Government of Kenya	3,946,454	404,787,815	3,946,454	404,787,815	-	-
Total	291,268,796	30,440,047,673	289,820,988	30,240,206,734	1,447,808	199,840,939

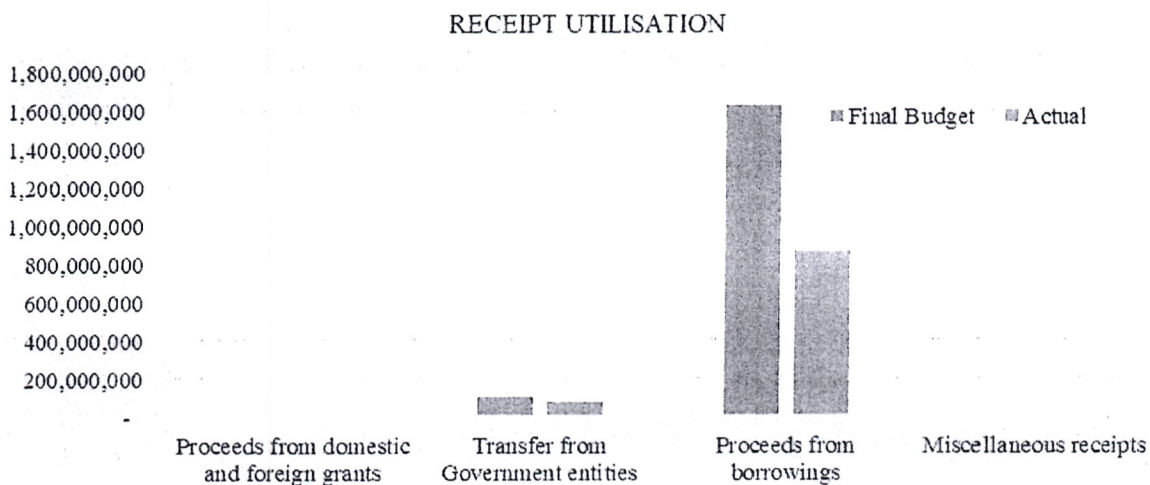
Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

The budget for KUSP for the 2022/2023 Fiscal Year is Kshs 1,722,000,000 of which Kshs. 100,000,000 is the Government of Kenya (GOK) contribution. The programme spent a total of Ksh 829,607,141 of the budget.

2.8.1 Receipts Utilisation

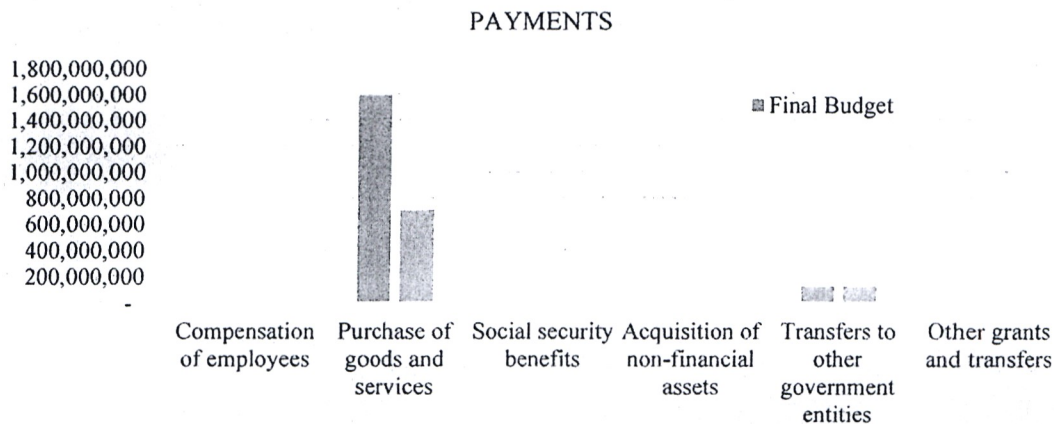
During the financial year 2022/2023, the project received KShs 864,709,133 as Loan from External Development Partners from IDA. This represented 53% of the budget and Ksh 74,516,899 from the Government of Kenya representing 75% of the budget. The receipts utilisation is as shown in the bar graph below:



Project information and overall performance (continued)

2.8.2 Payments Utilisation

The actual project performance for the financial year 2022/202 is KShs 829,607,141 representing 48% of the budget of the year which stands at Ksh 1,722,000,000. The payments utilization is as shown in the bar graph below:



2.8.3 Key Achievements

- i). Programme Appraisal Document prepared
- ii). Programme Operation Manual (POM) prepared.
- iii). Signing of Financing Agreement done on 14th Sep, 2017.
- iv). Implementation Structures: -
- v). The National Program Coordination Team (NPCT) has been formed with the core team (Coordinator and 4 Comp heads) and others key technical officers appointed. In addition, the team has been sensitized on their roles and responsibilities.
- vi). Setting up of County Coordination Teams done and operational.
- vii). Formation of Program Steering and Technical Committees done and operational.
- viii). 1st full Annual Performance Assessment (APA) – Final APA Report done and submitted on 18th October, 2018

- ix). Briefing of Governors, CECs, and COs in Feb – March, 2018, on KUSP requirements.
- x). KUSP launched on 23rd April, 2018.
- xi). Conducted County consultations in July and August, 2018 to establish the readiness of county urban infrastructure proposals for Urban Development Grant (UDG) funding in Financial Year 2018/19 and briefed counties on preparations of Annual Municipal Investment Plans.
- xii). Facilitated five Counties (Mombasa, Nairobi, Nakuru, Kisumu and Uasin Gishu) to participate in CRP Mission in Bangkok Thailand on 9th to 13th July, 2018.
- xiii). Conducted CRP/KUSP mission 16th to 26th October, 2018, Counties visited were: - Nairobi, Mombasa, Nakuru, Uasin Gishu and Kisumu.
- xiv). Counties received UDG for 2018/2019 financial year on 20th December, 2018
- xv). Facilitated two Counties (Makueni and Nakuru) to participate in the 8th Edition Africities Summit in Marrakech – Morocco from 20th to 24th November, 2018.
- xvi). Participated in CRP planning workshop in Durban – South Africa, from 26th to 30th November, 2018.
- xvii). Held 6 steering committee meetings;
 - a. 1st held on 8th may 2018, which endorsed the fulfillment of the disbursement Linked Indicators Number One (DLI) Minimum Conditions and disbursement of Urban Institutional Grant (UIG).
 - b. 2nd held on 31st August 2018 to endorse Draft Fund Report of the First KUSP Annual Performance Assessment and the Disbursement Schedule for Urban Development Grants (UDG). This was deferred pending clarification on the APA process.
 - c. 3rd held on 4th October 2018 which finally endorsed Draft Fund Report of the First KUSP Annual Performance Assessment and approved the disbursement Schedule for Urban Development Grants (UDG)
 - d. 4th held on 19th February, 2020 which was to endorsed the disbursement as per findings of 2nd APA report however this was not done instead the committee enormously decided to grant a week extra days to five

- municipalities (Kwale, Hola, Rumuruti, Maralal and Marsabit) that had not qualified for UDG to submit the required information for to them to qualify.
- e. 5th held on 9th March, 2020, which approved disbursement schedule for 2019/2020 financial year.
 - f. 6th held on 10th March, 2020, which confirmed minutes of 9th march, 2020.
- xviii) UIG for 2017/18 and 2018/19 disbursed to the 45No. counties.
 - xix) Procured six individual consultants to support IPDU.
 - xx) Facilitated validation of Consultancy services for initial work on classification and establishment of urban of areas through County Governments (excluding Nairobi and Mombasa contract findings workshop of 45No for CECS on 27th March, 2019.
 - xxi) Sensitized on KUSP 45No. Municipal Board Chairmen on 29th March, 2019.
 - xxii) Facilitated Governors retreat which included CECs, COs and a Technical officer from 45No. Counties in Naivasha, 9th to 10th April, 2019. The retreat was on KUSP, KISP, and Affordable Housing Program.
 - xxiii) Trained 392No. County Program Coordination Team members on Environment and Social Safeguards (ESSA), Financial Management (FM) and monitoring and evaluation (M&E) KUSP requirements in four clusters from 15th to 26th April, 2019.
 - xxiv) Conducted KUSP NPCT – World Bank Joint Implementation Support Mission from 15th to 29th May, 2019.
 - xxv) Held 3no. Technical meetings
 - a) Held inaugural meeting held on 30th July, 2019.
 - b) Held the 2nd meeting on 5th August, 2019 where the APA 2 Score Card was reviewed and agreed upon.
 - c) Held the 3rd meeting on 17th February, 2020 which endorsed the 2nd APA report.
 - xxvi) Held NPCT, WB and IPDU meeting on 9th August, 2019.

- xxvii) Held a meeting with UN-Habitat, WB and NPCT with the aim of charting a way forward on developing 4No. guideline notes for Urban planning, Urban infrastructure and municipal services on 23rd August, 2019.
- xxviii) Held a validation workshop for Municipal Urban Planning Needs and Preparedness for Kenya Urban Support Program (KUSP) through County Governments on 23rd August 2019.
- xxix) NPCT trained as GEMS Trainer of Trainers from 17th to 20th September, 2019
- xxx) Conducted County Infrastructure and Affordable Housing Sites Visits from 29th September to 22nd October, 2019
- xxxi) Conducted KUSP ESSA compliance workshop – 14th to 15th November, 2019
- xxxii) Conducted 2nd full APA stakeholder’s validation workshop (Steering, PTC, CECM Urban, Governors, the National Treasury, Council of Governors) – 15th to 16th November, 2019
- xxxiii) Consultancy services for initial work on classification and establishment of urban of areas through County Governments (excluding Nairobi and Mombasa) – 60 Million completed on 31th September 2019
- xxxiv) Consultancy services for conducting municipal urban planning needs and preparedness for KUSP through County Governments -60M completed on 30th August,2019
- xxxv) Undertaken 5th KUSP Implementation Mission – 11th to 29th November, 2019
- xxxvi) Held a meeting with NPCT, WB and ACAL on 3rd December, 2019
- xxxvii) NPCT retreat of Final 2nd APA report and analysis of appeals from 20th to 26th January, 2020
- xxxviii) Consultancy services for initial work on classification and establishment of urban of areas through County Governments (excluding Nairobi and Mombasa) – 60 Million – completed on August, 2019

- xxxix) Consultancy services for conducting municipal urban planning needs and preparedness for KUSP through County Governments -60M- completed on August, 2019
- xl) KUSP participated in 10th World Urban Forum as an exhibitor and facilitate the best performing counties (Kericho and Meru) with reference to APA2 results and other best counties like Kirinyaga, Wajir, Migori, Homa Bay. Also facilitated three members of National Assembly, Council of Governors and Chairperson Urban Committee.
- xli) Have conducted several need based training with request from the counties/Municipality.
- xl ii) Facilitated and participated on Technical Deep Dive (TDD) conference, held at Naivasha, 29th February to 6th March, 2020.
- xl iii) NPCT held virtual consultative meetings with the CoG and Bank with aim of resolving program fiduciary issues to enable trigger disbursement for the financial 2020/2021.
- xl iv) NPCT held two virtual mission planning meetings.
- xl v) KUSP implementation Support Mission held virtually due to Covid-19 pandemic in April, 2021 to selected counties.
- xl vi) Disbursed UDG grant in November 2020, May 2021 and June 2021.
- xl vii) Held NPCT Technical retreat for review of Annual Work Plan & Budget, POM and prioritization of Window 1 activities on 3rd to 8th October, 2022.
- xl viii) Held technical retreat on the design and preparation of KUSP 2 and multi-sector stakeholders workshop held from 10th to 14th October, 2022.
- xl ix) Conducted Mission in from 24th October to 11th November, 2022 with field visits to selected counties.
 - l) Held Land Value Capture (LVC) training for NPCT from 27th November to 2nd December, 2022.

2.8.4 Challenges Encountered and recommendations

- i. Technical capacity gaps

2.8.5 Possible solutions to the challenges

- i. Core M&E team to make continuous follow ups.
- ii. Continues capacity building exercises

2.9 Summary of Project Compliance:

There were no cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (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 National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the *project's agreement/* plan are to:

- a) To establish and strengthen urban institutions in participating counties in Kenya Urban Support Program
- b) To deliver improved infrastructure and services in participating counties in Kenya Urban Support Program

Progress on attainment of strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Urban areas with approved charters, established boards, appointed urban managers, and a budget vote (measures establishment of urban institutions).	To establish and strengthen urban institutions	Improved Governance and service delivery	Number of urban areas with approved charters, established boards, appointed urban managers and a budget vote.	59 out of 59 municipalities have approved charters, established boards, appointed managers and have budget votes
Urban areas that utilize at least 50 percent of the budget intended for their urban investments in their budget vote (measures strengthening of urban institutions).	To deliver improved infrastructure	Enhanced service delivery	Number of urban areas that utilize at least 50 percent of the budget intended for their urban investments in their budget vote.	54 urban areas have utilized their budget above 50%.
Score in the APA for achievement of urban planning, infrastructure, and service delivery targets by counties/urban areas, averaged across all urban areas that qualify for the UDG (maximum of 25).	To deliver improved infrastructure	Enhanced service delivery	% Score in the APA for achievement of urban planning, infrastructure	90% (Based on Performance Standards No. 7,8,9 &10)

4. Environmental and Sustainability reporting

1. Sustainability strategy and profile

The Government is committed to sustaining the gains realized under the Kenya Urban Support Program (KUSP). In particular, the State Department for Housing and Urban Development will continue to provide technical support to county governments and their urban entities especially in matters relating to urban management and development. The State Department will also continue collaboration with county governments in provision of strategic urban infrastructure (including markets) in line with the Bottom-up Economic Transformation Agenda (BETA) in order to catalyse local socio-economic development and improve service delivery in the urban areas. Additionally, the Government is committed to implementing the Building Climate Resilience for the Urban Poor (BCRUP) initiative of the United Nations to improve the living conditions of the urban poor. Further, the Government intends to develop enabling infrastructure and socio-economic facilities, mostly in urban areas, to support the Affordable Housing Program, thereby augmenting the infrastructure development achieved under KUSP.

2. Environmental performance

The Program has in-built mechanisms to ensure adherence to the Environmental Management and Coordination Act (1999) as well as the NEMA regulations in all its infrastructure investment projects. This is to ensure environmental soundness and sustainability.

3. Employee welfare

All participating municipalities are required to ensure that their contractors strictly adhere to the provisions of Occupational Safety and Health Act (2007) and the applicable regulations in as far as employee safety and welfare are concerned. Further, other legal requirements on gender equality, mainstreaming of special needs groups (PLWD's, marginalized and vulnerable groups) are adhered to.

4. Market place practices-

All procurement activities are undertaken in strict compliance to the Public Procurement and Asset disposal act, 2015 as well as the Bank guidelines to ensure transparency, fairness.

5. Statement of Project Management responsibilities

The *Principal Secretary* for the State Department of Housing and Urban Development and the *Project Coordinator* for *Kenya Urban Support Programme* 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 financial year (period) ended on June 30, 2023.

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 (v) Making accounting estimates that are reasonable in the circumstances.

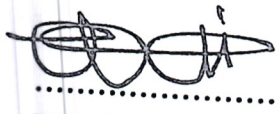
The *Principal Secretary* for the State Department of Housing and Urban Development and the *Project Coordinator* for *Kenya Urban Support Programme* accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate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

The *Principal Secretary* for the State Department of Housing and Urban Development and the *Project Coordinator* for *Kenya Urban Support Programme* 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 year/period ended June 30, 2022, and of the Project's financial position as at that date. The *Principal Secretary* for the State Department of Housing and Urban Development and the *Project Coordinator* for *Kenya Urban Support Programme* 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 of Housing and Urban Development and the Project Coordinator for Kenya Urban Support Programme 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/period 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 of Housing and Urban Development and the *Project Coordinator* for Kenya Urban Support Programme on 27/09 2023 and signed by:



.....
Mr. Charles M. Hinga, CBS
Principal Secretary



.....
Charles K'Onyango
Project Coordinator



.....
Purity Tharamba
Project Accountant
ICPAK M/No:32054

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KENYA URBAN SUPPORT PROGRAM (IDA CREDIT NO.61340 KE) FOR THE YEAR ENDED 30 JUNE, 2023 - STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Urban Support Program (IDA Credit No.61340 KE) set out on pages 1 to 43, which comprise of the statement of

Report of the Auditor-General on Kenya Urban Support Program (IDA Credit No.6134 KE) for the year ended 30 June, 2023 - State Department for Housing and Urban Development

financial assets as at 30 June, 2023, and the statement of receipts and payments, 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 effects of the matter 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 Kenya Urban Support Program (KUSP) as at 30 June, 2023, 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 the Financing Agreement between the International Development Association (IDA) and the Republic of Kenya dated 14 September, 2017 and the Public Finance Management Act, 2012.

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

Basis for Qualified Opinion

Inaccuracy in the Financial Statements

The statement of receipts and payments reflects Kshs.30,709,823,476 and Kshs.30,522,309,950 in respect of total cumulative receipts and payments respectively. However, the funding summary reflects Kshs.30,465,530,774 and Kshs.30,240,206,734 in respect of sources and application of funds respectively resulting to unexplained variances of Kshs.244,292,702 and Kshs.282,103,216 respectively.

In the circumstances, the accuracy of the cumulative receipts and payments amounting to Kshs.30,709,823,476 and Kshs.30,522,309,950 respectively could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Urban Support Program 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

1. Pending Bills

Note 1 of other important disclosures and Annex 4a to the financial statements reflect pending accounts payables (pending bills) balance of Kshs.11,682,114 owed to suppliers of goods and services as at 30 June, 2023. Failure to settle bills during the year to which they relate to adversely affects the provisions of the subsequent year to which they will form a first charge.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates

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 Effectiveness of Internal Controls, Risk Management and Governance 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. Delay in Implementation of Projects

1.1 Construction of Modern Market and Installation of High Mast Flood Lights in Kericho County

The Government entered into a contract for the construction of a modern market and installation of high mast flood lights in Kericho County. The contract was signed on 4 January, 2021 for a project duration of two (2) years at a contract sum Kshs.234,970,538.

As at the time of the audit in October, 2023, the project was at 70% completion level with total payments to date amounting to Kshs.112,351,979.53 or 48% of the contract sum. However, the contract period had lapsed in January, 2023 and the completion of the works was nine (9) months late. Further, an audit inspection revealed that the contractor was on site with pending works which included flooring of the three (3) market buildings, painting, finishes and fixtures and installation of high mast flood lights.

In the circumstances, the project was significantly behind schedule and value for money for the expenditure incurred on the project may not be realized.

1.2 Construction of Kitale Business Centre in Kitale Municipality Trans Nzoia County

The Government entered into a contract for the construction of Kitale Business Centre in Kitale Municipality. The Contract was signed on 28 May, 2018 for a project duration of one hundred and four (104) weeks at a Contract sum of Kshs.874,280,383.

As at the time of the audit in October, 2023, the project was at 91% completion level with total payments to date amounting to Kshs.637,416,093 or 73% of the contract sum. An audit inspection revealed that the contractor has not been on site since August, 2023 and there were pending works including painting works, electrical works, floor finishes and external road works.

In the circumstances, the project is significantly behind schedule by more than three (3) years and value for money for the expenditure incurred on the project may not be realized.

1.3 Upgrading of 64 Stadium in Municipality of Eldoret

The Government entered into a contract to upgrade the 64 Stadium in Eldoret Municipality. The contract was signed on 9 April, 2021 for a period of sixty (60) weeks at a contract sum of Kshs.1,163,563,926. As at the time of the audit in October, 2023, the project was at 60% completion level with total payments to date at 59% of the contract sum. However, an audit inspection revealed that although the contractor was on site, there were some pending works including the completion of terraces super structure and interior works, paint works, plumbing, electrical works, and completion of the running track and installation of tartan track.

In the circumstances, the project was significantly behind schedule by one (1) year and four (4) months and the value for money for the expenditure incurred on the project may not be realized.

1.4 Construction of Kithomboani Modern Market in Kitui Town (Multi-Year Project)

The Government entered into a contract for the construction of Kithomboani Modern Market in Kitui Town which commenced on 25 June, 2019 for a duration of one hundred and twenty (120) weeks at a contract sum of Kshs.351,585,555. An audit inspection carried out in October, 2023 revealed that the contract completion level and total payments were at 85% and 59% (Kshs.208,131,131) respectively. However, there some pending works including flooring and painting, fitting of bulbs, fitting of doors, washrooms and power connection. Further, the project had stalled and the contractor was not on site.

The project was significantly behind schedule and value for money for the expenditure incurred on the project may not be realized.

1.5 Development of Afraha Stadium in Nakuru County

Review of records revealed that the contract was signed on 15th December, 2020 for a duration of sixty (60) weeks with a completion date of 9th February, 2022 at a contract sum of Kshs.651,821,905.

As at the time of the audit in October, 2023, the project was at 87% completion level with pending works which included pavilion final finishes, running track, tartan installation and completion of the underground water tank. Further, the total payments for the contract was Kshs.606,235,704 or 93% of the contract sum. Although the contractor was on site and the project had been granted an extension to be completed by 20 November, 2023, there has been a delay of one (1) year and eight (8) months. Management did not provide an explanation why the contractor had been paid more money than the actual completed works.

In the circumstances, the value for money for the expenditure incurred on the project may not be realized.

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 governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Agency (IDA) and the Financing Agreement, 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 maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error, and for assessment of the effectiveness of the 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 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 Project or cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

22 November, 2023

Annual Report and Financial Statements for the financial year ended June 30, 2023

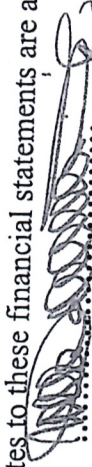
7. Statement of Receipts and Payments for the year ended 30th June 2023.

Note	Receipts and payments controlled by the entity		Payments made by third parties		Total	Receipts and payment controlled by the entity		Payments made by third parties		Total	Cumulative to-date (From inception)
	2022/2023	Kshs.	Kshs.	Kshs.		2021/2022	Kshs.	Kshs.	Kshs.		
Receipts											Kshs.
Transfer from Government entities	1	74,516,899	-	-	74,516,899	147,397,628	-	-	-	147,397,628	404,787,815
Loan from external development partners	3	864,709,133	-	-	864,709,133	276,210,320	-	-	-	276,210,320	30,305,035,661
Total receipts		939,226,032	-	-	939,226,032	423,607,948	-	-	-	423,607,948	30,709,823,476
Payments											
Purchase of goods and services	6	702,825,461	-	-	702,825,461	552,551,416	-	-	-	552,551,416	2,194,710,151
Acquisition of non-financial assets	8	4,761,680	-	-	4,761,680	19,906,130	-	-	-	19,906,130	56,233,055
Transfers to counties	9	122,020,000	-	-	122,020,000	-	-	-	-	-	28,271,366,744
Total payments		829,607,141	-	-	829,607,141	572,457,546	-	-	-	572,457,546	30,522,309,950
Surplus/ (deficit)		109,618,891	-	-	109,618,891	(148,849,598)	-	-	-	(148,849,598)	187,513,525

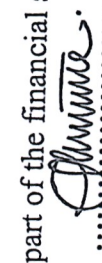
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



 Mr. Charles M. Hinga, CBS
 Principal Secretary



 Charles K'Onyango
 Project Coordinator



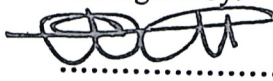
 Purity Tharamba
 Project Accountant
 ICPAK M/No:32054

(IPSAS Cash based Standard 2.1.77 encourages an entity to separately disclose third party payments separately on the statement of receipts and payments or as notes to the financial statements. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and therefore there is no surplus or deficit.)

8. Statement of Financial Assets as at 30th June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	11.A	199,840,939	90,222,048
Cash Balances	11. B	-	-
Total Cash and Cash equivalents		199,840,939	90,222,048
Imprests and Advances	12	-	-
Total Financial Assets		199,840,939	90,222,048
Represented By			
Fund Balance B/fwd.	14	90,222,048	239,071,646
Prior Year adjustments	15	-	-
Surplus/(Deficit) for the Year		109,618,891	(148,849,598)
Net Financial Position		199,840,939	90,222,048


The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2023 and signed by:



Mr. Charles M. Hinga, CBS
Principal Secretary



Charles K'Onyango
Project Coordinator



Purity Tharamba
Project Accountant
ICPAK M/No: 32054

9. Statement of Cashflow for the year ended 30th June 2023

Description	Notes	2022/2023	2021/2022
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	74,516,899	147,397,628
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	-	-
Total receipts		74,516,899	147,397,628
Payments			
Compensation of employees	5	-	-
Purchase of goods and services	6	(702,825,461)	(552,551,416)
Social security benefits	7	-	-
Transfers to other government entities	9	(122,020,000)	-
Other grants and transfers	10	-	-
Total Payments		(824,845,461)	(552,551,416)
Net receipts/(payments)		(750,328,562)	(405,153,788)
Adjustments during the year			
Prior year adjustments	15	-	-
Decrease/(increase) in accounts receivable	16	-	-
Increase/(decrease) in accounts payable:	17	-	-
Net cash flow from operating activities		(750,328,562)	(405,153,788)
Cashflow from investing activities			
Acquisition of non-financial assets	8	(4,761,680)	(19,906,130)
Net cash flows from investing activities		(4,761,680)	(19,906,130)
Cash flow from financing activities			


Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Description	Notes	2022/2023	2021/2022
		Kshs	Kshs
Proceeds from foreign borrowings	3	864,709,133	276,210,320
Net cash flow from financing activities		864,709,133	276,210,320
Net increase in cash and cash equivalents		109,618,891	(148,849,598)
Cash and cash equivalent at beginning of the year	11	90,222,048	239,071,646
Cash and cash equivalent at end of the year	11	199,840,939	90,222,048

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 _____ 2023 and signed by:



.....
Mr. Charles M. Hinga, CBS
Principal Secretary



.....
Charles K'Onyango
Project Coordinator



.....
Purity Tharamba
Project Accountant
ICPAK M/No:32054

11. Significant Accounting Policies

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

a) 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.

b) Reporting entity

The financial statements are for the Kenya Urban Support Program under State Department for Housing and Urban Development. The financial statements are for Kenya Urban Support Program as required by Section 81 of the PFM Act, 2012.

c) 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.

d) Recognition of receipts

Kenya Urban Support Program recognises all receipts from the various sources when the event occurs, and the related cash has been received by the Government.

i) Transfers from the Exchequer

Transfer from Exchequer is 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.

ii) External Assistance

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

iii) 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 recognized in the financial statements at the time associated cash is received.

iv) 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.

v) Proceeds from borrowing.

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

Significant Accounting Policies (continued)

vi) 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.

e) Recognition of payments

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

i) Compensation to employees

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

ii) 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.

iii) Interest on borrowing

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

iv) 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.

Significant Accounting Policies (continued)

v) 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.

f) 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.

g) 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.

Significant Accounting Policies (Continued)

h) 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.

i) Imprests and Advances

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.

j) 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

Significant Accounting Policies (Continued)

resources embodying economic benefits or service potential is remote.

k) Contingent Assets

The **Kenya Urban Support Program** 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 Kenya Urban Support Program 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.

l) 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' 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.

m) 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

Significant Accounting Policies (Continued)

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*.

n) 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.

o) 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.

p) 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.

q) 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, 2023.

Significant Accounting Policies (Continued)

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented *in note xx of these financial statements.*

12. Notes to the Financial Statements

1. Transfers from Government entities

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

Description	FY 2022/2023	FY 2021/2022	Cumulative to-date (from inception)
	Kshs	Kshs	Kshs
<i>Counterpart funding through State Department for Housing and Urban Development</i>			
Counterpart funds Quarter 1			
Counterpart funds Quarter 2			
Counterpart funds Quarter 3			
Counterpart funds Quarter 4	74,516,899	147,397,628	404,787,815
Total (See Annex 3)	74,516,899	147,397,628	404,787,815
<i>Other transfers from government entities</i>			
Appropriations-in-Aid			
Total	<u>74,516,899</u>	<u>147,397,628</u>	<u>404,787,815</u>

Notes to the Financial Statements (Continued)

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2023, we received grants from donors as detailed in the table below:

Name of Donor	FY 2022/2023						FY 2021/2022		Cumulative to date
	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount	Total Amount		
			Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Grants Received from Bilateral Donors (Foreign Governments)	-	-	-	-	-	-	-	-	
Insert name of foreign Government	-	-	-	-	-	-	-	-	
Grants Received from Multilateral Donors (International Organizations)	-	-	-	-	-	-	-	-	
Insert name of international organization	-	-	-	-	-	-	-	-	
Grants Received from Local Individuals and organizations	-	-	-	-	-	-	-	-	
Insert name of individual or local organization	-	-	-	-	-	-	-	-	
Total	-	-	-	-	-	-	-	-	

*Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

3. Loan from External Development Partners

During the financial period to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Description	Date received	FY 2022/2023			FY 2021/2022		Cumulative to date
		Amount in loan currency (\$)	Loans received in actual amount	Loans received as direct payment	Total amount in Kshs	Total amount in Kshs	
Loans received from Multilateral Donors (International Organizations)							
IDA-NPCT		5,800,297	742,689,133	-	-	276,210,320	1,763,893,115
IDA-Counties		1,131,491	122,020,000	-	-	-	28,271,566,743
Total		6,931,788	864,709,133	-	-	276,210,320	30,035,259,858

Notes to the Financial Statements (Continued)

4. Miscellaneous receipts

Description	FY 2022-2023			FY 2021-2022		Cumulative to- date (from inception)
	Receipts controlled by the entity in Cash Kshs	Receipts controlled by third parties Kshs	Total receipts Kshs	Total receipts Kshs	Total receipts 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*	-	-	-	-	-	-
Total	-	-	-	-	-	-

Notes to the Financial Statements (Continued)

5. Compensation to Employees

Description	FY 2022-2023			FY 2021-2022	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments	Total payments	
-	Kshs	Kshs	Kshs	Kshs	Kshs
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	-
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other personnel payments	-	-	-	-	-
Total	-	-	-	-	-

*Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

6. Purchase of Goods and Services

Description	FY2022/2023			FY 2021/2022		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments		
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Utilities, supplies and services	-	-	-	-	-	24,058,540
Domestic travel and subsistence	109,686,642	-	109,686,642	-	-	198,464,484
Foreign travel and subsistence	8,828,121	-	8,828,121	-	-	13,426,602
Printing, advertising, and information supplies	13,279,875	-	13,279,875	-	-	66,767,452
Rentals of produced assets	-	-	-	-	-	114,047
Training payments	13,841,198	-	13,841,198	-	-	14,197,144
Hospitality supplies and services	28,123,208	-	28,123,208	-	-	113,132,709
Insurance costs	-	-	-	-	-	2,000,000
Office and general supplies	19,409,186	-	19,409,186	28,539,733	-	847,751,734
Fuel Oil and Lubricants	5,663,900	-	5,663,900	2,000,000	-	6,053,660
Other operating payments	9,418,370	-	9,418,370	521,621,923	-	414,168,818
Routine maintenance – vehicles and other transport equipment	39,289	-	39,289	389,760	-	24,097,829
Consultancy service – Technical and professional services	494,535,672	-	494,535,672	-	-	583,313,514
Exchange rate losses/gains (net)	-	-	-	-	-	4,598,481
Total	<u>702,825,461</u>	-	<u>702,825,461</u>	<u>552,551,416</u>	-	<u>2,312,145,014</u>

*Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

7. Social Security Benefits

Description	FY 2022/2023			FY 2021/2022 Total Payments	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Government pension and retirement benefits	-	-	-	-	-
Social security benefits in cash and in kind	-	-	-	-	-
Employer social benefits in cash and in kind	-	-	-	-	-
Total	-	-	-	-	-

*Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

8. Acquisition of Non-Financial Assets

Description	FY 2022/2023			FY 2021/2022		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments		
	Kshs.	Kshs.	Kshs	Kshs	Kshs	
Laptops, printers and other office equipment	4,761,680					4,761,680
Construction of civil works	-	-	-	-	-	-
Overhaul & refurbishment of construction and civil works	-	-	-	-	-	15,959,495
Purchase of vehicles & other transport equipment	-	-	-	-	-	10,620,000
Research, studies, project preparation, design & supervision	-	-	-	19,906,130		24,891,880
Total	4,761,680	-	-	19,906,130	-	56,233,055

*Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

9. Transfers to Counties

During the financial period to 30 June 2023, we transferred funds to reporting counties as shown below:

Description	FY 2022/2023		FY 2021/2021		Cumulative to- date
	Payments made by third parties	Total Payments	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Amounts disbursed					
• Urban Institutional Grants (UIG)	-	51,541,000	-	-	2,301,541,000
• Urban Development Grant (UDG)	-	70,479,000	-	-	25,969,825,744
•					-
TOTAL	-	122,020,000	-	-	28,271,366,744

The amounts above are accounted for as below:

*Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

9.A. ANALYSIS OF AMOUNTS TRANSFERRED TO COUNTIES

	FY 2022/2023		FY 2021/2022		Cumulative to- date
	KShs		KShs		
Opening balance (A)	4,794,139,690		11,509,132,678		KShs -
Add: Amounts disbursed during the year (B)					
• Urban Institutional Grants (UIG)	51,541,000		-		2,301,541,000
• Urban Development Grant (UDG)	70,479,000		-		25,969,825,744
Less: Expenditure incurred (C)					
• Expenditure incurred under UIG (See Annex 9)	(75,118,878)		(220,504,743)		(2,252,578,672)
• Expenditure incurred under UDG (See Annex 10)	(3,372,740,232)		(6,494,488,246)		(24,550,487,492)
Closing balance (A+B-C)	1,468,300,580		4,794,139,690		1,468,300,580

*Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes to the Financial Statements (Continued)

10. Other Grants, Transfers and Payments

Description	FY 2022/2023			FY 2021/2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government e.g. schools	-	-	-	-	-
Miscellaneous payments	-	-	-	-	-
Total	-	-	-	-	-

Notes to the Financial Statements (Continued)

11. Cash And Cash equivalents

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Bank accounts (Note 11A)	199,840,939	90,222,048
Cash in hand (Note 11B)	-	-
Cash equivalents (short-term deposits) (Note 11C)	-	-
Total	<u>199,840,939</u>	<u>90,222,048</u>

Kenya Urban Support Program has one project account spread within the project implementation area and one foreign currency designated account managed by the National Treasury as listed below:

11. A Bank Accounts

Project Bank Accounts

Details	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya [A/c No. 10003317876]	2051.85	1,232,120.28
Central Bank of Kenya [A/c No. 10003354507]	41.24	41.24
Total Foreign Currency balances	<u>2,093</u>	<u>1,232,161.52</u>
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No 1000396946]	199,840,939	90,222,048
Total local currency balances	<u>199,840,939</u>	<u>90,222,048</u>
Total bank account balances	=	=

Notes to the Financial Statements (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2023 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

Description	FY 2022/2023	FY 2021/2022
	USD	USD
(i) KENYA URBAN SUPPORT PROGRAMME – IDA 61340 [A/c No 1000317876]		
Opening balance	1,232,120	1,200,083.10
Total amount deposited in the account	4,570,229	2,466,037.18
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>(5,800,297)</u>	(2,434,000.00)
Closing balance (as per SDA bank account reconciliation attached)	<u>2052</u>	<u>1,232,120.28</u>
(ii) KENYA URBAN SUPPORT PROGRAMME – IDA 61340 [A/c No 1000354507]		
Opening balance (as per the SDA reconciliation)	41.24	38.24
Total amount deposited in the account	-	37,425,835.00
Total amount withdrawn (as per Statement of Receipts & Payments)	=	(37,425,832.00)
Closing balance (as per SDA bank account reconciliation attached)	<u>41.24</u>	<u>41.24</u>

(The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as Appendix 1 support these closing balance.

Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Notes to the Financial Statements (Continued)

11 B Cash in hand

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Prism Towers	-	-
Total cash in hand balances	=	=

There was no cash at the end of the year

11 C Cash equivalents (short-term deposits)

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Central Bank of Kenya	-	-
Total	=	=

There were no short-term deposits at the end of the year

12. Imprests and Advances

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
Total	-	-

Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Notes to the Financial Statements (Continued)

12A: Breakdown of Imprests and Advances

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance FY 2022/2023	Balance Comparative FY
	Kshs	Kshs	Kshs	Kshs	Kshs
<i>Officer 1</i>	-	-	-	-	-
<i>Officer 2</i>	-	-	-	-	-
<i>Officer 3</i>	-	-	-	-	-
Total	-	-	-	-	-

13. Deposits and Retention Monies

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Retention	-	-
Deposits	-	-
Total	-	-

14. Fund Balance Brought Forward

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Bank accounts	90,222,048	239,071,646
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Deposits and retention	-	-
Total	90,222,048	239,071,646

Notes to the Financial Statements (Continued)

15. Prior Year adjustment

	Balance b/f FY 2021/2022 (audited financial statements)	Adjustments	Adjusted balance b/f FY 2020/2021
Description of the error	Kshs	Kshs	Kshs
Bank account Balances		-	-
Cash in hand			
Imprests and advances			
Deposits and retentions			
Others (<i>specify</i>)			
Total		-	-

16. Changes in Imprests and Advances

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Opening Receivables as at 1 st July 2022	-	-
Closing account receivables as at 30 th June 2022	-	-
Change in Imprests and advances	-	(57,066,293)

17. Changes in Accounts Deposits and Retention m

Description	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Deposit and Retentions as at 1 st July 2022	-	-
Closing accounts payables as at 30 th June 2022	-	-
Changes in deposit and retention	-	-

Kenya Urban Support Program

Annual Report and Financial Statements for the financial year ended June 30, 2023

Other Important Disclosures

1. Pending Accounts Payable (See Annex 4a)

	Balance b/f from FY 2021/2022	Additions for the year	Paid during the year	Balance c/f For FY 2022/2023
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings				
Construction of civil works				
Supply of goods				
Supply of services	7,054,118	11,682,114	(7,054,118)	11,682,114
Total	7,054,118	11,682,114	(7,054,118)	11,682,114

2. Pending Staff Payables (See Annex 4b)

	Balance b/f from FY 2021/20 22	Additions for the year	Paid during the year	Balance c/f for FY 2022/2023
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	-	-	-	-
Union employees	-	-	-	-
Others	-	-	-	-
Total	-	-	-	-

3. Other Pending Payables (See Annex 4c)

	Balance b/f from FY 2021/2022	Additions for the year	Paid during the year	Balance c/f for FY 2022/2023
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties	-	-	-	-
Total	-	-	-	-

Other Important Disclosures (Continued)

4. External Assistance

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
External assistance received as grants	-	-
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties	-	-
Total	-	-

a). External assistance relating loans and grants

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
External assistance received as loans	-	-
External assistance received as grants	-	-
Total	-	-

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2022/2023	FY 2021/2022
Description		Kshs	Kshs
Undrawn external assistance - loans		-	-
Undrawn external assistance - grants		-	-
Total		-	-

Other Important Disclosures (Continued)

c) Classes of providers of external assistance

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

d. Non-monetary external assistance

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

Other Important Disclosures (Continued)

e Purpose and use of external assistance

Payments made by third parties	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
Compensation to employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to other Government entities	-	-
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	-	-

f. External Assistance paid by third parties on behalf of KUSP by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of (the entity This note should tie to line 3 of note 4 on external assistance)).

	FY 2022/2023	FY 2021/2022
Description	Kshs	Kshs
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

Other Important Disclosures (Continued)

6. Related Party Disclosures

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS. The comprise of related parties to the Project

- i) Key management personnel including the program director/manager
- ii) The implementing entity/ministry/ department
- iii) Other Ministries and Departments.
- iv) The National Treasury

Related party transactions:

	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Compensation to Key Management		
Compensation to the program manager/ director	-	-
Key Management Compensation others (specify)	-	-
Total Compensation to Key Management	-	-
Transfers to related parties	-	-
Transfers to other government entities	-	-
Total Transfers to related parties	-	-
Transfers from related parties	-	-
Transfers from the Ministry/ department	-	-
Payments made on behalf of the project by other govt. entities	-	-
(Insert any other transfers received)	-	-
Total Transfers from related parties	-	-

7. Contingent Liabilities

Contingent liabilities	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Court case xxx against the project	-	-
Bank guarantees in favour of other govt. entities	-	-
Contingent liabilities arising from PPPs/ donor agreements	-	-
Total	-	-

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Budgetary control and performance	<p>i) Underfunding:</p> <p>Due to the prevailing fiscal depression, the government may not be able to finance the projections 100% as per the financing agreement. Austerity measures were effected thereby reducing the allocated amounts. However, the total commitment cost of the government remains and will be funded in the medium – term as the costs is meant for Monitoring and Evaluation of the project during its useful life.</p> <p>ii) Under-Expenditure</p> <p>It is true that the State Department was not able to utilize 100% of the Approved Budget. This is due to the fact that there were unforeseen events e.g. COVID that affected the Department's operations due to the stringent protocols.</p>	Ongoing	
2	Delayed counterpart funding	<p>i) Of the Kshs.1,579,673,472 IDA balance, Kshs 450,000,000 was moved from Window 1 to Window 2 as UIG to support county eligible governments under KUSP restructuring effected in June 2021. However, the World Bank advised that the amount could not be transferred to counties directly as grants, but instead the amount could be utilized on county activities with expenditure and accountability</p>	Ongoing	

**Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timefram (Put a date when you expect the issue to be resolved)
		<p>remaining at the national government level, thereby posing implementation challenges.</p> <p>ii) Delays in procurement of some planned consultancy services at national level leading low absorption of Window 1 funds.</p> <p>iii) Covid-19 containment measures slowed down implementation of Window 1 activities.</p> <p>iv) Constrained fiscal space limited the allocation of adequate counterpart funds to the program</p>		
3	Pending bills	<p>It is true that the department had accounts payables (pending bills) of Kshs. 2,389,600. In compliance with the Public Finance Management (National Government) Regulations, 2015 (42), the State Department ensured that these expenditure items were committed and are being processed through IFMIS.</p>	Resolved	



**Charles M. Hinga, CBS
Principal Secretary**



**Charles K'Onyango
Project Coordinator**

Kenya Urban Support Program

Annual Report and Financial Statements for the financial year ended June 30, 2023

Annex 2: Variance explanations - Comparative Budget and Actual amounts for FY 2022-2023

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
Receipts	a	b	c=a-b	d=b/a %	
Transfer from Government entities	100,000,000	74,516,899	25,483,101	75%	
Proceeds from domestic and foreign grants	1,622,000,000	864,709,133	757,290,867	53%	
Proceeds from borrowings	-	-	-	-	
Miscellaneous receipts	-	-	-	-	
Total Receipts	1,722,000,000	939,226,032	782,773,968	55%	
Payments					
Compensation of employees	-	-	-	-	
Purchase of goods and services	1,590,000,000	702,825,461	887,174,539	44%	Delay in procurement processes
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	10,000,000	4,761,680	5,238,320	48%	Delay in procurement processes
Transfers to other government entities	122,000,000	122,020,000	(20,000)	100%	
Other grants and transfers	-	-	-	-	
Total payments	1,722,000,000	829,607,141	892,392,859	48%	

**Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Annex 3: Reconciliation of inter-entity transfers


Project Name: KUSP		Break down of transfers from the State Department of Housing and Urban Development		
	Bank Statement Date	Amount (Kshs)		Indicate the FY to which the amounts relate
a. Government Counterpart funding				
	Various	74,516,899		FY 2022/2023
	Total	74,516,899		
B. Direct payments				
	Bank Statement Date	Amount (Kshs)		Indicate the FY to which the amounts relate
	Total	-		FY 2022/2023
C. Others				
	Bank Statement Date	Amount (Kshs)		Indicate the FY to which the amounts relate
	Total	-		FY 2022/2023
	Total (A+B+C)	74,516,899		

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Project Coordinator
KUSP

Sign: 

Head of Accounting Unit
State Department for Housing and Urban Development

Sign: 

**Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Annex 4a: Analysis of Pending Bills

Supplier of Goods or Services	Date Contracted/ invoiced.	Original Amount	Amount Paid To- Date	Outstanding Balance Current FY	Outstanding Balance Previous FY	Comments
		a	b	c=a-b		
Supply of goods						
Spash General Merchant	2022/2023	991,360	-	991,360	-	Late submission of invoices
Standard media Group	2022/2023	643,104	-	643,104	-	Late submission of invoices
Darryl Investment	2022/2023	473,040	-	473,040	-	Late submission of invoices
Tinnet Supplies	2022/2023	65,600	-	65,600	-	Late submission of invoices
Hotel Waterbuck	2022/2023	180,000	-	180,000	-	Late submission of invoices
Clean Ventures Ltd	2022/2023	2,142,300	-	2,142,300	-	Late submission of invoices
Path International Limited	2022/2023	297,840	-	297,840	-	Late submission of invoices
Hitmax Limited	2022/2023	2,943,000	-	2,943,000	-	Late submission of invoices
J N Kibs Enterprises	2022/2023	1,005,120	-	1,005,120	-	Late submission of invoices
Pride Inn Beach Resort	2022/2023	1,140,750	-	1,140,750	-	Late submission of invoices
Hotel Waterbuck	2022/2023	1,800,000	-	1,800,000	-	Late submission of invoices
Sub-Total		11,682,114	-	11,682,114		
Grand Total		11,682,114	-	11,682,114		

**Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Annex 4b: Analysis of Pending: Staff Bills

Name of Staff	Job Group	Date Payable Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance FY 2022/2023	Outstanding Balance FY 2021/2022	Comments
Permanent Employees - Management							
1.							
2.							
Sub-Total							
Permanent Employees - Others							
3.							
4.							
Sub-Total							
Temporary employees							
5.							
6.							
Sub-Total							
Others (specify)							
7.							
8.							
Sub-Total							
Grand Total							

**Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Annex 4c: Analysis of other Pending Payables

Name	Brief Transac Description	Date Payable Contracted	Original Amo	Amount Paid To-Date	Outstanding Balance FY 2022/2023	Outstanding Balance FY 2021/2022	Comments
Amounts due to National Govt Entities							
1.							
2.							
Sub-Total							
Amounts due to County Govt Entities							
3.							
4.							
Sub-Total							
Amounts due to Third Parties							
5.							
6.							
Sub-Total							
Others (<i>specify</i>)							
7.							
8.							
Sub-Total							
Grand Total							

*Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 5: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/2023	Donations in form of assets (KShs) 2022/2023	*Purchases/ Additions in the Year (KShs) 2022/2023	** Disposals in the Year (KShs) 2022/2023	Transfers in/(out) Kshs 2022/2023	Closing Cost (KShs) 20xx
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)- (d)+(-)d
Land						
Buildings and structures						
Transport equipment						
Office equipment, furniture and fittings						
ICT Equipment,	-	-	4,761,680	-	-	4,761,680
Other Machinery and Equipment						
Heritage and cultural assets						
Biological assets						
Infrastructure assets roads, rails						
Intangible assets						
Work in Progress						
Total			4,761,680			4,761,680

Notes

* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold.

*Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 6: Contingent Liabilities Register

	Nature of contingent liability	Remarks
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

**Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Annex 7: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds				Implementing Partners
				Q1	Q2	Q3	Q4	

Annex 8: Reporting Disaster Management Expenditure

Column I Programme	Column II Sub-programme	Column III Disaster Type	Column IV Category of disaster related expenditure reporting (response/recovery/mitigation/preparedness)	Column V Expenditure item	Column VI Amount (Kshs.)	Column VII Comments

*Kenya Urban Support Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 9: Counties UIG Receipts and Expenditure Reports

County Code	COUNTY NAME	OPENING BALANCE (A)	DISBURSEMENT DURING THE YEAR (B)	EXPENDITURE DURING THE YEAR (C)	CLOSING BALANCE (D=A+B-C)
1	Baringo County	11,276,889	1,145,356	11,276,889	1,145,356
2	Bomet County	42,093	1,145,356	2,382,007	(1,194,559)
3	Bungoma County	719,457	1,145,356	1,543,351	321,462
4	Busia County	-	1,145,356	-	1,145,356
5	Elgeyo Marakwet County	297,170	1,145,356	1,438,556	3,970
6	Embu County	-	1,145,356	1,814,920	(669,564)
7	Garissa county	201,381	1,145,356	200,513	1,146,224
8	Homabay County	-	1,145,356	-	1,145,356
9	Isiolo County	255,182	1,145,356	-	1,400,538
10	Kajiado County	312,298	1,145,356	-	1,457,653
11	Kakamega County	-	1,145,356	-	1,145,356
12	Kericho County	-	1,145,356	-	1,145,356
13	Kiambu County	-	1,145,356	8,433	1,136,923
14	Kilifi County	8,924,103	1,145,356	8,924,124	1,145,335
15	Kirinyaga County	-	1,145,356	603,870	541,486
16	Kisii County	16,581	1,145,356	1,848,710	(686,774)
17	Kisumu County	108,900	1,145,356	86,160	1,168,095
18	Kitui County	4,396	1,145,356	2,451	1,147,301
19	Kwale County	11,410,933	1,145,356	9,745,838	2,810,450
20	Laikipia County	286,139	1,145,356	271,960	1,159,534
21	Lamu County	21,704,064	1,145,356	15,209,370	7,640,049
22	Machakos County	-	1,145,356	-	1,145,356
23	Makueni County	1,975,690	1,145,356	1,846,188	1,274,857
24	Mandera County	1,137,867	1,145,356	1,130,000	1,153,223
25	Marsabit County	2,591,675	1,145,356	1,982,740	1,754,291
26	Meru County	363	1,145,356	-	1,145,719
27	Migori County	1,455	1,145,356	1,317	1,145,494
28	Muranga County	-	1,145,356	-	1,145,356
29	Nakuru County	-	1,145,356	-	1,145,356
30	Nandi County	56,771	1,145,356	1,317	1,200,809
31	Narok County	3,925,863	1,145,356	3,925,863	1,145,356
32	Nyamira County	-	1,145,356	979,600	165,756
33	Nyandarua County	9,604,663	1,145,356	511,809	10,238,210
34	Nyeri County	5,807,236	1,145,356	3,544,280	3,408,312

Kenya Urban Support Program**Annual Report and Financial Statements for the financial year ended June 30, 2023**

County Code	COUNTY NAME	OPENING BALANCE (A)	DISBURSEMENT DURING THE YEAR (B)	EXPENDITURE DURING THE YEAR (C)	CLOSING BALANCE (D=A+B-C)
35	Samburu County	1,456,982	1,145,356	1,243,250	1,359,087
36	Siaya County	(0)	1,145,356	-	1,145,356
37	Taita Taveta	-	1,145,356	1,145,356	0
38	Tana River County	4,149	1,145,356	-	1,149,505
39	Tharaka Nithi County	-	1,145,356	-	1,145,356
40	Trans Nzoia County	-	1,145,356	-	1,145,356
41	Turkana County	12,549	1,145,356	630	1,157,275
42	Uasin Gishu County	-	1,145,356	1,077,600	67,756
43	Vihiga County	24,705	1,145,356	1,168,400	1,660
44	Wajir County	79,664	1,145,356	70,193	1,154,827
45	West Pokot County	14,246	1,145,356	1,133,185	26,417
	TOTAL	82,253,462	51,541,000	75,118,878	58,675,584

Annex 10: Municipalities UDG Receipts and Expenditure Reports

COUNTY CODE	MUNICIPALITY NAME	OPENING BALANCE (A)	DISBURSEMENT DURING THE YEAR (B)	EXPENDITURE DURING THE YEAR (C)	CLOSING BALANCE (D=A+B-C)
1	Baringo	74,293,743	1,194,559	23,192,980	52,295,322
2	Bomet	61,690,998	1,194,559	61,083,714	1,801,843
3	Bungoma - Bungoma	26,887,229	1,194,559	28,081,788	-
4	Bungoma - Kimilili	25,931,908	1,194,559	21,336,632	5,789,835
5	Busia	28,095,194	1,194,559	25,566,340	3,723,413
6	Elgeyo Marakwet	43,515,624	1,194,559	38,613,098	6,097,086
7	Embu County	49,644,266	1,194,559	6,901,855	43,936,970
8	Garissa	134,007,986	1,194,559	107,463,911	27,738,634
9	Homabay	41,806,648	1,194,559	41,806,648	1,194,559
10	Isiolo	80,078,594	1,194,559	60,861,384	20,411,770
11	Kajiado - Kajiado	-	43,419,067	43,175,876	243,191
12	Kajiado Ngong	34,608,915	1,194,559	35,547,145	256,329
13	Kakamega - Kakamega	23,839,210	1,194,559	23,839,210	1,194,559
14	Kakamega - Mumias	-	1,194,559	-	1,194,559
15	Kericho	212,110,813	1,194,559	111,197,160	102,108,213
16	Kiambu - Karuri	57,828,526	1,194,559	54,896,538	4,126,547
17	Kiambu - Kiambu	89,045,179	1,194,559	57,147,315	33,092,423
18	Kiambu - kikuyu	271,700,743	1,194,559	228,985,515	43,909,788
19	Kiambu - Limuru	44,369,019	1,194,559	32,261,105	13,302,473
20	Kiambu - Ruiru	236,092,481	1,194,559	217,086,079	20,200,962
21	Kiambu - Thika	125,611,998	1,194,559	101,799,869	25,006,689
22	Kilifi - Kilifi	63,011,082	1,194,559	64,205,642	-
23	Kilifi - Malindi	162,357,176	1,194,559	163,551,736	-
24	Kirinyaga	11,641,728	1,194,559	9,143,194	3,693,093
25	Kisii	78,375,355	1,194,559	57,172,841	22,397,073
26	Kisumu	1,427,148	1,194,559	1,278,301	1,343,407
27	Kitui	-	1,194,559	1,394,565	(200,006)
28	Kwale	31,055,374	1,194,559	21,932,412	10,317,521
29	Laikipia	14,306,870	1,194,559	12,321,055	3,180,374
30	Lamu	27,348,286	1,194,559	20,594,576	7,948,270
31	Machakos - Kangundo	92,493,649	1,194,559	88,616,750	5,071,459

Kenya Urban Support Program

Annual Report and Financial Statements for the financial year ended June 30, 2023

COUN TY CODE	MUNICIPALITY NAME	OPENING BALANCE (A)	DISBURSEM ENT DURING THE YEAR (B)	EXPENDITUR E DURING THE YEAR (C)	CLOSING BALANCE (D=A+B-C)
32	Machakos - Machakos	94,297,867	1,194,559	5,080,261	90,412,165
33	Machakos - Mavoko	3,652,313	1,194,559	2,523,777	2,323,095
34	Makueni	95,188,337	1,194,559	80,662,790	15,720,106
35	Mandera	21,451,158	1,194,559	-	22,645,718
36	Marsabit	33,891,383	1,194,559	11,561,207	23,524,736
37	Meru	35,735,548	1,194,559	34,909,311	2,020,796
38	Migori - Awendo	78,071,298	1,194,559	63,886,653	15,379,204
39	Migori - Migori	27,511,691	1,194,559	20,470,602	8,235,649
40	Migori - Rongo	37,771,654	1,194,559	25,818,406	13,147,808
41	Muranga	25,909,108	1,194,559	25,909,108	1,194,559
42	Nakuru - Naivasha	293,948,894	1,194,559	193,135,502	102,007,951
43	Nakuru - Nakuru	901,445,162	1,194,559	542,471,467	360,168,254
44	Nandi	139,081,344	1,194,559	104,111,265	36,164,638
45	Narok	2,069,489	1,194,559	-	3,264,049
46	Nyamira	128,458,416	1,194,559	40,771,575	88,881,401
47	Nyandarua	132,860,008	1,194,559	79,815,082	54,239,485
48	Nyeri	5,875,860	1,194,559	3,134,276	3,936,143
49	Samburu	40,813,056	1,194,559	30,561,734	11,445,881
50	Siaya	13,806,165	1,194,559	11,773,705	3,227,019
51	Taita Taveta	3,975,836	1,194,559	4,199,949	970,446
52	Tana River	15,606,002	1,194,559	15,606,002	1,194,559
53	Tharaka Nithi	-	1,194,559	1,800	1,192,759
54	Trans Nzoia	120,442,483	1,194,559	92,773,593	28,863,449
55	Turkana	77,704,309	1,194,559	60,920,251	17,978,618
56	Uasin Gishu	78,707,392	1,194,559	72,949,223	6,952,728
57	Vihiga	-	1,194,559	-	1,194,559
58	Wajir	68,801,983	1,194,559	66,912,431	3,084,111
59	West Pokot	38,590,598	1,194,559	21,725,031	18,060,126
	TOTAL	4,658,843,095	112,703,507	3,372,740,232	1,398,806,370

Annex 11: Other Support Documents

- i. Bank Reconciliations statement as at 30th June 2023
- ii. Board of Survey Report
- iii. Special Deposit Account(s) reconciliation statement
- iv. GOK IFMIS comparison Trial Balance