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REPUBLIC OF KENYA



Enhancing Accountability



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REPORT

OF

THE AUDITOR-GENERAL

ON

**SPECIAL MUNICIPALITY OF MWATATE
FUND/BOARD**

**FOR THE YEAR ENDED
30 JUNE, 2021**





07 DEC 2021

SPECIAL MUNICIPALITY OF MWATATE FUND/BOARD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021

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

**Special Municipality of Mwatate
Reports and Financial Statements
For the year ended June 30, 2021.**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Special Municipality of Mwatate Fund is established by and derives its authority and accountability from Urban Areas and Cities Act, (No.13 of 2011) on 8th May 2019. The Fund is wholly owned by the County Government of Taita Taveta and is domiciled in Kenya.

The fund's objective is to:

- i. Establish and strengthen the urban institutions, notably the municipal board(s) and the municipal administration(s)
- ii. Integrate and regularly update the section on urban development issues (challenges and opportunities) in the County's development strategy and its ensuing development plan;
- iii. Assist the County Government and their urban institutions in meeting the minimum conditions necessary to access the urban development grant.

The Fund's principal activity is to:

1. The proposed priority projects for the UDG implementation in the financial 2019/2020 are as follows: -
 - ✓ Construction of a modern market facility
 - ✓ Establishment and beautification of recreational areas.
2. The proposed priority projects for the UIG implementation in the financial 2019/2020 are as follows.
 - ✓ Developing of Mwatate Municipality board and management with charter both gazetted and investment plan
 - ✓ Initiation of improving of the Mwatate urban advisory plan with better planning activities; and improving the urban infrastructure through planning and zoning of the neighbourhoods.
 - ✓ Enhanced implementation and enforcement of county policies and legislation governing the Mwatate Municipality developments
 - ✓ Opening of the special purpose account for the UIG
 - ✓ Training of the Mwatate Municipal board members and the Environment & Social Safeguards officers
 - ✓ Tendering of the Mwatate Municipal Land Use Plan and IDeP.
 - ✓ Support the cost of operations in the offices of the Municipal and other urban areas
 - ✓ Furnishing of urban boards and management with equipment and furniture

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to:

- 1) Conduct urban planning activities, training and capacity building, and preparation of better urban annual investment plans and urban development plans.
- 2) Support the cost of operations in the offices of the Municipal and other urban areas
- 3) Furnishing of urban boards and management with equipment and furniture
- 4) Train and capacity build the urban boards and key county staffs on urban issues and
- 5) Conduct peer to peer learning with other counties which have better working urban management.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	THOMAS JUMWA	CHAIRMAN
2	JONES MTOTO	MEMBER
3	GLADYS MAGHUWA NDAU	MEMBER
4	LUCY WAMACHI MGHOI	MEMBER
5	JULIUS K. NGONDO	MEMBER
6	MERCY KIBIBI MWASIGHWA	MEMBER
7	SAMUEL MWABILI WANGIO	MEMBER
8	REUBEN NGETI	CCO LANDS
9	MWADAWIRO MGHANGA	CECM Lands
10	EDWARD MWAKALAMU	MUNICIPAL MANAGER

d) Key Management

Ref	Name	Position
1	EDWARD MWAKALAMU	MUNICIPAL MANAGER
2	ERIC KINAMA	CIVIL ENGINEER
3	AMINA SULEIMAN	ACCOUNTANT
4	ANNIE MSHIMBA	PROCUREMENT OFFICER.
5	PETER MWASHIGHADI	PCT COORDINATOR
6	ABIGAIL MWALUMA	HR OFFICER

e) Registered Offices

Municipal office Building-Mwatate
Mwatate Town, Off Voi – Taveta Highway,
P.O. Box 1066-80304
Mwatate, Kenya

f) Fund Contacts

Telephone :+254721255099)
E-mail: mwatate.municipality@gmail.com
Website: www.mwatatemunicipality.go.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
Wundanyi Branch
Along Posta Road
P.O. Box 1067-80304
Wundanyi, Kenya







h) Independent Auditors

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

i) Principal Legal Adviser

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

2. THE BOARD OF TRUSTEES

Name	Details of qualifications and experience
<p>1. Thomas Jumwa</p> 	<p>BSc. Business administration. University of the People. KCB from 1994-2011 Branch Manager.</p>
<p>2. Julius Ngondo</p> 	<p>Bachelors in Education Master's in Education 34 years in management and Teaching.</p>
<p>3. Mercy Mwazo</p> 	<p>Diploma in Education Management Kenya Education Management Institute. Teacher from 1979-2020 Head teacher 2009-2020</p>
<p>4. Jones Kiwishi</p> 	<p>Doctor of philosophy in Administration (ongoing) Kabarak University. Master of Business Administration –Kenya Methodist University (Upper Division) Bachelor of Business Administration- Kenya Methodist University (Second class-lower division).</p>
<p>5. Gladys Ndau</p> 	<p>Bachelor of education arts, Nairobi University. Project Managing director NGO for 2 years.</p>
<p>6. Reuben Ngeti</p> 	<p>Masters in Urban Science and Human settlement, German. Msc. Urban Environmental Management, Netherlands. Msc. Urban and Regional Planning UON. Practising Urban Planner 1998 to date.</p>

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

Introduction

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

The key development objectives of the County Government of Taita Taveta CIDP2018-2022 plan are to:






- a) Provide quality physical infrastructure in the County
- b) Foster the economic, social and environmental well-being of the community.
- c) Providing for services on all matters for the Municipality's benefit.
- d) Costs effectively provide a high standard of social services to the inhabitants of the municipality.
- e) Provide for efficient and accountable management of the affairs of the municipality.
- f) Pursue the developmental opportunities which are available in the municipality.

Progress on attainment of Strategic development objectives adopted from Municipality of Mwatate integrated development plan, (2020-2025)

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Public Works, Roads & Transport	To develop and maintain roads and storm water drainage to global standards	Increased efficient transportation of people, goods and services	700 m	In FY 19/20 we increased motor able and passable roads. Mwatate administration Access road was done.
Modern Market Facility	Provision of market sheds, stalls flood lights, storm water drains and Ablution block	Increased efficiency in trade and revenue generation	Project 75% complete and ongoing	Modernization of market operations with clean and efficient trade.

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. EDWARD MWAKALAMU 	MUNICIPAL MANGER. Bachelor of Business Management MKU. CPS 2. Accounting Technician 2. MBA Strategic Management (ongoing) MKU. Senior management position for a period of 11 years.
2. PETER MWASHIGHADI 	PCT COORDINATOR Bsc, Agricultural Economics, Chuka University Computer Studies-Pwani institute of Professional studies Livestock production officer-Taita Taveta County
3. ERIC KINAMA 	CIVIL ENGINEER Degree in Civil Engineering, Dedan Kimathi University Practising Engineer for 6 years.
4. ANNIE MSHIMBA 	PROCUREMENT OFFICER. Bachelor of Business Management & Supply Chain Management-KeMU. Procurement officer for 3 years.
5. ABIGAIL MWALUMA 	HR OFFICER. BCOM, HR Option, Taita Taveta University. Human Resource Management 1 year experience.
5. AMINA SULEIMAN	PROJECT ACCOUNTANT - MBA Finance. -CPAK -

5. BOARD/FUND CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the special Municipality of Mwatate Board financial statements for the year ended 30th June 2021. The financial statements present the financial performance of the fund over the past year.

Sustainability

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the fund's going concern is secured.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long-term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

Board and Management Changes

Initially the board had 11 members; after the Urban Areas and Cities Act 2011 was amended to read, "a board of a municipality shall consist of nine members appointed by the county governor with approval of the county assembly". Therefore, the board was reconstituted to nine members where the organisational arrangement is expected to enhance efficiency in service delivery.

Review of performance

Income

In the year ended 30th June 2021, the Municipality had projected revenue of Kshs 19,570,000 consisting of; KShs 14,000,000 from Exchequer issues, and KShs 5,570,000 from County Contribution.

Projects implementation during the period was carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to a favourable opening cash balance of KShs. 73,994,238 at the beginning the year.

Expenditures

The total expenditures during the period amounted to KShs. 74,399,650 representing an absorption rate of 80%. The expenditure comprised of KShs 37,019,575 spent on development activities while KShs 37,380,075 was spent recurrent activities.

Future outlook

The outlook of the Fund for 2020/2021 looks brighter. The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency

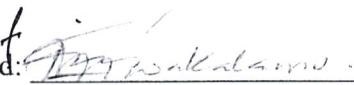
**Special Municipality of Mwatate
Reports and Financial Statements
For the year ended June 30, 2021.**

and effectiveness in the service delivery. The fund looks forward to continued support from the county government and development partners to the realization of its mandate.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the county government, development partners, stakeholders, management staff and fellow Board Members for their continued support which made us achieve these results.

I look forward to your continued support in the year 2021/2021.

Signed:  _____

Thomas Jumwa
Board Chairman

6. REPORT OF THE FUND MANAGER

It is my pleasure to present the Special Municipality of Mwatate Board Financial Statements for the year ended 30th June 2021. The financial statements present the financial performance of the fund over the past year.

The Special Municipality of Mwatate Board was conferred a charter as per the powers conferred by 9(1) and 9(4) of the Urban Areas and Cities Act, (No. 13 of 2011) as complemented by section 72 of the Interpretations and General Provisions Act (Chapter 2), gazetted on 8TH May 2019 in Kenya Gazette Supplement No. 4, LEGAL NOTICE No. 2 (Taita Taveta County Legislative Supplement No. 2) and started with an initial budget amount of KShs91,200,000 in the year ended 30th June 2019.

Financial Performance

a) Revenue

In the year ended 30th June 2021, the Board had projected a revenue of Kshs 93,570,000 consisting of; KShs 14,000,000 from Exchequer issues, and KShs 5,570,000 from County Contribution. A graphical representation of the revenue budget is as shown below:

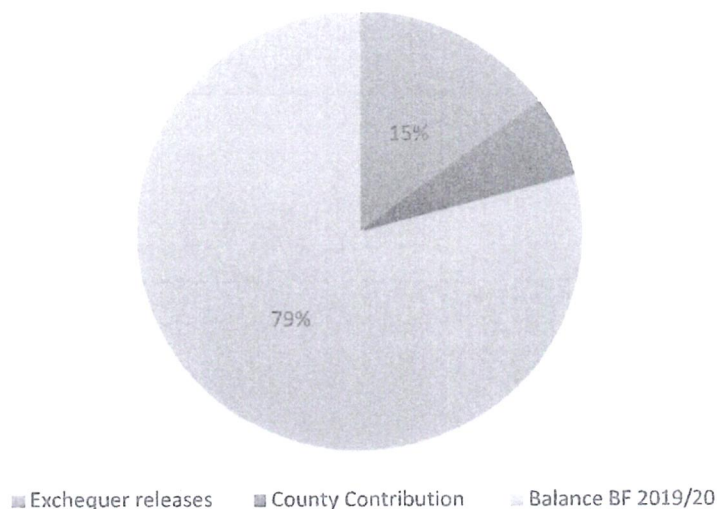


Figure 1: Fund's sources in FY 2020/2021

Out of the projected revenue, the Board was able to realize KShs 83,958,338 in actual revenues, representing 90% performance. This performance was as a result of 90% realization of the funds Exchequer Issues.

**Special Municipality of Mwatate
Reports and Financial Statements
For the year ended June 30, 2021.**

The table below shows an analysis of revenue performance during the year ended 30th June, 2021.

Revenue Classification	Revenue Budget (Ksh)	Actual (Ksh)	Realization (%)
Exchequer releases	14,000,000	7,384,101	53%
County Contribution	5,570,000	2,580,000	46%
Balance BF 2019/20	74,000,000	73,994,238	100%
Total	93,570,000	83,958,338	90%

Table 1: Revenue performance in FY 2020/2021

b) Payments

In the year under review, the Board had projected expenditures of Kshs. 83,958,338 and was able to utilize a total of Kshs. 74,399,650 representing an absorption rate of 80%. The expenditure comprised of KShs 37,019,575 spent on development activities while KShs 37,380,075 was spent recurrent activities.


c) Cash flows

In the FY 2020/21, the cash and cash equivalents decreased from KShs 73,994,238 as at 30th June 2020 to KShs 9,558,689 as at 30th June 2021.

d) Conclusion

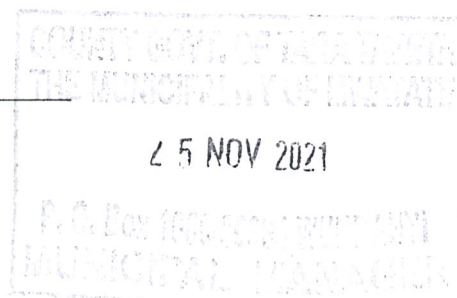
FY 2020/21 was a good year in general. Good progress was made and the momentum has been created to enable The Special Municipality of Mwatate continue on a trajectory into prosperity.

I take this opportunity to thank the Board Committee Members for their support. I would also want to thank all staff who we have worked hand in hand to ensure that The Special Municipality of Mwatate Board achieves its mission.

Signed: 

Edward Mwakalamu

Municipality Manager



7. CORPORATE GOVERNANCE STATEMENT

THE BOARD

The Special Municipality of Mwatate was conferred a charter as per the powers conferred by 9(1) and 9(4) of the Urban Areas and Cities Act, (No. 13 of 2011) as complemented by section 72 of the Interpretations and General Provisions Act (Chapter 2), gazette on 8TH May 2019 in *Kenya Gazette Supplement No. 4, LEGAL NOTICE No. 2 (Taita Taveta County Legislative Supplement No. 2)*

The board, also known as the Mwatate Municipality Board (MMB) performs all functions vested in boards of municipalities under the Urban Areas and Cities Act, the County Government Act and the Municipality Regulations.

The Board is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the board of committee at its apex. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

THE BOARD OF TRUSTEES

The Special Municipality of Mwatate Charter 2019 provides that the board of municipality shall be made up of Nine (9) Members, including the chairman, and shall consist of a chairperson and eight (8) other members identified for appointment through a competitive process. The board of municipality is responsible for the long-term strategic direction of the fund and recruitment of the Fund Administrator and senior management. The board of municipality exercises leadership, enterprise, integrity and judgment in directing the Fund.

The Members are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the fund Manager but the Board Members are responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing financial support for improved access to water and sanitation in areas without adequate services.

Members of the board have been taken through an induction programme; however, there is need for capacity building to be adequately trained on their roles as board members. The members are professional, committed and guided by the mission, vision and core values of the Fund in execution of their duties.

BOARD MEETINGS

The board of Special Municipality of Mwatate holds at least one sitting every three months or as required in order to monitor the implementation of the fund's strategic plan and achievement of the targets as outlined in the charter. The board also plays an oversight role over all other

financial and operational issues. The Board held three full boards and two special board meetings during the FY 2020/2021.

AUDIT AND RISK COMMITTEE

The County internal Audit committee and internal Auditors are tasked with ensuring that corporate governance and integrity is enhanced in between the governance of the fund. The committee was established to advise the board on institutional risk management and compliance.

STATEMENT OF COMPLIANCE

The board confirms that the fund has throughout the FY2020/2021 complied with all statutory and regulatory requirements and that the fund has been managed in accordance with the principles of good corporate governance.

The fund will conduct an external legal audit which will confirm that the institution had complied with all relevant laws, regulations and requirements.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The Board is responsible for reviewing the effectiveness of the fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Standing Instructions

The fund has a Code of Ethics and Service Charter that is applicable to all employees. These have a number of standing instructions to employees of the fund designed to enhance internal control.

Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the fund can meet its future management requirements.

Strategic Plan

The business of the fund is determined by the strategic plan. The strategic plan sets out the objectives of the fund, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

Internal Control Framework

The fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the fund, is approved by the audit and risk committee.

Bo The audit and risk committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the board. Where weaknesses are identified, the committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during the FY 2020/21.

Management Team

The management team headed by the Fund Manager implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Auditor-General.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The Board has continued to grow since its inception and the management has put measures in place to safeguard against any risks.

The management has ensured that we comply with statutory requirements relating to the functions of the board and also making sure that there is no any form of non-compliance.

BUSINESS PERFORMANCE

Revenue

The Board has so far received over 135 M as revenues from the exchequer issues since its inception, this will go a long way to see the proposed development plan are achieved within the stipulated period. This will see elevation of the lives of residents of Mwatate

Cash flow

The cash and cash equivalents decreased from KShs 73,994,238 as at 30 June 2020 to KShs 9,558,689 as at 30 June 2021. The decrease was significant since the service providers were paid for the service rendered in compliances with the law.

OPERATIONAL PERFORMANCE

The Special Municipality of Mwatate's core operating activities is to elevated the live standards of Mwatate residents, within its boundaries such as Refuse collection and solid waste management services, Construction and Maintenance of Municipality urban roads, storm drainage and flood controls, walkways and other non-motorized transport infrastructure; Installation and Maintenance of street lighting; Construction, Maintenance and regulation of municipal markets and abattoirs and many others as outlined in the charter .

Employees

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services.

During the year, the fund reviewed its organization structure that resulted to growth of staff from six (6) to thirteen (13) for increased efficiency and effectiveness to achieve the strategic objectives.

In addition, there was a budgetary allocation of Kshs 4m for training to enable continuous staff development and capacity building for efficiency and good corporate governance. The Board trained its senior managers on leadership, corporate governance and other professional development courses.

Conclusion

We appreciate the unrelenting support from the board members, management, staff, the county government, development partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2020/2021.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Corporate social responsibility is an integral part of our culture. As a responsible organisation, we respect the interests of our stakeholders – our employees, customers, suppliers and the wider community and we actively seek opportunities both to improve the environment and to contribute to the well-being of the communities around us.

During the financial year 2020/21, the Municipality carried out its first (1) corporate social responsibility activities. These included collaborating with the county government in helping with the clean-up of Mwatate Town.

We are looking forward to getting involved more in of these and other areas, and the management team has been tasked with coming up with more CSR ideas.

The Special Municipality of Mwatate exists to transform lives of Mwatate residents. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on three (3) pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

a. Sustainability strategy and profile

The Special Municipality of Mwatate has continued to structure its programs towards development projects and activities that depict high sense of value for money and goes a long way in alleviating the residents suffering and improving their ease of doing business. In the year under review the Municipality has developed a modern market with Market sheds, streetlights, stall flood lights and ablution block and more so develop and maintained roads as a strategy for improving decentralization of services.

b. Environmental performance

To promote sustainable land use and environmental conservation the Special Municipality of Mwatate undertook various capacity building and provision of materials geared towards environmental protection and sustainable land use.

c. Employee welfare

The Special Municipality of Mwatate revamped its efforts in improving the welfare of its employees as a key ingredient to employee motivation and satisfactory work performance.

Additionally, the Municipality has completed the renovation and equipping of its offices in Mwatate Sub-County hence providing the necessary office space and equipment needed for effective and efficient service delivery to its residents and other stakeholders.

d. Market place practices-

To entrench the spirit of competition in its activities, the Special Municipality of Mwatate during the year under review embraced E-Procurement when sourcing of goods and services. The system enhances openness and transparency as tenders were advertised on the local dailies and also posted on the IFMIS portal hosted at The National Treasury. The same were opened, evaluated, awarded, inspected and received through the system hence sealing loopholes of any collusion that could have occurred.

e. Community Engagements-

The Special Municipality of Mwatate through its various Departments and in collaboration with other stakeholders has been engaging in various community initiatives that have helped improved people's living standards. Several public participation exercises were conducted to collect views and contributions from the Mwatate residents on issues such proposed projects, progress reports, budgets, etc having a bearing on service delivery.

10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by The Taita Taveta County Legislative Supplement No. 2, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of The Special Municipality of Mwatate financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Manager of the County Public Fund accepts responsibility for The Special Municipality of Mwatate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Taita Taveta County Legislative Supplement No. 2. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of The Special Municipality of Mwatate transactions during the financial year ended June 30, 2021, and of the Special Municipality of Mwatate financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

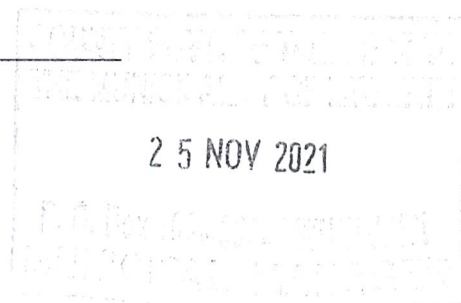
In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern, and disclosed as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention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

Approval of the financial statements

The Special Municipality of Mwatate financial statements were approved by the Board on 25th Nov 2021 and signed on its behalf by:

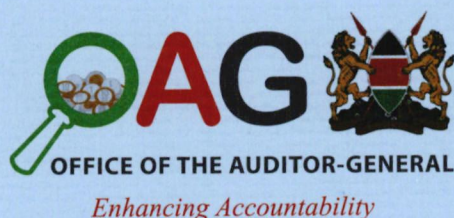


Municipality Manager



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
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Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SPECIAL MUNICIPALITY OF MWATATE FUND/BOARD FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

An unmodified 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

Opinion

I have audited the accompanying financial statements of Special Municipality of Mwatate Fund/Board set out on pages 23 to 55, which comprise of statement of financial position as at 30 June, 2021 and the statement of financial performance, statement of changes in

net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Municipality of Mwatate Fund/Board as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Urban Areas and Cities Act, 2011.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

During the year under review, the Special Municipality of Mwatate Fund/Board had final revenue budget and actual on comparable basis of Kshs.93,570,000 and Kshs.83,958,338 respectively, resulting to a shortfall of Kshs.9,611,662 or 10% of the budget. Similarly, the Fund/Board spent Kshs.74,399,650 against an approved budget of Kshs.93,570,000 resulting to under-expenditure of Kshs.19,170,350 or 20% of the budget.

In the circumstances, the underfunding and under-performance affected the planned activities of the Fund/Board and may have impacted negatively on service delivery to the stakeholders.

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 matter described in the Basis for Conclusion on Lawfulness and

Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Irregular Variation of Contract

The statement of financial position and as disclosed in Note 14 to the financial statements reflects property, plant and equipment balance of Kshs. 87,930,253 which includes an amount of Kshs.33,595,596 relating to additions on buildings for the year under review. Review of records provided for audit revealed that the Fund/Board entered into a contract under Tender No. TTCG/MM/T/001/2020-2021 for modernization of Mwatate market which included construction of market sheds, traders' stalls, floodlights, construction of storm water drainage, water installation, public toilet construction, landscaping and recreational facility and other works having a contract sum of Kshs.48,770,254.

Paragraph 4 of the contract agreement provided that due to budget constraints, the works were to be executed in two phases. The phase one budget of Kshs.33,230,518 was included in the financial year 2020/2021 and the remaining works on recreational facility having a budget of Kshs.15,539,736 were to be in phase two. However, review of the final account appraisal document revealed that the value of work done under phase one had a cost of Kshs.47,773,887 which was above the original amount of Kshs.33,230,518 by Kshs.14,543,369 or 44 % contrary to Section 139(4)(e) of the Public Procurement and Asset Disposal Act, 2015 which does not allow increase in cumulative value of contract of the total contract price by more than twenty-five per cent of the original contract price.

Further, under sub-section 6, any variations resulting in an increment of the contract price by more than twenty-five percent, are to be tendered for separately. Evidence of separate tendering for the increment was not provided for audit.

In the circumstances, the Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements, 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, except for the matter 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 internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of Depreciation Policy on Property, Plant and Equipment (PPE)

Significant Accounting Policy No. 5 on plant, property and equipment indicates that all PPE are stated at cost less accumulated depreciation and impairment losses. However, as previously reported, the Fund/Board has no depreciation policy in place and therefore, the PPE balance of Kshs. 87,930,253 reflected in the statement of financial position and as disclosed in Note 14 to the financial statements is stated at cost and may be overstated to the extent of the applicable accumulated depreciation charge as at 30 June 2021.

In the circumstances, it was not possible to confirm the effectiveness of the Fund/Board's policy on property, plant and equipment.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal 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.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Fund/Board's ability to continue to its sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund/Board 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 Fund/Board's financial reporting process, reviewing the effectiveness of how the 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal 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 control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund/Board'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 Fund/Board 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 Fund/Board 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 control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 September, 2022


**Special Municipality of Mwatate
Reports and Financial Statements
For the year ended June 30, 2021.**

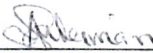
12. FINANCIAL STATEMENTS

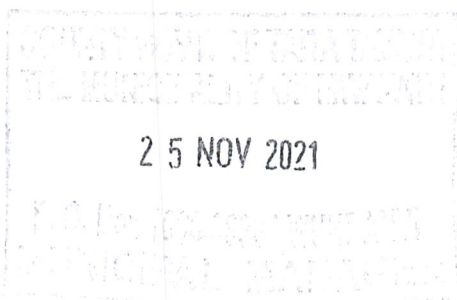
12.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021.

	Note	FY 2020-2021 KShs	FY 2019-2020 KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	9,964,101	44,561,940
Fines, penalties and other levies	3	-	-
Revenue from exchange transactions			
Interest income	4	-	-
Other income	5	-	-
Total revenue		9,964,101	44,561,940
Expenses			
Fund administration expenses	6	-	-
General expenses	7	37,380,075	10,857,023
Finance costs	8	-	-
Total expenses		37,380,075	10,857,023
Other gains/losses			
Gain/loss on disposal of assets	9	-	-
Surplus/(deficit) for the period		(27,415,975)	33,704,917

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 25th Nov 2021 and signed by:


Municipality Manager
Name: Edward Mwakalamu


Project Accountant
Name: Amina Suleiman
ICPAK Member Number: 15011

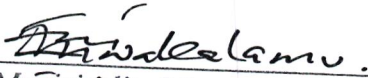



Special Municipality of Mwatate
Reports and Financial Statements
For the year ended June 30, 2021.

12.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	FY 2020-2021 KShs	FY 2019-2020 KShs
Assets			
Current assets			
Cash and cash equivalents	10	9,558,688	73,994,238
Current portion of long term receivables from exchange transactions	11	-	-
Prepayments	12	-	-
Inventories	13	-	-
Non-current assets			
Property, plant and equipment	14	87,930,253	50,910,678
Intangible assets	15	-	-
Long term receivables from exchange transactions	11	-	-
Total assets		97,488,941	124,904,916
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	16	-	-
Provisions	17	-	-
Current portion of borrowings	18	-	-
Employee benefit obligations	19	-	-
Non-current liabilities			
Non-current employee benefit obligation	19	-	-
Long term portion of borrowings	18	-	-
Total liabilities		-	-
Net assets		97,488,941	124,904,916
Revolving Fund		-	-
Reserves		-	-
Accumulated surplus		97,488,942	124,904,917
Net Value of the Fund		97,488,942	124,904,917

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 25th NOV 2021 and signed by:


Municipality Manager
Name: Edward Mwakalamu

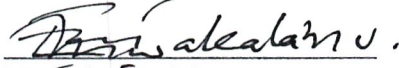

Project Accountant
Name: Amina Suleiman
ICPAK Member Number: 15011

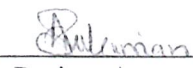
**Special Municipality of Mwatate
Reports and Financial Statements
For the year ended June 30, 2021.**

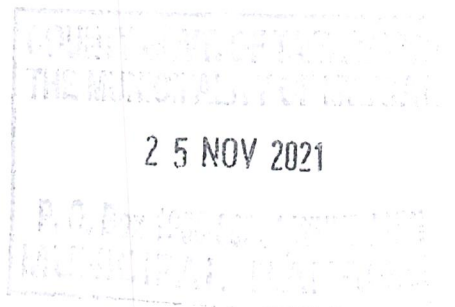
12.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Revolving Fund	Reserves	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	-	-	91,200,000	91,200,000
Surplus/(deficit) for the period	-	-	33,704,917	33,704,917
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	-	-	124,904,917	124,904,917
Balance as at 1 July 2020	-	-	124,904,917	124,904,917
Surplus/(deficit) for the period	-	-	(27,415,975)	(27,415,975)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	-	-	97,488,942	97,488,942

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 25th NOV 2021 and signed by:


Municipality Manager
Name: Edward Mwakalamu


Project Accountant
Name: Amina Suleiman
ICPAK Member Number: 15011

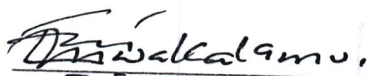


Special Municipality of Mwatate
Reports and Financial Statements
For the year ended June 30, 2021.

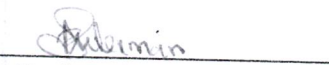
12.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	FY 2020-2021 KShs	FY 2019-2020 KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	-	-
Transfers from the County Government	2	9,964,101	44,561,940
Fines, penalties and other levies	3	-	-
Interest received	4	-	-
Other income	5	-	-
Total Receipts		9,964,101	44,561,940
Payments			
Fund administration expenses	6	-	-
General expenses	8	37,380,075	10,857,023
Finance cost	9	-	-
Total Payments		37,380,075	10,857,023
Net cash flows from operating activities		(27,415,975)	33,704,917
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	14	(37,019,575)	(50,910,678)
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		(37,019,575)	(50,910,678)
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings	19	-	-
Repayment of borrowings	19	-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(64,435,549)	(17,205,762)
Cash and cash equivalents at 1 JULY	11	73,994,238	91,200,000
Cash and cash equivalents at 30 JUNE	11	9,558,689	73,994,238
Financial Position		9,558,688	73,994,238

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 25th NOV 2021 and signed by:


Municipality Manager
Name: Edward Mwakalamu

25 NOV 2021



Project Accountant
Name: Amina Suleiman
ICPAK Member Number: 15011

**Special Municipality of Mwatate
Reports and Financial Statements
For the year ended June 30, 2021.**

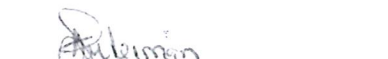
12.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2021	2021	2021	2021	2021	2021
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-	-	-	-	-	0%
Exchequer releases	14,000,000		14,000,000	7,384,101	6,615,899	53%
County Contribution	7,120,000	(1,550,000)	5,570,000	2,580,000	2,990,000	46%
Balance BF 2019/20	74,000,000		74,000,000	73,994,238	5,762	100%
Total income	95,120,000	(1,550,000)	93,570,000	83,958,338	9,611,662	90%
Expenses						
Fund administration expenses	820,000	-	820,000	-	820,000	0%
General expenses	40,000,000	-	40,000,000	37,380,075	2,619,925	93%
Finance cost	-	-	-	-	-	0%
Non-Current assets	54,300,000	(1,550,000)	52,750,000	37,019,575	15,730,425	70%
Total expenditure	95,120,000	(1,550,000)	93,570,000	74,399,650	19,170,350	80%
Surplus for the period	-	-	-	9,558,688	(9,558,688)	

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 25th NOV 2021 and signed by:


Municipality Manager
Name: Edward Mwakalamu

25 NOV 2021


Project Accountant
Name: Amina Suleiman
ICPAK Member Number: 15011

13. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Reporting entity

The financial statements are for the Special Municipality of Mwatate. The financial statements encompass the reporting entity as specified under section 164 of the PFM Act 2012.

3. Recognition of receipts and payments

i.) Revenue from non-exchange transactions

Transfers from other government entities

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

ii.) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 22nd June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

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

5. Property, plant and equipment

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Intangible assets

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

7. Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking

into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

b) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Entity does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

10. Nature and purpose of reserves

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

11. Changes in accounting policies and estimates

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Employee benefits – Retirement benefit plans

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

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

13. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

14. Borrowing costs

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

15. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors/Trustee, the Fund Managers and Fund Accountant.

16. 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 (*Remove if not applicable*) 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.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The Special Municipality of Mwatate Fund is established by and derives its authority and accountability from Urban Areas and Cities Act, (No.13 of 2011) on 8th May 2019 under the Department of LENAR. Its ultimate parent is the County Government of Taita Taveta.

20. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made: e.g

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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

22. Financial risk management

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

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

a) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2021				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2021	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

d) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	KShs	Other currencies KShs	Total KShs
At 30 June 2021			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2021			
Euro	10%	-	-
USD	10%	-	-
2020			
Euro	10%	-	-
USD	10%	-	-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Interest rate risk

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

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

f) Capital risk management

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	97,488,942	124,904,917
Total funds	97,488,942	124,904,917
Total borrowings		
Less: cash and bank balances	(9,558,688)	(73,994,238)
Net debt/(excess cash and cash equivalents)	87,930,254	50,910,679
Gearing	90%	41%

14. NOTES TO THE FINANCIAL STATEMENTS

1 Public contributions and donations

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2 Transfers from County Government

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Transfers from County Govt. –KUSP UDG	7,384,101	35,761,940
Transfers from County Govt. –KUSP UIG	2,580,000	8,800,000
Total	9,964,101	44,561,940

3 Fines, penalties and other levies

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

4 Interest income

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Interest received from Loans		
Interest accrued from Loans		
Total interest income	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Other income

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
Total other income	-	-

6 Fund administration expenses

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Admin Cost		
Loan processing costs		
Professional services costs		
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS

7 General expenses

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Domestic travel and subsistence	3,659,700	550,500.00
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing	908,800	-
Stationery	1,948,400	-
Rental costs	-	-
Training expenses	1,262,808	1,399,999.00
Security costs	-	-
Telecommunication	-	-
Hospitality	6,078,075	6,393,883.00
Depreciation and amortization costs	-	-
Bank Charges	21,943	13,609
Other operating expenses	22,951,440	2,499,032
Routine maintenance – other assets	548,909	-
Total	37,380,075	10,857,023

8 Finance costs

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

9 Gain on disposal of assets

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Cash and cash equivalents

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	1	35,761,940
Current account	9,558,687	38,232,298
Total cash and cash equivalents	9,558,688	73,994,238

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

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

Financial institution	Account number	FY 2020-2021	FY 2019-2020
		KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current Account-CBK			
Mwatate Municipality Urban Grant-Dev	1000386835	-	35,761,939
Mwatate Municipality Urban Inst Gr-Rec	1000370858	1	1
Sub- total		1	35,761,940
d) Current Account -KCB			
Taita Tvt County MTT MUNI.KUSP.UDG	1259752836	8,765,467	497,097
Taita Tvt County MTT MUNI.KUSP.UIG	1264488491	793,220	37,735,201
M Pesa		-	-
Sub- total		9,558,687	38,232,298
Grand total		9,558,688	73,994,238

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Receivables from exchange transactions

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Current Receivables		
Interest receivable		
Current loan repayments due		
Other exchange debtors		
Less: impairment allowance		
Total Current receivables	-	-
Non-Current receivables		
Long term loan repayments due		
Total Non-current receivables	-	-
Total receivables from exchange transactions	-	-

12 Prepayments

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Total	-	-

13 Inventories

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Property, plant and equipment

	Land and	Motor vehicles	Furniture and fittings	Computers and office equipment	Infrastructure	Total
	Buildings				Assets	
Cost	KShs	KShs	KShs			KShs
At 1st July 2019	-	-	-			-
Additions	1,918,021	9,360,000	-	-	39,632,657	50,910,678
Disposals	-	-	-		-	-
Transfers/adjustments	-	-	-		-	-
At 30th June 2020	1,918,021	9,360,000	-	-	39,632,657	50,910,678
At 1st July 2020	1,918,021	9,360,000	-	-	39,632,657	50,910,678
Additions	33,595,596	-	2,467,419	956,560		37,019,575
Disposals	-	-	-	-	-	-
Transfer/adjustments	-	-	-			-
At 30th June 2021	35,513,617	9,360,000	2,467,419	956,560	39,632,657	87,930,253
Depreciation and impairment						
At 1st July 2018	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
At 30th June 2019	-	-	-	-	-	-
At 1st July 2019	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-

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Transfer/adjustment	-	-	-	-	-	-
At 30th June 2020	-	-	-	-	-	-
Net book values						
At 30th June 2020	1,918,021	9,360,000	-	-	39,632,657	50,910,678
At 30th June 2021	35,513,617	9,360,000	2,467,419	956,560	39,632,657	87,930,253

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Intangible assets-software

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

16 Trade and other payables from exchange transactions

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	
Additional Provisions	-	-	-	
Provision utilized	-	-	-	
Change due to discount and time value for money	-	-	-	
Transfers from non -current provisions	-	-	-	
Total provisions	-	-	-	

18 Borrowings

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Balance at beginning of the period	-	
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period		-
Balance at end of the period	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	-	-
Sterling Pound denominated loan from 'yyy organisation'	-	-
Euro denominated loan from zzz organisation'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

Description	FY 2020-2021	FY 2019-2020
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Employee benefit obligations

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

20 Cash generated from operations

	FY 2020-2021	FY 2019-2020
	KShs	KShs
Surplus for the year before tax	-	-
Adjusted for:		
Depreciation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Related party balances

a) Related party transactions	FY 2020-2021	FY 2019-2020
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

b) Key management remuneration	FY 2020-2021	FY 2019-2020
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

c) Due from related parties	FY 2020-2021	FY 2019-2020
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

d) Due to related parties	FY 2020-2021	FY 2019-2020
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

22 Contingent assets and contingent liabilities

Contingent liabilities	FY 2020-2021	FY 2019-2020
	KShs	KShs
Court case against the Fund	-	-
Bank guarantees	-	-
Total	-	-

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15. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

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

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16. ANNEXES

ANNEX 1 – INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the County Executive of Taita Taveta County Government				
FY 2020/2021				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		30-Jun-20	8,800,000	FY 2019-20
		30-Jun-21	2,580,000	FY 2020-21
		Total	11,380,000	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		30-Jun-20	35,761,940	FY 2019-20
		30-Jun-21	7,384,101	FY 2020-21
		Total	43,146,040	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	

