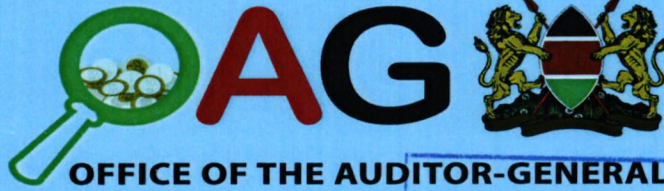


Scanned.

REPUBLIC OF KENYA



Enhancing Accountability

PAPERS LAID	
DATE	8/11/2022
TABLED BY	Senate Majority Whip
COMMITTEE	_____
CLERK AT THE TABLE	I. Mbaya

REPORT

PARLIAMENT
OF KENYA
LIBRARY

CLERK AT THE TABLE
COMMITTEE
TABLED BY
DATE
PAPERS LAID

OF

THE AUDITOR-GENERAL

ON

KWALE MUNICIPAL BOARD

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



OFFICE OF THE AUDITOR GENERAL
P.O. Box 95202, MOMBASA
24 AUG 2022
RECEIVED
COAST REGIONAL OFFICE



KWALE MUNICIPALITY BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2021

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

Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2021

Table of Contents

1. KEY ENTITY INFORMATION AND MANAGEMENT	2
2. THE BOARD OF TRUSTEES	5
3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES	11
4. MANAGEMENT TEAM	13
5. BOARD CHAIRPERSON'S REPORT	15
6. REPORT OF THE MUNICIPAL MANAGER	17
7. CORPORATE GOVERNANCE STATEMENT	19
8. MANAGEMENT DISCUSSION AND ANALYSIS	21
9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	23
10. REPORT OF THE BOARD OF TRUSTEES	26
11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	27
12. REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR KWALE MUNICIPALITY	29
13. FINANCIAL STATEMENTS	30
14. NOTES TO THE FINANCIAL STATEMENTS	56
15. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS	69
16. APPENDIX I: INTER-ENTITY TRANSFERS.....	70

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Kwale Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act 2011. The Municipality is wholly owned by the County Government of Kwale and is domiciled in Kenya.

The Municipality's objective is to

- i. Provide for efficient and accountable management of the affairs of the Municipality.
- ii. Provide for a governance mechanism that will enable the inhabitants of the Municipality to:
 - a. Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations.
 - b. Verify whether public resources and authority are utilized or exercised, as the case may be, to their satisfaction.
 - c. Enjoy efficiency in service delivery.
- iii. Vigorously pursue the developmental opportunities which are available in the Municipality and to institute such measures as are necessary for achieving public order, safety, security and the provisions of civic amenities, so as to enhance the quality of life of the inhabitants of the Municipality.
- iv. Provide a high standard of social services in a cost effective manner to the inhabitants of the Municipality.
- v. Promote social cohesiveness and a sense of civic duty and responsibility among the inhabitants and stakeholders in the Municipality in order to facilitate collective action and commitment towards achieving the goal of a harmonious and stable community.
- vi. Providing for services, laws and other matters for Municipality's benefit.
- vii. Fostering the economic, social and environmental well-being of its community

The Municipality's principal activities are:

- (a) Promotion, regulation and provision of refuse collection and solid waste management services;
- (b) Construction and maintenance of urban roads and associated infrastructure;
- (c) Construction and maintenance of storm drainage and flood controls;
- (d) Construction and maintenance of walkways and other non-motorized transport infrastructure;
- (e) Construction and maintenance of recreational parks and green spaces;
- (f) Construction and maintenance of street lighting;
- (g) Construction maintenance and regulation of traffic controls and parking facilities;

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

- (h) Construction and maintenance of bus stations and taxi stands;
- (i) Promotion, regulation and provision of animal control and welfare;
- (j) Any other function as may be delegated by the County Executive Committee.

b) Principal Activities

The principal activity/mission/ mandate of the Municipality is to

Vision

“Sustainable natural resource and land use management for wealth creation and a quality environment for every Kwale county citizen.”

Mission

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

Core Values

The Kwale Municipality upholds the values of transparency and accountability/integrity, inclusiveness and equity, empowerment, quality/result oriented and innovation.

c) Board of Trustees

Ref	Position	Name
1	Chairman of the Board	Seif Bendera Rocky
2	Chief Officer	Nuru Mboga Mohamed
3	Chief Officer finance	Alex Onduko Thomas
4	Committee Members	Annastansia Kanga
5	Committee Members	Mishi Koba
6	Committee Members	Salim Mwayogwe
7	Committee Members	Mwabudzuma Bakari
8	Municipal Manager	Mwanawani Sheti

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

d) Key Management

Ref	Position	Name
1	Mwanawani Sheti	Municipal Manager
2	Annastacia Maithya	Procurement Officer
3	Marago Filex	Accountant
4	Feisal Shibe	Works Officer (Projects Supervisor)

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Directorate Internal Audit	Alex Makanga
2	Internal Auditor	Faith Nzangi Musili
3		

f) Registered Offices

P.O. Box 4,
Kwale County Head Office
Likoni – Kinango Road
Kwale, KENYA

g) Fund Contacts

E-mail: kwale@kwale.go.ke
Website: www.kwalecountygov.com

h) Fund Bankers

1. Commercial Banks
KCB Bank
Kwale Branch
Account Number 1262607582
2. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

Nairobi, Kenya

i) Independent Auditors


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

j) Principal Legal Adviser



The County Legal Officer
Office of the Governor
P.O. Box 4 - 80403
Kwale.

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**



2. THE BOARD OF TRUSTEES

Name	Details of qualifications and experience
<p data-bbox="183 470 654 548">1. MR. STEPHEN BENDERA (Chairman)</p> 	<p data-bbox="678 470 1404 504">Date of Birth: 02/1953</p> <p data-bbox="678 515 1404 593">He went to Kwale primary school before proceeding to Sacred Heart High School in Mombasa</p> <p data-bbox="678 616 1404 750">In 1993, he went to the University of London to do Teachers Advisory Management. He also did Post Graduate Diploma of Education before undertaking Master's in Education Degree.</p> <p data-bbox="678 817 1404 996">Bendera is an all-round personality who has always taken personal initiative to assist Primary and Secondary students by offering talks to the students and also to the teachers on education management.</p> <p data-bbox="678 1019 1404 1153">He was given a Medal (Head of State Commendation) –HSC by President Kibaki because of his outstanding performance in the community.</p> <p data-bbox="678 1220 1404 1299">Bendera is an educationist who has worked in different portfolio in the field of education.</p> <p data-bbox="678 1321 1404 1456">He worked as a teacher for 11 years where he was promoted to the level of schools inspector in Kwale District and then to a Provincial Inspector of schools for 12 years.</p> <p data-bbox="678 1478 1404 1556">He has written several Primary Science Books and TAC TUTORS manuals which are been used in Kenyan schools.</p> <p data-bbox="678 1624 1404 1702">He was an Education Officer in National Museums of Kenya an initiative to conserve Kaya Forests.</p> <p data-bbox="678 1724 1404 1803">Bendera has also worked as a Project Manager Kenya Schools Improvement Project under the Aga Khan Foundation.</p> <p data-bbox="678 1825 1404 1859">He was a Director Kenya Maritime Authority for 6 years.</p> <p data-bbox="678 1881 1404 2004">Bendera has been and up to now is the Chairman of Board of Management (BOM) in several Schools within Kwale County.</p> <p data-bbox="678 2027 1404 2060">The trustee is an independent director.</p>




**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

<p>2.MR. BAKARI NASORO MWABUDZUMA (Member)</p> 	<p>Date of Birth: 15/09/1952</p> <p>Mr. Bakari Nasoro Mwabudzuma is a retired teacher (Retired in 2017). He holds a special Diploma in teaching (KISWAHILI).</p> <p>He:</p> <ol style="list-style-type: none"> I. Is an examiner KNEC. II. Has an experience of 35 years in teaching both in primary level (8 years) and secondary level (27years). III. Has a certificate in Guidance and Counselling from UON. IV. Is a community elder and a CHC- Bilashaka Unit. <p>VISION: To achieve the Municipality goals for the Kwale community and ensure the attainment of the best service deliveries.</p> <p>The trustee is an independent director.</p>
<p>3.MS. SAUMU BEJA MAHAJA (Member)</p> 	<p>Date of Birth: 16th April 1989</p> <p>She has a Master's degree in Environmental Studies Community Development and a Bachelor of Environmental Science from Kenyatta University.</p> <p>Her Professional Trainings and Certification include;</p> <ul style="list-style-type: none"> • Project Planning and Management Training by East African Institute of Certified Studies • Geo-Spatial Database Development and Management Training at the Regional Centre for Mapping and Resource Development Nairobi • Monitoring and Evaluation Training by East African Institute of Certified Studies <p>She is currently the County Executive Committee Member for Environment and Natural Resources For Kwale County.</p> <p>The trustee is an executive director.</p>
<p>3. MS. NURU MOHAMED MBOGAH (Member) – CO Environment</p>	<p>Date of Birth: 8th December, 1988</p> <p>She holds a Master of Science in Water Resources Engineering from the University of Dar es Salaam- Tanzania and a Certificate in Computer Maintenance and Networking</p>

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

	<p>Technology.</p> <p>She also holds a MSc. Dissertation - Defining Onset and End of Rainy Seasons in Tanzania. Bachelor of Science in Water and Environmental Engineering.</p> <p>She is currently the Chief Officer, Environment and Natural Resources at County Government of Kwale</p> <p>Experience:</p> <ul style="list-style-type: none"> • Water engineer and EIA associate at Manken Geohydrotech Consultants, Mombasa, Kenya. • Director of Programs – PDF Tanzania. • Program Director at PDF (People’s Development Forum) Tanzania. <p>The trustee is an executive director.</p>
<p>4. ANASTASIA KANGA STEPHEN (Member)</p> 	<p>Date of Birth: 25th October, 1970</p> <p>Madam Anastasia Kanga Stephen is a renowned Educationist with 20 years of experience in Special Schools and Learners with Disabilities. She holds a B.ED Honors degree in Special Education from the Kenyatta University and a Diploma, Special Education from the Kenya Institute of Special Education (KISE).</p> <p>M/s Anastasia is a member of the South Coast Residents Association; a Neighborhood Organization and voice of the Residents. She has also initiated Community Empowerment Programmes for the Girl Child in sections of Kwale County, addressing Education and Reproduction Health matters and Early Marriages. She is the Patron to <i>Muche Asome Initiative</i>, advocating for Girls Education.</p> <p>Her vision for the Kwale Municipality is Promotion of better Planning and Infrastructure, improved services to all the residents, with a special focus to Environment and Health, Education and Accountability.</p> <p>The trustee is an independent director.</p>
<p>5. MR.SALIM MWAYOGWE SAID (Member)</p>	<p>Date of Birth: 1st January, 1960</p> <p>EDUCATION BACK GROUND: Went to Kwale Primary School and Taru Secondary School.</p> <p>PROFESSIONAL BACKGROUND: Trained Teacher at Kericho T.T.C .and got P1. Has a diploma in ECD.</p> <p>Currently Chairman KNCCI and businessman at Kwale</p>

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

	<p>Director Zamunda H/w a Contraction company Chairman Mwaluganje Elephant Sanctuary. Formally chairman Kwale joint trade loan board</p> <p>RESPONSIBILITY : Kwale Municipality Board Member The trustee is an independent director.</p>
<p>6. MS. MISHI KOBWA (Member)</p> 	<p>Date of Birth: 11th April, 1985</p> <p>She holds a Diploma in Hairdressing and beauty is a member of Kwale Line SACCO and a prominent business lady.</p> <p>She is also a Director of County Classic boutique and SPA</p> <p>Vision: Is to achieve the goals of Municipalities by seeing the residents of Kwale enjoying the Municipality services an in equality</p> <p>RESPONSIBILITY : Kwale Municipality Board Member The trustee is an independent director.</p>
<p>7. MISS MWANAWANI RAMADHAN SHETI- (secretary) Municipal Manager</p> 	<p>Date of Birth: 2nd February, 1986</p> <p><u>CAREER AND EDUCATION OVERVIEW:</u> Mwanawani Ramadhan Sheti-Municipal Manager(Kwale Municipality)</p> <p><u>Education and Professional Qualification.</u></p> <ul style="list-style-type: none"> • Masters in Business Administration-Finance ;2010-2014 Kenyatta University • Bachelor of Education Science and Information Technology;2005-2009 Maseno University • Kenya Certificate of Secondary Education,(KCSE);2000-2003 Mama Ngina Girls High School <p><u>Professional Training and Certification:</u></p> <ul style="list-style-type: none"> • Certified Investment and Financial Analyst; Sec 3 • Information Communication Technology. <p><u>Professional Experience:</u> Municipal Manager-Kwale Municipality Kwale County Government; Dec, 2018 to date</p>

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

	<p>Fund Manager-Kilifi County Micro Finance Fund. Kilifi County Government; Sep 2018-Nov 2018 Lecturer-School of Business and Economics, Finance Department. Pwani University; Sep 2015-Sep 2018 Graduate Trainee-National Bank of Kenya; Nov 2010-Sep 2018. Deputy Returning/ Registration Officer. Interim Independent Electrol Commission; Jan 2010-Nov, 2010.</p> <p>The trustee is an executive director.</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 Municipality of Kwale shall have all the powers, general and special, governmental or proprietary, expressed or implied, which may be possessed or assumed by municipalities under the Urban Areas and Cities Act, the County Governments Act and the County of Kwale By-laws.

Kwale Municipality borrows heavily from the County's 2018-2022 CIDP. The CIDP identified strategic objectives through a participatory process that reviewed the development priorities of the Governor's Manifesto.

The key objects of the Kwale Municipality are to:-

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

The kwale municipality had an annual budget of kshs 55,745,478. Out of this Kshs. 1,689,120 was for recurrent while development was 54,056,358.

Progress on attainment of Strategic development objectives (Adopted from Kwale County)

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



**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

Below we provide the progress on attaining the stated objectives:



Objective	Description	Outcome	Indicator	Performance
Municipality Management	Inclusivity in running the municipality's affairs	Increased number of Kwale residents participating in the Municipality's affairs.	We have a project management/monitoring committee for the Municipality's projects	In FY 20/21 we increased the number of activities and people involved. The municipality was involved in the Kazi mtaani programme among others.
Preparation of Urban Plan for Kwale	To have planned and controlled development in Kwale Municipality			

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>1.MS. NURU MOHAMED MBOGAH (Member) – CO Environment</p> 	<p>Date of Birth: 8th December, 1988</p> <p>She holds a Master of Science in Water Resources Engineering from the University of Dar es Salaam-Tanzania and a Certificate in Computer Maintenance and Networking Technology.</p> <p>She also holds a MSc. Dissertation - Defining Onset and End of Rainy Seasons in Tanzania. Bachelor of Science in Water and Environmental Engineering.</p> <p>She is currently the Chief Officer, Environment and Natural Resources at County Government of Kwale</p>
<p>2. MWANAWANI RAMADHAN SHETI (Secretary) – Municipal Manager</p> 	<p>Date of Birth: 2nd February, 1986</p> <p><u>CAREER AND EDUCATION OVERVIEW:</u> Mwanawani Ramadhan Sheti-Municipal Manager(Kwale Municipality) <u>Education and Professional Qualification.</u></p> <ul style="list-style-type: none"> • Masters in Business Administration-Finance ;2010-2014 Kenyatta University • Bachelor of Education Science and Information Technology;2005-2009 Maseno University • Kenya Certificate of Secondary Education,(KCSE);2000-2003 Mama Ngina Girls High School <p><u>Professional Training and Certification:</u></p> <ul style="list-style-type: none"> • Certified Investment and Financial Analyst; Sec 3 • Information Communication Technology. <p><u>Professional Experience:</u> Municipal Manager-Kwale Municipality Kwale County Government; Dec, 2018 to date Fund Manager-Kilifi County Micro Finance Fund. Kilifi County Government; Sep 2018-Nov 2018 Lecturer-School of Business and Economics, Finance Department. Pwani University; Sep 2015-Sep 2018 Graduate Trainee-National Bank of Kenya; Nov 2010-</p>

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

	<p>Sep 2018. Deputy Returning/ Registration Officer. Interim Independent Electrol Commission; Jan 2010- Nov, 2010.</p>
<p>3. MR. FILEX MARAGO (Accountant)</p> 	<p>Date Of Birth 5/12/1975 Marital status – married Education & Professional Qualification Holds a bachelor’s degree in Business Administration (KEMU)</p> <ul style="list-style-type: none"> - CPA 1 - KCSE – Bujumba Secondary School - KCPE – Amagoro Primary <p>Experience</p> <ul style="list-style-type: none"> - Accountant Kwale County Government 2013 to date <p>Accountant defunct Kwale County Council, Nakuru Municipal council, Bungoma County Council and Malaba Town council 2005 - 2013</p>
<p>4. MS. ANNASTACIA MAITHYA (Procurement Officer)</p> 	<p>Date Of Birth – 23/07/1967 Marital Status – Married Education & Professional Information</p> <ul style="list-style-type: none"> - KCSE – Nyeri Technical Highschool - Holds Diploma in Procurement and Material Management - Bachelor of Business management supplies option - CPA 1 <p>Procurement Officer Kwale County</p>

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

5. BOARD CHAIRPERSON'S REPORT

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

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

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

Kwale Municipality has a board with a chairman. During the year there were formed committees such as the Audit committee, Finance economic and Human Resource Management committee, Technical and Strategy Committee, Investment trade and Environment committee in a bid to create an enabling structure to operationalize the municipality to realise its mandate. Each committee has a chair and they are as follows;

- Bakari Mwabudzuma -Chair Audit Committee
- Mishi Koba - Chair Technical and Strategy Committee
- Anastancia Kanga - Chair Finance, economic and Human Resources Management
- Salim Mwayogwe - Chair Investment, trade and Environment Committee

Kwale Municipality had a budget of Kshs. 55,745,478 with an actual realisation of Kshs. 38,086,774

The municipality managed to complete cabro paving of Kwale Posta – Masjid Muadh road whose contract award price was Kshs. 37,158,619. This project has been embraced by the community for it serves well the intended purpose.

The Municipality in future will focus on creating an enabling environment to attract, and work well with both internal and external investors. This will be achieved by improving on infrastructure and preparation of the Kwale County spatial plan which is underway.

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

Conclusion

FY 2020/2021 was a good year in general. Good progress was made and the momentum has been created to enable Kwale Municipality continue on a trajectory into prosperity. I want to appreciate the other county departments especially the department of Finance and Economic Planning for their support when it comes to financial matters.
Kwale Municipality has seen timely payment of contractors and suppliers

Signed: _____

SEIF ROCKY/BENDERA

Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.

6. REPORT OF THE MUNICIPAL MANAGER

Municipality of Kwale Board is composed of 7 members; Four members of the Board of the Municipality appointed through a competitive process by the County Executive Committee and approved by the County Assembly and nominated members from the following backgrounds:

- i. The chamber of commerce member Mr.Salim Mwayongwe is the representative of the private sector in the Kwale Municipality Board.
- ii. Md. Mishi Koba is a member of Kwale line SACCO association who is a representative of the informal sector in the Kwale Municipality Board.
- iii. Md. Anastancia Kanga is the representative of South Coast Neighbourhood associations in the Kwale Municipality board

The four members appointed through the competitive process and approved by the County Assembly are;

- i Mr.Seif Bendera
- ii Mr. Bakari Mwabudzuma
- iii Md.Saumu Beja
- iv Md.Nuru Mbogah

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
CARA	55,745,478	38,086,774	69%
Borrowings	-	-	-
Own generated revenues			
Total	55,745,478	38,086,774	69%

The Municipality has worked on the (Concrete paving blocks) road projects, Kwale Posta-Kwale Judiciary-Methodist Road for FY 18/19, and Kwale Posta-Masjid Muadhi road for FY 19/20.

- The projects will enhance the security and accessibility within the municipality.
- They created employment opportunities.
- They enhanced the aesthetics of the municipality
- They offered a by-pass from the main road
- They improved storm water drainage

The road project programme was implemented by the Kenya Urban Support Programme; Urban Development Grant which is a World bank grant for development projects. The Urban Development Grant was implemented through the Kwale Municipality.

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

The road project was a 0.7KM road that included a main carriage way, a walk way and a drainage system which benefited Kwale residents by;

- Enhancing their security and accessibility within the municipality.
- Creating employment opportunities.
- Enhancing the aesthetics of the municipality
- Offering them a by-pass from the main road,
- Improving storm water drainage.

The implementation challenges of strategic objectives for the County Entity and the entity's future outlook include:

- Insufficient budget allocation
- Weak institutional framework
- Inadequate staffs

Sub Programme	Key Outputs	Key performance Indicators	Baseline (Current Status)	Planned Targets	Resource Requirement (KSHS)
Tarmacking of National Cereals and Produce Board-Stadium-Culture Road.	Tarmacked road	Kilometres Tarmacked	0	2km Tarmacked	Ksh.35,000,000
Street Naming and Physical Addressing Model	Roads and streets Signage	-Number of streets Addressed	0	Fifty (50) Roads and Street Named	Ksh.10,000,000
Street lighting and Flood light.	-Security	-Flood lights.	-Flood lights in strategic places.		Ksh.7,000,000

The key risk management strategies include;

- Establishment of Project Management Committee for the Municipality projects
- Adherence to the Occupational safety and health protocols
- The establishment of an audit committee within the board.

Signed:  20/08/2022

Mwanawani Sheti
Municipal Manager

7. CORPORATE GOVERNANCE STATEMENT

A. Number of Fund Administration Committee meetings held and the attendance to those meetings by members.

The Kwale Municipality held all its quarterly meetings and there was an approximately 80% attendance to all of those meetings.

B. Succession plan.

When the Municipal Manager is temporarily disabled from acting as Municipal Manager or when the office of the Municipal Manager becomes vacant, the County Governor shall appoint a qualified person to be an Acting Municipal Manager. The County Governor shall inform the County Public Service Board of such appointment within seven (7) days. The Acting Municipal Manager shall have the authority and duties of the Municipal Manager, except that the Acting Municipal Manager may appoint or remove employees only with approval of the Board of the Municipality. An Acting Municipal Manager shall hold office for not more than six months.

C. Existence of a service charter.

The Municipality does not have a service charter.

D. Process of appointment and removal of trustees/ Administration Committee members.

The county governor shall, while considering the nominated members identified by the organizations specified, require the organizations to produce

- (a) signed minutes as evidence of an accountable process of nomination;
- (b) evidence of compliance with statutory obligations;
- (c) vetting form to establish that the nominee has complied with the prescribed criteria for appointment as a member of the board.

A board of a municipality shall be appointed by the county governor with the approval of the county assembly.

The administration committee members shall cease to be member if;

- Is unable to perform the functions of the office by reason of mental or physical infirmity;
- Is declared or becomes bankrupt or insolvent;
- Is convicted of a criminal offence and sentenced to a term of imprisonment of six months or more;
- Resigns in writing to the County Governor;
- Without reasonable cause, the member is absent from three consecutive meetings of the Board or Committee of the Board of the Municipality within one financial year;
- Is found guilty of professional misconduct by the relevant professional body;
- Is disqualified from holding a public office under the Constitution;

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

- Fails to declare his or her interest in any matter being considered or to be considered by the Board or Board Committees;
- Engages in any gross misconduct; or
- Dies.

E. Roles and functions of the Administration Committee members.

- (a) Promotion, regulation and provision of refuse collection and solid waste management services;
- (b) Construction and maintenance of urban roads and associated infrastructure;
- (c) Construction and maintenance of storm drainage and flood controls;
- (d) Construction and maintenance of walkways and other nonmotorized transport infrastructure;
- (e) Construction and maintenance of recreational parks and green spaces;
- (f) Construction and maintenance of street lighting;
- (g) Construction maintenance and regulation of traffic controls and parking facilities;
- (h) Construction and maintenance of bus stations and taxi stands;
- (i) Promotion, regulation and provision of animal control and welfare;

F. Induction and training, Administration Committee members and member's performance.

The administration committee members have so far satisfactorily undergone the following induction and trainings:

- K.U.S.P Induction
- Budget and Finance training
- Procurement and By-laws training

G. Conflict of interest,

There is a lack of clear designation and roles between county staffs and Municipality staffs.

H. Board remuneration,

The chairperson, vice chairperson and members of a board or town committee shall not receive a salary from the board or town committee but shall be paid such allowances and benefits as the county executive committee shall, with the approval of the county assembly, and on the advice of the Salaries and Remuneration Commission, determine.

I. Ethics and conduct as well as governance audit undertaken if any

The Municipality has undergone annual internal and external audit by auditor general.

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

8. MANAGEMENT DISCUSSION AND ANALYSIS

A. The operational and financial performance of the Fund/Board during the period.

Revenue classification	Revenue (KShs)	budget	Actual (KShs)	Realisation (%)
CARA	55,745,478		55,745,478	100%
Borrowings	-		-	-
Own generated revenues				
Total	55,745,478		55,745,478	100%

The Municipality has utilized 69% of the budget allocation. This was due to late disbursement of the Urban Development Grant (UDG) and the operationalization of the imprest account at KCB bank during the fourth quarter.

B. Entity's key projects or investments decision implemented or ongoing.

Item No.	Project/Activity Name	Name and Address of Contractor/Suppliers	Contract or Purchase Order No. & Date [or other Ref]	Brief Description of Goods, Works or Services	Total Value of Contract in Kshs	Project Status
1	PROPOSED CABRO LAYING OF KWALE POSTA - MASJID MUADH - SOCIAL SERVICES - MORTUARY ROAD IN KWALE TOWN	ABESTOS LTD	1811525	PROPOSED CABRO LAYING OF KWALE POSTA - MASJID MUADH - SOCIAL SERVICES - MORTUARY ROAD IN KWALE TOWN	36,251,045	Completed
2	EIA AND FEASIBILITY FOR THE PROPOSED CABRO LAYING OF KWALE POSTA - MASJID MUADH - SOCIAL SERVICES - MORTUARY ROAD IN KWALE TOWN	ENVASSES ENVIRONMENTAL CONSULTANTS	001/825085/2020-2021	EIA FOR THE PROPOSED CABRO LAYING OF KWALE POSTA - MASJID MUADH - SOCIAL SERVICES - MORTUARY ROAD IN KWALE TOWN	973,000	Completed

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

The Municipality has been audited and has prepared its quarterly reports in compliance with statutory requirements. The municipality did not face any major risks pertaining the Fund, material arrears in statutory and other financial obligations.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

1. Sustainability strategy and profile

The Kwale municipality is responsible for the provision and promotion of a clean environment for the business community. This is achieved through garbage collection, construction and maintenance of drainages and clearing bushes within the municipality. The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

2. Environmental performance

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

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

3. Employee welfare

Employee welfare is one area the municipality is yet to come up with the framework required. This is so because the municipality is still fully reliant on the county seconded staff for its operations. However, the following are ways through which employee welfare can be achieved:

- Having an optimal staff organization structure for effective and efficient public service delivery.
- Harmonization of job grading and remuneration through job evaluation and making recommendations to the Salaries and Remuneration Commission on remuneration, pensions and gratuities for county employees;
- Promotion of the National Values and Principles as espoused by Articles 10 and 232 of the Constitution of Kenya;
- Strengthening county public service in the management of county affairs by upholding the requirements of Chapter 6 of the Constitution on Leadership and Integrity by

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING (CONTINUED)

- recruiting and developing able and competent personnel with the highest standards of integrity;
- Regular monitoring, evaluation and reporting on the extent to which the National Values and Principles referred to in Articles 10 and 232 of the Constitution are compiled within the county public service;
- Facilitate disciplinary control over persons holding or acting in public service officers and ensuring the staff code of conduct is adhered to by all county employees; and
- Promoting coherent, integrated human resource planning and budgeting and carrying out staff audits to discourage incidences of “ghost workers” and advise the county government on human resources development and management.

4. Market place practices

The organisation should outline its efforts to:

a) Responsible competition practice.

Corruption Prevention

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

b) Responsible Supply chain and supplier relations

Explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices

d) Product stewardship

Outline efforts to safeguard consumer rights and interests

5. Community Engagements

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

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

10. REPORT OF THE BOARD OF TRUSTEES

10.1 Principal activities

The principal activities of the Fund are: -

- (a) Promotion, regulation and provision of refuse collection and solid waste management services;
- (b) Construction and maintenance of urban roads and associated infrastructure;
- (c) Construction and maintenance of storm drainage and flood controls;
- (d) Construction and maintenance of walkways and other nonmotorized transport infrastructure;
- (e) Construction and maintenance of recreational parks and green spaces;
- (f) Construction and maintenance of street lighting;
- (g) Construction maintenance and regulation of traffic controls and parking facilities;
- (h) Construction and maintenance of bus stations and taxi stands;
- (i) Promotion, regulation and provision of animal control and welfare;

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on pages 30 to 36.

10.3 Trustees

The members of the Board of Trustee who served during the year are shown on page 3. There were no changes in the Board during the financial year.

10.4 Auditors

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

By Order of the Board

Kwale Municipality

Sign: _____

Name: Seif Bendera

Chair of the Board/ Fund Administration Committee

Date: 22/8/2022

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Urban Areas and Cities Act 2011 shall prepare financial statements for the Municipality in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Manager of the County Public Fund is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 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 Municipality; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the 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 Municipality's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Urban Areas and Cities Act. The Manager of the Municipality is of the opinion that the Municipality's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date.

The Manager further confirm the completeness of the accounting records maintained for the Municipality, 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.

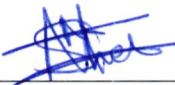
**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

In preparing the financial statements, the Manager of the County Public Fund has assessed the Municipality's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

Approval of the financial statements

The Municipality's financial statements were approved by the Board on 22/8
2022 and signed on its behalf by:

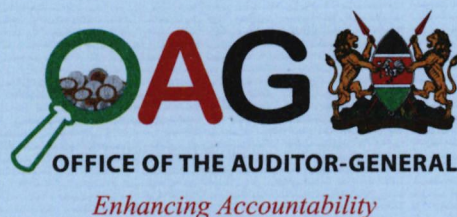
 22/08/2022.

Name: MWANAWANI SHETI

Municipal Manager

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KWALE MUNICIPAL 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

Qualified Opinion

I have audited the accompanying financial statements of Kwale Municipal Board set out on pages 30 to 69, which comprise of the 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kwale Municipal Board as at 30 June, 2021, and 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 Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Omission of Cash and Cash Equivalent Brought Forward

The statement of cash flows reflects cash and cash equivalents as at 30 June, 2021 balance of Kshs.31,406,244. However, the statement does not reflect cash and cash equivalent brought forward balance of Kshs.39,026,620 as at 1 July, 2021.

In the circumstances, the statement of cash flows as presented does not comply fully with the financial reporting guidelines and template issued by the Public Sector Accounting Standards Board.

2. Unsupported Revenue from Non-Exchange Transactions - Urban Development Grant Receipts

The statement of financial performance reflects public contributions and donations (donation from development partners) of Kshs.54,536,712 as disclosed in Note 1 to the financial statements. However, the schedule in support of the amount was not provided for audit. Further, the bank statements provided for audit review indicated receipts totalling Kshs.58,799,999. The resulting variance of Kshs.4,263,287 was not explained or reconciled.

In the circumstances, the accuracy and completeness of receipts from public contributions and donations (donation from development partners) of Kshs.54,536,712 could not be confirmed.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year reflects final budgeted revenue of Kshs.55,745,478 and actual revenue of Kshs.38,432,811 resulting to revenue shortfall of Kshs.17,312,667 or 16% of the budget. In addition, the statement reflects final budgeted expenditure of Kshs.54,056,358 and actual expenditure of Kshs.36,597,082 resulting to under-expenditure of Kshs.17,459,276 or 32% of the budget. Further, Kwale Solid Waste Management Policy, Kwale Municipal Plan and capital assets had budgeted for Kshs.12,000,000 for various programmes for the Municipality, however the amount was not released.

Based on the approved budget, the under receipt and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Operating without an Integrated Development Plan

The Board was established and continues to operate without an approved Urban Area Integrated Development Plan. This is contrary to Section 9(3)(b) of the Urban Areas and Cities Act, 2011 which provides that, a town is eligible for the conferment of municipal status under this Act if the town satisfies a number of criteria including having an integrated development plan in accordance with this Act.

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

2. Operating without Policies, Plans, Strategies, Programs and Bylaws

During the year under review, the Municipal Board operated without policies, plans, strategies and programs for service delivery. The Municipality also operated without bylaws passed by the Board of the Municipality as per the requirements of Kwale Municipal Charter Paragraph 4.1 on Legislative Authority on bylaws.

Further, the Board did not perform its functions fully and effectively during the year under review contrary to the provisions of Gazette Notice No.7383 dated 18 September, 2020 which required the Municipal Board to promote, regulate and provide refuse collection and solid waste management services among other activities.

In the circumstances, Management was in breach of Law.

3. Anomalies in Proposed Cabro Paving of Posta-Masjid Maud Mosque-Social Services - Mortuary Road

The statement of financial position and as disclosed under Note 15 reflects property, plant and equipment balance of Kshs.36,251,045 which relates to payments for the Proposed Cabro Paving of Kwale Post Office - Masjid Muadh - Kwale Social Services Road in Kwale town at a contract sum of Kshs.36,252,045. Records provided for audit indicated that the contract agreement was signed on 16 December, 2020 with a commencement date of 17 December, 2020 for a duration of six (6) months. However, Technical drawings of the road were not provided for audit and the road has uneven sections, an indication that proper compacting was not done during construction. IDB (Inverted Drainage Blocks) were also unevenly fixed and drainage channel were shallow, thus hindering water flow.

In the circumstances, Municipal Board did not receive value for money on amount of Kshs.36,251,045 spent on the project.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with 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 Board of Trustees

Management is responsible for the preparation and fair presentation of these financial statements in accordance 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 Board's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Board to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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 controls 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

19 September, 2022

Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.

13. FINANCIAL STATEMENTS

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

	Note	2020/2021	2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	54,536,712	100,000,000
Transfers from the County Government	2	32,264,139	12,000,000
Fines, penalties and other levies	3	-	-
		86,800,851	112,000,000
Revenue from exchange transactions			
Interest income	4	-	-
Other income	5	-	-
		-	-
Total revenue		86,800,851	112,000,000
Expenses			
Fund administration expenses	6	-	-
General expenses	7	1,835,729	2,173,380
Finance costs	8	-	-
Total expenses		1,835,729	2,173,380
Other gains/losses			
Gain/loss on disposal of assets	9	-	-
Surplus/(deficit) for the period		84,965,122	109,826,620

The notes set out on pages 57 to 69 form an integral part of these Financial Statements.


Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2021

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	10	31,406,244	39,026,620
Current portion of long- term receivables from exchange transactions	11	-	-
Receivables from Non- exchange transactions	12	88,107,833	70,800,000
Prepayments	13	-	-
Inventories	14	-	-
		119,514,077	109,826,620
Non-current assets			
Long term receivables from exchange transactions	11	-	-
Property, plant and equipment	15	36,251,045	-
Intangible assets	16	-	-
		36,251,045	-
Total assets		155,765,122	109,826,620
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
		-	-
Non-current liabilities			
Long term portion of borrowings	19	-	-
Non-current employee benefit obligation	20	-	-
Total liabilities		-	-
Net assets		155,765,122	109,826,620
Revolving Fund		-	-
Reserves			
Accumulated surplus		155,765,122	109,826,620
Total net assets and liabilities		155,765,122	109,826,620

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

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 22/8 2022 and signed by:

 22/08/2022

Municipal Manager

Name: Mwanawani Sheti



Fund Accountant

Name: Marago Filex

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	-	-	-	-
Surplus/(deficit) for the period	-	-	109,826,620	109,826,620
Funds received during the year	-	-		-
Revaluation gain	-	-		-
Balance as at 30 June 2020	-	-	109,826,620	109,826,620
Balance as at 1 July 2020	-	-	109,826,620	109,826,620
Surplus/(deficit) for the period	-	-	84,965,122	84,965,122
Funds received during the year	-	-	-	-
Revaluation gain	-	-		
Prior year adjustment (SBM Bank transferred to Lands dept.)			(39,026,620)	(39,026,620)
Balance as at 30 June 2021	-	-	155,765,122	155,765,122

Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2021

13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	54,536,712	100,000,000
Transfers from the County Government	2	32,264,139	12,000,000
Interest received	4	-	-
Receipts from other operating activities	5	-	-
Total Receipts		86,800,851	112,000,000
Payments			
Fund administration expenses	6	-	-
General expenses	7	(1,835,729)	(2,173,380)
Finance cost	8	-	-
Total Payments		(1,835,729)	(2,173,380)
Adjustment for			
Decrease/(Increase) in Accounts receivable:	24	(17,307,833)	(70,800,000)
Increase/(Decrease) in Accounts Payable:	25	-	-
Net cash flows from operating activities		67,657,289	39,026,620
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	15	(36,251,045)	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		(36,251,045)	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		31,406,244	39,026,620
Cash and cash equivalents at 1 JULY	10	-	-
Cash and cash equivalents at 30 JUNE	10	31,406,244	39,026,620

13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2021.

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilisation
	2021	2021	2021	2021	2021
	KShs	KShs	KShs	KShs	
Revenue					
Public contributions and donations	54,056,358	-	54,056,358	37,224,045	69%
Transfers from County Govt.	1,689,120	-	1,689,120	1,208,766	72%
Interest income	-	-	-	-	
Other income	-	-	-	-	
Total income	55,745,478	-	55,745,478	38,432,811	69%
Expenses					
Fund administration expenses					
General expenses	1,689,120		1,689,120	1,835,729	109%
Finance cost	-	-	-	-	
Total expenditure	1,689,120	-	1,689,120	1,835,729	109%
Surplus for the period	54,056,358	-	54,056,358	36,597,082	

Budget notes

The budget deficit of Kshs 21,397,734 was funded from the balance of cash brought forward from last financial year

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Municipal'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 Municipal. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/ Amendments : Applicable: 1st January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

<p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>	<p><i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i></p>
---	---

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)</i></p>

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

Standard	Effective date and impact:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

The Municipal did not adopt any new or amended standards in year 2020.

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 30th 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. Accordingly, the Fund recorded a reduction appropriation of ksh.3,310,880 on 30th June 2021 for the FY 2020/2021 budget following the governing body's approval.

The Municipal'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

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 13.5 Statement Of Comparison Of Budget And Actual Amounts For The Period Ended 30th June 2021 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.

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.

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or 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 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Municipality.

9. Provisions

Provisions are recognized when the Municipality 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 Municipality 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.

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Contingent liabilities

The Municipality 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 Municipality 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 Municipality 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 Municipality creates and maintains reserves in terms of specific requirements. Presently the Municipality has no reserves.

11. Changes in accounting policies and estimates

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

12. Employee benefits – Retirement benefit plans

The Municipality 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, 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Municipality 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

The preparation of the Municipality'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 Municipality 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 Municipality. 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:

- i) The condition of the asset based on the assessment of experts employed by the Municipality.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funding to replace the asset
- v) Changes in the market in relation to the asset

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

No provisions were raised by the management. 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 Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Municipality's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Municipality does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

a) Credit risk

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

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

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

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	-	-	-	-

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 doesn't have any significant concentration of credit risk.

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

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Liquidity risk management

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

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

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
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 Municipality doesn't have any transactional currency exposures.

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

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 Municipality'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 Municipality 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 Municipality 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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0.

f) Capital risk management

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

Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.

14. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2020/2021	2019/2020
	KShs	KShs
Donation from development partners	54,536,712	100,000,000
Contributions from the public		-
Total	54,536,712	100,000,000

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2020/2021	2019/2020
	KShs	KShs
Transfers from County Govt. – operations	31,055,373	-
Payments by County on behalf of the entity	1,208,766	12,000,000
Total	32,264,139	12,000,000

3. Fines, penalties and other levies

Description	2020/2021	2019/2020
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Levies	-	-
Licences	-	-
Total	-	-

(Provide brief explanation for this revenue)

4. Interest income

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	-	-

(Provide brief explanation for this revenue)

Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Other income

Description	2020/2021	2019/2020
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income (specify)	-	-
Total other income	-	-

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

6. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 6a)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	-	-
Total	-	-

6A. Staff costs

Description	2020/2021	2019/2020
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. General expenses

Description	2020/2021	2019/2020
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	608,100
Telecommunication	-	-
Bank Charges	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Consultacy fees	973,000	-
Other expenses- Daily Subsistence Allowance	862,729	1,565,280
Total	1,835,729	2,173,380

8. Finance costs

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

9. Gain/(loss) on disposal of assets

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

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account	31,406,244	39,026,620
Others		
Total cash and cash equivalents	31,406,244	39,026,620

(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	2020/2021	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 Development	1000385863	31,055,373	
Kenya Commercial Bank	'0672376625001		39,026,620
SBM Bank	1262607582	350,871	
Sub- total		31,406,244	39,026,620
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
Sub- total		-	-
Grand total		31,406,244	39,026,620



Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Receivables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Current Receivables		
County Treasury	-	-
Kenya Urban Support Program (KUSP)	-	-
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	-	-

Additional disclosure on interest receivable

Description	2020/2021	2019/2020
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due	-	-
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from Non-Exchange transaction

Description	2020/2021	2019/2020
	KShs	KShs
Transfer to County Executive	88,107,833	62,000,000
Kenya Urban Support Program (KUSP)		8,800,000
Total receivables from non-exchange transactions	88,107,833	70,800,000

13. Prepayments

Description	2020/2021	2019/2020
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
Total	-	-

14. Inventories

Description	2020/2021	2019/2020
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
Total inventories at the lower of cost and net realizable value	-	-

Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Roads	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2019	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
At 1st July 2020					
Additions	-	36,251,045	-	-	36,251,045
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30th June 2021	-	36,251,045	-	-	36,251,045
Depreciation and impairment					
At 1st July 2019	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
At 1st July 2020					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

	Land and Buildings	Roads	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 30 th June 2021	-	-	-	-	-
Net book values					
At 30 th June 2020	-	-	-	-	-
At 30 th June 2021	-	-	-	36,251,045	36,251,045

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2020/2021	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	-	-

17. Trade and other payables from exchange transactions

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

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year (1.07.2020)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non-current provisions	-	-	-	-
Balance at the end of the year (30.06.2021)	-	-	-	-

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2020/2021	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 domestic borrowings during the period	-	-
Balance at end of the period	-	-

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

	2020/2021	2019/2020
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'organisation'	-	-
Sterling Pound denominated loan from 'organisation'	-	-
Euro denominated loan from '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	2020/2021	2019/2020
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

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

21. Cash generated from operations

	2020/2021	2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	-	-
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
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)

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

	2020/2021	2019/2020
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	2020/2021	2019/2020
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

d) Due from related parties

	2020/2021	2019/2020
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
Total	-	-

e) Due to related parties

	2020/2021	2019/2020
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
Total	-	-

23. Contingent assets and contingent liabilities

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

24. (INCREASE)/ DECREASE IN ACCOUNT RECEIVABLES

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Receivables as at 1st July (a)	70,800,000	-
Receivables as at 30th June (b)	88,107,833	70,800,000
Increase)/ Decrease in Receivables (c=(a-b))	(17,307,833)	(70,800,000)

25. INCREASE/ (DECREASE) IN ACCOUNTS PAYABLES

	2020 - 2021	2019 - 2020
	KShs	KShs
Payables as at 1st July (a)	-	-
Payables as at 30th June (b)	-	-
Increase/ (Decrease) in payables c= b-a	-	-

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

**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	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

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

**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

16. APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME: _____				
Break down of Transfers from the County Executive of xxx 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>
			-	
		Total	-	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
		Total	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
		Total	-	

The above amounts have been communicated to and reconciled with the parent*Ministry.

Finance Manager
Kwale Municipality

Head of County Treasury at
County Government of Kwale

Sign -----

Sign-----



**Kwale Municipal Board
Reports and Financial Statements
For the year ended June 30, 2021.**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 Municipality is a County Public Fund established by Urban Areas and Cities Act 2011 under the Department of Environment and Natural Resources. Its ultimate parent is the County Government of Kwale.

20. Currency

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