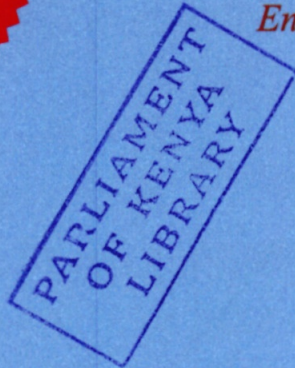


REPUBLIC OF KENYA



*Enhancing Accountability*



THE NATIONAL ASSEMBLY  
PAPERS LAID

**REPORT**

DATE: 05 DEC 2024 DAY: Thursday

TABLED  
BY:

Hon. Kimani Ichungwah  
(Leader of the Majority Party)

OF  
BROUGHT AT  
THE TABLE:

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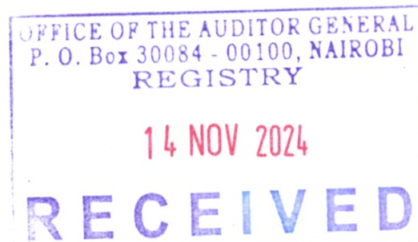
**THE AUDITOR-GENERAL**

**ON**

**SECOND KENYA INFORMAL SETTLEMENTS  
IMPROVEMENT PROJECT (IDA CREDIT  
NO.6759-KE)**

**FOR THE YEAR ENDED  
30 JUNE, 2024**

**STATE DEPARTMENT FOR HOUSING AND  
URBAN DEVELOPMENT**



**PROJECT NAME: SECOND KENYA INFORMAL SETTLEMENTS IMPROVEMENT PROJECT  
(KISIP 2)**

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

**PROJECT ID: P167814  
CREDIT NUMBER: 6759**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2024**

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

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*Second Kenya Informal Settlements Improvement Project*  
*Annual Report and Financial Statements for the financial year ended June 30, 2024*

**1. ACRONYMS AND DEFINITION OF TERMS**

AFD	French Development Agency
CBK	Central Bank of Kenya
Comparative FY	Financial year preceding the current financial year.
ICPAK	Institute of Certified Public Accountants of Kenya
IDA	International Development Association
IPSAS	International Public Sector Accounting Standards
KISIP 2	Second Kenya Informal Settlement Improvement Project
LICW	Labour Intensive Cash for Work
LP&LUDPs	Local Physical and land Use Development Plans
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SEC	Settlement Executive Committee
WB	World Bank

## **2. PROJECT INFORMATION AND OVERALL PERFORMANCE**

### **2.1 Name and registered office**

**Name:** The project's official name is Second Kenya Informal Settlements Improvement Project.

**Objective:** The key objective of the project is to improve access to basic services and tenure security of residents in participating urban informal settlements and strengthen institutional capacity for slum upgrading in Kenya.

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

The address of its registered office is:

Ardhi House,  
1st Ngong Avenue,  
Nairobi

#### **Contacts:**

The following are the project contacts:

P. O. Box 30119, 00100

Nairobi

Website: [www.housingandurban.go.ke](http://www.housingandurban.go.ke)

*Second Kenya Informal Settlements Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**2.2 Project Information**

<b>Project Start Date:</b>	The project start date is 15.02.2021
<b>Project End Date:</b>	The project end date is 15 12 2028
<b>Project Manager:</b>	The project manager is Mr. George Arwa
<b>Project Sponsor:</b>	The project sponsor is IDA, AFD and GoK.

**2.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the State Department for Housing and Urban Development.
Project number	P167814,
Strategic goals of the project	The strategic goals of the project are as follows: (i) Integrated settlement upgrading (ii) Socio-economic inclusion planning (iii) Institutional capacity development for slum upgrading
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Integrated settlement upgrading (ii) Socio-economic inclusion planning Institutional capacity development for slum upgrading
Other important background information of the project	The infrastructure upgrading component of the project is devolved to 23 counties
Areas that the project was formed to intervene	The project was formed to intervene in the following problems: (i) lack of security of tenure (ii) lack of physical infrastructure e.g. roads, foot paths, lighting, water, sewer and waste disposal
Project duration	The project started on 15 <sup>th</sup> February 2021 and is expected to run until 31 <sup>st</sup> July 2025 for IDA funds and December 2028 for AFD funds

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**2.4 Bankers**

The following are the bankers for the project:

Designated account: Central Bank of Kenya  
Account No. 1000487569  
Account No. 1000487698  
Account No. 1000497203  
Account No. 1000660783  
Account No. 1000660791

Project Account: Cooperative Bank of Kenya, Upper Hill Branch  
Account No. 01141164136100  
Account No. 01141164165900  
Account No. 01141164165800

**2.5 Independent Auditors**

The project is audited by the Auditor General

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

**2.6 Roles and Responsibilities**

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
George Arwa	Project Coordinator SDS Physical Planning	MA Environmental Management Bsc Land Survey BA Urban Planning ISK, AAK	Overall programme coordination.
Stella Gitimu	Deputy Coordinator and Head of Component 4 DD Slum Upgrading	MBA, BA Land Economics ISK	Manage component 4 activities and overall coordination.
Celestine Wanjala	Head of Component 1.1 Principal Cartographer	MA Planning, B-Tech Geoinformation, ISK, KIP	Manage component 1.1 activities
Zenah Kurui	Head of Component 2 AD Slum Upgrading	Msc Project Mgt, BA Urban and Regional Planning, KIP	Manage comp 2 activities
Elias Ragalo	Head of Component 3 DD Slum Upgrading	M A Environmental Mgt and Planning	Manage comp 3 activities
Martha Namusonge	Head of Component 1.2 AD Estates	Msc Project Mgt, B/land scape Arch, AAK, PMP	Manage component 1.2 activities
Wagura Theuri	Project Accountant AD SUD	MA, BA (Econ), ICPA(K)	Financial Management

*Second Kenya Informal Settlements Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

**2.7 Funding summary**

The Project is for duration of seven years from 2021 to 2028 with an approved budget of Euros 190.32M equivalent to Kshs 26,375,200,000 as highlighted in the table below:

Below is the funding summary:

**A. Source of Funds**

(i) Grant						
European Union	4,450,000	623,000,000	0	0	4,450,000	623,000,000
(ii) Loan						
IDA	127,390,000	17,834,600,000	58,033,285	8,357,482,609	69,356,715	9,477,117,391
AFD	45,000,000	6,300,000,000	305,000.00	47,455,895.50	44,695,000	6,252,544,105
(iii) Counterpart funds						
Government of Kenya	13,480,000	1,617,600,000	2,877,701	345,324,163	10,602,299	1,272,275,837
<b>Total</b>	<b>190,320,000</b>	<b>26,375,200,000</b>	<b>61,215,986</b>	<b>8,750,262,668</b>	<b>129,104,014</b>	<b>17,624,937,332</b>

*Second Kenya Informal Settlements Improvement Project*

*Annual Report and Financial Statements for the financial year ended June 30, 2024*

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**B. Application of Funds**

	Actuals (KSh)		Budget (KSh)		Variance (KSh)	
	2023	2024	2023	2024	2023	2024
<b>(i) Grant</b>						
European Union	-	-	-	-	-	-
<b>(ii) Loan</b>						
IDA	58,033,285	8,357,482,609	54,063,509	7,788,645,923	3,969,776	568,836,687
AFD	305,000	47,455,896	96,539	15,020,754	208,461	32,435,142
						-
<b>(iii) Counterpart funds</b>						
Government of Kenya	2,877,701	345,324,163	1,802,879	233,881,403	1,074,822	111,442,760
<b>Total</b>	<b>61,215,986</b>	<b>8,750,262,668</b>	<b>55,962,927</b>	<b>8,037,548,080</b>	<b>5,253,059</b>	<b>712,714,588</b>

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

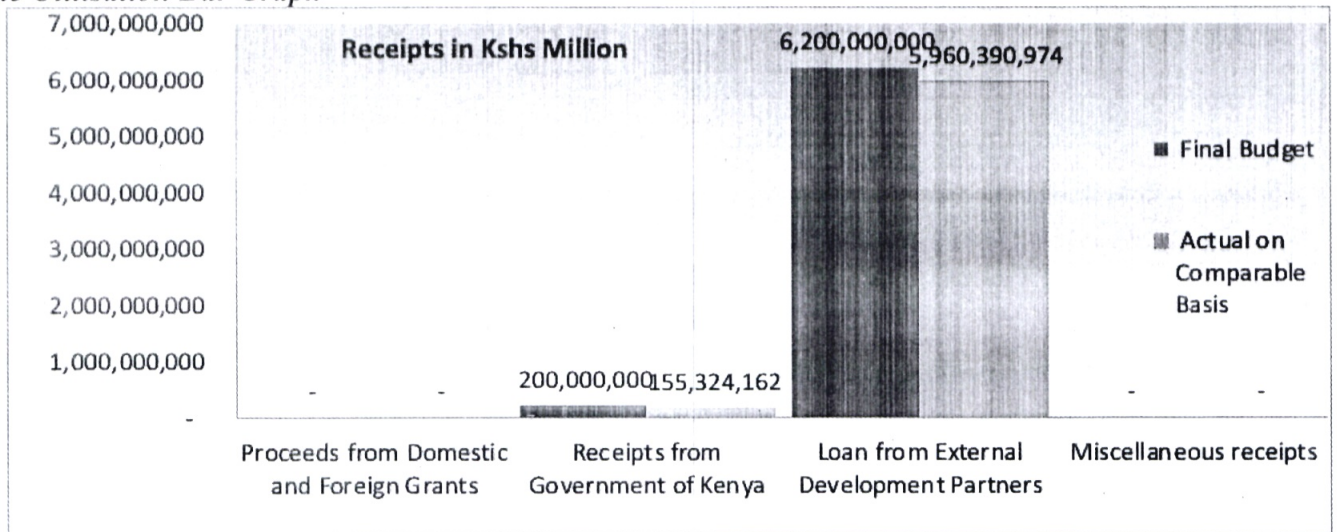
**2.8 Summary of Overall Project Performance:**

i) Budget performance against actual amounts for current year and for cumulative to-date,

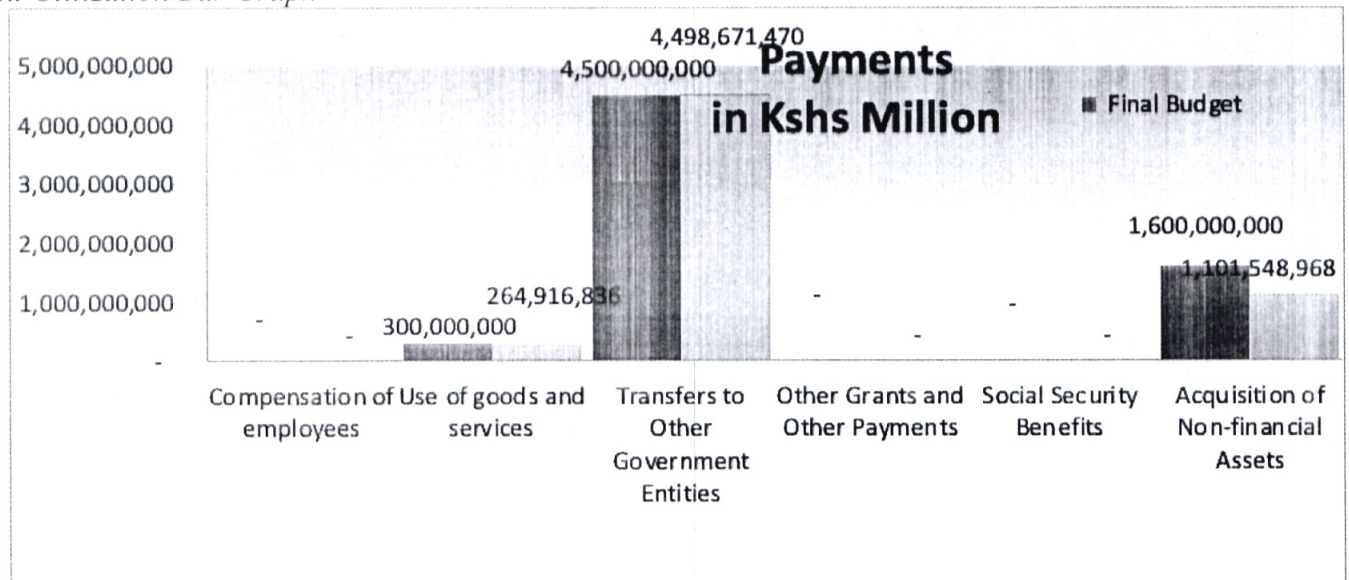
During the year under review, the Project received KShs 6,115,715,136 and incurred expenditure of KShs 5,865,137,273. The cumulative receipts and expenditures are Kshs. 8,750,262,668 and Kshs. 8,037,548,081 respectively.

**Receipts & Payments Utilization**

*Revenue Utilisation Bar Graph*



*Payment Utilization Bar Graph*



**ii) Physical progress based on outputs, outcomes and impacts since project commencement,**

During the reporting period, KISIP 2 made significant milestones in implementation of project activities. Under the component 1.1 Land Tenure Regularization, the key achievements during the year under review include; finalization of ground survey and beaconing and published the Notices for completion for Local Physical & Land Use Development Plans for all settlements under the initial four contracts; Participated in various stakeholders' engagement workshops for the presentation of the Draft Local Physical & Land Use Development Plans & final lists of beneficiaries in Tana River, Kilifi, Taita Taveta, Kiambu, Makueni, Machakos, Homa Bay, Trans Nzoia, Bungoma, West Pokot, and Tharaka Nithi counties; Participated in the presentations of the socio-economic survey findings to the counties and communities; Obtained approval of 30No. Local Physical & Land Use Development Plans. In addition, (13No.) settlements survey plans for in West Pokot, Homa Bay, Machakos, Makueni, Tharaka Nithi and Taita Taveta were submitted to the Director of Survey; A Land Information System (LIS) was also formed for all these settlements. As part of next steps, the project carried out Assessment and verification of the next batch of settlements (Phase IIB & IIC respectively) in Kwale, Tana River, Nakuru, Marsabit, Laikipia, Wajir, Kisii, Uasin Gishu, Turkana, Baringo, Machakos, Embu, Nyeri, Kirinyaga counties;

Under component 1.2 Infrastructure Upgrading, preparation of Infrastructure Upgrading Plans, Detailed Engineering Designs and Procurement Documents of Infrastructure Improvement Works in all selected Informal Settlements was completed; the designs led to procurement by county governments of upgrading works valued at combined cost of Kshs 15 Billion across all the 23 implementing counties. The contracts are at various stages of implementation. In addition, implementation of City-Wide Inclusive Sanitation (CWIS) in Malindi - Several consultative meetings between the County, NPCT, MAWASCO, WB and WASP were held to discuss the progress by MAWASCO and proposal on additional 100 toilets from an initial 100 toilets.

Under Component 2, Social Economic Inclusion, submission of Community Development Plans including sub-action namely Socio-Economic Inclusion Plans; Community Investment Plan; and Solid Waste Management for Nairobi and Nakuru Counties (8No. Settlements) and Kisumu and Kakamega Counties (11No. settlements) was done. These Community Development Plans will be implemented in phases. For Kilifi, the process to procure an operator to assist in implementation began and the technical and financial proposals by the bidders were received on 18th June, 2024. Field visits were undertaken in counties intended to benefit from Labour-Intensive Community Works (LICW) to verify and prioritize the proposed activities. These include 12No. counties namely: Nairobi, Meru, Uasin Gishu, Elgeyo Marakwet, Nyandarua, Mombasa, Trans Nzoia, Nakuru, Tharaka Nithi, Migori and Nyamira.

In Component 3, Institutional Capacity Development for Slum Upgrading, the final Slum Upgrading and Prevention Strategy for was developed and submitted for approval by the Accounting Officer and adoption by the Cabinet Secretary.

Under Component 4, Program Management, there was continuous support in key areas as environmental and social safeguards and monitoring and evaluation. NPCT continuously carried out consultative engagements with project stakeholders under various thematic areas. The key stakeholders engaged were County teams and the community through the Settlement Executive Committees (SEC) and Grievance Redress Committees (GRC).

*Second Kenya Informal Settlements Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

**iii) Absorption rate for each year since commencement of the project.**

The project is on the third year of the implementation period, absorption rate has been low but expected to pick up in the FY 2024/2025 as the bulk of procurement for the civil works is completed and mobilization started.

**iv) Implementation challenges and recommended way forward**

Challenges	Recommendations
Slow statutory approval of LP&LUDPs by County Assemblies.	NPCT engaged the council of Governors on the need of fast-tracking approval as per the agreed timelines.
Inadequate County commitment to support Project activities delaying consultants' actions.	The Project has embarked on training of the various key staffs who provide technical support to the project in the counties.
Changes in CPCTs composition caused gaps and disruptions in flow of information thereby causing delays on feedback from CPCT to NPCT	<ul style="list-style-type: none"> <li>• Sensitize the counties on the need to maintain a dedicated project team throughout project implementation.</li> <li>• Continuous sensitization and training of CPCTs</li> </ul>
Delays in implementation of RAP	<p>Avoid delays in preparation and approval of environmental and social safeguard requirements for commencement of Works.</p> <p>The counties must provide sufficient budget to cover the cost of RAP</p>
Funds flow process delaying disburseable amounts to counties posing cash flow challenges for the works contract.	The County Government Additional Allocation bill needs to be assented to early enough in the financial year to avoid the counties facing cash crunch for most of the year.

**2.9 Summary of Project Compliance:**

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

### 3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

#### Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the project are to:

1. To improve access to basic infrastructure services for residents in participating urban informal settlements
2. To improve tenure security of residents in participating urban informal
3. To strengthen institutional capacity for slum upgrading in Kenya.

#### Progress on attainment of Strategic development objectives

Project	Objective	Outcome	Indicator	Performance
Infrastructure upgrading	To improve access to basic services	Improved access within urban areas to improved infrastructure services	People provided with improved urban living conditions under the project, by gender	An estimated 309,743 no of people benefiting from 22 floodlights and 1400 street lights installed in 21 informal settlements across 5 counties.
Tenure security enhancement	To improve tenure security of residents in participating urban informal settlements	Enhanced ownership of land to pave way for infrastructure and housing development	People benefiting from enhanced security of tenure under the project, by gender	5,950 no of people from 30 settlements spread across 9 counties set to receive titles after 30 LP&LUDPs were approved and 30 RIMs amended

*Second Kenya Informal Settlements Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Develop National and County specific slum upgrading policies	To strengthen institutional capacity for slum upgrading in Kenya.	Improved access to drainage infrastructure within settlements	No. of counties where upcoming County Integrated Development Plans include slum upgrading strategies developed under the project	The national slum upgrading strategy was developed and 20 no of county specific upgrading strategies in the process of development.
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#### **4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

KISIP 2 exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on three pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar:

##### **(i) Sustainability strategy and profile**

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

##### **(ii) Environmental performance**

The project developed and implements an effective Environmental and Social Management Framework. This has facilitated resettlement of project affected persons including resettlement of structures and businesses. Compliance with the environmental policies and concerns are addressed through environmental impact assessments (EIAs), which further have the provisions for an effective Environmental Management Plans (EMP) to ensure sustainability of the KISIP projects. Additionally, under the Labour-Intensive Cash for Work activities, further safeguard protocols were developed for the implementation of the LICW/DPW programme. These have continued to be used even under the GoK financing of the digital public works of the programme.

##### **(iii) Employee welfare**

Projects implemented adhered to the provisions of the Occupational Safety and Health Act of 2007, (OSHA) and have enforced the same in construction and office environments in collaboration with the relevant agencies. Contractors are instructed to adhere to its provisions and also show evidence of compliance with the same.

The Public Service Commission (PSC) is in charge of hiring staff on behalf of MDA's. All staff are appraised on a yearly basis. Training is given especially for courses required for promotion or career progression.

The State Department conducted training projections at the beginning of every financial year to guide the Human resource department in nominating and selecting officers for training. Additionally, due to the dynamic nature of the economy the department undertook steps to proactively engage staff in training to ensure their skills conforms to the current needs. Staff performance appraisal is done annually to ensure that productivity meets the required standards upon which employee with exemplary performance are given priority for promotions.

**(iv) Market place practices-**

The organisation should outline its efforts to:

**a) Responsible Supply chain and supplier relations-**

The State Department proactively engaged stakeholders to ensure vital flow of information regarding payments. This ensures that accountability and transparency in procurement of goods and services is maintained between the involved parties. Upon completion of a project, the department ensures timely issuance of the completion certificate.

**b) Responsible ethical practice.**

The State department ensured fair competition among the bidders while issuing the tenders. The bidders are evaluated on set guidelines and given equal opportunity

The State Department for Housing and Urban Development has a Corruption Prevention Committee in place whose functions amongst others include:

- Setting priorities in the prevention of corruption within the State Department
- Planning and coordinating corruption prevention strategies
- Integrating all corruption prevention initiatives in the State Department
- Receiving and reviewing reports on corruption reports made by staff and other stakeholders. Evidence of concrete measures taken must be made available and referrals to other agencies well documented.
- Spearheading corruption prevention campaigns within the State Departments
- Monitoring and evaluating the impact of corruption prevention campaigns within the State Department

**c) Regulatory impact assessment**

The project has a robust safeguard mechanism to safeguard citizen and stakeholder's rights. A manual was developed in consultation with the participating county governments and the lenders. Dissemination of the manual has been done across participating counties for implementation.

**(v) Community Engagements**

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

*Second Kenya Informal Settlements Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

**5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Principal Secretary for the State Department for Housing and Urban Development and the Project Coordinator for Second Informal Settlements Improvement Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2024.

This responsibility includes (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the project; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

The Principal Secretary for the State Department for Housing and Urban Development and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2024, and of the Project's financial position as at that date. The Principal Secretary for the State Department for Housing and Urban Development and the Project Coordinator further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the Project financial statements**

The Project financial statements were approved by the Principal Secretary for the State Department for Housing and Urban Development and the Project Coordinator for Second Informal Settlement Improvements Project on 27<sup>th</sup> September, 2024 and signed by them.



Principal Secretary  
Name: Charles M. Hinga, CBS CA(SA)



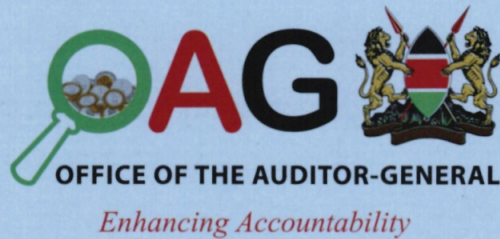
Project Coordinator  
Name: George Arwa



Project Accountant:  
Name: Wagura Theuri  
ICPAK No: 13047

# REPUBLIC OF KENYA

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Email: 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 SECOND KENYA INFORMAL SETTLEMENTS IMPROVEMENT PROJECT (IDA CREDIT NO.6759-KE) FOR THE YEAR ENDED 30 JUNE, 2024 – STATE DEPARTMENT FOR HOUSING AND URBAN DEVELOPMENT

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### 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Second Kenya Informal Settlements Improvement Project set out on pages 1 to 33, which comprise the statement

of financial assets and liabilities as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Second Kenya Informal Settlements Improvement Project as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Financing Agreement No. 6759-KE between Republic of Kenya and International Development Association (IDA).

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

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, 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 Information**

The Management is responsible for the other information set out on page iii to xvi which comprise of Project information and Overall Performance, Statement of Performance Against Predetermined Objectives. Environmental and Sustainability Reporting, and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Project's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

### **Conclusion**

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matter on the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, 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**

#### **Failure to Transfer Funds to Project Special Purpose Account**

The statement of receipts and payments and Note 9 to the financial statements reflects a balance of Kshs.4,498,671,470 in respect of Transfers to Other Government Entities. The funds were transferred to County Governments and was confirmed to have been received in the County Governments County Revenue Accounts. However, it was noted that five (5) County Governments did not transfer funds amounting to Kshs.427,373,055 to the County Special Purpose Accounts.

In the circumstances, Management was in breach of the Project Appraisal Document Annex 5 on detailed financial management Arrangement number 8 of the Financing Agreement which requires each County to open a project specific Special Purpose Account (SPA) from which all project payments will be made.

The audit was conducted in accordance with the ISSAI 3000 and ISSAI 4000. The standards 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Agency (IDA), I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of the intention 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.

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require

that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

14 November, 2024

*Second Kenya Informal Settlements Improvement Project  
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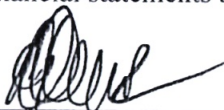
**7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2024**

	Note	2023/2024			2022/2023			Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
		KShs	KShs		KShs	KShs		KShs
<b>RECEIPTS</b>								
Transfer from Government entities	1	155,324,162	-	155,324,162	100,000,001	-	100,000,001	345,324,163
Proceeds from domestic and foreign grants	2	-	-	-	-	-	-	-
Loan from external development partners	3	5,960,390,974		5,960,390,974	2,300,000,000		2,300,000,000	8,404,938,505
Miscellaneous receipts	4	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>		<b>6,115,715,136</b>		<b>6,115,715,136</b>	<b>2,400,000,001</b>		<b>2,400,000,001</b>	<b>8,750,262,668</b>
<b>PAYMENTS</b>								
Compensation to employees	5	-	-	-	-	-	-	-
Purchase of goods and services	6	259,689,836		259,689,836	112,847,556		112,847,556	443,187,768
Social security benefits	7							
Acquisition of non-financial assets	8	1,106,775,968		1,106,775,968	658,410,834		658,410,834	1,803,625,141
Transfers to other government entities	9	4,498,671,470		4,498,671,470	1,292,063,703		1,292,063,703	5,790,735,173
Other grants and transfers/ payments	10							
<b>TOTAL PAYMENTS</b>		<b>5,865,137,273</b>		<b>5,865,137,273</b>	<b>2,063,322,093</b>		<b>2,063,322,093</b>	<b>8,037,548,081</b>
<b>SURPLUS/(DEFICIT)</b>		<b>250,577,863</b>		<b>250,577,863</b>	<b>336,677,908</b>		<b>336,677,908</b>	<b>712,714,587</b>

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



Principal Secretary  
Name: Charles M. Hinga, CBS, CA(SA)



Project Coordinator  
Name: George Arwa



Project Accountant  
Name: Wagura Theuri  
ICPAK Member No: 13047

*Second Kenya Informal Settlements Improvement Project  
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**8. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2024**

	Note	2023/2024	2022/2023
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
Cash and Cash Equivalents	11	712,714,587	462,136,724
Imprests and Advances	12	-	-
<b>Total Financial Assets (A)</b>		<b>712,714,587</b>	<b>462,136,724</b>
<b>FINANCIAL LIABILITIES</b>			
Third party Deposits and Retention	13	-	-
<b>Total Financial Liabilities (B)</b>		<b>-</b>	<b>-</b>
<b>Net Financial Assets (A-B)</b>		<b>712,714,587</b>	<b>462,136,724</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	14	462,136,724	125,458,816
Prior year adjustments	15	-	-
Surplus/(Deficit) for the year		250,577,863	336,677,908
<b>NET FINANCIAL POSITION</b>		<b>712,714,587</b>	<b>462,136,724</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 27<sup>th</sup> Sept, 2024 and signed by:



Name: Charles M. Hinga, CBS, CA(SA)  
Principal Secretary



Name: George Arwa  
Project Coordinator



Name: Wagura Theuri  
Project Accountant  
ICPAK Member No.13047

*Second Kenya Informal Settlements Improvement Project  
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**9. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2024**

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2024			
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Transfer from Government entities	1	155,324,162	100,000,001
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	-	-
<b>Total receipts</b>		<b>155,324,162</b>	<b>100,000,001</b>
<b>Payments</b>			
Compensation of employees	5	-	-
Purchase of goods and services	6	(259,689,836)	(112,847,556)
Social security benefits	7	-	-
Transfers to other government entities	9	(4,498,671,470)	(1,292,063,703)
Other grants and transfers	10	-	-
<b>Total Payments</b>		<b>(4,758,361,305)</b>	<b>(1,404,911,259)</b>
<b>Net receipts/(payments)</b>			
<b>Adjustments during the year</b>			
Prior Year Adjustments	15	-	-
Decrease/(Increase) in Accounts Receivable	16	-	-
Increase/(Decrease) in Accounts Payable:	17	-	-
<b>Net cash flow from operating activities</b>		<b>(4,758,361,305)</b>	<b>(1,304,911,258)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of non-financial Assets	8	(1,106,775,968)	(658,410,834)
<b>Net cash flows from Investing Activities</b>		<b>(1,106,775,968)</b>	<b>(658,410,834)</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	3	5,960,390,974	2,300,000,000
<b>Net cash flow from financing activities</b>		<b>5,960,390,974</b>	<b>2,300,000,000</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>250,577,863</b>	<b>336,677,908</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	11	<b>462,136,724</b>	<b>125,458,816</b>
<b>Cash and cash equivalent at END of the year</b>	11	<b>712,714,587</b>	<b>462,136,724</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27<sup>th</sup> Sept 2024 and signed by:



Name: Charles M. Hinga, CBS, CA(SA)  
Principal Secretary



Name: George Arwa  
Project Coordinator



Name: Wagura Theuri  
Project Accountant  
ICPAK Member No.13047

*Second Kenya Informal Settlements Improvement Project*  
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**10. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE  
YEAR ENDED 30TH JUNE 2024**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	e=a+b	d	e-e-d	f=d/e %
<b>Receipts</b>						
Transfer from Government entities	200,000,000	-	200,000,000	155,324,162	44,675,838	78%
Proceeds from domestic and foreign grants	-	-	-	-	-	-
Proceeds from borrowings	5,270,000,000	930,000,000	6,300,000,000	5,960,390,974	339,609,027	95%
Miscellaneous receipts	-	-	-	-	-	0%
<b>Total Receipts</b>	<b>5,470,000,000</b>	<b>930,000,000</b>	<b>6,500,000,000</b>	<b>6,115,715,136</b>	<b>384,284,864</b>	<b>94%</b>
<b>Payments</b>						
Compensation of employees	-	-	-	-	-	0%
Purchase of goods and services	280,000,000	-	280,000,000	259,689,836	20,310,165	93%
Social security benefits	-	-	-	-	-	0%
Acquisition of non-financial assets	1,920,000,000	(300,000,000)	1,620,000,000	1,106,775,968	513,224,032	68%
Transfers to other government entities	3,270,000,000	1,230,000,000	4,600,000,000	4,498,671,470	101,328,530	98%
Other grants and transfers	-	-	-	-	-	0%
<b>Total Payments</b>	<b>5,470,000,000</b>	<b>930,000,000</b>	<b>6,500,000,000</b>	<b>5,865,137,273</b>	<b>634,862,727</b>	<b>90%</b>
<b>Surplus or Deficit</b>	-	-	-	<b>250,577,863</b>	-	

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 2 to these financial statements.



Principal Secretary  
Date



Project Coordinator  
Date



Project Accountant  
Date

ICPAK Member No:13049

## **11. SIGNIFICANT ACCOUNTING POLICIES**

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

### **a) Statement of compliance and basis of preparation**

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

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

### **b) Reporting entity**

The financial statements are for the Second Kenya Informal Settlement Improvement Project under National Government of Kenya. The financial statements encompass the reporting entity Second Kenya Informal Settlement Improvement Project as required by Section 81/ Section 164 of the PFM Act, 2012.

### **c) Reporting currency**

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

### **d) Recognition of receipts**

The Project recognises all receipts from the various sources when the event occurs, and the related cash is received.

#### **i) Transfers from the Exchequer**

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

#### **ii) External Assistance**

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

#### **iii) Other receipts**

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

**Significant Accounting Policies (Continued)**

**iv) Donations and grants**

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

**v) Proceeds from borrowing**

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

**vi) Undrawn external assistance**

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

**e) Recognition of payments**

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

**i) Compensation to employees**

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

**ii) Use of goods and services**

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

**Significant Accounting Policies (Continued)**

**iii) Interest on borrowing**

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

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

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

**v) Acquisition of fixed assets**

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

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

**f) In-kind donations**

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

**g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**h) Restriction on cash**

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

### **Significant Accounting Policies (Continued)**

#### **i) Imprests and Advances**

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

#### **j) Contingent Liabilities**

A contingent liability is:

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

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 6** of this financial statement is a register of the contingent liabilities in the year.

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

#### **k) Contingent Assets**

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

#### **l) Pending bills**

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

**Significant Accounting Policies (Continued)**

**m) Budget**

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

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

**n) Third party payments**

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

During the year Kshs NIL being loan disbursements were received in form of direct payments from third parties.

**o) Exchange rate differences**

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

**p) Comparative figures**

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

**q) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2024.

**r) Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented in note 15 of these financial statements

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**12. NOTES TO THE FINANCIAL STATEMENTS**

**1. Transfers from Government entities**

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

<i>Counterpart funding through State Department for Housing and Urban Development</i>			
Counterpart funds Quarter 1	-	55,000,000	95,000,000
Counterpart funds Quarter 2	3,500,000	-	3,500,000
Counterpart funds Quarter 3	75,000,000	-	75,000,000
Counterpart funds Quarter 4	67,500,000	45,000,001	162,500,001
<b>Total (See Annex 3)</b>	<b><u>146,000,000</u></b>	<b><u>100,000,001</u></b>	<b><u>336,000,001</u></b>
<i>Other transfers from government entities</i>			
Transfer from KISIP 1	9,324,162	-	9,324,162
<b>Total</b>	<b><u>155,324,162</u></b>	<b><u>100,000,001</u></b>	<b><u>345,324,163</u></b>

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**Annual Report and Financial Statements for the financial year ended June 30, 2024**

**Notes to the Financial Statements (Continued)**

**2. Proceeds from Domestic And Foreign Grants**

During the 12 months to 30<sup>th</sup> June 2024, we received grants from donors as detailed in the table below:

Name of Donors	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs		Cumulative to date
						2023/24	2022/23	
						KShs	KShs	
Grants Received from Bilateral Donors (Foreign Governments)								
Grants Received from Multilateral Donors (International Organizations)								
SIDA		-	-	-	-	-	-	
Grants Received from Local Individuals and organizations								
<b>Total</b>		-	-	-	-	-	-	

*There were no proceeds from grants*

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**Notes to the Financial Statements (Continued)**

**3. Loan from External Development Partners**

During the financial period to 30<sup>th</sup> June 2024, we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in US\$	Loans received in KSh	Loans received in US\$	Loans received in KSh
<b>Loans Received from Bilateral Donors (Foreign Governments)</b>						
<b>Loans Received from Multilateral Donors (International Organisations)</b>						
IDA	14/12/2023	3,370,000	557,368,007		557,368,007	
IDA	20/03/2024	9,658	1,404,802		1,404,802	
IDA	21/03/2024	6,753,580	1,015,816,752		1,015,816,752	
IDA	06/05/2024	5,422,000	773,343,655		773,343,655	
IDA	06/05/2024	6,000,000	855,490,800		855,490,800	
IDA	20/06/2024	18,820,000	2,607,546,758		2,607,546,758	
IDA	05/07/2024	740,000	101,964,304		101,964,304	
IDA					2,300,000,000	8,357,482,609
		<b>41,115,238</b>	<b>5,912,935,078</b>		<b>5,912,935,078</b>	<b>2,300,000,000</b>
French Development Agency (AFD)	20/03/2024	305,000	47,455,896	-	47,455,896	-
<b>Total</b>		<b>41,420,238</b>	<b>5,960,390,974</b>		<b>5,960,390,974</b>	<b>2,300,000,000</b>
						<b>8,404,938,505</b>

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**Notes to the Financial Statements (Continued)**

**4. Miscellaneous Receipts**

Description	2023/2024			2022/2023	
	Receipts controlled by the entity KShs	Receipts controlled by third parties KShs	Total Receipts KShs	Total Receipts KShs	Cumulative to-date (from inception) KShs
Property income	-	-	-	-	-
Sales of goods and services	-	-	-	-	-
Administrative fees and charges	-	-	-	-	-
Fines, penalties and forfeitures	-	-	-	-	-
Voluntary transfers other than grants	-	-	-	-	-
Other receipts not classified elsewhere	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

*There were no miscellaneous receipts*

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**Notes to the Financial Statements (continued)**

**5. Compensation to Employees**

	Payments made by the Entity in Cash	Payments made by third parties			
	KShs	KShs	KShs	KShs	KShs
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	-
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances paid as reimbursements	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Other personnel payments	-	-	-	-	-
<b>Total</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>

*There were no payments as compensation to employees.*

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**Notes to the Financial Statements (continued)**

**6. Purchase of Goods and Services**

	2023/2024			2022/2023	
	Payments made by the entity in cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	8,058,623	-	8,058,623	7,833,987	23,261,455
Communication, supplies and services	3,541,000	-	3,541,000	5,819,835	13,846,845
Domestic travel and subsistence	216,143,418	-	216,143,418	74,681,715	329,192,741
Foreign travel and subsistence	-	-	-	-	-
Printing, advertising and information supplies	13,553,985	-	13,553,985	12,471,851	38,139,674
Rentals of produced assets	-	-	-	-	-
Training payments	-	-	-	-	71,000
Hospitality supplies and services	-	-	-	-	-
Insurance costs	1,827,300	-	1,827,300	1,893,384	3,720,684
Specialized materials and services	-	-	-	-	-
Other operating payments	-	-	-	-	-
Routine maintenance – vehicles and other transport equipment	16,565,510	-	16,565,510	10,146,784	34,955,369
Routine maintenance- other assets	-	-	-	-	-
Exchange rate losses/gains (net)	-	-	-	-	-
<b>Total</b>	<b><u>259,689,836</u></b>	<b>=</b>	<b><u>259,689,836</u></b>	<b><u>112,847,556</u></b>	<b><u>443,187,768</u></b>

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**Notes to the Financial Statements (Continued)**

**7. Social Security Benefits**

	2023/2024		2022/2023		2021/2022	
	Payments made by the Entity in Cash KShs	Payments made by third parties KShs	Payments KShs	Payments KShs	Payments KShs	Payments KShs
Government pension and retirement benefits	-	-	-	-	-	-
Social security benefits in cash and in kind	-	-	-	-	-	-
Employer social benefits in cash and in kind	-	-	-	-	-	-
<b>Total</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>

*There were no payments for social security benefits*

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**Notes to the Financial Statements (Continued)**

**8. Acquisition of Non-Financial Assets**

Description	2023/2024		2022/2023		Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Purchase of buildings	-	-	-	-	-
Construction of buildings	-	-	-	-	-
Refurbishment of buildings	-	-	-	-	-
Construction of roads	-	-	-	-	-
Construction of civil works	-	-	-	-	-
Overhaul & refurbishment of construction and civil works	-	-	-	-	-
Purchase of vehicles & other transport equipment	12,434,474	-	12,434,474	33,797,598	51,932,072
Overhaul of vehicles & other transport equipment	-	-	-	-	-
Purchase of household furniture & institutional equipment	-	-	-	-	-
Purchase of office furniture & general equipment	75,084,612	-	75,084,612	3,195,500	86,109,662
Purchase of specialised plant, equipment and machinery	-	-	-	-	-
Rehabilitation & renovation of plant, equipment & machinery	-	-	-	-	-
Purchase of certified seeds, breeding stock and live animals	-	-	-	-	-
Research, studies, project preparation, design & supervision	1,019,256,882	-	1,019,256,882	621,417,736	1,665,583,407
Rehabilitation of civil works	-	-	-	-	-
Acquisition of strategic stocks	-	-	-	-	-
Acquisition of land	-	-	-	-	-
Acquisition of other intangible assets	-	-	-	-	-
<b>Total</b>	<b><u>1,106,775,968</u></b>	<b>=</b>	<b><u>1,106,775,968</u></b>	<b><u>658,410,834</u></b>	<b><u>1,803,625,141</u></b>

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**Notes to the Financial Statements (continued)**

**9. Transfers to other Government Entities**

During the financial period to 30 June 2024, we transferred funds to reporting government entities as shown below:

	Payments made by the Entity in KShs	Payments made by third parties in KShs	Total in KShs	Payments made by the Entity in US\$	Total in US\$
	KShs	KShs	KShs	KShs	KShs
<b>Transfers to National Government entities</b>					
<b>Transfers to County Governments</b>					
NAIROBI	398,671,470		398,671,470	100,000,000	498,671,470
MOMBASA	320,000,000		320,000,000	92,063,703	412,063,703
NAKURU	250,000,000		250,000,000	200,000,000	450,000,000
KISUMU	300,000,000		300,000,000	200,000,000	500,000,000
KILIFI	250,000,000		250,000,000	200,000,000	450,000,000
KAKAMEGA	140,000,000		140,000,000	50,000,000	190,000,000
KIAMBU	200,000,000		200,000,000	40,456,908	240,456,908
UASIN GISHU	530,000,000		530,000,000	50,000,000	580,000,000
TRANS-NZOIA	300,000,000		300,000,000	50,000,000	350,000,000
WAJIR	180,000,000		180,000,000	50,000,000	230,000,000
MERU	67,546,296		67,546,296	20,000,000	87,546,296
HOMABAY	430,000,000		430,000,000	30,000,000	460,000,000
TAITA TAVETA	60,000,000		60,000,000	30,000,000	90,000,000
LAMU	150,000,000		150,000,000	50,000,000	200,000,000
KAJIADO	100,000,000		100,000,000		100,000,000
BUNGOMA	82,599,830		82,599,830	30,000,000	112,599,830
NYERI	135,648,946		135,648,946	30,000,000	165,648,946
THARAKA NITHI	92,630,231		92,630,231	20,000,000	112,630,231
KWALE	112,211,667		112,211,667		112,211,667
NYANDARUA	117,308,355		117,308,355	25,000,000	142,308,355
NYAMIRA	112,082,214		112,082,214		112,082,214
ELGEYO MARAKWET	94,224,456		94,224,456	8,024,004	102,248,460
NANDI	75,748,004		75,748,004	16,519,088	92,267,093
<b>Sub- Total</b>	<b>4,498,671,470</b>	<b>-</b>	<b>4,498,671,470</b>	<b>1,292,063,703</b>	<b>5,790,735,173</b>
<b>TOTAL</b>	<b>4,498,671,470</b>	<b>-</b>	<b>4,498,671,470</b>	<b>1,292,063,703</b>	<b>5,790,735,132</b>

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

Notes to the Financial Statements (Continued)

10. Other grants and Transfers and Payments

	2023/2024		2022/2023		Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government e.g schools	-	-	-	-	-
Miscellaneous payments	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

There were no other grants, transfers and payments benefits

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**Notes to the Financial Statements (Continued)**

**11. Cash and Cash Equivalents**

Bank accounts (Note 11A)	712,714,587	462,136,724
Cash in hand (Note 11B)	-	-
Cash equivalents (short-term deposits) (Note 11C)	-	-
<b>Total</b>	<b><u>712,714,587</u></b>	<b><u>462,136,724</u></b>

The project has 3 number of project account spread within the project implementation area and five number of foreign currency designated accounts managed by the National Treasury as listed below:

**11. A Bank Accounts**

**Project Bank Accounts**

<b><u>Foreign Currency Accounts</u></b>		
Central Bank of Kenya [A/c No:]	-	-
<b>Total Foreign Currency balances</b>	<b>-</b>	<b>-</b>
<b><u>Local Currency Accounts</u></b>		
Co-operative Bank of Kenya [A/c No. 01141164136100]	138,127,900	61,848,449
Co-operative Bank of Kenya [A/c No. 01141164165900]	501,213,231	329,444,301
Co-operative Bank of Kenya [A/c No. 01141164165800]	67,623,455	68,293,974
Others ( <i>amount held by Bank as collateral</i> )	5,750,000	2,550,000
<b>Total local currency balances</b>	<b><u>712,714,587</u></b>	<b><u>462,136,724</u></b>
<b>Total bank account balances</b>	<b><u>712,714,587</u></b>	<b><u>462,136,724</u></b>

## Notes to the Financial Statements (Continued)

### Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2024 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

#### Special Deposit Accounts Movement Schedule

	2023/2024	2022/2023
	KShs	KShs
<b>(i) Central Bank of Kenya [A/c No 1000487569] DA-A NG</b>		
Opening balance	268,011,395	-
Total amount deposited in the account	2,362,081,474	1,202,700,790
Total amount withdrawn (as per Statement of Receipts & Payments)	1,412,858,807	933,545,091
Withdrawn but in transit at exchequer	-	1,404,802
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>1,217,234,061</u></b>	<b><u>267,750,897</u></b>
<b>(ii) Central Bank of Kenya [A/c No 1000487698] DA-B CG</b>		
Opening balance (as per the SDA reconciliation)	106,824,288	-
Total amount deposited in the account	4,823,658,934	1,404,410,922
Total amount withdrawn (as per Statement of Receipts & Payments)	4,498,671,469	1,292,063,703
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>431,811,752</u></b>	<b><u>112,347,219</u></b>
<b>(iii) Central Bank of Kenya [A/c No 1000497203] DA-C LICW</b>		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	74,391,206
Total amount withdrawn (as per Statement of Receipts & Payments)	-	74,391,206
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b>=</b>	<b>=</b>
<b>(iii) Central Bank of Kenya [A/c No 1000497203] AFD NG</b>		
Opening balance (as per the SDA reconciliation)	155,593,100	-
Total amount deposited in the account	-	155,593,100
Total amount withdrawn (as per Statement of Receipts & Payments)	47,455,895	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>108,137,205</u></b>	<b><u>155,593,100</u></b>
<b>(iii) Central Bank of Kenya [A/c No 1000497203] AFD CG</b>		
Opening balance (as per the SDA reconciliation)	280,000,000	-
Total amount deposited in the account	-	280,000,000
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>280,000,000</u></b>	<b><u>280,000,000</u></b>

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

*\*\*The opening balances are restated based on average forex rate for withdrawn funds.*

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Notes to the Financial Statements (Continued)

11 B Cash in Hand

Description		
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations ( <i>specify</i> )	-	-
<b>Total cash balances</b>	<b>=</b>	<b>=</b>

*There was no cash in hand*

11 C Cash equivalents (short-term deposits)

Description		
	-	-
	-	-
Others ( <i>Specify</i> )	-	-
<b>Total</b>	<b>=</b>	<b>=</b>

*There were no short-term deposits*

12. Imprests and Advances

Description		
Government Imprests	-	-
Salary advances	-	-
<b>Total</b>	<b>=</b>	<b>=</b>

*There was no outstanding imprest as at the 30<sup>th</sup> June 2024*

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**Notes to the Financial Statements (Continued)**

**12A: Breakdown of Imprests and Advances**

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2024</i>	<i>Balance 2023</i>
			-	-	-
			-	-	-
<b>Total</b>	=	=	=	=	=

**13. Third Party Deposits and Retention**

<i>Description</i>	<i>2023/2024</i>	<i>2022/2023</i>
	<i>Kshs</i>	<i>Kshs</i>
Retention	-	-
Deposits	-	-
<b>Total</b>	=	=
<b>Ageing analysis:</b>		
Under one year		
1-2 years		
2-3 years		
Over 3 years		
<b>Total</b>		

*The project does not have third party deposits and retention monies*

**14. Fund Balance Brought Forward**

<i>Description</i>	<i>2023/2024</i>	<i>2022/2023</i>
	<i>KShs</i>	<i>KShs</i>
Bank accounts	462,136,724	124,293,636
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	1,165,180
Deposits and retention		
<b>Total</b>	<b>462,136,724</b>	<b>125,458,816</b>

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**Notes to the Financial Statements (Continued)**

**15. Prior Year Adjustment**

Description of the error	Balance of FY	Adjustments	Balance of FY
	2022/2023 as per Financial Statements KSh	KSh	2022/2023 as per Financial Statements KSh
Bank account Balances	-	-	-
Cash in hand	-	-	-
Imprests and advances	-	-	-
Deposits and retentions	-	-	-
Others ( <i>specify</i> )	-	-	-
<b>Total</b>	<b>=</b>	<b>=</b>	<b>=</b>

*There are no adjustments.*

**16. Changes in Accounts Receivables (Imprests and Advances)**

Description		
Opening Receivables as at 1 <sup>st</sup> July 2023	-	1,165,180
Closing account receivables as at 30 <sup>th</sup> June 2024	-	-
<b>Change in Imprests and advances</b>	<b>=</b>	<b>(1,165,180)</b>

*There were no outstanding imprests and advances in the beginning and end of the reporting period.*

**17. Changes in Accounts Payables (Deposits and Retention)**

Description		
Deposit and Retentions as at 1 <sup>st</sup> July 2023	-	-
Closing accounts payables as at 30 <sup>th</sup> June 2024	-	-
<b>Change in deposit and retention</b>	<b>=</b>	<b>=</b>

*The project does not have third party deposits and retention monies*

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**OTHER IMPORTANT DISCLOSURES**

**18. Pending Accounts Payable (See Annex 4a)**

Description	Balance b/f FY 2022/2023 Kshs	Additions for the period Kshs	Paid during the year Kshs	Balance c/f FY 2023/2024 Kshs
Construction of buildings	-	-	-	-
Construction of civil works	-	-	-	-
Supply of goods	-	-	-	-
Supply of services	-	-	-	-
<b>Total</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>

*There were no pending accounts payable as at 30<sup>th</sup> June 2024*

**19. Pending Staff Payables (See Annex 4b)**

Description	Balance b/f FY 2022/2023 Kshs	Additions for the period Kshs	Paid during the year Kshs	Balance c/f FY 2023/2024 Kshs
Senior management	-	-	-	-
Middle management	-	-	-	-
Union employees	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>=</b>

*There were no pending staff payables as at 30<sup>th</sup> June 2024*

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**Other Important Disclosures (Continued)**

**20. Other Pending Payables (See Annex 4c)**

Description	Balance B/F FY		Additions/De-	
	2022	2023	the period	deductions
	Kshs		Kshs	
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**21. External Assistance**

Description	Kshs	
External assistance received as grants	-	-
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*There was no external assistance*

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**Other Important Disclosures (Continued)**

*a). External assistance relating loans and grants*

	FY 2023/2024		FY 2022/2023	
	Kshs		Kshs	
External assistance received as loans	-	-	-	-
External assistance received as grants	-	-	-	-
<b>Total</b>	-	-	-	-

*There was no external assistance*

*b) Undrawn external assistance*

Description	Purpose for which the undrawn external assistance may be used	FY 2023/2024		FY 2022/2023	
		Kshs		Kshs	
Undrawn external assistance - loans		-	-	-	-
Undrawn external assistance - grants		-	-	-	-
<b>Total</b>		-	-	-	-

*There was no external assistance*

*c) classes of providers of external assistance*

Description	FY 2023/2024		FY 2022/2023	
	Kshs		Kshs	
Multilateral donors	-	-	-	-
Bilateral donors	-	-	-	-
International assistance organization	-	-	-	-
NGOs	-	-	-	-
National Assistance Organization	-	-	-	-
<b>Total</b>	-	-	-	-

*There was no external assistance*

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**Other Important Disclosures (Continued)**

*d. Non-monetary external assistance*

Description	2023	2022
Goods	-	-
Services	-	-
<b>Total</b>	-	-

*There was no external assistance*

*e Purpose and use of external assistance*

Payments Made by Third Parties		
Compensation of Employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to Other Government Units	-	-
Other grants and transfers	-	-
Social Security Benefits	-	-
Acquisition of Assets	-	-
Finance Costs, including Loan Interest	-	-
Repayment of principal on Domestic and Foreign borrowing	-	-
Other Payments	-	-
<b>TOTAL</b>	-	-

*There was no external assistance*

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**Other Important Disclosures (Continued)**

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

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

	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
<b>Total</b>	-	-

*There was no external assistance paid by third parties*

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**22. Payments by Third Party on Behalf of The Project**

*This relates to payments done directly to supplier on behalf of the project such as; national government may fund the operation of health or education program; a donor may pay directly for construction of a given activity*

**22.1 Classification by Source**

Description	FY 2023/2024	FY 2022/2023
National government		
Multilateral donors		
Bilateral donors		
International assistance organization		
NGOs		
National Assistance Organization		
<b>Total</b>		

*There were no payments by third parties*

**22.2 Classification of payments made by Third Parties by Nature of expenses**

Description	FY 2023/2024	FY 2022/2023
Compensation of employees		
Use of goods and services		
Subsidies		
Transfers to other government units		
Other grants and transfers		
Social security benefits		
Acquisition of assets		
Finance costs, including loan interest		
Other payments		
<b>Total</b>		

*There were no payments by third parties*

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**Other Important Disclosures (Continued)**

**23. Related Party Disclosures**

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

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

**Related party transactions:**

	FY 2023/2024 Kshs	FY 2022/2023 Kshs
<b>Compensation to Key Management</b>		
Compensation to the program manager/ director		
Key Management Compensation others (specify)		
<b>Total Compensation to Key Management</b>		
<b>Transfers to related parties</b>		
Transfers to other government entities		
<b>Total Transfers to related parties</b>		
<b>Transfers from related parties</b>		
Transfers from the Ministry/ department		
Payments made on behalf of the project by other govt. entities		
<b>Total Transfers from related parties</b>		

**24. Contingent Liabilities**

	FY 2023/2024 Kshs	FY 2022/2023 Kshs
Court case against the project	-	-
Bank guarantees in favour of other govt. entities	-	-
Contingent liabilities arising from PPPs/ donor agreements	-	-
<b>Total</b>	-	-

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**13. ANNEXES**

**Annex 1: Prior Year Auditor-General’s Recommendations**

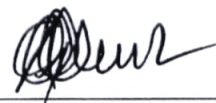
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Resolved	Date
	There were no issues			

The project began in the year under review therefore no prior auditor recommendations



Principal Secretary  
Name: Charles M. Hinga, CBS CA(SA)



Project Coordinator  
Name: George Arwa

**Annex 2: Variance Explanations - Comparative Budget and Actual Amounts**

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
<b>Receipts</b>					
Transfer from Government entities	200,000,000	155,324,162	44,675,838	78%	(i)
Proceeds from domestic and foreign grants	-	-	-	0%	
Proceeds from borrowings	6,300,000,000	5,960,390,974	339,609,027	95%	
Miscellaneous receipts	-	-	-	0%	
<b>Total Receipts</b>	<b>6,500,000,000</b>	<b>6,115,715,136</b>	<b>384,284,864</b>		
<b>Payments</b>					
Compensation of employees	-	-	-	0%	
Purchase of goods and services	280,000,000	259,689,836	20,310,165	93%	
Social security benefits	-	-	-	0%	
Acquisition of non-financial assets	1,620,000,000	1,106,775,968	513,224,032	68%	(ii)
Transfers to other government entities	4,600,000,000	4,498,671,470	101,328,530	98%	
Other grants and transfers	-	-	-		
<b>Total payments</b>	<b>6,500,000,000</b>	<b>5,865,137,273</b>	<b>634,862,727</b>		

(i) Unavailability of exchequer releases

(ii) Slow procurement process limited the ability to use all funds as planned; contracts not procured on time.



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The above amounts have been communicated to and reconciled with the parent Ministry/ state department

Project Coordinator  
Kenya Informal Settlement Improvement Project

Sign



Head of Accounting Unit  
State Department of Housing and Urban Development

Sign



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**Annex 4a: Analysis of Pending Bills**

Supplier of Goods or Services	Date Contracted/ Invoiced.	Original Amount	Amount Paid To-Date	Outstanding Balance 2023/24	Outstanding Balance 2022/23	Comments
Construction of buildings		a	b	C=a-b		
1.						
2.						
<b>Sub-Total</b>						
Construction of civil works						
3.						
4.						
<b>Sub-Total</b>						
Supply of goods						
5.						
6.						
<b>Sub-Total</b>						
Supply of services						
7.						
8.						
<b>Sub-Total</b>						
<b>Grand Total</b>						

**Annex 4b: Analysis of Pending Staff Bills**

Name of Staff	Job Group	Date Payable Contracted	Original Amount	Amount Paid To Date	Outstanding Balance 2023/24	Outstanding Balance 2022/23	Comments
<b>Permanent Employees - Management</b>							
1.							
2.							
<b>Sub-Total</b>							
<b>Permanent Employees - Others</b>							
3.							
4.							
<b>Sub-Total</b>							
<b>Temporary employees</b>							
5.							
6.							
<b>Sub-Total</b>							
<b>Others (specify)</b>							
7.							
8.							
<b>Sub-Total</b>							
<b>Grand Total</b>							

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**Annex 4c: Analysis of Other Pending Payables**

Name	Brief Description	Date Payable Contracted	Original Amount	Amount Paid To Date	Outstanding Balance 2023/24	Outstanding Balance 2022/23	Comments
<b>Amounts due to National Govt Entities</b>							
1.							
2.							
<b>Sub-Total</b>							
<b>Amounts due to County Govt Entities</b>							
3.							
4.							
<b>Sub-Total</b>							
<b>Amounts due to Third Parties</b>							
5.							
6.							
<b>Sub-Total</b>							
<b>Others (specify)</b>							
7.							
8.							
<b>Sub-Total</b>							
<b>Grand Total</b>							

**Annex 5: Summary of Fixed Assets Register**

Assets	Opening Cost (KShs) 2023/24 (a)	Donations in form of assets (KShs) 2023/24 (b)	*Purchases/ Additions in the Year (KShs) 2023/24 (c)	** Disposals in the Year (KShs) 2023/24 (d)	Transfers in (out) KShs 2023/24 (e)	Closing Cost (KShs) 2023/24 (b)+(c)-(d)+(e)
Land	-	-	-	-	-	-
Buildings and structures	-	-	-	-	-	-
Transport equipment	39,497,598	-	12,434,474	-	-	51,932,072
Office equipment, furniture and fittings	11,025,050	-	75,084,612	-	-	80,882,662
ICT Equipment,	-	-	-	-	-	-
Other Machinery and Equipment	-	-	-	-	-	-
Heritage and cultural assets	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-
Infrastructure assets roads, rails	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Work in Progress	-	-	-	-	-	-
<b>Total</b>	<b>50,522,648</b>	<b>-</b>	<b>87,519,086</b>	<b>-</b>	<b>-</b>	<b>138,041,734</b>

Notes

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

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*\*\* The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold.. The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete covering all the entities assets. Ensure the complete fixed asset register is separately prepared as per circular number 5 2020 and follow up reminder of circular No. 23 2020 of The National Treasury*

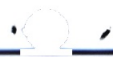


**Annex 6: Contingent Liabilities Register**

	<i>Nature of contingent liability</i>	<i>Remarks</i>
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

**Annex 7: Reporting of Climate Relevant Expenditures**

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



**Annex 8: Reporting Disaster Management Expenditure**

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

*Second Informal Settlements Improvement Project  
Reports and Financial Statements  
For the financial year ended June 30, 2024*

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**Annex 9: Other Support Documents**


- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June 2024
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance

**Second Kenya Informal Settlements Improvement Project**  
**Annual Report and Financial Statements for the financial year ended June 30, 2024**

Second Kenya Informal Settlements Improvement Project  
 Trial Balance  
 As at June 30, 2023

Particulars	KSHS	
	Dr	Cr
Fund Balance B/f		462,136,724
Proceeds from Domestic and Foreign Grants		
Receipts from Government of Kenya		155,324,162
Loan from External Development Partners		5,960,390,974
Miscellaneous receipts		-
Utilities, supplies and services	13,285,623	
Communication, supplies and services	3,541,000	
Domestic travel and subsistence	216,143,418	
Foreign travel and subsistence	-	
Printing, advertising and information supplies & services	13,553,985	
Training expenses	-	
Hospitality supplies and services		
Insurance costs	1,827,300	
Routine maintenance – vehicles and other transport equipment	16,565,510	
Construction of civil works	-	
Purchase of vehicles & other transport equipment	12,434,474	
Purchase of office furniture & general equipment	69,857,612	
Research, studies, project preparation, design & supervision	1,019,256,882	
Rehabilitation of civil works	-	
Outstanding Imprests and Advances	-	
Transfers to County Governments	4,498,671,470	
Fund Balance c/f	712,714,587	
	<b>6,577,851,860</b>	<b>6,577,851,860</b>

Prepared by

  
**Wagura Theuri**

*Second Kenya Informal Settlements Improvement Project  
Annual Report and Financial Statements for the financial year ended June 30, 2024*

*Second Kenya Informal Settlements Improvement Project  
Itemized budget for the year ending 30th June 2024*

	<b>Budget</b>	<b>Actual</b>
<b>USES OF GOODS AND SERVICES</b>	<b>Kshs.</b>	<b>KShs</b>
Utilities, supplies and services	17,000,000	13,285,623
Communication, supplies and services	6,000,000	3,541,000
Domestic travel and subsistence	220,000,000	216,143,418
Foreign travel and subsistence		-
Printing, advertising and information supplies & services	15,000,000	13,553,985
Training expenses	-	-
Insurance costs	2,000,000	1,827,300
Routine maintenance – vehicles and other transport equipment	20,000,000	16,565,510
Consultancy services: – Technical and professional services		
<b>Sub Total</b>	<b><u>280,000,000</u></b>	<b><u>264,916,836</u></b>
		-
<b>ACQUISITION OF NON-FINANCIAL ASSETS</b>		
Construction of roads		-
Construction of civil works	-	-
Purchase of vehicles & other transport equipment	220,000,000	12,434,474
Overhaul of vehicles & other transport equipment		-
Purchase of household furniture & institutional equipment		-
Purchase of office furniture & general equipment	80,000,000	69,857,612
Research, studies, project preparation, design & supervision	1,320,000,000	1,019,256,882
<b>Sub Total</b>	<b><u>1,620,000,000</u></b>	<b><u>1,101,548,968</u></b>
<b>Transfers to Other Government Entities</b>	4,600,000,000	4,498,671,470
<b>Total</b>	<b><u>6,500,000,000</u></b>	<b><u>5,865,137,273</u></b>

Prepared by Wagura Theuri  
Financial Management, KISIP

Approved by George Arwa  
KISIP National Coordinator

