



Enhancing Accountability

REPORT

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DATE: 23 FEB 2021	DAY: TUESDAY
TABLED BY: THE AUDITOR-GENERAL	LOM
CLERK-AT THE-TABLE:	Moses Lemuna

THE AUDITOR-GENERAL

ON

**KENYA SYMBIOCITY PROGRAMME-
GRANT NO.51110060**

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

COUNCIL OF GOVERNORS



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

30 DEC 2020

RECEIVED

PROGRAMME NAME: KENYA SYMBIOCITY PROGRAMME

IMPLEMENTING ENTITY: COUNCIL OF GOVERNORS

PROJECT GRANT/CREDIT NUMBER: 51110060

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2020

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



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1. PROGRAMME INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Kenya SymbioCity Programme

Objective: To build the capacity of urban development stakeholders to be able to guide Kenya Urban Development in a more sustainable direction.

Address: Council of Governors, Delta Building, 2nd Floor, P.O. Box 40401-00100, Nairobi County, Kenya.

Contacts: Telephone: +254 (020) 240 3313/4
Email Address: info@cog.go.ke
Website: www.cog.go.ke

1.2 Programme Information

Programme Start Date:	The project start date is 9/04/2015
Programme End Date:	The project end date is 30/09/2021
Programme Manager:	Nicodemus Mbwika
Programme Sponsor:	Embassy of Sweden

1.3 Project Overview

Line Ministry/State Department of the Programme	Ministry of Devolution and ASAL
Project number	51110060
Strategic goals of the Programme	Inclusive, innovative, and sustainable urban development planning in Kenya.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Institutional Strengthening of the Council of Governors to be able to respond to Counties' Urban Planning, management and development needs. (ii) Application of the SymbioCity Approach in Seven Counties in Seven Counties with subsequent infrastructural investment.

	<p>(iii) Strengthening Intergovernmental Cooperation between the different Institutions supporting urban planning, management and development.</p> <p>(iv) Sharing experiences and lessons learnt from the Programme among counties and urban development stakeholders.</p>
Other important background information of the Programme	The Programme is being piloted in 7 counties; Kisumu, Nakuru, Kakamega, TransNzoia, Homabay, Kitui and Meru
Current situation that the Programme was formed to intervene	<p>The Programme was formed to intervene in the following areas:</p> <p>(i) Poverty reduction in urban areas</p> <p>(ii) Building local capacity and ownership</p> <p>(iii) People-centred approaches to development</p> <p>(iv) Supporting leadership for sustainable urban development through targeting urban policy decision-makers</p> <p>(v) Participatory processes and community involvement</p> <p>(vi) Strengthening urban management methodologies for improving coordination between urban sectors</p> <p>(vii) Focus on environmental, social and economic aspects of development</p> <p>(viii) Practically oriented solutions.</p>
Project duration	The project started on 9 th April 2015 and is expected to run until 30 th September 2021.

1.4 Bankers

National Bank of Kenya
P.O. Box 16131-00610
Nairobi, Kenya

1.5 Auditors

Auditor-General
Anniversary Towers, University Way
P.O. Box 30084-00100
Nairobi, Kenya

1.6 Roles and Responsibilities

The following is the list of officers involved in the programme with their roles and responsibilities;

Names	Title designation	Responsibilities
Jacqueline Mogeni, MBS	Chief Executive Officer	Oversee the implementation of the programme
Nicodemus Mbwika	Project Manager	Project Management
David Kisabuli	Finance Officer	Finance Management
Joyce Chepkoech	Accountant	Finance Management
Mariam Ndaru	Administration Assistant	Administration & Logistics
Ruth Chitwa	Communications Officer	Communications Support
Jerry Muma	Procurement Officer	Procurement Support
Zipporah Muthama	Legal Officer	Legal support

1.7 Funding summary

The Programme which runs from 2015 to 2021 has an approved budget of Swedish Kronor 24,623,844 equivalent to Kshs 283,174,206 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date - (30/06/2020)		Undrawn balance to date (30/06/2020)	
	SEK	KShs	SEK	KShs	Donor currency	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
Grant						
Embassy of Sweden	24,623,844	283,174,206	24,020,384	278,636,457	603,460	4,537,749
	-	-	-	-	-	-
Total	24,623,844	283,174,206	24,020,384	278,636,457	603,460	4,537,74

1.8 Summary of Overall Project Performance:

a) Budget vs Actual

By end of the period, the overall Programme rate of expenditure was 19%, however the programme has contracted an equivalent of 76% of the total budget where works are currently being executed in the pilot counties. The expenditure for these works will be reported in the following financial year.

b) Physical progress based on outputs

- Urban Sustainability reviews for the seven pilot counties developed
- Seven integrated change projects funded under the seed fund successfully developed in the seven counties
- Phase one of the integrated change projects dubbed quick wins completed and handed over to the counties and communities in the seven counties
- Phase two of the integrated change projects contracted successfully in the seven pilot counties
- Documentation of the SymbioCity planning approach in Kenya done through the development of a toolkit for inclusive urban planning in Kenya.
- Dissemination of the toolkit done to all Kenyan Counties

c) Value-for-money achievements

The programme adopted the Public Procurement and Disposal Act 2015 as guide to ensure value for money in the execution of activities.

d) Implementation challenges

- Low appreciation of urban planning amongst top level policy makers in Kenya
- Limited financing for urban planning and development
- Lack of urban governance institutions in the pilot urban areas
- Insecurity of tenure in some urban areas impeding effective planning

e) Recommendations and way forward

- Increased sensitization on the need for urban planning top level policy makers in Kenya
- Lobbying for increased financing of urban areas
- Establishment and strengthening of urban governance institutions in Kenya
- Land registration especially in urban areas to increase security of tenure

2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer for the Council of Governors and the Project Manager for Kenya Symbiocity Programme are responsible for the preparation and presentation of the programme's financial statements, which should give a true and fair picture of the state of affairs of the programme for the financial year. This responsibility entails; (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 Chief Executive Officer for Council of Governors and the Project Manager for SymbioCity Programme accept responsibility for the Project's financial statements as advised by the head of accounting, 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 Chief Executive Officer for Council of Governors and the Project Manager for the SymbioCity Programme are of the opinion that the Project's financial statements give a true position of the state of the programme's transactions during the financial year/period ended June 30, 2020. The Chief Executive Officer for the Council of Governors and the Project Manager for SymbioCity Kenya Programme further confirm the completeness of the accounting records maintained for the programme, which have been relied upon in the preparation of the programme financial statements as well as the adequacy of the systems of internal financial control.

The Chief Executive Officer for the Council of Governors and the Project Manager SymbioCity Kenya Programme confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that programme funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The programme financial statements were approved by the Chief Executive Officer for the Council of Governors and the Project Manager SymbioCity Programme on the 30/08/2020 and signed by them.



**Chief Executive Officer
Jacqueline Mogeni, MBS**



**Project Manager
Nicodemus Mbwika**



**Accountant
Joyce Chepkoech**

3. REPORT OF THE INDEPENDENT AUDITORS ON THE KENYA SYMBIOCITY PROGRAMME

REPUBLIC OF KENYA

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Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KENYA SYMBIOCITY PROGRAMME-GRANT NO.51110060 FOR THE YEAR ENDED 30 JUNE, 2020 - COUNCIL OF GOVERNORS

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Symbiocity Programme set out on pages 1 to 22, which comprise of the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya, Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Symbiocity Programme as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Article 14 of the Specific Agreement Programme Grant No.51110060 dated 9 April, 2015 between the Government of Sweden and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.98,832,746 and Kshs.58,200,000 respectively resulting to an under-funding of Kshs. 40,632,746 or 41% of the budget. Similarly, the Project expended Kshs.13,026,496 against an approved budget of Kshs.157,756,696 resulting to an under-expenditure of Kshs.144,730,201 or 91% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, a number of paragraphs were raised. Although the Management has indicated that the issues have been responded to, the matters have remained unresolved as the Public Accounts Committee has not deliberated on them.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Council of Governors

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 control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Programme ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date

of my audit report. However, future events or conditions may cause the Programme to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Programme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

31 December, 2020

4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30 JUNE 2020

	Note	2019/2020		2018/2019		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from Government entities		-	-	-	-	-
Proceeds from domestic and foreign grants	9.3	58,200,000	-	57,300,000	-	278,636,457
Miscellaneous receipts		16,880	-	-	-	-
TOTAL RECEIPTS		58,216,880	-	57,300,000	-	278,636,457
PAYMENTS						
Compensation of employees	9.4	9,051,800	-	9,639,300	-	36,153,182
Purchase of goods and services	9.5	3,974,696	-	26,039,878	-	80,323,873
Acquisition of non-financial assets		-	-	-	-	8,462,860
TOTAL PAYMENTS		13,026,496	-	35,679,178	-	124,939,915
SURPLUS/(DEFICIT)		45,190,385	-	21,620,822	-	153,696,542

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



**Chief Executive Officer
Jacqueline Mogeni, MBS**



**Project Manager
Nicodemus Mbwika**



**Accountant
Joyce Chepkoech**

5. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2020

	Note	2019-2020	2018-2019
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9.7A	153,708,128	108,474,444
Cash Balances	9.7B	5,295	48,594
TOTAL FINANCIAL ASSETS		153,713,423	108,523,038
REPRESENTED BY			
Fund balance b/fwd		108,523,038	120,964,016
Prior year adjustments		-	-
Surplus/(Deficit) for the year		45,190,385	21,620,822
Transfer to CoG, Devolution Conference support from MODA		-	(25,000,000)
Compensation of Employees, transferable to CoG		-	(9,061,800)
NET FINANCIAL POSITION		153,713,423	108,523,038

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 31/08/2020 and signed by:



**Chief Executive Officer
Jacqueline Mogeni, MBS**



**Project Manager
Nicodemus Mbwika**



**Accountant
Joyce Chepkoech**

6. STATEMENT OF CASHFLOW FOR THE PERIOD ENDED 30 JUNE 2020

		2019-2020	2018-2019
	Note	KShs	KShs
Receipts from operating activities			
Transfer from Government entities		-	-
Proceeds from domestic and foreign grants	9.3	58,200,000	57,300,000
Miscellaneous receipts		16,880	-
Payments from operating activities			
Compensation of employees	9.4	(9,051,800)	(9,639,300)
Purchase of goods and services	9.5	(3,974,696)	(26,039,878)
Adjustments during the year			
Decrease/(Increase) in Accounts receivable:(outstanding imprest)		-	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)		-	-
Prior Year Adjustments			-
Net cash flow from operating activities		45,190,385	21,620,822
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets		-	-
CoG Devolution Conference		-	(25,000,000)
Compensation of Employees Transferable to CoG		-	(9,061,800)
Net cash flows from Investing Activities		-	(34,061,800)
CASH FLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings		-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		45,190,385	(12,440,978)

Kenya SymbioCity Programme
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Cash and cash equivalent at BEGINNING of the year		108,523,038	120,964,016
Cash and cash equivalent at END of the year		153,713,423	108,523,038

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 31/08/2020 and signed by:



Chief Executive Officer
Jacqueline Mogeni, MBS
Date: 28/09/2020



Project Manager
Nicodemus Mbwika
Date: 28/09/2020



Accountant
Joyce Chepkoech
Date: 28/09/2020

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	-	-	-	-	-	0%
Proceeds from domestic and foreign grants	98,832,746	-	98,832,746	58,200,00	40,632,746	59%
Proceeds from borrowings	-	-	-	-	-	0%
Miscellaneous receipts	16,880	-	16,880	16,880	-	100%
Total Receipts	98,849,626	-	98,849,626	58,216,880	40,632,746	59%
Payments						
Compensation of employees	9,386,400	-	9,386,400	9,051,800	334,600	96%
Purchase of goods and services	148,370,296	-	148,370,296	3,974,696	144,395,601	3%
Social security benefits	-	-	-	-	-	0%
Acquisition of non-financial assets	-	-	-	-	-	0%
Transfers to other government entities	-	-	-	-	-	0%
Other grants and transfers	-	-	-	-	-	0%
Total Payments	157,756,696	-	157,756,696	13,026,496	144,730,201	8%

Kenya SymbioCity Programme
Reports and Financial Statements
For the financial year ended 30 June 2020

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



Chief Executive Officer
Jacqueline Mogeni, MBS
Date: 28/09/2020



Project Manager
Nicodemus Mbwika
Date: 28/09/2020



Accountant
Joyce Chepkoech
Date: 28/09/2020

8. NOTES TO THE FINANCIAL STATEMENTS

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

9.1. Basis of Preparation

9.1.1. Statement of compliance and basis of preparation

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

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

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

9.1.2. Reporting entity

The financial statements are for the Kenya Symbiocity Programme under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

9.1.3. Reporting currency

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

9.2. Significant Accounting Policies

a) Recognition of receipts

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

• Transfers from the Exchequer

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Grants

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

c) Recognition of payments

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

- **Compensation of employees**

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

- **Use of goods and services**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

e) 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.

f) 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.

g) 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 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.3. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

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

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs	
						2019/20	2018/19
			KShs	KShs	KShs	KShs	KShs
Grants Received from Bilateral Donors (Foreign Governments)							
Embassy of Sweden	16/06/2020	5,060,869	58,200,000			58,200,000	57,300,000
Grants Received from Multilateral Donors (International Organizations)							
Total		5,060,869	58,200,000			58,200,000	57,300,000

* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this grant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.4. COMPENSATION OF EMPLOYEES

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Basic salaries of permanent employees	9,051,800	-	9,051,800	9,639,300	36,153,182
Total	9,051,800	-	9,051,800	9,639,300	36,153,182

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.5. PURCHASE OF GOODS AND SERVICES

	2019/20			2018/19	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		As at 30 June 2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Utilities, supplies and services	-	-	-	278,632	1,852,964
Communication, supplies and services	15,600	-	15,600	771,500	1,320,387
Domestic travel and subsistence	760,670	-	760,670	5,748,061	19,375,392
Foreign travel and subsistence	-	-	-	-	5,741,172
Printing, advertising and – information supplies & services	-	-	-	1,989,277	3,226,813
Training and Conference	363,300	-	363,300	3,241,500	26,703,261
Hospitality supplies and services	23,499	-	23,499	3,010,584	8,291,933
Change project - Consultancy	360,000	-	360,000	1,505,687	1,865,687
Quick Win Projects	2,239,014	-	2,239,014	9,494,637	11,733,651
Repair and Maintenance	198,283	-	198,283	-	198,283
Bank Charges	14,330	-	14,330	-	14,330
Total	3,974,696	-	3,974,696	26,039,878	80,323,873

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.6. ACQUISITION OF NON-FINANCIAL ASSETS

	2019/20			2018/19	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of office furniture & general equipment	-	-	-	-	1,421,760
Purchase of ICT Equipment, Software and other ICT Assets	-	-	-	-	1,591,100
Transport Equipment	-	-	-	-	5,450,000
Total	-	-	-	-	8,462,860

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.7. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts (Note 9.7A)	153,708,127	108,474,444
Cash in hand (Note 9.7B)	5,295	48,594
Total	<u>153,713,422</u>	<u>108,523,038</u>

The programme has one programme account managed within the Head Office and has one foreign currency designated accounts managed by the National Treasury.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. OTHER IMPORTANT DISCLOSURES

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor and status of implementation of recommendations;

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2018/2019 1 1.1 to 1.4	Inaccuracies and errors in the Financial Statement	The management requested for adjustment to Financial statement to correct the errors noted during the 19/20 audit.	Not Resolved	As at closure of 2019/2020 audit.
1.5	Undisclosed transfer of Council of Governors (CoG) devolution conference support	The management provided the clarification and supporting documents with regards to devolution conference support and amended the 2017/18 Financial statements	Resolved	As at closure of 2019/2020 audit.
1.6	Compensation of Employees, Transferable to Council of Governors	The management amended 2017/2018 Financial Statements and reflected the amount under Financial Assets and liabilities.	Resolved	Depended on the issuance of Final Report by the Parliamentary Accounts Committee.
1.7	Unreconciled comparative balances	Management has since reconciled the amount and provided ledgers and journal entries as per the adjusted statements for 2017/2018.	Resolved	Depended on the issuance of Final Report by the Parliamentary Accounts Committee.

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2017/18 1 1.1	Accuracy, Completeness and Presentation and Presentation/Disclosure of the Financial Statements	The 2017/18 Financial Statements have been adjusted correcting the errors.	Resolved	Depended on the issuance of Final Report by the Parliamentary Accounts Committee.
1.2	Omitted receipts	The amount received was disbursed by the MODA to support the 6 th Devolution Conference. The amount has since been transferred	Resolved	Depended on the issuance of Final Report by the Parliamentary Accounts Committee.
1.3	Cash and Cash Equivalents Balances	The two items amounting to kshs. 204,991 have since been reversed	Resolved	Depended on the issuance of Final Report by the Parliamentary Accounts Committee.
1.4	Acquisition of Non-Financial Assets	The ledger was adjusted to reflect the correct cost of assets. The adjusted amount for 2017/18FY is Kshs. 6,767,760	Resolved	Depended on the issuance of Final Report by the Parliamentary Accounts Committee.
1.5	Compensation of Employees	Kshs. 670,250 has been reclassified from Personnel Cost to Consultancy, as per the adjusted 2017/18FY column.	Resolved	Depended on the issuance of Final Report by the Parliamentary Accounts Committee.
1.6	Fund Balance	The management has since provided documentation on the liability amount of Kes.28,155,667.00 payable	Resolved	Depended on the issuance of Final Report by the Parliamentary Accounts

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		to the Council of governors		Committee.
1.7	Noncompliance with the Specific Agreement	The management has since shared with the Audit Team, the schedule of disbursement from Embassy indicating the Technical Assistance to SALAR totalling to SEK 51,372,655 Further management has since shared the amended agreement indicating Commitment for the Project by the Embassy of Sweden is now SEK 24,623,844.	Resolved	Depended on the issuance of Final Report by the Parliamentary Accounts Committee.
1.8	Nondisclosure of Financial Management Agency	The management has since shared with Audit team the confirmation form the Embassy on payment to the Financial Management Agency and further confirmed the Agency during the period was Earnst & Young	Resolved	Depended on the issuance of Final Report by the Parliamentary Accounts Committee.
1.9	Technical Assistance	The management has since share with the Audit team the disbursement to SALAR under Technical Assistance since inception which amounts to SEK 51,372,655.	Resolved	Depended on the issuance of Final Report by the Parliamentary Accounts Committee.

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Further, The Embassy of Sweden shared the Programme & Financial report detailing achievements, receipts, expenditure.		
1.10	Nondisclosure of Swedish Component in Budget	The management has since provided supporting documents on separate contractual obligation between the Embassy of Sweden and SALAR and their responsibility to the Embassy thus the Council has no control over their operations.	Resolved.	Depended on the issuance of Final Report by the Parliamentary Accounts Committee.
2.0	Budget Control and Performance.	The management provided approved budget and work plan for audit verification.	Resolved	Depended on the issuance of Final Report by the Parliamentary Accounts Committee.
3.0	Irregular Consultancy Expenses	The management provided supporting documentation with respect to consultancy payment and the amount was disclosed as pending bill in the revised statement submitted.	Resolved	Depended on the issuance of Final Report by the Parliamentary Accounts Committee.
4.0	Unauthorised Payments	The management submitted revised	Resolved	Depended on the issuance

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	relating to 2017/18	statement with disclosure of pending bills as at 30 th June 2018		of Final Report by the Parliamentary Accounts Committee.



**Chief Executive Officer
Jacqueline Mogeni, MBS**
Date: 28/09/2020



**Project Manager
Nicodemus Mbwika**
Date: 28/09/2020

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ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	-	-	-	-	
Proceeds from domestic and foreign grants	98,832,746	58,200,000	40,632,746	59%	The budget was revised downwards during the supplementary II by the National Treasury
Miscellaneous receipts	16,880	16,880	-	100%	
Total Receipts	98,849,626	58,216,880	40,632,746	59%	
Payments					
Compensation of employees	9,386,400	9,051,800	334,600	96%	
Purchase of goods and services	148,370,296	3,974,696	144,395,601	3%	90% of the budget relates to change project which could not be implemented during the period as the project had requested for no cost extension which took 9months to be amended and thus the activities could not be implemented without an amended agreement in place.
Acquisition of non-financial assets	-	-	-	-	
Total payments	157,756,696	13,026,496	144,730,201	8%	

