



Enhancing Accountability

REPORT

PAPERS LAID	
DATE	22/2/20
TABLED BY	DEP. MAJORITY
COMMITTEE	WHIP
CLERK AT THE TABLE	M. ADJIBONZA

OF

THE AUDITOR-GENERAL

ON

KWALE MUNICIPALITY

FOR THE YEAR ENDED

30 JUNE 2020

OFFICE OF THE AUDITOR GENERAL
P.O.Box 95202, MOMBASA

12 MAR 2021

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COUNTY GOVERNMENT OF KWALE

KWALE MUNICIPALITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020

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

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KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

1. KEY ENTITY INFORMATION AND MANAGEMENT	2
2. THE BOARD MEMBERS	6
3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES	10
4. MANAGEMENT TEAM	11
5. BOARD/MUNICIPALITY CHAIRPERSON'S REPORT	13
6. REPORT OF THE MUNICIPALITY ADMINISTRATOR	14
7. CORPORATE GOVERNANCE STATEMENT	16
8. MANAGEMENT DISCUSSION AND ANALYSIS	17
9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	19
10. REPORT OF THE MEMBERS OF THE BOARD	21
11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	22
12. REPORT OF THE INDEPENDENT AUDITOR	23
13. FINANCIAL STATEMENTS	24
13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2020	24
13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020	25
13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020	26
13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020 .	27
13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020	29
13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	30
13.7. NOTES TO THE FINANCIAL STATEMENTS	41
14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS	54

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Article 184 of the Constitution of Kenya 2010 mandated parliament to enact a legislation to provide inter alia the criteria for classifying areas as urban areas and cities; establishing the principles of governance and management of urban areas and cities and to provide for participation by residents in the governance of urban areas and cities within 1 year of the promulgation of the Constitution.

Parliament enacted the Urban Areas and Cities Act in the year 2011 which legislation had an effective date falling after the first elections held under the Constitution of Kenya 2010.

Section 9 of the Urban Areas and Cities Act empowers the County Governor, on the resolution of the County Assembly, to confer on a qualifying town, the status of a Municipality by grant of a Charter in the prescribed form.

The County Assembly of Kwale duly approved the request by the County Governor of Kwale for grant of the Municipality of Kwale Charter on 28th July, 2018.

The Municipality of Kwale shall have all the powers, general and special, governmental or proprietary, expressed or implied, which may be possessed or assumed by municipalities under the Urban Areas and Cities Act, the County Governments Act and the County of Kwale By-laws

The objectives of the Kwale Municipality are to:-

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

FUNCTIONS OF THE KWALE MUNICIPALITY

The Municipality of Kwale shall, within the boundaries of the Municipality, perform the following functions:

- i. Promotion of Urban Planning, Design and aesthetics;
- ii. Promotion of decent and affordable housing;
- iii. Promotion, regulation and provision of refuse collection and solid waste management services;
- iv. Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider);
- v. Construction and maintenance of urban roads and associated infrastructure;
- vi. Construction and maintenance of storm drainage and flood controls;
- vii. Construction and maintenance of walkways and other non-motorized transport infrastructure;
- viii. Construction and maintenance of recreational parks and green spaces;
- ix. Construction and maintenance of street lighting;
- x. Construction, maintenance and regulation of traffic controls and parking facilities;
- xi. Construction and maintenance of bus stations and taxi stands;
- xii. Regulation of outdoor advertising;
- xiii. Construction, maintenance and regulation of municipal markets and abattoirs;
- xiv. Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- xv. Promotion, regulation and provision of municipal sports and cultural activities;
- xvi. Promotion, regulation and provision of animal control and welfare;
- xvii. Development and enforcement of municipal plans and development controls;
- xviii. Municipal administration services (including construction and maintenance of administrative offices);
- xix. Promoting and undertaking infrastructural development and services within municipality;
- xx. Controlling and abating of nuisance from public or private property;
- xxi. Provide for the destruction and/or removal of any public hazards which may become dangerous or detrimental to the public;
- xxii. Any other functions as may be delegated by the County Executive Committee.

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

b) Principal Activities

The principal activity/mission/ mandate of the Kwale Municipality is to provide for efficient and accountable management of the affairs of the Municipality.

Mission

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

Core Values

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

c) Board Members

Ref	Name	Position
1.	Seif Rocky Bendera	Chairman
2.	Bakari Nasoro Mwabudzuma	Member
3.	Saumu B Mahaja	Member
4.	Nuru Mohammed Mbogah	Member
5.	Anastacia Kanga Dzombo	Member
6.	Salim Mwayogwe	Member
7.	Mishi Koba	member
8.	Mwanawani Sheti	Secretary

(This section will be applicable for Public Funds that have a Board of Trustees/Municipality Administration Committee. Input names of all the members who held office during the period)

d) Key Management

	Name	Designation
1.	Nuru M. Mbogah	Member of the Kwale Municipality Board
2.	Mwanawani Sheti	Kwale Municipal Manager
3.	Filex Marago	Municipal Accountant
4.	Annastacia Maithya	Procurement Officer

e) Registered Offices

P.O. Box 4 – 80403
 Kwale County Headquarters
 Off Kwale – Kinango Road
 Kwale

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

f) Municipality Contacts

Telephone: 040-3206000
E-mail: info@kwale.go.ke
Website: www.kwale.go.ke

g) Municipality Bankers

1. Kenya Commercial Bank
P.O Box 43 – 80403
Kwale, Kenya

2. SBM Bank
P.o.Box 528780401
Diani

h) Independent Auditors

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

i) Principal Legal Adviser

County Attorney
P.O. Box 4-80400
Kwale, Kenya

2. THE BOARD MEMBERS



MR. SEIF ROCKY BENDERA
(Chairman)

Date of Birth: 3/02/1953

He went to Kwale primary school before proceeding to Sacred Heart High School in Mombasa

In 1993, he went to the University of London to do Teachers Advisory Management. He also did Post Graduate Diploma of Education before undertaking Master's in Education Degree.

Bendera is an all-round personality who has always taken personal initiative to assist both Primary and Secondary students by offering talks to the students and also to the teachers on education management. He was given a Medal (Head of State Commendation) –HSC by President Kibaki because of his outstanding performance in the community.

Bendera is an educationist who has worked in different portfolio in the field of education.

He worked as a teacher for 11 years where he was promoted to the level of schools inspector in Kwale District and then to a Provincial Inspector of schools for 12 years.

He has written several Primary Science Books and TAC TUTORS manuals which are been used in Kenyan schools.

He was an Education Officer in National Museums of Kenya an initiative to conserve Kaya Forests.



Bendera has also worked as a Project Manager Kenya Schools Improvement Project under the Aga Khan Foundation.

He was a Director Kenya Maritime Authority for 6 years.

Bendera has been and up to now is the Chairman of Board of Management (BOM) in several Schools within Kwale County.

Such wealth of experience he has will go a long way to make Kwale Municipality exemplary and a power to reckon with

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

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

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

	<p>Experience:</p> <ul style="list-style-type: none">• Water engineer and EIA associate at Manken Geohyrotech Consultants, Mombasa, Kenya.• Director of Programs – PDF Tanzania.• Program Director at PDF (People’s Development Forum) Tanzania.
 <p>ANASTASIA KANGA STEPHEN (Member)</p>	<p>Date of Birth: 25th October, 1970</p> <p>Madam Anastasia Kanga Stephen is a renowned Educationist with 20 years of experience in Special Schools and Learners with Disabilities. She holds a B.ED Honors degree in Special Education from the Kenyatta University and a Diploma, Special Education from the Kenya Institute of Special Education (KISE).</p> <p>M/s Anastasia is a member of the South Coast Residents Association; a Neighborhood Organization and voice of the Residents. She has also initiated Community Empowerment Programmes for the Girl Child in sections of Kwale County, addressing Education and Reproduction Health matters and Early Marriages. She is the Patron to <i>Muche Asome Initiative</i>, advocating for Girls Education.</p> <p>Her vision for the Kwale Municipality is Promotion of better Planning and Infrastructure, improved services to all the residents, with a special focus to Environment and Health, Education and Accountability.</p>
 <p>MR.SALIM SAID MWAYOGWE (Member)</p>	<p>Date of Birth: 1st January, 1960</p> <p>EDUCATION BACK GROUND: Went to Kwale Primary School and Taru Secondary School.</p> <p>PROFESSIONAL BACKGROUND: Trained Teacher at Kericho T.T.C .and got P1. Has a diploma in ECD.</p> <p>Currently Chairman KNCCI and businessman at Kwale Director Zamunda H/w a Contraction company Chairman Mwaluganje Elephant Sentuary. Formally chairman Kwale joint trade loan board</p> <p>RESPONSIBILITY : Kwale Municipality Board Member</p>

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020



MS. MISHI KOBA (Member)

Date of Birth: 11th April, 1985

She holds a Diploma in Hairdressing and beauty is a member of Kwale Line SACCO and a prominent business lady.

She is also a Director of County Classic boutique and SPA

Vision: Is to achieve the goals of Municipalities by seeing the residents of Kwale enjoying the Municipality services an in equality

RESPONSIBILITY : Kwale Municipality Board Member



MISS MWANAWANI RAMADHAN SHETI- (secretary) Municipal Manager

Date of Birth: 2nd February, 1986

CAREER AND EDUCATION OVERVIEW:

Mwanawani Ramadhan Sheti-Municipal Manager(Kwale Municipality)

Education and Professional Qualification.

- Masters in Business Administration-Finance ;2010-2014
Kenyatta University
- Bachelor of Education Science and Information
Technology;2005-2009
Maseno University
- Kenya Certificate of Secondary Education,(KCSE);2000-2003
Mama Ngina Girls High School

Professional Training and Certification:

- Certified Investment and Financial Analyst; Sec 3
- Information Communication Technology.

Professional Experience:

Municipal Manager-Kwale Municipality
 Kwale County Government; Dec, 2018 to date
 Fund Manager-Kilifi County Micro Finance Fund.
 Kilifi County Government; Sep 2018-Nov 2018
 Lecturer-School of Business and Economics, Finance Department.
 Pwani University; Sep 2015-Sep 2018
 Graduate Trainee-National Bank of Kenya; Nov 2010-Sep 2018.
 Deputy Returning/ Registration Officer.
 Interim Independent Electrol Commission; Jan 2010-Nov, 2010.

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

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

Introduction

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

The Municipality of Kwale shall have all the powers, general and special, governmental or proprietary, expressed or implied, which may be possessed or assumed by municipalities under the Urban Areas and Cities Act, the County Governments Act and the County of Kwale By-laws

The key objects of the Kwale Municipality are to:-

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

The kwale municipality had an annual budget of kshs 112,000,000

KWALE COUNTY GOVERNMENT

**Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020**

4. MANAGEMENT TEAM

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

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

	<p>Department. Pwani University; Sep 2015-Sep 2018 Graduate Trainee-National Bank of Kenya; Nov 2010-Sep 2018. Deputy Returning/ Registration Officer. Interim Independent Electrol Commission; Jan 2010-Nov, 2010.</p>
 <p>MR. FILEX MARAGO (Accountant)</p>	<p>Date Of Birth 5/12/1975 Marital status – married Education & Professional Qualification Holds a bachelors degree in Business Administration (KEMU)</p> <ul style="list-style-type: none"> - CPA 1 - KCSE – Bujumba Secondary School - KCPE – Amagoro Primary <p>Experience</p> <ul style="list-style-type: none"> - Accountant Kwale County Government 2013 to date - Accountant defunct Kwale County Council, Nakuru Municipal council, Bungoma County Council and Malaba Town council 2005 - 2013
 <p>MS. ANNASTACIA MAITHYA (Procurement Officer)</p>	<p>Date Of Birth – 23/07/1967 <u>Marital Status – Married</u> <u>Education & Professional Information</u></p> <ul style="list-style-type: none"> - KCSE – Nyeri Technical Highschool - Holds Diploma in Procurement and Material Management - Bachelor of Business management supplies option - CPA 1 - Procurement Officer Kwale County

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

5. BOARD/MUNICIPALITY CHAIRPERSON'S REPORT

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

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

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

Conclusion

FY 2019/2020 was a good year in general which presented a good beginning of the Municipality. Good progress was made and the momentum has been created to enable Kwale Municipality continue on a trajectory into prosperity.

Signed: _____

SEIF ROCKY BENDERA



05/03/2021

6. REPORT OF THE MUNICIPALITY ADMINISTRATOR

Financing of the Kwale Municipality

Financial Performance

a) Revenue

The Municipality of Kwale received its funds from the county treasury being the share of county resources through the budgetary process, and from KUSP.

In the year ended 30th June 2020, the Municipality had projected revenues of KShs 112,000,000 being funding from KUSP of which 91,200,000 was realised.

b) Payments

The total expenditure for the year amounted to KShs.2,050,100 all spent on recurrent expenditure.

	2019-2020	2018-2019	2017-2018
Development Expenditure	-	-	-
Recurrent Expenditure	2,173,380	-	-
Total Expenditure	2,173,380	-	-

c) Cash flows

In the FY 2019/2020, the Municipality did not have liquidity disruptions. This was as a result of timely disbursement of funds by the County Treasury.

d) Accounts receivables

Imprest management is a critical area of focus in Kwale Municipality. Our aim is to adhere to the PFM regulations on imprest management. We appreciate that we have no outstanding imprests as at 30th June, 2020.

e) Pending bills

We are happy to report that the Municipality has no Pending bills. Our focus as a Municipality is to settle all our bills as soon as possible.

f) Fixed assets

Kwale Municipality is still in its infancy stage and has not yet acquired any assets.

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

Conclusion

FY 2019/2020 was a good year in general which presented a good beginning of the Municipality. Good progress was made and the momentum has been created to enable Kwale Municipality continue on a trajectory into prosperity.

I take this opportunity to thank H.E. the Governor and the Deputy Governor for their support. I would also want to thank the KUSP for their good gesture of supporting infrastructural development in the county through the Municipality initiative. Not to forget also my sincere thanks to my colleagues, the Kwale Municipal Board Members, the department of Environment and the County Government as a whole who have worked hand in hand to ensure that Kwale Municipality achieves its mission.

I thank all staff in the entire department of environment that nurtured the Municipality for their continued commitment and dedication through hard work in delivering services to the people of Kwale Municipality.

Signed: _____



NURU M MBOGAH

for KWALE MUNICIPALITY MANAGER

7. CORPORATE GOVERNANCE STATEMENT

The Municipality strives to ensure that there is accountability, transparency and integrity. The Municipality recognises that it has responsibilities to its stakeholder. The board has ultimate authority over and oversight of, and regards corporate Governance as critical element in achieving the Municipality objectives.

Four members of the Board of the Municipality shall be appointed through a competitive process by the County Executive Committee and approved by the County Assembly. While Four members of the Board shall be nominated by the following umbrella bodies:

- i. an umbrella body representing professional associations in the area;
- ii. an association representing the private sector in the area;
- iii. a cluster representing registered associations of the informal sector in the area;
- iv. a cluster representing registered neighbourhood associations in the area; and

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

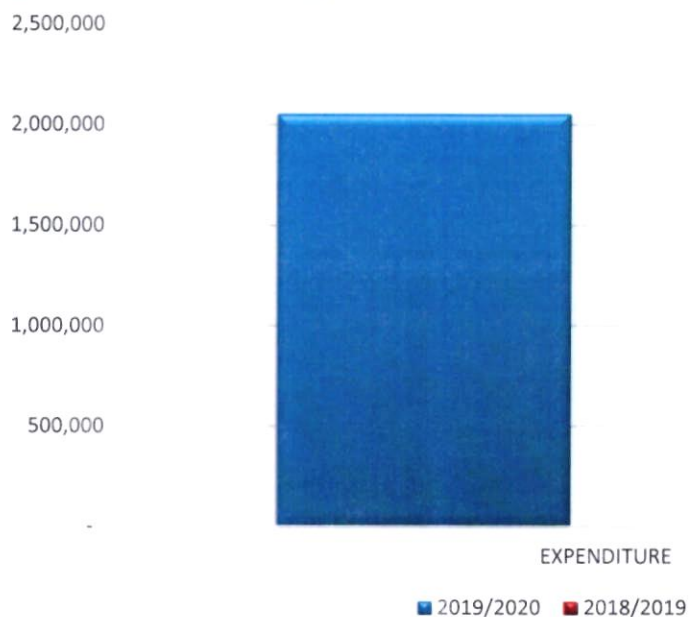
8. MANAGEMENT DISCUSSION AND ANALYSIS

a) Payments

The expenditure for the year amounted to KShs 2,173,380. This was mainly recurrent expenditure as the Municipality was still in its inception stage hence projects were done. In the financial year 2019/2020, the Municipality did not do any development projects since the procurement of the intended project (cabro paving of Kwale posta – Masjid muadh – Kwale mortuary road) delayed.

	2019-2020	2018-2019
Expenditure	2,173,380	0

Expenditure Analysis graph



b) Revenue

The Municipality received Kshs 91,200,000 of which 41,200,000 being Urban Instituion Grant as managed by the department and 50,000,000 being the Urban Development Grant under the Kenya urban support Programme.

c) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Accrual-basis IPSAS financial reporting under the accrual basis of Accounting, as prescribed by the PSASB. The receivables and payables are disclosed in the Statement of Assets and Liabilities.

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB and PFM Act 2012.

d) Accounts receivables

Imprest management is a critical area of focus in Kwale Municipality. Our aim is to adhere to the PFM regulations on imprest management. We appreciate that we have no outstanding imprests as at 30th June, 2020.

Challenges Facing the Municipality

Despite the notable achievements, we have experienced some challenges during the year. These include:

- i. Delay in IFMIS system (i-sourcing) delayed procurement procedures. The absorption rate was though not affected courtesy of our few projects (two).
- ii. Delay in disbursement of funds from the National treasury.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Kwale municipality is charged with the responsibility of providing and promoting a clean environment for the business community. Further, the municipality has the responsibility of improving the infrastructural network including streets, lighting and drainage.

The department has also involved in the following corporate social responsibility:

1. Sustainability strategy and profile

The Kwale municipality is responsible for the provision and promotion of a clean environment for the business community. This is achieved through garbage collection, construction and maintenance of drainages and clearing bushes within the municipality.

The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

2. Environmental performance

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

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

3. Employee welfare

Employee welfare has been achieved through the following:

- Having an optimal staff organization structure for effective and efficient public service delivery.
- Harmonization of job grading and remuneration through job evaluation and making recommendations to the Salaries and Remuneration Commission on remuneration, pensions and gratuities for county employees;
- Promotion of the National Values and Principles as espoused by Articles 10 and 232 of the Constitution of Kenya;
- Strengthening county public service in the management of county affairs by upholding the requirements of Chapter 6 of the Constitution on Leadership and Integrity by recruiting and developing able and competent personnel with the highest standards of integrity;
- Regular monitoring, evaluation and reporting on the extent to which the National Values and Principles referred to in Articles 10 and 232 of the Constitution are compiled within the county public service;
- Facilitate disciplinary control over persons holding or acting in public service officers and ensuring the staff code of conduct is adhered to by all county employees; and
- Promoting coherent, integrated human resource planning and budgeting and carrying out staff audits to discourage incidences of "ghost workers" and advise the county government on human resources development and management

4. Market place practices

Corruption Prevention

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

5. Community Engagements-

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

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

10. REPORT OF THE MEMBERS OF THE BOARD

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Municipality affairs.

Principal activities

The principal activities of the Municipality are providing a variety of services to residents within its area of jurisdiction. These include the services that were hitherto provided by the defunct Municipal Council and the ones that have been transferred from the national government. The county is headed by the County Governor, who is responsible for the general policy and strategic direction of the County

Results

The results of the Municipality for the year ended June 30, 2020 are set out on page 24

Trustees

The members of the Board of Members who served during the year are shown on Page 4.

Auditors

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

By Order of the Board



Member of the Board

Date: 08/03/2021

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of the Municipality established by urban areas and cities act 2011 and Kwale Municipality Charter shall prepare financial statements for the Municipality in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Accounting officer of the Municipality is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Municipality; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting officer of the Municipality accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kwale Municipal Charter. The Administrator of the Municipality is of the opinion that the Municipality's financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30, 2020, and of the Municipality's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Municipality, which have been relied upon in the preparation of the Municipality's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Municipality's financial statements were approved by the Board on 5/3/ 2020 and signed on its behalf by:



Accounting officer Municipality

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KWALE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kwale Municipality set out on pages 24 to 54, which comprise of the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kwale Municipality as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2019 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported Cash and Cash Equivalents

As disclosed in Note 11 to the financial statements, the statement of financial position reflects cash and cash equivalents balance totalling to Kshs.39,026,850. However, the bank statements showed that the account is in the name of Kwale County UIG and not Kwale Municipality.

Consequently, the accuracy, completeness and validity of cash and cash equivalents totalling to Kshs.39,026,850 reflected statement of financial position as at 30 June, 2020 could not be confirmed.

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

accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.112,00,000 and Kshs.91,200,000 respectively, resulting to an underfunding amounting to Kshs.20,800,000 or 19% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis totalling to Kshs.112,00,000 and Kshs.2,173,380 respectively, resulting to an underperformance amounting to Kshs.109,826,620 or 98% of the budget.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-compliance with the Public Sector Accounting Standards Board Requirements

The financial statements did not indicate the accountant's ICPAK registration number, the statement of performance against predetermined objectives does not indicate progress towards achieving the set objectives. Further, related party disclosure in Note 25 to the financial statements has not been completed with inter-party transactions. This is contrary to Public Sector Accounting Standards Board (PSASB) reporting template issued for the year ended 30 June, 2020.

In the circumstances, the presentation of the financial statements for the year under review is not in accordance with the prescribed PSASB format.

2. Unapproved Budget

The statement of comparison of budget and actual amounts reflects a budget totalling to Kshs.112,000,000. However, there was no evidence the budget estimates were approved by the Board of the Municipality in line with Section 20(I) of the Urban Areas and Cities Act, 2019 which states that 'the Board shall prepare and submit the Municipality's budget for approval by the County Executive Committee'.

Consequently, the Management was in breach of the law.

3. Non-compliance with Municipality Charter

Section 3.2 and 3.3 of the Kwale Municipality Charter provides for powers and functions of the Municipality and which include exercise of executive authority as delegated by the County Executive Committee. The functions entail making by-laws, developing policies and plans, setting targets for service delivery and collecting taxes, rates and levies as delegated by the County Government. However, there was no evidence that the Municipality is facilitated/resourced through adequate financing to undertake the functions.

Further, as at the time of audit in February, 2021, the Municipality Manager had not been designated as the Municipality accounting officer and the annual reports disclosed the County Executive Committee Member and Chief Officer for Environment and Natural Resources and the Municipality Manager are charged with running of the Municipality. Also, the Report of the Chairperson of the Board is substituted with a Forward from the County Executive Committee Member. This is contrary to Section 3.3 (a) of the Municipal Charter which provides that the Board shall oversee affairs of the Municipality.

Consequently, the Management was in breach of the Charter.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Members of the Board

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 Municipality'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 Municipality 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 Members of the Board are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Municipality 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 skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Municipality's ability to continue to sustain its services. If I conclude that a material

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Municipality 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 Municipality 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 February, 2022

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

13. FINANCIAL STATEMENTS

13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	100,000,000	-
Transfers from the County Government	2	12,000,000	-
Fines, penalties and other levies	3	-	-
		112,000,000	-
Revenue from exchange transactions			
Interest income	4	-	-
Other income	5	-	-
		-	-
Total revenue		112,000,000	-
Expenses			
Municipality administration expenses	6	-	-
General expenses	8	2,173,380	-
Finance costs	9	-	-
Total expenses		2,173,380	-
Other gains/losses			
Gain/loss on disposal of assets	10	-	-
Surplus/(deficit) for the period		109,826,620	-

The notes set out on pages 41 to 53 form an integral part of these Financial Statements

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020 KShs	2018/2019 KShs
Assets			
Current assets			
Cash and cash equivalents	11	39,026,620	-
Receivables from non-exchange transactions (Current)	12	70,800,000	-
Prepayments	14	-	-
Inventories	15	-	-
		109,826,620	-
Non-current assets			
Property, plant and equipment	16	-	-
Intangible assets	17	-	-
Receivables from non-exchange transactions (Non-current)	12	-	-
		-	-
Total assets		109,826,620	-
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	-	-
Provisions	19	-	-
Current portion of borrowings	20	-	-
Employee benefit obligations	23	-	-
		-	-
Non-current liabilities			
Non-current employee benefit obligation	23	-	-
Long term portion of borrowings	20	-	-
Total liabilities		-	-
Net assets		109,826,620	-
Revolving Fund		-	-
Reserves		-	-
Accumulated surplus		109,826,620	-
Total net assets and liabilities		109,826,620	-

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 5/3/2020 and signed by:


 Accounting Officer
 Name: Nuru Mohammed Mbogah


 Municipality Accountant
 Name: Filex Marago


KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

13.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Capital Reserves	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2018	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	-	-	-	-
Balance as at 1 July 2019	-	-	-	-
Surplus/(deficit) for the period	-	-	109,826,620	109,826,620
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	-	-	109,826,620	109,826,620

(Provide details on the nature and purpose of reserves)


 Accounting Officer
 Name: Nuru Mohammed Mbogah


 Municipality Accountant
 Name: Filex Marago

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

13.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	100,000,000	-
Transfers from the County Government	2	12,000,000	-
Interest received	4	-	-
Receipts from other operating activities	5	-	-
Total Receipts		112,000,000	-
Payments			
Municipality administration expenses	6	-	-
General expenses	8	(2,173,380)	-
Finance cost	9	-	-
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21	(70,800,000)	
Increase/(Decrease) in Accounts Payable: (deposits and retention)	22	-	
Net cash flows from operating activities		39,026,620	-
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		39,026,620	-
Cash and cash equivalents at 1 JULY	11	-	-

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

Cash and cash equivalents at 30 JUNE	11	39,026,620	-
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(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations		100,000,000	100,000,000	91,200,000	8,800,000	91%
Transfers from County Govt.		12,000,000	12,000,000	-	12,000,000	0%
Interest income		-	-	-	-	
Other income		-	-	-	-	
Total income		112,000,000	112,000,000	91,200,000	20,800,000	81%
Expenses						
Municipality administration expenses		50,000,000	50,000,000	-	50,000,000	0%
General expenses		62,000,000	62,000,000	2,173,380	59,826,620	4%
Finance cost		-	-	-	-	
Total expenditure		112,000,000	112,000,000	2,173,380	109,826,620	2%
Surplus for the period		-	-	89,026,620		

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

3. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on Kwale. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality recorded additional appropriations of 112,000,000 on the FY 2019/2020 budget following the governing body's approval.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 31 of these financial statements.

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Property, plant and equipment

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

5. Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

6. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Inventories

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

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

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

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

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

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

8. Provisions

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

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

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

Contingent liabilities

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

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

9. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements.

10. Changes in accounting policies and estimates

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

11. Employee benefits – Retirement benefit plans

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

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

12. Foreign currency transactions

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

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Borrowing costs

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

14. Related parties

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

15. 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 SBM bank at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents may 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.

16. Comparative figures

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

In this case there are no comparative figures since this is the first year of operation.

17. Events after the reporting period

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

18. Ultimate and Holding Entity

The entity is a County Public Entity established by Article 184 of the Constitution of Kenya and Section 9 of the Urban Areas and Cities Act. Its ultimate parent is the County Government of Kwale.

19. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. Significant judgments and sources of estimation uncertainty

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

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

Useful lives and residual values

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

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

Provisions

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

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The entity has no significant concentration of credit risk.

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Municipality's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

i. Interest rate risk

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

Management of interest rate risk

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

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Capital risk management

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

	2019/2020	2018/2019
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	109,826,620	-
Total funds	109,826,620	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

KWALE COUNTY GOVERNMENT**Kwale Municipality****Reports and Financial Statements****For the year ended June 30, 2020****13.7. NOTES TO THE FINANCIAL STATEMENTS****1. Public contributions and donations**

Description	2019/2020	2018/2019
	KShs	KShs
Donation from development partners	100,000,000	-
Contributions from the public		-
Total	100,000,000	-

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations	12,000,000	-
Payments by County on behalf of the entity	-	-
Total	12,000,000	-

3. Fines, penalties and other levies

Description	2019/2020	2018/2019
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

(Provide brief explanation for this revenue)

4. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	-	-

(Provide brief explanation for this revenue)

- KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

5. Other income

Description	2019/2020	2018/2019
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income	-	-
Total other income	-	-

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

6. Municipality administration expenses

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	-	-
Total	-	-

7. Staff costs

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

KWALE COUNTY GOVERNMENT**Kwale Municipality****Reports and Financial Statements****For the year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****8. General expenses**

Description	2019/2020	2018/2019
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental/Storage costs-use of goods and services	608,100	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	1,565,280	-
Total	2,173,380	-

KWALE COUNTY GOVERNMENT**Kwale Municipality****Reports and Financial Statements****For the year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****9. Finance costs**

Description	2019/2020	2018/2019
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

10. Gain/(loss) on disposal of assets

Description	2019/2020	2018/2019
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

11. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account	39,026,620	-
Others	-	-
Total cash and cash equivalents	39,026,620	-

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

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

		2019/2020	2018/2019
Financial institution	Account number	KShs	KShs
a) Fixed deposits account			
		-	-
		-	-
Sub- total		-	-
b) On - call deposits			
		-	-
		-	-
Sub- total		-	-
c) Current account			
SBM Bank	0672376625001	39,026,850	-
Kenya Commercial Bank	1262607582	-	-
Sub- total		39,026,850	-
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		-	-
Grand total		39,026,850	-

12. Receivables from Non-exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Current Receivables		
County Treasury	62,000,000	-
Kenya Urban Support Program (KUSP)	8,800,000	
Current loan repayments due	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables	70,800,000	
Non-Current receivables		
Long term loan repayments due	-	-
Total Non- current receivables	-	-
Total receivables from exchange transactions	70,800,000	-

Additional disclosure on interest receivable

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

Description	2019/2020	2018/2019
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due	-	-
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

13. Receivable from Exchange transaction

	KShs	KShs
Description	2019/2020	2018/2019
	KShs	KShs
Transfer to County Executive	-	-
Transfer to Municipality	-	-
Total receivables from non-exchange transactions	-	-

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Prepayments

Description	2019/2020	2018/2019
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
Total	-	-

15. Inventories

Description	2019/2020	2018/2019
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
Total inventories at the lower of cost and net realizable value	-	-

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2018	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30th June 2019	-	-	-	-	-
At 1st July 2019					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
Depreciation and impairment					
At 1 st July 2018	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2019	-	-	-	-	-
At 1st July 2019					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
Net book values					
At 30th June 2019	-	-	-	-	-
At 30th June 2020	-	-	-	-	-

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets-software

Description	2019/2020	2018/2019
	KShs	KShs
Cost		
At beginning of the year 2018	-	-
Additions	-	-
At end of the year 2019	-	-
Amortization and impairment		
At beginning of the year 2019	-	-
Amortization	-	-
At end of the year 2020	-	-
Impairment loss	-	-
At end of the year 2020	-	-
NBV 2020	-	-

18. Trade and other payables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

19. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2018)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
Balance at the end of the year (30.06.2019)	-	-	-	-

KWALE COUNTY GOVERNMENT

Kwale Municipality

Reports and Financial Statements

For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings

Description	2019/2020	2018/2019
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
Balance at end of the period	-	-

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

	2019/2020	2018/2019
	KShs	KShs
External Borrowings		
	-	-
	-	-
	-	-
Domestic Borrowings	-	-
	-	-
	-	-
	-	-
Total balance at end of the year	-	-

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

Description	2019/2020	2018/2019
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)

KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	-	-
Account receivable issued during the year (B)	70,800,000	-
Account receivable settled during the Year (C)	-	-
Net changes in account receivables D= A+B-C	70,800,000	-

22. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1 st July 2019 (A)	-	-
Accounts Payable held during the year (B)	-	-
Accounts Payable paid during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

23. Employee benefit obligations

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

KWALE COUNTY GOVERNMENT**Kwale Municipality****Reports and Financial Statements****For the year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****24. Cash generated from operations**

	2019/2020	2018/2019
	KShs	KShs
Surplus/ (deficit) for the year before tax	-	-
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	-	-

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

25. Related party balances**a) Nature of related party relationships**

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Board of Members



KWALE COUNTY GOVERNMENT**Kwale Municipality****Reports and Financial Statements****For the year ended June 30, 2020****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****b) Related party transactions**

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	2019/2020	2018/2019
	KShs	KShs
Board members	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2019/2020	2018/2019
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

e) Due to related parties

	2019/2020	2018/2019
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

26. Contingent assets and contingent liabilities

Contingent liabilities	2019/2020	2018/2019
	KShs	KShs
Court case against the Municipality	-	-
Bank guarantees	-	-
Total	-	-

(Give details)



KWALE COUNTY GOVERNMENT
Kwale Municipality
Reports and Financial Statements
For the year ended June 30, 2020

14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS

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

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

Guidance Notes:

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

