REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

DIANI MUNICIPAL BOARD

FOR THE YEAR ENDED 30 JUNE, 2021

DIANI MUNICIPALITY BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIALYEAR ENDED
30 JUNE 2021

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

The board's objective is to

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

The board's principal activity is

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

(i) Promotion, regulation and provision of animal control and welfare;
(j) Any other function as may be delegated by the County Executive Committee.

b) Principal Activities

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

Vision

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

Mission

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

Core Values

The department of Environment and Natural Resources upholds the values of transparency and accountability/integrity, inclusiveness and equity, empowerment, quality/result oriented and innovation.

c) Board of Trustees Committee

Ref	Position	Name
1	Chairman of the Board	Majani Said Ali
2	Chief Officer – Environment and Natural Resources	Nuru Mohamed Mboga
3	Chief Officer finance	Alex Onduko Thomas
4	Committee Members	Athuman Bwika Juma
5	Committee Members	Mambeya Suleiman Hamisi
6	Committee Members	Maureen Muhinja
7	Committee Members	Mariam Choka
8	Municipal Manager	Khamisi Mwandaro

d) Key Management

Ref	Position	Name
1	Municipal Manager	Khamisi Mwandaro
2	Accountant	Marago Filex

e) Fiduciary Oversight Arrangements

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

f) Registered Offices

P.O. Box 4,

Kwale County Head Office

Likoni – Kinango Road

Kwale, KENYA

g) Fund Contacts

Website: kwalecountygov.com

h) Fund Bankers

1. Co-operative Bank

   Ukunda Brach

   Account Number 01141839229400

2. Central Bank of Kenya
   Haile Selassie Avenue
   P.O. Box 60000
   City Square 00200
   Nairobi, Kenya

i) Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

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

2. THE BOARD OF TRUSTEES

Name	Details of qualifications and experience
1. Majani Said Ali – Board Chair 	**NAME** : Majani Said Ali – Board Chair **DATE OF BIRTH:** 12th March 1982 Bachelor of Information Technology (Islamic University-Uganda) Experience: Teacher in Dar ulum Secondary, Gombato secondary and Ukunda secondary schools. Project officer – Pact Kenya Currently businessman
2. Nuru Mohamed Mboga 	NAME : Nuru Mohamed Mbogah DATE OF BIRTH: 8th December 1988 November 2017 – Present – PhD Candidate, University of Dar es Salaam October 2013 – August 2015 (MSc.)- Masters in Water Resources Engineering at the University of Dar es Salaam-Tanzania • 2007 – 2013 (BSc. Hons) - Bachelor of Science in Water and Environmental Engineering. **PROFFESIONAL AND WORK EXPERIENCE** June 2019 – Present:– Chief Officer, Environment and Natural Resources at County Government of Kwale • Jan 2018 – June 2019 - Water engineer and EIA associate at Manken Geohydrotech Consultants, Mombasa, Kenya. • 1st September 2015 – August 2016 - Director of Programs – PDF Tanzania. • Master of Science in Water Resources Engineering University of Dar es Salaam – 2015 • MSc. Dissertation - Defining Onset and End of Rainy Seasons in Tanzania. • 2007 – 2013 (BSc. Hons) - Bachelor of Science in Water and Environmental Engineering. • Certificate in Computer Maintenance and Networking Technology – Technical University of Mombasa - March 2007.

3. Athuman Bwika Juma – Board Member 	**NAME** : Athuman Bwika Juma **DATE OF BIRTH**: 7th May 1974 2017-2019: Bachelor of Sharia$ Islamic Studies 2016-AUG 2016: Diploma in Arabic Languge$ Islamic Studies - Umma University. 2015- DEC 2015: Certificate in Arabic Language $ Islamic Studies - Umma University. 2014: Diani private - KCSE 1993-1997 : Arabic $ Islamic Studies O'Leval Malindi. Naja Islamic centre **PROFFESIONAL AND WORK EXPERIENCE** Year February 2020 to date - Kwale County BOARD MEMBER – Diani Municipality 2019.upto date. BOM Mabokoni Primary 2013 upto date: Chairman of county Busary Gombato Bongwe ward 2015 upto date. The Association of Madrasa Kenya (À. m. K. E) . 2013 upto date : Community mobilizer ummulqura intergrated ecde 1999 upto date: Working as a Teacher/Ustadh/Imam at Saifullah Islamic Centre (Ukunda Mbuwani)
4. Mambeya Suleiman Hamisi – Board member 	NAME : Mambeya Suleiman Hamisi DATE OF BIRTH: 17th August 1986 June 2016 – ERC - Solar PV Technician Licence Class T3 Jan 2012 – July 2013 - Certificate; Engineers 'Training Programme - Davis & Shirtliff Ltd. Aug 2006 – May 2011 – Egarton University - B.Sc. Agricultural Engineering Jan–April 2009 - Certificate in strategic planning and management of projects. Feb 2001- Dec 2004 - Sheikh Khalifah Bin Zayed **PROFFESIONAL AND WORK EXPERIENCE** Year February 2020 to date - Kwale County BOARD MEMBER – Diani Municipality December 2019 to date: Branch Manager Davis & Shirtliff Jan. 2016 – 2019 – Solar specialist Davis & Shirtliff 2014 – 2015 – Major trade manager and event organiser Davis & Shirtliff. 2011 – 2014 – Sales manager Davis & Shirtliff The trustee is an independent director
5. Maureen Muhinja – Board	NAME : Maureen Njeri Muhinja DATE OF BIRTH: 23rd December, 1969

member 	1997 – 1999: University of Nairobi MA (Planning) 1989 – 1992: University of Nairobi BA (Sociology and Geography) 1987 – 1988: A levels Mary Leakey Girls High School 1983 – 1986: O Levels Precious Blood, Kagwe Girls School 1976 – 1982: Primary Education HGM, Lioki Primary School. **PROFFESIONAL AND WORK EXPERIENCE** Year February 2020 to date - Kwale County BOARD MEMBER (Diani Municipality)- (Chair Sub-committee on Urban Planning and Infrastructure Year 2012 to Date – Geospatial systems Limited (Kwale) Senior Planner Year 2004 to 2011 – Kwale County - Senior Planning Officer/ District Physical Planning Officer Year 1999 to 2003 – Laikipia County - Senior Planning Officer/ District Physical Planning Officer The trustee is an independent director and chairs the sub-committee of Urban planning and infrastructure.
6. Mariam Choka – Board member 	NAME : Mariam Rashid Choka DATE OF BIRTH: 23rd May, 1991 May 2015 to date – CPA Part II 2011 – 2015: Egerton University – Bachelor of Arts Economics and Sociology. 2006 – 2009: Kwale Girls High School 2002-2009: Zigira Primary School **PROFFESIONAL AND WORK EXPERIENCE** Year February 2020 to date - Kwale County BOARD MEMBER – Diani Municipality Nov. 2020 to date: Cashier at Diani Sea Resort Jan. 2019 – August 2020 - Accountant at Donje Milling Company June 2016 – June 2018 - Accountant at Kenya Red Cross Kwale Branch 2010 – 2011 - Worked as Untrained Teacher at Kwale Girls High School

	The trustee is an independent director and serves as the vise chair for the Diani Municipality board.
7. Khamisi Mwandaro – Municipal manager 	**NAME** : **Khamisi Mwandaro** **DATE OF BIRTH**: 1st January 1964 BA Economics and Sociology (UON) Diploma in clearing warehousing and practical freight forwarding. Experience: Sub county administrator – County Government of Kwale Operations coordinator – Grain bulk handlers Manager NCPB

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

Introduction

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

The key development objectives of the Diani Municipality as per the 20-21 plan are to:

a) Provide quality physical infrastructure in the Municipality.
b) Provide a clean environment through garbage collection.
c) Prepare an urban development plan to control development within the municipality.

Progress on attainment of Strategic development objectives (Adopted from Kwale county,

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provide quality physical infrastructure in the Municipality.	To provide professional and technical guidance and support to the developers/investors	Increased number of investors in the municipality, Easy and convenient accessibility	Number of developers seeking for support and guidance on matters development.	In FY 20/21 we realised an increase in development. Increased land value within the municipality.
Provide a clean environment through garbage collection.	Efficient and economic garbage collection mechanisms	Minimal volumes of garbage seen.	A clean municipality characterised by non-littered streets	Increased revenue. Reduced complains and conflicts between

Program	Objective	Outcome	Indicator	Performance
				the residents and the municipality.
Prepare an urban development plan to control development within the municipality	To guide in placement of facilities and institutions rightfully	A well planned municipality	Increased number of developers/investors	Increased land value within the municipality.

Amend the table above accordingly.

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
MS. NURU MOHAMED MBOGAH (Member) – CO Environment 	Date of Birth: 8th December, 1988 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. She also holds a MSc. Dissertation - Defining Onset and End of Rainy Seasons in Tanzania. Bachelor of Science in Water and Environmental Engineering. She is currently the Chief Officer, Environment and Natural Resources at County Government of Kwale
HAMISI OMAR MWANDARO – Municipal manager 	**NAME** : **Hamisi Mwandaro** **DATE OF BIRTH**: 1st January 1964 BA Economics and Sociology (UON) Diploma in clearing warehousing and practical freight forwarding. Experience: Sub county administrator – County Government of Kwale Operations coordinator – Grain bulk handlers Manager NCPB
MR. FILEX MARAGO (Accountant) 	Date Of Birth 5/12/1975 Marital status – married Education & Professional Qualifications; - Holds a bachelor's degree in Business Administration from KEMU - CPA 1 - KCSE – Bujumba Secondary School - KCPE – Amagoro Primary Experience - Accountant Kwale County Government 2013 to date Accountant defunct Kwale County Council, Nakuru Municipal council, Bungoma County Council and Malaba Town council 2005 - 2013

MS. ANNASTACIA MAITHYA **(Procurement Officer)** 	Date Of Birth – 23/07/1967 Marital Status – Married Education & Professional Information - KCSE – Nyeri Technical Highschool - Holds Diploma in Procurement and Material Management - Bachelor of Business management supplies option - CPA 1 Procurement Officer Kwale County

5. BOARD COMMITTEE CHAIRPERSON'S REPORT

Municipality of Diani 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. Diani 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 Diani.

Diani Municipality has a board with a chairman. During the year there were formed committees to enhance the operations of the municipality. The committees formed are as follows:

- Finance committee – Chaired by Mariam Choka
- Planning committee – Chaired by Maureen Muhinja
- Community development committee – Chaired by Athuman Bwika
- Environment committee – Chaired by Suleiman Mambeya

Diani Municipality had a budget of Kshs. 41,730,000 with an actual realisation of Kshs. 26,363,014.

The municipality managed to complete cabro paving of Blue Jay – Kongo Mosque road phase 2 whose contract award price was Kshs. 25,947,423.This project has been embraced by the community for it serves well the intended purpose.

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

Conclusion

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

Signed: _____

Majani Said Ali

6. REPORT OF THE MUNICIPAL BOARD MANAGER

It is with great pleasure that I present the Municipality of Diani financial statements for the year ended 30th June 2021. The financial statements present the financial performance of the Municipality over the past year.

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. Diani Municipality is a child of the Kenya Urban Support Programme (KUSP) through the County Government of Kwale.

Financing of the County Governments

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

Financial Performance

a) Revenue

Figure 1: THE MUNICIPALITY OF DIANI FY 2020/2021

The only source of funding for the municipality is the exchequer releases from the county treasury.

The municipality's approved budget was Ksh 41,730,000. The municipality undertook and paid for projects of Khs 25,747,423 during the year. This was beautification of Diani beach road phase 3.

The table below represents an analysis of revenue performance during the year.

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)	Realisation (%)
County Treasury Disbursements	41,730,000	26,363,014	63%
Total	**41,730,000**	**26,363,014**	**63%**

b) Payments

The total expenditure for the year amounted to KShs 26,346,359. Kshs. 25,747,423 was spent on acquisition of assets while kshs. 598,936 was spent on use of goods and services.

	2020-2021	2019-2020
Development Expenditure	25,747,423	-
Recurrent Expenditure	598,936	-
	26,346,359	-

In the financial year 2020/2021, the Municipality undertook the cabro paving of Blue jay to Kongo Mosque road being phase 2 of that project at a cost of 25,747,423. This was done to completion and the contractor has been fully paid.

c) Cash flows

In the FY 2020/2021, 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 the 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, 2021.

e) Pending bills

We are happy to report that the Municipality has only Kes. 0 as Pending bills.
Our focus as a Municipality is to settle the bills as soon as possible.

f) Fixed assets

Diani Municipality is still in its infantry stage and has not yet acquired any assets.

Risk management strategy

Risks are inevitable in the day to day operations of the municipality. The municipality has adopted risk sharing as a strategy by way of procurement of services of contractors in project implantation instead of doing works using own staff and equipment.

The municipality staff have an insurance cover taking care of their medical bills and workman's compensation in case of injury while on duty. When the municipality owns assets in the near future, as a government such assets will be insured thereby transferring the risks associated with the ownership and use of these assets.

Value for money

The concentration of activities in Diani is along the beach, hence the choice of the beautification of the beach road. Projects undertaken by the Municipality are chosen through the public participation process as stipulated by the constitution of Kenya 2010. This being the case, the citizens realised value for money for the project.

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

i. Mobility problems due to lack of vehicles for the municipality.

ii. Lack of an office and a board room for the municipality staff. The municipality is still fully dependent on the county government for such resources/facilities.

iii. Over reliance on the county seconded staff to perform municipality functions.

Conclusion

FY 2020/2021 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 Diani 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 the County Executive Committee Member in charge of Environment and her Chief officer who have worked hand in hand to ensure that Diani Municipality achieves its mission.

I thank all the seconded staff of the county for their continued commitment and dedication through hard work in delivering services to the people of Diani Municipality.

Signed: _____

HAMISI O. MWANDARO

7. CORPORATE GOVERNANCE STATEMENT

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

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

B. Succession plan.

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

C. Existence of a service charter.

Diani Municipality is yet to develop a service charter.

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

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

(a) signed minutes as evidence of an accountable process of nomination;

(b) evidence of compliance with statutory obligations;

(c) vetting form to establish that the nominee has complied with the prescribed criteria for appointment as a member of the board.

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

The administration committee members shall cease to be members if he/she;

- Is unable to perform the functions of the office by reason of mental or physical infirmity;
- Is declared or becomes bankrupt or insolvent;
- Is convicted of a criminal offence and sentenced to a term of imprisonment of six months or more;
- Resigns in writing to the County Governor;
- Without reasonable cause, absents for three consecutive meetings of the Board or Committee of the Board of the Municipality within one financial year;
- Is found guilty of professional misconduct by the relevant professional body;
- Is disqualified from holding a public office under the Constitution;
- Fails to declare his or her interest in any matter being considered or to be considered by the Board or Board Committees;

- Engages in any gross misconduct; or
- Dies.

E. Roles and functions of the Administration Committee members.

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

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

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

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

G. Conflict of interest,

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

H. Board remuneration,

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

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

The Municipality has undergone routine internal audits and annual external audit by the office of the auditor general.

8. MANAGEMENT DISCUSSION AND ANALYSIS

The Municipality receives its revenue for both development and operations from the County Treasury through exchequer.

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

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
CARA	41,730,000	26,346,359	63%
Total	**41,730,000**	**26,346,359**	**63%**

The Municipality has utilized 63% of the budget allocation. There was delay in the procurement of one project i.e murraming of blue Jay to Kongo Mosque road phase 3. This contract was signed late in the financial year and was not completed in time hence the low absorption.

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

Item No.	Project/Activity Name	Name and Address of Contractor/Suppliers	Contract or Purchase Order No. & Date [or other Ref]	Brief Description of Goods, Works or Services	Total Value of Contract in Kshs	Project Status
1	PROPOSED BEAUTIFICATION OF DIANI BEACH ROAD PHASE 3	LESTER CONSTRUCTION COMPANY		PROPOSED BEAUTIFICATION OF DIANI BEACH ROAD PHASE 3	25,747,423	Completed.

The entity has been routinely audited by the internal auditor since its inception. It has also been audited by the office of the auditor general as required by law.

It worth noting that during the previous audits, no fundamental issues have been raised by the auditor general. This is therefore an indication that the affairs of the municipality are run in a fair way and in accordance with the existing governing legal framework.

The major risk facing the municipality is low funding since it entirely depends on the exchequer from the county treasury. It is the wish and plea of the management that the municipality is given independence to collect and manage its own revenue resources.

Dependence on the county staff in entirety poses a great risk to the municipality. This in fact directly impacts on the implementation of the municipality programs since these staff are not readily available when required.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

1. Sustainability strategy and profile

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

In a bid to sustainably realise its objectives, the municipality should embrace public participation and public private partnership where necessary, in making its choices for the development programs.

2. Environmental performance

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

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING (CONTINUED)

3. Employee welfare

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

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

4. Market place practices

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors

b) Responsible Supply chain and supplier relations

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

c) **Responsible marketing and advertisement**

Outline efforts to maintain ethical marketing practices

d) **Product stewardship**

Outline efforts to safeguard consumer rights and interests

5. **Community Engagements**

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

10. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the board affairs.

10.1 Principal activities

The principal activities of the Board are:

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

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 29

10.3 Trustees

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

10.4 Auditors

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

By Order of the Board

Diani Municipality

Sign:

Name: Said Ali Mgeni

Chair of the Board

Date: 22/8/22

11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Municipalities financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i)maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Administrator of the County Public Fund accepts responsibility for the Municipality's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Urban Areas and Cities Act 2011. 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, 2021, 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 Administrator of the County Public Fund has assessed the Municipality's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Administrator 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

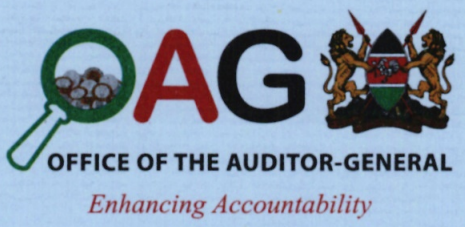
The Boards financial statements were approved by the Board on 22/8 2022 and signed on its behalf by:

Name: Hamisi Mwandaro

Municipal Manager

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON DIANI MUNICIPAL BOARD FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Diani Municipal Board set out on pages 29 to 71, which comprise of the statement of financial position as at

30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Diani Municipal Board as at 30 June, 2021, 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 Public Finance Management Act, 2012 and the Urban Areas and Cities Act, 2019.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Diani Municipal Board Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.41,730,000 and Kshs.26,363,014 respectively resulting to an under-funding of Kshs.15,366,986 or 37% or of the budget. Similarly, the Municipal spent Kshs.26,346,359 against an approved budget of Kshs.41,730,000 resulting to an under-expenditure of Kshs.15,383,641 or about 37% 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 matter described in the Basis for Conclusion on Lawfulness and

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

Basis for Conclusion

Lack of Integrated Development Plan

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

In the circumstances, the County Executive was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.

- Perform such other procedures, as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 September, 2022

13. FINANCIAL STATEMENTS

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

	Note	2020/2021	2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	41,730,000	-
Fines, penalties and other levies	3	-	-
		41,730,000	-
Revenue from exchange transactions			
Interest income	4	-	-
Other income	5	-	-
		-	-
Total revenue		**41,730,000**	-
Expenses			
Fund administration expenses	6	-	-
General expenses	7	598,936	-
Finance costs	8	-	-
Total expenses		**598,936**	-
Other gains/losses			
Gain/loss on disposal of assets	9	-	
Surplus/(deficit) for the period		**41,131,064**	-

The notes set out on pages 55 to 69 form an integral part of these Financial Statements.

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	10	16,655	-
Current portion of long- term receivables from exchange transactions	11	-	-
Receivables from Non- exchange transactions	12	15,366,986	-
Prepayments	13	-	-
Inventories	14	-	-
		15,383,641	-
Non-current assets			
Long term receivables from exchange transactions	11		
Property, plant and equipment	15	51,461,923	25,714,500
Intangible assets	16	-	-
		51,461,923	**25,714,500**
Total assets		**66,845,564**	**25,714,500**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
		-	-
Non-current liabilities			
Long term portion of borrowings	19	-	-
Non-current employee benefit obligation	20	-	-
Total liabilities		-	-
Net assets		**66,845,564**	**25,714,500**
Revolving Fund		-	-
Capital Reserves		66,845,564	25,714,500
Accumulated surplus			
Total net assets and liabilities		**66,845,564**	**25,714,500**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 22/8 2022 and signed by:

Administrator of the Fund

Name: Hamisi Omar Mwandaro

Fund Accountant

Name: Marago Filex Etee

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

	Capital Reserves	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	25,714,500	-		25,714,500
Revaluation gain	-	-	-	0
Balance as at 30 June 2020	**25,714,500**	**-**		**25,714,500**
Balance as at 1 July 2020	**25,714,500**	**-**		**25,714,500**
Surplus/(deficit) for the period	41,131,064	-		41,131,064
Funds received during the year		-	-	0
Revaluation gain	-	-	-	0
Balance as at 30 June 2021	**66,845,564**	**-**	**-**	**66,845,564**

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

	Note	2020/2021	2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	-	-
Transfers from the County Government	2	41,730,000	-
Interest received	4	-	-
Receipts from other operating activities	5	-	-
Total Receipts		**41,730,000**	-
Payments			
Fund administration expenses	6	-	-
General expenses	7	(598,936)	-
Finance cost	8	-	-
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	24	(15,366,986)	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)	25		
Net cash flows from operating activities		**25,764,078**	
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		**25,764,078**	

	Note	2020/2021	2019/2020
		KShs	KShs
Cash and cash equivalents at 1 JULY	10	-	
Cash and cash equivalents at 30 JUNE	10	**16,655**	-

(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)

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilisation
	2021	2021	2021	2021	2021
Revenue	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-
Transfers from County Govt.	41,730,000	-	41,730,000	26,363,014	63%
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total income	**41,730,000**	**-**	**41,730,000**	**26,363,014**	**63%**
Expenses					
Fund administration expenses	40,980,000	-	40,980,000	25,747,423	63%
General expenses	750,000		750,000	598,936	80%
Finance cost	-	-	-	-	-
Total expenditure	41,730,000	-	41,730,000	**26,346,359**	**63%**
Surplus for the period	-	-	-	**16,655**	

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. *(State the impact of the standard to the entity if relevant)*

Standard	Effective date and impact:
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. *(State the impact of the standard to the entity if relevant)*
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2022:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 30th June 2020. There we no subsequent revisions or additional appropriations made to the approved budget.

The Municipality'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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section of statement of comparison of budget and actual amounts for the period ended 30th June 2021 of these financial statements.

5. Property, plant and equipment

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

6. Intangible assets

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Municipality 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 Municipality 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 Municipality of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Municipality 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.

8. Inventories

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

The Municipality creates and maintains reserves in terms of specific requirements. At the moment there are no reserves

11. Changes in accounting policies and estimates

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

12. Employee benefits – Retirement benefit plans

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

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

13. Foreign currency transactions

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

14. Borrowing costs

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

15. Related parties

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. Cash and cash equivalents

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

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

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

20. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

There were no provisions raised. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

22. Financial risk management

The Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Liquidity risk management

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

d) Foreign currency risk

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Foreign currency sensitivity analysis

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (2021: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0 (2020 – KShs 0)

f) Capital risk management

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

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

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2020/2021	2019/2020
	KShs	KShs
Transfers from County Govt. – operations	41,730,000	-
Payments by County on behalf of the entity		-
Total	**41,730,000**	-

3. Fines, penalties and other levies

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

(Provide brief explanation for this revenue)

4. Interest income

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

(Provide brief explanation for this revenue)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Other income

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

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

6. Fund administration expenses

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

6A. Staff costs

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

N/B The total amount under staff costs has been included in note 6 as part of Fund Administration Expenses chiefly because most funds do not have separate employee but rather the cost would relate to allowances drawn in line fund administration.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. General expenses

Description	2020/2021	2019/2020
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	598,936	-
Total	**598,936**	-

8. Finance costs

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

9. Gain/(loss) on disposal of assets

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account	16,655	-
Others	-	-
Total cash and cash equivalents	**16,655**	**-**

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

		2020/2021	2019/2020
Financial institution	**Account number**	**KShs**	**KShs**
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Cooperative Bank	1141839229400	16,655	-
		-	-
Sub- total		**16,655**	**-**
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
Sub- total		-	-
Grand total		**16,655**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Receivables from exchange transactions

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

Additional disclosure on interest receivable

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from Non-Exchange transaction

Description	2020/2021	2019/2020
	KShs	KShs
Transfer from County Executive	15,366,986	-
Transfer from Municipality	-	-
Total receivables from non-exchange transactions	**15,366,986** -	-

13. Prepayments

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

14. Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Roads	Total
Cost	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**
At 1st July 2019	-	-	-	-	-	-
Additions	-	-	-	-	25,714,500	25,714,500
Disposals	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-
At 30th June 2020	-	-	-	-	**25,714,500**	**25,714,500**
At 1st July 2020	-	-	-	-	**25,714,500**	**25,714,500**
Additions	-	-	-	-	25,747,423	25,747,423
Disposals	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-
At 30th June 2021	-	-	-	-	**51,461,923**	**51,461,923**
Depreciation and impairment						
At 1st July 2019	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
At 30th June 2020	-	-	-	-	-	-
At 1st July 2020	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Roads	Total
Cost	KShs	KShs	KShs	KShs	KShs	KShs
At 30th June 2021	-	-	-	-	-	-
Net book values						
At 30th June 2020	-	-	-	-	-	-
At 30th June 2021	-	-	-	-	51,461,923	51,461,923

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

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

17. Trade and other payables from exchange transactions

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

18. Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

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

21. Cash generated from operations

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

22. Related party balances

a) Nature of related party relationships

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

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

c) Key management remuneration

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

d) Due from related parties

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

e) Due to related parties

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

23. Contingent assets and contingent liabilities

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

(Give details)

24. CHANGES IN RECEIVABLE

Description	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1st July 2019 (A)	-	-
Account receivable issued during the year (B)	41,730,000	-
Account receivable settled during the Year (C)	26,363,014	-
Net changes in account receivables D= A+B-C	15,366,986	-

25. CHANGES IN ACCOUNTS PAYABLE

Description	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1st 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		

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

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

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

Guidance Notes:

a) Use the same reference numbers as contained in the external audit report;

b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.

16. APPENDIX I: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the County Executive of xxx County Government			
	FY 2020/2021			
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
			-	
		Total	-	
b.	Development Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
			-	
		Total	-	
c.	Direct Payments	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
			-	
		Total	-	

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

Finance Manager
Diani Municipal Board

Sign ----------

Head of County Treasury at
County Government of Kwale

Sign----------