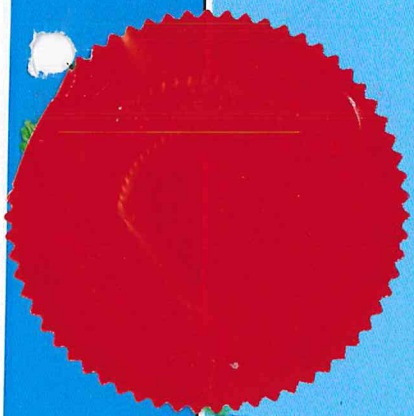



Enhancing Accountability



 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 02 FEB 2022	DAY: Wed
TABLED BY: Majority Whip	
CLERK-AT THE-TABLE: Finlay Muriuki	

REPORT

OF

THE AUDITOR-GENERAL

ON

**KENYA URBAN SUPPORT PROGRAM – KISII
MUNICIPALITY**

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



Program Name: Kenya Urban Support Program – Kisii Municipality

Implementing Entity. Kisii County Executive

PROGRAM GRANT NO. IDA 6134-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

TABLE CONTENTS

1. PROGRAM INFORMATION AND OVERALL PERFORMANCE.....	ii
2. STATEMENT OF PERFORMANCE AGAINST PROGRAM’S PREDETRMINED OBJECTIVES	vii
3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	ix
4. STATEMENT OF PROGRAM MANAGEMENT RESPONSIBILITIES.....	x
5. REPORT OF THE INDENDENT AUDITOR ON THE xxxx PROGRAM.....	xii
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.....	1
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021	2
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021	3
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS.....	4
10. SIGNIFICANT ACCOUNTING POLICIES	5
11. NOTES TO THE FINANCIAL STATEMENTS	9
12. OTHER IMPORTANT DISCLOSURES	12
13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS.....	13
14. ANNEXES.....	14

1. KENYA URBAN SUPPORT PROGRAM – KISII MUNICIPALITY INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Kisii Municipality
Fire station Building
Next to Storm Hotel
KISII, KENYA

Objective

The key objective of the Program is reduce congestion in the CBD by providing a shorter link to Nyanchwa which is the highest residential estate in the Municipality.

Address

P.O. Box 4550-40200
fire station Building
Next to Storm Hotel
KISII, KENYA

Contacts: The following are the Program contacts

Kisii Municipality

Telephone: (254) 582030005

E-mail: info@kisii.go.ke

Website: www.kisii.go.ke

KENYA URBAN SUPPORT PROGRAM – KISII MUNICIPALITY INFORMATION AND OVERALL PERFORMANCE (Continued)

1.2 Program Information

Program Start Date:	The Program start date is 11 th April 2018
Program End Date:	The Program end date is 30 th June 2023
Program Manager:	The Program manager is Mr Haron Oyaro Kenyoru
Program Sponsor:	The Program sponsor is World Bank

1.3 Program Overview

Line Ministry/State Department of the Program	The Program is under the supervision of the Ministry of Lands, Physical Planning and Urban Development
Program number	IDA 6134-KE
Strategic goals of the Program	The strategic goals of the Program are as follows: (i) Decongestion of the Central Business District (CBD) of Kisii Municipality (ii) Enhanced traffic segregation
Achievement of strategic goals	The Program management aims to achieve the goals through the following means: (i) Construction of a paved road to residential estate (ii) Improvement of a road intersection (iii) Provision of Non-Motorized Transport (NMT) facilities
Other important background information of the Program	The Program serves as a shortest link to a highly build residential estate.
Current situation that the Program was formed to intervene	The Program was formed to intervene in the following areas: (i) Congested CBD of Kisii Municipality (ii) Traffic conflict
Program duration	The Program started on 11 th April 2018 and is expected to run until 30 th June 2023

KENYA URBAN SUPPORT PROGRAM – KISII MUNICIPALITY INFORMATION AND OVERALL PERFORMANCE (Continued)

1.4 Bankers

The following are the bankers for the current year:

- (i) Credit Bank-Kisii Branch
- (ii) SBM-Kisii Branch

1.5 Auditors

The Program is audited by the Auditor General

1.6 Roles and Responsibilities

List the different people who will be working on the Program. This list would include the Program manager and all the key stakeholders who will be involved with the Program. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Dr. Walter Okibo	CECM LPP&UD		Overall policy and strategic planning for the programme
Caroline Nyaseti	C.O LPP&UD	Bachelor of Hospitality management and MBA-HR	The chair to the CPCT which oversees day –day programme implementation
Nahshon Ongeru	Municipal Manager	Bcom-Accounting and MBA-Finance	The accounting officer where the programme is domained.
Haron Oyaro	Program Manager	Bsc civil Engineering	Technical support for the Program.

1.7 Funding summary

The Program is for duration of 5 years from the financial year 2018/2019 - 2022/2023 with an approved budget of KShs 164,053,800 p.a as highlighted in the table below:

KENYA URBAN SUPPORT PROGRAM – KISII MUNICIPALITY INFORMATION AND OVERALL PERFORMANCE (Continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-	Amount received to date – (30 th June 2021)	Undrawn balance to date
	<i>KShs</i>	<i>KShs</i>	<i>KShs</i>
	(A)	(B)	(A)-(B)
Grant			
International Development Association	820,269,000	331,391,442	488,877,558
Total	820,269,000	331,391,442	488,877,558

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2021)	Cumulative Amount paid to date – (30 th June 2021)	Unutilised balance to date (30 th June 2021)
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
	(A)	(B)	(A)-(B)
Grant			
International Development Association	331,391,442	266,238,919	65,152,523
Total	331,391,442	266,238,919	65,152,523

KENYA URBAN SUPPORT PROGRAM – KISII MUNICIPALITY INFORMATION AND OVERALL PERFORMANCE (Continued)

1.8 Summary of Overall Program Performance:

- i) During the year ended 30 June 2021, the Program spent Kshs.81,189,176 out of an approved budget of Kshs.197,397,118, resulting in under absorption of Kshs.116,207,942 or 59% of budget.
- ii) Physical progress based on outputs, outcomes and impacts since Program commencement, see Annex 4.
- iii) Comment on value-for-money achievements,
 - The residents of Kisii Municipality have derived value for money from Kisii Municipality Fire Station in form of rapid disaster response, employment of more fire men and equipment, creation of a fire disaster academy to aid disaster response, triggering creation of other infrastructure such as access roads.
 - Storm water drains in the Municipality have reduced land degradation, road maintenance costs, enhanced solid waste management, increased economic values of properties along the water ways
- iv) Implementation challenges encountered include delays caused by heavy rains and disruptive effect of COVID 19 Pandemic.

1.9 Summary of Program Compliance:

There were no instances of non-compliance.

2. STATEMENT OF PERFORMANCE AGAINST PROGRAM'S PREDETRMINED OBJECTIVES

ANTICIPATED PROGRAM OBJECTIVES TO BE ATTAINED

- a) Reduced number of accidents attributed vehicular and non-vehicular conflict.
- b) Reduced travel time enhancing productivity and convenience.
- c) Emerging new development on the road corridor.
- d) Transformation of estate to a mixed use area from purely residential estate hence creating new Frontiers on otherwise unutilized areas.
- e) Enhanced services delivery i.e. shorter route for utilities, efficient garbage collection.

CHALLENGES

- a) Explosion in the utilization of the facility rendering the previous routes unusable.
- b) Potential accidents being a residential estate with institutions surrounding.
- c) Main truck sewer crossing with perpetual overflow and spillage.
- d) Axle load control of heavy traffic.

OPPORTUNITIES

- a) Extension of connectivity on the neighbouring and connecting roads.
- b) Opening up the area for support with other donor programmes on the Nyanchwa green belt under UKAid-sustainable urban Economic Development (SUED)
- c) Effective monitoring and protection of the riparian from encroachment and pollution.
- d) Potential for upgrading and improvement of the Nubia slum due to proximity to town areas.

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

The key development objectives of the Program's agreement/ plan are to:

- a) Support for the establishment, operationalization and strengthening of the institutional framework for urban management.
- b) Strengthening coordination of urban finances.
- c) Provision of support for planning, urban infrastructure, and service delivery.

Progress on attainment of Strategic development objectives

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

*Kenya Urban Support Program – Kisii Municipality
Reports and Financial Statements
For the financial year ended June 30, 2021*

Program	Objective	Outcome	Indicator	Performance
Construction of Nyanchwa link road to bitumen standards.	To decongest and ease movement to and from the CBD	Ease in movement and shortened travel time from CBD	Travel time, Number of vehicles and passengers diverted to the road	In FY 2020/2021 we increased the diverted traffic from other by passes

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Kisii 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. Below is a brief highlight of our activities that drive towards sustainability.

a) Sustainability strategy and profile

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

b) Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

Some of the enabling environmental policies that kisii municipality adopted from kisii county government laws and national laws include;

1. Environmental management and coordination Act 1999
2. Environmental management and coordination waste regulation 2006
3. Kisii county solid waste management Act 2015
4. Draft solid waste management bill and policy
5. Draft kisii municipality solid waste management by law

The policies are implemented through the kisii municipality solid waste management plan that was adopted and passed by the kisii municipality Board

Achievements:

1. Purchase of land for waste management activities
2. Provision of machinery to assist with collection and transportation of solid waste from the different zones.
3. Contracted cleaning services in all zones, youths have been incorporated in the solid waste Management chain to assist in achieving a clean healthy and sustainable environment
4. Through the UN Habitant pilot Program some estate within the municipality received colour Coded waste collection bins to encourage source segregation.
5. Draft kisii municipality solid waste management law
6. As a municipality we have managed to reach out to recyclers association to assist us transform waste disposal activities.

Challenges:

1. Waste management issues are not adequately provided for in the county budget
2. Sources of segregation has been difficult to achieve because the mode of collection, Transportation and disposal does not support segregation of waste
3. Kisii municipality has not adequately explored waste to energy technologies and The 3Rs
4. No landfill

Efforts to manage biodiversity include:

1. Town beautification; this involves planting trees on the green spaces and along
The road reserves
2. Protection and maintenance of the people's park which serves as a green park in
the
Municipality
3. Riparian protection
4. Development control ensuring that vulnerable ecosystems and riparian reserves are not
Developed on.

Effort to reduce environmental impacts of the products

1. Development control
2. Environmental and social screening of Programs before they kick off
3. Environmental and social impact assessments of each Program
4. Implementation of Environmental and social monitoring and management plan during
Program cycle
5. Environmental audit after Programs are completed.

c) Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

4. STATEMENT OF KENYA URBAN SUPPORT PROGRAM MANAGEMENT RESPONSIBILITIES

The Municipal Manager of Kisii Municipality and the Program Manager for Kenya Urban Support Program are responsible for the preparation and presentation of the Program's financial statements, which give a true and fair view of the state of affairs of the Program for and as at the end of the financial year ended on 30 June 2021.

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

The Municipal Manager of Kisii Municipality and the Program Manager for Kenya Urban Support Program accept responsibility for the Program's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Municipal Manager of Kisii Municipality and the Program Manager for Kenya Urban Support Program are of the opinion that the Program's financial statements give a true and fair view of the state of Program's transactions during the financial year/period ended 30 June 2021, and of the Program's financial position as at that date. The Municipal Manager of Kisii Municipality and the Program Manager for Kenya Urban Support Program further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Municipal Manager of Kisii Municipality and the Program Manager for Kenya Urban Support Program confirm that the Program has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Program funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Program financial statements

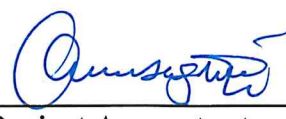
The Program financial statements were approved by the Municipal Manager of Kisii Municipality and the Program Manager for Kenya Urban Support Program on 30th August 2021 and signed by them.



Municipal Manager
Name: Nahshon Ongeri



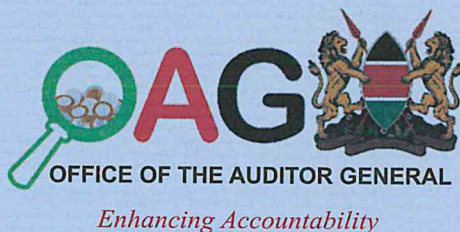
Project Manager
Name: Haron Oyaro



Project Accountant
Name: Elijah Mosagwe
ICPAK Number: 24903

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA URBAN SUPPORT PROGRAM - KISII MUNICIPALITY 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 control, 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 Kenya Urban Support Program – Kisii Municipality set out on pages 1 to 16, which comprise the statement of financial

Report of the Auditor-General on Kenya Urban Support Program - Kisii Municipality for the year ended 30 June, 2021

assets as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya 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 Kenya Urban Support Program – Kisii Municipality as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and the Public Finance Management Act, 2012 and comply with Financing Agreement (Program Grant No. IDA 6134-KE) between Republic of Kenya and International Development Association, dated 14 September, 2017 and Intergovernmental Participation Agreement (Kenya Urban Support Program) between the National Government of the Republic of Kenya and Kisii County Government dated 11 April, 2018.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Urban Support Program – Kisii Municipality Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 for the year ended 30 June, 2021 reflects final receipts budget and actual on comparable basis of Kshs.172,853,800 and Kshs.126,137,642 respectively, resulting in an under-funding of Kshs.46,716,158 or 27% of the budget. Similarly, the Program spent Kshs.81,189,176 out of the approved expenditure budget of Kshs.197,397,118, resulting in under expenditure of Kshs.116,207,942 or 59% of the budget.

The budget under-funding and under-expenditure may impact negatively on delivery of services to the residents of Kisii Municipality.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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 those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the ability of Kenya Urban Support Program – Kisii Municipality to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the County Government is aware of the intention to terminate the Program 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.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Program 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 control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Kenya Urban Support Program – Kisii Municipality 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 Program to cease sustaining 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 Kenya Urban Support Program – Kisii Municipality to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 December, 2021

*Kenya Urban Support Program – Kisii Municipality
Reports and Financial Statements
For the financial year ended June 30, 2021*

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.

	Note	Receipts and payments controlled by the Program		Cumulative to-date (From inception)
		2020/2021	2019/2020	
		Kshs	Kshs	Kshs
RECEIPTS				
Proceeds from domestic and foreign grants	1	126,137,642	41,200,000	331,391,442
TOTAL RECEIPTS		126,137,642	41,200,000	331,391,442
PAYMENTS				
Purchase of goods and services	2	15,754,547	25,831,204	41,599,621
Acquisition of non-financial assets	3	65,434,629	67,103,223	224,839,297
TOTAL PAYMENTS		81,189,176	92,934,427	266,438,918
SURPLUS/ (DEFICIT)		44,948,466	-51,734,427	64,952,524


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



Municipal Manager
Name: Nahshon Ongeru



Project Manager
Name: Haron Oyaro



Project Accountant
Name: Elijah Mosagwe
ICPAK Number.24903

*Kenya Urban Support Program – Kisii Municipality
Reports and Financial Statements
For the financial year ended June 30, 2021*


7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Note	2020/2021	2019/2020
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	4	69,491,784	24,543,318
Total Cash and Cash Equivalents		69,491,784	24,543,318
TOTAL FINANCIAL ASSETS		69,491,784	24,543,318
FINANCIAL LIABILITIES			
Payables- Deposits and Retentions	5	-6,053,225	-4,539,261
NET ASSETS		63,438,559	20,004,057
REPRESENTED BY			
Fund balance b/fwd	6	20,004,057	71,738,484
Prior year adjustment	7	-1,513,964	-
Surplus/(Deficit) for the year		44,948,466	(51,734,427)
NET FINANCIAL POSITION		63,438,559	20,004,057

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30th August 2021 and signed by:


Municipal Manager
 Name: Nahshon Ongeri


Project Manager
 Name: Haron Oyaro



Project Accountant
 Name: Elijah Mosagwe
 ICPAK Number.24903

*Kenya Urban Support Program – Kisii Municipality
Reports and Financial Statements
For the financial year ended June 30, 2021*

8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2021

		2020/2021	2019/2020
	Note	Kshs	Kshs
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts from operating activities			
Proceeds from domestic and foreign grants	1	126,137,642	41,200,000
Payments from operating activities			
Purchase of goods and services	2	-15,754,547	-25,831,204
Adjustment for:			
Prior year adjustment	5	-1,513,965	
Decrease in Accounts Payable - deposits and retention		1,513,965	-4,690,885
Net cash flow from operating activities		110,383,095	10,677,911
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	3	-65,434,629	-67,103,223
Net cash flows from Investing Activities		-65,434,629	-67,103,223
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		44,948,466	-56,425,312
Cash and cash equivalent at BEGINNING of the year	4	24,543,318	80,968,630
Cash and cash equivalent at END of the year	4	69,491,784	24,543,318

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 30th August 2021 and signed by:


Municipal Manager
 Name: Nahshon Ongeri


Project Manager
 Name: Haron Oyaro


Project Accountant
 Name: Elijah Mosagwe
 ICPAK Number: 24903

*Kenya Urban Support Program – Kisii Municipality
Reports and Financial Statements
For the financial year ended June 30, 2021*

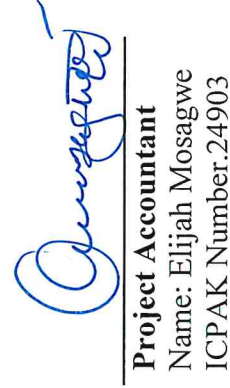
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Receipts/Payments Item	Original Budget		Adjustments		Final Budget		Actual on Comparable Basis		Budget Utilization Difference		% of Utilization f=d/c %
	a	b	c=a+b	d	e=c-d	f=d/c %					
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts											
Proceeds from domestic and foreign grants	172,853,800	-	172,853,800	-	172,853,800	126,137,642	46,716,158	73%			
Total Receipts	172,853,800	-	172,853,800	-	172,853,800	126,137,642	46,716,158	73%			
Payments											
Purchase of goods and services	17,908,250	-	17,908,250	-	17,908,250	15,754,547	2,153,703	88%			
Acquisition of non-financial assets	179,488,868	-	179,488,868	-	179,488,868	65,434,629	114,054,239	36%			
Total Payments	197,397,118	-	197,397,118	-	197,397,118	81,189,176	116,207,942	41%			
Net Receipts/(Payments)	-24,543,318	-	-24,543,318	-	-24,543,318	44,948,466	-69,491,784				

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


Municipal Manager
Name: Nahshon Ongeri


Project Manager
Name: Haron Oyaro


Project Accountant
Name: Elijah Mosagwe
ICPAK Number.24903

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Statement of compliance and basis of preparation

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

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

10.2 Reporting entity

The financial statements are for the Kenya Urban Support Program – Kisii Municipality under County Government of Kisii. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

External Assistance

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

b) Undrawn external assistance

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

Significant Accounting Policies (Continued)

c) Recognition of payments

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

i) Purchase of goods and services

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

ii) Acquisition of fixed assets

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

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

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, 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 various commercial banks at the end of the financial year.

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits. As at 30th June 2021, this amounted to Kshs 5,355,122 compared to Kshs4,460,161 in prior period

e) Accounts receivable

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

f) Contingent Liabilities

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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

g) Contingent Assets

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

h) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to

provide a sense of the overall net cash position of the Program at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

Significant Accounting Policies (Continued)

i) Budget

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

j) Comparative figures

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

k) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2021.

l) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

11. NOTES TO THE FINANCIAL STATEMENTS

1. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2021 we received grants from donors as detailed in the table below:

	Date received	Grants received in cash (Kshs)	
		2020/2021	2019/2020
		Kshs	Kshs
Grants Received from Multilateral Donors (International Organizations)			
International Development Association	13/11/2020	117,337,642	-
International Development Association	13/11/2020	8,800,000	41,200,000
Total		126,137,642	41,200,000

2. PURCHASE OF GOODS AND SERVICES

Item	Payments made by the Program in Cash		Cumulative to- date
	2020/2021	2019/2020	
	Kshs	Kshs	Kshs
Domestic travel and subsistence	10,749,240	3,695,500	14,444,740
Training expenses	60,900	9,123,451	9,184,351
Hospitality supplies and services	779,708	5,143,020	5,922,728
Office and general supplies and services	1,134,500	2,032,000	3,166,500
Other operating payments	3,030,199	5,837,233	8,867,432
Total	15,754,547	25,831,204	41,585,751

*Kenya Urban Support Program – Kisii Municipality
Reports and Financial Statements
For the financial year ended June 30, 2021*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ACQUISITION OF NON-FINANCIAL ASSETS

Item	Payments made by the Program in Cash		Cumulative to- date
	2020/2021	2019/2020	
	Kshs	Kshs	Kshs
Construction of buildings	2,567,607	14,475,162	53,919,752
Construction of roads	48,486,468	26,686,909	96,709,816
Construction of civil works	8,213,947	19,647,290	61,749,260
Purchase of office furniture and general equipment	1,411,043	6,293,862	7,704,905
Consultancy services on KUSP Program	4,755,564	-	4,755,564
Total	65,434,629	67,103,223	224,839,297

4. CASH AND CASH EQUIVALENTS

	2020/2021	2019/2020
	Kshs	Kshs
Bank accounts (Note 11.4A)	69,491,784	24,543,318
Total	69,491,784	24,543,318

4. A Bank Accounts

Program Bank Accounts

	2020/2021	2019/2020
	Kshs	Kshs
Local Currency Accounts		
Credit Bank (Urban Development Grant - A/C No 0051018000004)	68,744,084	15,435,068
SBM Bank (Urban Institutional Grant - A/C No 0252375439001)	747,700	9,108,250
Total bank account balances	69,491,784	24,543,318

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. ACCOUNTS PAYABLES

Description	2020/2021	2019/2020
	Kshs	Kshs
Retention Monies(Contractors Deposit)	6,053,225	4,539,261
Total	6,053,225	4,539,261

6. FUND BALANCE BROUGHT FORWARD

Description	2020/2021	2019/2020
	Kshs	Kshs
Bank accounts	24,543,318	80,968,630
Accounts payable (deposits & retention)	-4,539,261	-9,230,146
Total	20,004,057	71,738,484

7. PRIOR YEAR ADJUSTMENT

	Balance b/f FY 2019/2020 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2019/2020
Description of the error	Kshs	Kshs	Kshs
Accounts Payables	-	(1,513,964)	(1,513,964)
Total	-	(1,513,964)	(1,513,964)

The prior year adjustment relates to change in payables.

8. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2020-2021	2019-2020
	Kshs	Kshs
Deposit and Retentions as at 1 st July 2020	4,539,260	9,230,145
Closing accounts payables as at 30 th June 2021	6,053,225	4,690,885
Change in payables	1,513,965	4,539,260

*Kenya Urban Support Program – Kisii Municipality
 Reports and Financial Statements
 For the financial year ended June 30, 2021*

12. OTHER IMPORTANT DISCLOSURES

1. PENDING ACCOUNTS PAYABLE (See Annex 3A)

Description	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
	Kshs	Kshs	Kshs	Kshs
Construction of civil works	1,104,806	291,401	698,103	698,103
Construction of roads	290,370	5,355,122	290,370	5,355,122
Total	1,395,176	5,646,523	988,473	6,053,225

13. 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)

As at the time of preparing these financial statements, we had not received the Report of the Auditor General for the year ended 30 June 2021.

*Kenya Urban Support Program – Kisii Municipality
Reports and Financial Statements
For the financial year ended June 30, 2021*

14. ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance(below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Proceeds from domestic and foreign grants	172,853,800	126,137,64	46,716,158	73%	The donors disbursed less than the budgeted amount.
Total Receipts					
Payments					
Purchase of goods and services	17,908,250	15,754,547	2,153,703	88%	The difference of Kshs.2,153,703 could not be spent as the donors had not disbursed all budgeted amount.
Acquisition of non-financial assets	179,488,868	65,434,629	114,054,239	36%	Work in progress
Total payments	197,397,118	81,189,176	116,207,942	41%	

*Kenya Urban Support Program – Kisii Municipality
Reports and Financial Statements
For the financial year ended June 30, 2021*

ANNEX 2 - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid Date	To-Date	Outstanding Balance 2020/21	Outstanding Balance 2019/20	Comments
	a	b	c		d=a-c		
Construction of buildings							
Firestation	51,352,145	25/02/2019	51,352,145		-	2,567,607	paid
Sub-Total	51,352,145		51,352,145		-	2,567,607	
Construction of civil works							
Mashauri junction-kisii university walkway	9,930,049	25/02/2019	9,920,049		-	983,180	paid
Blackhouse cathedral road	13,962,068	25/02/2019	13,263,965		698,103	698,103	50% retention
Sonko mjinga –genesis road	5,813,833	25/02/2019	5,807,391		-	290,370	paid
Nyanchwa link road	111,532,503	8/09/2020	48,196,100		63,336,403	-	W-I-P
Sub-Total	141,238,453		77,187,505		64,034,506	1,971,653	
Supply of goods							
Sub-Total							
Supply of services							
Consultancy services for the design and construction for selected urban roads	8,166,400	31/03/2020	4,716,679		3,449,721	5,705,286	On-going
Sub-Total	8,166,400		4,716,679		3,449,721	5,705,286	
Grand Total	200,756,998		133,256,329		67,484,227	10,244,546	

KUSP Project
Reports and Financial Statements
For the financial year ended June 30, 2021

ANNEX 3 – SUMMARY OF FIXED ASSETS REGISTER

Asset class	Opening Cost (KShs) 2020/2021	Donations in form of assets (KShs) 2020/2021	*Purchases/ Additions in the Year (KShs) 2020/2021	**Disposals in the Year (KShs) 2020/2021	Transfers in/(out) Kshs 2020/2021	Closing Cost (KShs) 2020/2021
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)-(d)+(-)d
Buildings and structures	51,352,145					51,352,145
Office equipment, furniture and fittings	2,395,600					2,395,600
ICT Equipment,	2,498,262					2,498,262
Other Machinery and Equipment	1,400,000					1,400,000
Infrastructure assets roads, rails	101,758,661		65,434,629			167,193,290
Total	159,404,668		65,434,629			224,839,297

Notes

The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Kisii Municipality. Additions during the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete covering all the entities assets. Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No. 23/2020 of The National Treasury.

THE KENYA URBAN SUPPORT PROGRAMME (KUSP)

KISII MUNICIPALITY



**STATUS OF PROGRAMME IMPLEMENTATION FOR FY
2018-2019, 2019-2020 AND 2020-2021.**

**FINANCIER - THE WORLD BANK THROUGH THE STATE DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT.**

**BENEFICIARY – KISII COUNTY THROUGH THE DEPARTMENT OF LANDS
PHYSICAL PLANNING AND URBAN DEVELOPMENT.**

IMPLEMENTING ENTITY – KISII MUNICIPALITY

KENYA URBAN SUPPORT PROGRAMME FOR FY 2018-2019

1. KISII MUNICIPALITY FIRE STATION

PROJECT NAME	SCOPE OF ACTIVITIES	PERCENTAGE COMPLETION	JOBS CREATED	PROJECT IMPACTS	REMARK(S)
Construction of Kisii Municipality Fire Station	Builders work, Perimeter Wall Fencing, borehole, civil works.	Project 100% complete and operational.	During Construction Phase a total of skilled work force was 39 and 72 Non skilled workforce, The project directly contributed to social order and reformation by employing 14 street urchins who had residence next to the works	<ul style="list-style-type: none"> ▪ Rapid disaster response. ▪ Employment of more fire men and equipment. ▪ Creation of a fire disaster academy to aid in disaster response. ▪ Triggered the creation of other support infrastructure eg access roads mechanical amenities. 	The Fire Station will be Largest In South of Nyanza and will be serving the entire County as well as provide disaster response services to the Neighbouring counties.

2. CONSTRUCTION OF URBAN ROADS AND WALKWAYS.

PROJECT NAME	SCOPE OF ACTIVITIES	PERCENTAGE COMPLETION	NO OF JOBS CREATED	PROJECT IMPACTS	PROJECT IMPACTS	REMARK(S)
Construction of Urban Roads and walkways In the Municipality	Earthworks, Cabro and Pavement blocks, Drainage Structures and Road Furniture	Project 92% complete and operational.	During Construction Phase a total of skilled work force was 26 and 66 Non skilled workforce,	<ul style="list-style-type: none"> ▪ Enhanced connectivity from the trunk roads to estates. ▪ Reduced accidents attributed to motorized and non-motorized transport modes. ▪ Creation of emerging economic zones from the CBD by decongestion of informal traders. ▪ Increased uptake of residential areas outside the CBD 	The projects enhanced connectivity of persons on densely trafficked areas around the Bus Park and the Stadium, there has been reduced vehicular-pedestrian conflict. 19,256 persons directly benefitted.	

PROJECT NAME	SCOPE OF ACTIVITIES	PERCENTAGE COMPLETION	NO OF JOBS CREATED	PROJECT IMPACTS	REMARK(S)
Construction of Storm Water Drains In the Municipality	Slope Protection, RC U drains, Gabion Works And Culvert Works.	Project 100% complete and operational.	During Construction Phase a total of skilled work force was 44 and 102 Non skilled workforce.	<ul style="list-style-type: none"> ▪ Reduced land degradation attributed to surface runoff of steep terrains. ▪ Reduced Road maintenance cost. ▪ Promoted enhanced solid waste management since the areas were used as dumpsites. ▪ Increased economic value on the properties along the water ways. 	