

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KAKAMEGA MUNICIPALITY

FOR THE YEAR ENDED

30 JUNE, 2023



PAPERS LAID	
DATE	10/5/2024
TABLED BY	Maj. Leader.
COMMITTEE	—
CLERK AT THE TABLE	Angela



**KAKAMEGA
MUNICIPALITY**
Training, Transparency, Accountability, and Service

KAKAMEGA MUNICIPALITY

County Government of Kakamega

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

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1. Acronyms & Glossary of Terms

Insert acronyms and glossary of terms used in the report e.g.

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

a) Background information

Kakamega Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter dated 16th August 2019. The Municipality is under the County Government of Kakamega and is domiciled in Kenya.

b) Principal Activities

Vision - Kakamega Municipality

To be a leading Municipality in the Country through provision of quality services to general public and its residents.

Mission - Kakamega Municipality

To provide quality services that is affordable, accessible, acceptable, sustainable, effective and equitably distributed to all transparently.

The principal activities of Kakamega municipality are as follows:

- Collection of Revenue
- Issuance of Rates Clearance Certificate
- Issuance of Single Business Permits
- Building Inspection
- Recommendation for approval of Building Plans
- Supervision of Infrastructure Development and Maintenance
- Issuance of Registration Certificate to Groups, CBOs
- Organization and coordination of public participation
- Policy Formulation and Governance

Whereas the core values for Kakamega municipality are: Seamless service, ,accountability and transparency ,timeliness ,efficiency ,goal oriented, Integrity and customer focus

c) Key Management

i. H.E The Governor



**H.E. HON. FCPA FERNANDES BARASA OGW,
GOVERNOR KAKAMEGA COUNTY**

H.E. Hon. FCPA Fernandes Barasa, was elected in office in 2022 as the Second Governor of Kakamega County following promulgation of the Constitution of Kenya, 2010

PROFESSIONAL SUMMARY

He served as a chairman of the prestigious Institute of Certified Public Accountants of Kenya.

He also worked as the managing director and chief executive officer at Kenya Electricity Transmission Company Limited (KETRACO).

He is a member of the Orange Democratic Movement which is the second largest party.

Hon. Barasa was born and raised in Khabondi village, Mumias East constituency in Kakamega county. After finishing Primary education, Hon Barasa attended Naitiri high school where he sat for his national examinations. He later proceeded to Kenyatta University where he pursued a Bachelor of Commerce, Master of Business Administration, and Ph.D. in Accounting and Finance degrees.

Hon. Barasa is married to Prof. Janet Kasilly Barasa, and together they have four children.

ii. H.E The Deputy Governor.



**H.E. AYUB SAVULA ANGATIA
DEPUTY GOVERNOR KAKAMEGA COUNTY**

PERSONAL INFORMATION

Hon .Savula Ayub Angatia was born on March 3rd, 1975 . Ayub Angatia has two wives Melody Gatwiri Ringera and Hellen Jepkor Kemboi and together they have children.

PROFESSIONAL SUMMARY

In 1998 till 2007 Ayub Angatia got a job at Standard Group Limited as an acting regional news editor. In 2007, he joined Cross Continental Venture Limited and Johnnewton Communication as a Managing Director and Director respectively. Since 2008 till now, Ayub Angatia works in Express Media Group as a Managing Director. In March 2013, he joined the Kenya National Assembly as a Member of Parliament

for Lugari Constituency .He was elected as Deputy Governor for Kakamega County in 2022 General Elections.

EDUCATION

In 1989, Ayub Angatia attended Manyoni Primary School for his Kenya Certificate of Primary Education (KCPE). In 1990, Ayub Angatia went to Lumakanda Boys Secondary School before transferring to Vihiga High School for his Kenya Certificate of Secondary Education (KCSE). In 2001, Ayub Angatia joined Kenya Institute of Mass Communication to pursue a diploma in Journalism. In 2010, Ayub Angatia joined Moi University to take a Bachelor of science in Public Relations and Communication and still at the same university, he did the Master of Philosophy in Communication.

Ref	Position	Name
1	Chief officer Ministry of Lands Urban areas and physical planning	Ms. Faith Khamali Gitira
2	Municipality Manager	CS Daniel Okalo Musita
3.	Finance Department	Mr sylvance Obondo

Municipality Board

Ref	Position	Name
1.	Chairman of the Board	Hsc, l'lanziva meshack kijuba
2.	County Executive Committee Member responsible for Cities and Urban areas.	Dr.Mariam Barasa
3.	Chief officer -Lands	Ms. Faith Khamali Gitira
4.	Board Member	Fcpa wycliffe kibisu majengo
5.	Board Member	Ms. Amina makokha
6.	Board Member	Mrs Catherine wandabwa
7.	Board Member	Rajinder "Pape" Sembi,
8.	Board Member	Mr.Timothy Mudome
9.	Board Member	Dr. Catherine muhonja aurah
10.	Municipality Manager-ex-officio Member	Mr Daniel Okalo Musita

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Municipality manager	CS Daniel Okalo Musita
2	Finance department	Mr Sylvance Obondo
3	Engineering	Stanley Adeya
4	Public health	Robert Ongayi
5	Administration	Georgina Shukunyi
6	Environment	Jacob Shamala
7	Survey	Caleb Shiundu
8	Social services	Pamela Ongalo

e) Fiduciary Oversight Arrangements

No	Entity	Role
1.	Audit and risk Management committee	Monitoring and reviewing risk, control and governance processes that have been established
2.	County Assembly Committees	Legislation Oversight Representation
3.	Committees of the senate	Oversight and advisory Accountability Express opinion on Books of account. Offer quality assurance on fiscal and monetary matters

f) Registered Offices

P.O. Box 277-50102

Mwauda Building/House/Plaza

Kakamega, KENYA

g) Contacts

Telephone:056-030-222

Email:kakamegamunicipality@kakamega.go.ke

Website:www.kakamega.go.ke

P.o.Box 277-50102

h) Bankers

1. Commercial Banks

i) KCB Group- Po Box 152 (50100) Kakamega

ii) Co-operative Bank-PO Box 595 (50100) Kakamega.

i) Independent Auditor

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

County Legal Adviser

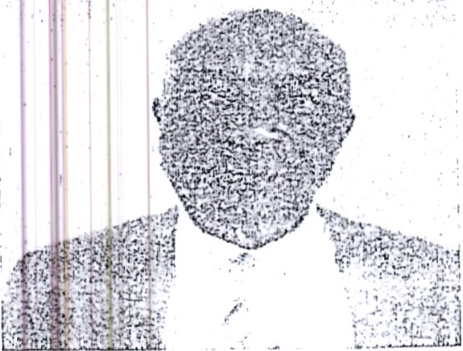


County Attorney




County Government of Kakamega

P.O Box 36-50100

Kakamega, Kenya

3. Kakamega Municipality Board




Name	Details of qualifications and experience
 <p>Hsc, L'lanziva Meshack Kijuba</p>	<p>Mr. L'lanziva is currently the Board chairperson and Director of St. Anne's School Lubao. He has served as a member of the Mumias Town Management Committee from 2015-2019. He was also the Principal of Chavakali High School between 2002 and 2006 and Kimilili High School between 1990 and 2001. Mr. L'lanziva holds a Master's of Science degree in Organizational Development from University of Nairobi, Bachelor of Education degree from SC McGill University – Montreal, Canada and a Diploma from the Kenya Science Teachers' College.</p> <p>He was honored with Head of State Commendation, Civilian Division</p>
 <p>Mrs Catherine Wandabwa</p>	<p>Mrs Catherine Wandabwa is currently the Vice chairperson. Was nominated by the Kakamega County Residents Association (KARA). She holds a Bachelors of Education degree from MMUST, Diploma in Technical Education from Kenya Teachers College, Diploma in Agriculture from Egerton University and Certificate in Monitoring and Evaluation from Kenya Institute of Management.</p> <p>Ms. Wandabwa is currently the county election Manager, Nandi County.</p>
 <p>Ms Faith Khamali Gitira</p>	<p>Ms Faith Khamali Gitira Ongoing masters in Health systems management with Kenya Methodist University Holds a bachelor's degree in health systems management from Kenya Methodist University Diploma in Nursing from mukumu school of Nursing Speciality in Reproductive Health Training in financial management from Kenya school of Government Training in leadership management and Governance for Health systems strengthening from Amref Health Africa A member of Kenya National Union of Nurses, National Nurses association of Kenya, Kenya progressive Nurses association, and Midwives Association of Kenya</p>

	<p>Ms. Amina makokha was nominated by the Association of Youth Business Owners. She is a person living with disability. Ms. Amina holds a Bachelor of Business Management (Banking and Finance) degree from Mt. Kenya University. Amina has worked as a Volunteer facilitator at Alternative Violence Project Kenya, Volunteer at Thika Young Association and Member of the Association of Youth Business Owners.</p>
	<p>Rajinder "Pape" Sembi, was born in Kakamega in 1961 and began school at Kakamega Primary and then went to study in the UK until University level, where he studied Environmental Sciences B.Sc. (Hons). Pape Sembi is a Businessman having been in the Motor trade and Sawmilling industry. He is now a Director in Holden Investments Ltd, who has shopping mall Known as Holden Mall opposite Bukhungu Stadium. In addition to this, Pape Sembi is active in numerous community organizations, including the Lions Club of Kakamega, where he has become a District Governor in charge of 3 countries, the Sikh Union Club Kisumu where he is the Vice Chairman, Equator Motor Sports Club, Chairman of the African Canadian Continuing Education Society, Board Member and Chairman of the finance committee at Sabatia Eye Hospital, Patron of the Western Bulls Rugby Club and a former Director at Kenya Rugby Union. He is currently the Golf Captain at Kakamega Golf Club and has been appointed to the Kakamega Municipality Board 2022-2024. Pape Sembi is married to Lion Amarpreet. She holds a M.Sc. in Biochemistry and runs a clinical diagnostic laboratory in Kakamega. They have two sons who are both Lions, Harpal and Jaspal who both work in Central London.</p>
	<p>Catherine is a science educator, holding a Doctor of Education in Science education, with a major in Biology Education and a Cognate in Natural Resource and Environmental Management. She also holds a Master of Science in Environmental Education and A Master of Arts in Educational Psychology. She is a senior lecturer at Masinde Muliro University of Science and Technology. At the University, Catherine is the director of international relations and academic linkages. She has previously served as the chairperson, Department of mathematics and Science education. She serves on several committees at MMUST.</p>



Ms. Amina makokha

Mr. Rajinder singh sembi ("pape")

Dr. Catherine muhonja aurah

 <p>Fepa wycliffe kibisu majengo</p>	<p>FCPA Wycliffe Kibisu Majengo was nominated by Kenya Chamber of commerce and Industry Kakamega Chapter. He holds Masters in Business Administration from Deakin University, Australia and a Bachelor of commerce degree in Accounting from Nairobi University. Mr Kibisu is also a Certified Public Accountant.</p> <p>He is the founder and partner, Wycliffe Majengo & associates CPA and has also worked as Tax Director, Tax World Africa Limited. Mr Majengo is also Member of the following professional bodies:-Chartered Global management Accountants, Associate Chartered Management Accountants and Certified Public Accountants, Kenya</p>
 <p>Mr. Timothy Mudome</p>	<p>Mr. Timothy Mudome is a nominee to Kakamega Municipality Board nominated by APSEA Architectural Association of Kenya. He is Registered Architect with Board of Registration of Architects & Quality Surveyors and a Member of Architectural Association of Kenya. Mr. Mudome holds a Bachelor Degree of Architecture from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and is currently pursuing a Master degree in Environmental Planning Management at Kenyatta University. He has worked as a Lecturer at Nairobi Institute of Technology and Jomo Kenyatta University of Agriculture and Technology (JKUAT)</p>
 <p>Cs Daniel Musita</p>	<p>Daniel Musita is a Certified Secretary(CS) and a member of the Institute of Certified Secretaries of Kenya (ICSK).Currently Serves as the Municipality Manager for Kakamega. Musita has served as Ag. Director Kakamega County Youth Service and Women Empowerment Program (CYSWEP), Ag. Director of Public Participation, Deputy Director of Administration in the department of Education Science and Technology and he has also served as a Sub-County administrator in Khwisero and Likuyani Sub-Counties. He holds a master's degree(MBA) in Strategic Management from Jomo Kenyatta University of Agriculture and Technology(JKUAT), a Bachelor of Education(B.Ed.) degree from Moi University, Diploma in Educational Management from Kenya Education Management Institute (KEMI) and a Diploma in Human Resource Management from The Kenya Institute of Management (KIM). Musita has taught at Jomo Kenyatta University of agriculture and Technology Kakamega Campus and he taught for over twenty-three years in various Secondary schools including Kakamega High School where he taught for seven years.</p>

4. Key Management Team

Name	Details of qualifications and experience
 <p>Cs Daniel Musita</p>	<p>Daniel Musita is a Certified Secretary(CS) and a member of the Institute of Certified Secretaries of Kenya (ICSK).Currently Serves as the Municipality Manager for Kakamega. Musita has served as Ag. Director Kakamega County Youth Service and Women Empowerment Program (CYSWEP), Ag. Director of Public Participation, Deputy Director of Administration in the department of Education Science and Technology and he has also served as a Sub-County administrator in Khwisero and Likuyani Sub-Counties. He holds a master's degree(MBA) in Strategic Management from Jomo Kenyatta University of Agriculture and Technology(IKUAT), a Bachelor of Education(B.Ed.) degree from Moi University, Diploma in Educational Management from Kenya Education Management Institute (KEMI) and a Diploma in Human Resource Management from The Kenya Institute of Management (KIM). Musita has taught at Jomo Kenyatta University of agriculture and Technology Kakamega Campus and he taught for over twenty-three years in various Secondary schools including Kakamega High School where he taught for seven years.</p>
 <p>Mr.Sylvance Obondo.</p>	<p>Mr.Sylvance Obondo is the current Head of Finance for Kakamega Municipality,Has served for More tha 30 Years in different public sector settings.</p> <p>Holds BBA from Westminster University ,Certified public Accountant,Certificate in procurement and revenue collection.</p>

5. Kakamega Municipality Board Chairperson's Report

Kakamega Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter dated 16th August 2019. The Municipality is under the County Government of Kakamega and is domiciled in Kenya. Kakamega Municipality Vision is to provide quality services that is affordable, accessible, acceptable, sustainable, effective and equitably distributed to all transparently.

Successes made.

Kakamega municipality has made several strides of successes among them;

- Enhanced solid waste management by purchasing a refuse truck and construction of a refuse chamber at Shirere and Rosterman,
- Beautification and landscaping of the town to attract investors
- The municipality has constructed a market at Sichirai center that can accommodate approximately 2000 traders
- Constructed walkways to ease traffic congestion
- Upgraded and renovated a bus-park for ease of packing of public transport vehicles
- Constructed market stalls at Masingo market to ease on pressure to other main markets
- Constructed to bitumen standards roads approximately 15km within municipality
- Renovated and fabricated slaughter house to modern standard including solar heater system, fencing and proper drainage system.

The Boards Performance

The Board of the Kakamega Municipality has been established and draws all its powers and perform all functions vested in boards of municipalities in accordance to the Urban Areas and Cities Act, 2011 as amended 2019, and the County Government Act and the Municipality By-laws.

The Board has ten members who meet on quarterly basis.

The Municipality Board has taken into consideration the provisions of the law relating to appointment of PWDs and other sectorial representation on its board.

The municipality board has demarcated and gazettement of Municipality boundaries

The Municipality board has also prepared and approved a strategic plan that runs to the year 2027

Challenges faced by the Municipality

Kakamega municipality despite the above sited achievements faces the following challenges;

- Late and delayed disbursements of funds from County Treasury.
- Under-staffing
- Inadequate budgetary provisions.
- The municipality has not yet achieved full autonomy
- Insufficient development partners.

Changes in the Municipality Board during the year (in terms of the board or key management team)

During the year the term of the Old board expired and a new board was appointed complete with new secretariat.

Future outlook of the Municipality Board

The Municipality board has raft of measures that has been included in County Intergrated Development Plan of turning the Municipality into a City status. The following have been proposed / implemented;

- Upgrading of Kakamega airstrip to an airport
- De-congestion of the urban trader population from town center to Sichirai market
- Expansion of the boundaries from the current
- Upgrading and expanding existing sewer lines
- Expand revenue base
- Proposal of full autonomy.

In view of the foregoing, the Municipality should endeavour to create a bigger impact on enterprise development in order to play its rightful role in the County and/or nation's development by rethinking its Service delivery model to reach more businesses efficiently, effectively and in a sustainable manner. The Municipality must also be an attractive partner in youth and women economic empowerment to attract

funding from all potential sources and win the confidence and goodwill of all Kakamega Citizens and business people. The Municipality's capacity to deliver on this strategy is critical. Its legal, policy, instructional, technological and competence frameworks shall be adequately strengthened over time and an environment conducive to attract and retain requisite skills created.

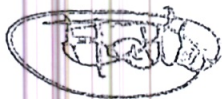
To remain sustainable in the long run and reduce its dependence on government funding, the Municipality shall expand and restructure its Service portfolio, diversify its sources of funding and adopt a business approach in its overall operations.

In conclusion, I call upon all stakeholders to effectively play their part in supporting the Municipality to realize the prospects of its mandate. It will require a lot of dedication, success and hardworking on the part of all stakeholders to realise this big dream .

CONCLUSION

Kakamega Municipality recorded good progress in implementation of their agendas and projects. On behalf of Kakamega Municipality, I would like to thank H.E. The Governor, H.E. The Deputy Governor for the leadership and support they have provided during the period. Further, my sincere gratitude goes to the County Municipalities Board Members and staff for their continued efforts to realize the goals as set in the budget FY 2022/2023. I extend my gratitude to all other stake holders for pulling together and for their continued commitment, dedication and hard work to ensure service delivery to the people of Kakamega County. I would also like to thank the County Assembly under the leadership of the Speaker and the County Clerk for their co-operation and oversight role as well as donors who have continued to support us in implementing development of municipalities.

Finally, my sincere appreciation goes to all the citizens of Kakamega County for their continuous engagement with the County Government which has contributed to efficient service delivery and citizen centric development.



**Mr Hsc, L'lanziva Meshack Kijuba
Municipality Board Chairperson**

6. Report Of the Municipality Manager

BUDGET PERFORMANCE

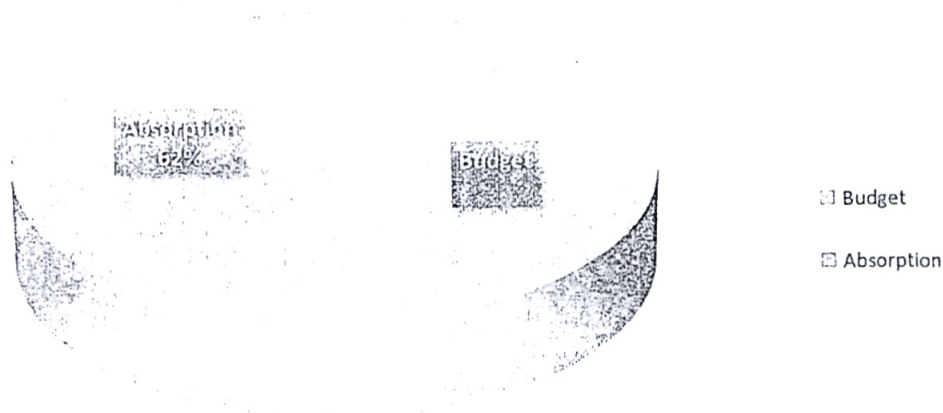
The Kakamega Municipality had approved budget of Ksh 274,435,621 for Recurrent and Development Respectively comprising a balance brought forward of Ksh 105,000,000 for (KUSP) Kenya Urban Support programme.

The Kakamega Municipality finances its operations through funds disbursed from parent ministry of Lands and donor funded programs like Kenya Urban Support Program (KUSP) and Urban Development Program (UDG).

Budget Absorption

The Kakamega Municipality's overall absorption was Kshs 171Million for both recurrent and development expenditure respectively translating to 62%. From Ksh 171 Milion the parent ministry did spent Ksh.59,906,785 on Contracted cleaning services of Ksh. 49,906,785 and Ksh. 10,000,000 on maintenance expenses of dumpsite, this as done through agency relationship. This expenditure did not pass through the Municipality's bank account.

Budget allocation and absorption pie chart



On behalf of the Board members (BOM) of the Kakamega Municipality, I have the honour to forward the Annual Report and Financial Statements for the Financial year ended 30th June 2023.

The Board is fully alive to its mandate and the fact that Kakamega Municipality having been established, is still young and requires unequivocal support and guidance to lay a strong foundation for its future and sustainability through sound policies and strategies as well as full autonomy of its operations.

PHYSICAL PROGRESS BASED ON OUTPUT

Kakamega Municipality aspires to be the best Municipality in the Country through the adoption of best sound policies and strategic practices as well as the development and use of key instruments necessary for successful corporate governance in line with Urban Areas and Cities Act of 2011 and Article 184 of the Constitution of Kenya 2010.

During the year under review, the Board executed its functions well through its committees namely Finance, Adhoc, legal and full board which held meetings quarterly and annual as required by the law. The committees were vibrant throughout the year, followed by full board meetings. Under the Board's leadership, the Municipality developed a Strategic Plan. The strategic plan will enable the municipality work towards a common goal, while ensuring it to manage and reduce operations risks.

The Board conducted supervisory/oversight visits to all new projects. Arising from these supervisory visits, major repairs and additional works on the projects has been carried out.

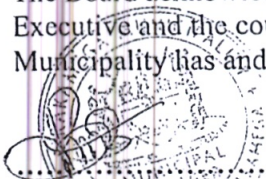
The projects that have been done to successful completion include construction and maintenance of dump-site, purchase of refuse track, construction to bitumen standard 15km road within the municipality among other projects that are still ongoing but nearing completion.

The projects have impacted positively to residents and visitors of Kakamega municipality as the environs are clean, accessibility is adequate and traders are happy because of upcoming new market.

In general the public is contented with the programs that have been undertaken by the Municipality and the goal congruence of achieving value for money enabled.

The Board is pleased with the operational and financial results delivered by management. However, being a young Municipality, Kakamega has faced several challenges, key among them, inadequate funding and delayed disbursement of funds, under-staffing and not functioning with full powers of autonomy. The Board acknowledges the support it has received from H.E. the Governor and the County Executive Committee members in executing its mandate and functions. We are positive that this support will continue into successive years to enable the Municipality complete the construction and implementation of projects

The Board acknowledges the support and good working relationship with all Departments of County Executive and the county staff as a whole. We also acknowledge the immense support that the Municipality has and is receiving from donors.



.....
Cs Daniel Okalo Musita .
Municipality Manager

*County Government of Kakamega
Kakamega Municipality
Annual Report and Financial Statements for the year ended June 30, 2023*

7. Statement of Performance Against Predetermined Objectives for the FY 2022/2023

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a County Government entity shall prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board including a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Kakamega Municipality .

Program	Objective	Outcome	Indicator	Performance
Lands, Physical Planning, Urban Areas and Housing	To efficiently plan and provide land for development	Physical development plans	No Of physical development plans Prepared (0)	Target not achieved due to budget constraints
		Development land	Acres of land bought for development	Achieved 15 acres of land out of targeted 100 acres
		Complete valuation roll	% completion levels (0%)	Target not achieved due to budget constraints
		A county Spatial Plan	% completion levels (0%)	Target not achieved due to budget constraints
	To efficiently plan and provide land for development	Fenced County Government Land	Acres of county government land fenced	Fenced 15 acres of land out of targeted 100 acres
		Survey equipment	No of Survey Equipment purchased	Achieved 1 out of targeted 2 houses due to in adequate budget
		Surveyed Public land	Acres of public Land parcels surveyed	Achieved 15 out of targeted 100 acres due to in adequate budget
		Digitized survey records	No of Survey records Digitized	Digitized 3,000 out of targeted 5,000 survey records due to in adequate budget
	To provide decent living housing condition	Renovated Houses	No of houses renovated	Achieved 5 out of targeted 10 houses due to in adequate budget
		Constructed Non-Motorized Roads	KMs of Non-Motorized roads constructed	Achieved 1 km out of targeted 3 km due to in adequate budget
		Tarmacked earth roads	KMs of earth roads tarmacked	Achieved 4.45 km out of targeted 5 km

County Government of Kakamega

Kakamega Municipality

Annual Report and Financial Statements for the year ended June 30, 2023

Program	Objective	Outcome	Indicator	Performance
				due to in adequate budget
		Land scaped urban Areas	SMs of area landscaped and beautified	Achieved 2,000 SMs out of targeted 10,000 SMs due to in adequate budget
	To improve and provide efficient and modern urban services	Complete Peoples Recreational Park- Muliro	% Completion of Peoples Recreational Park- Muliro	90% of target achieved due to delays caused by the COVID-19 Pandemic
		Complete Kambi Somali Open Air Market	% completion levels	100 % complete but not yet functional, final payment not done
		Tarmacked Earth roads	KMs of earth roads tarmacked	Achieved 2.13 km out of targeted 5 km due to in adequate budget
		Non-Motorized Walkways constructed	KMs of Non-Motorized Walkways constructed	Achieved 1.6km out of targeted 2km due to in adequate budget

8. Corporate Governance Statement

a. Process of appointment and removal of Board members

The current Board was competitively recruited and sworn in, in the Financial Year 2022/2023. Unless a petition is brought against the board members, the duly constituted board will continue serving until the term expires.

b. Roles and functions of the Municipality Board members,

- Overseeing the affairs of the Municipality .
- Exercising executive authority as may be delegated by the Municipal Board Committee.
- Developing and adopting policies, plans, strategies and programmes for the efficient running of the municipality
- Formulating and implementing integrated development plans.
- Controlling land use, land sub-division for various development purposes as may be delegated.
- Promoting and undertaking infrastructural development and services within the Municipality or Town as may be delegated by the County Government.
- Developing and managing schemes, including site development in collaboration with the relevant National and County Agencies.
- Maintaining a comprehensive database and information system for the municipality or town.
- Enforcing the fees, levies and charges as may be authorized by the County Government for delivery of services.
- Ensuring the provision of services to its residents.

- Initiating new laws or making recommendations for issues to be included in the laws.
- Implementing national policies and policies of the County Executive Committees as they affect the Municipality.
- Enforcing compliance with Constitutional provisions on Consumer Rights, fair administrative action, Bill of Rights and Values and Principles of Public Service.
- Preparing the Annual Appropriation Bill and submitting it to the County Treasury for consideration and transmission to the County Assembly for approval.
- Coordinating and facilitating citizen participation in the development of policies and plans and delivery of services.
- Implementing policies for fire and disaster management.
- Promoting a safe and healthy environment.
- Performing such other functions as may be delegated from time to time.

c. Induction and training, Municipality Board members and member's performance,

Members are always inducted after engagement and are frequently trained on quarterly basis

d. Number of Municipality Board meetings held and the attendance to those meetings by members,

The current Board was competitively recruited and sworn in, on September 2023 hence committees have been formed and ready to hold meetings starting Financial Year 2023/2024.

e. Succession plan

The Board of Directors are always competitively recruited and legally constituted after their term has ended.

f. Existence of a service charter,

Currently there is a service charter, mounted at the entrance of Municipality offices. It is written in English and Kiswahili for ease of understanding by the Municipality residents and visitors.

g. Conflict of interest,

At the beginning of every Board meeting members are requested to declare if they have any conflict of interest issues on the agenda at hand. No conflict of interests were raised during board meetings.

h. Board remuneration,

The Board Chairman is entitled to a monthly honorarium and airtime allowance . Board members are paid sitting allowances of between while attending Board meetings. Independent Board members are also reimbursed travel allowances. This is done in line with Salaries and Remuneration Commission.

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

Ethics and conduct as well as governance audit is conducted during recruitment process of the board members as per public officers ethics act.

9. Management Discussion and Analysis

a. On the operational and financial performance of the Municipality during the period,

The Kakamega Municipality finances its operations through donor funded programs like Kenya Urban Support Program (KUSP) and Urban Development Program (UDG). Kakamega Municipality had approved budget of Ksh 274,435,621 for Recurrent and Development Respectively. comprising a balance brought forward of Ksh 105,000,000 for (KUSP) Kenya Urban Support programme.

Budget Absorption

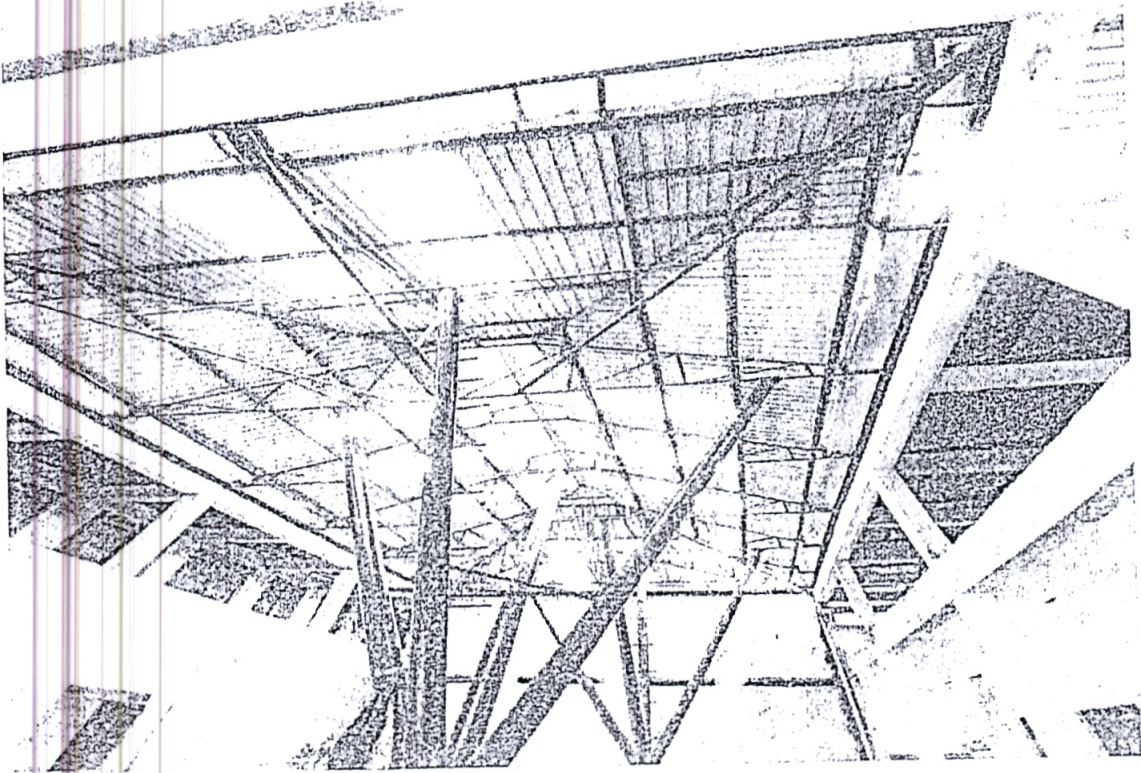
The Kakamega Municipality's overall absorption was Kshs 171 Million for both recurrent and development expenditure respectively translating to 62%. From Ksh 171 Million the parent ministry did spent Ksh.59,906,785 on Contracted cleaning services of Ksh. 49,906,785 and Ksh. 10,000,000 on maintenance expenses of dumpsite, this as done through agency relationship. This expenditure did not pass through the Municipality's bank account.

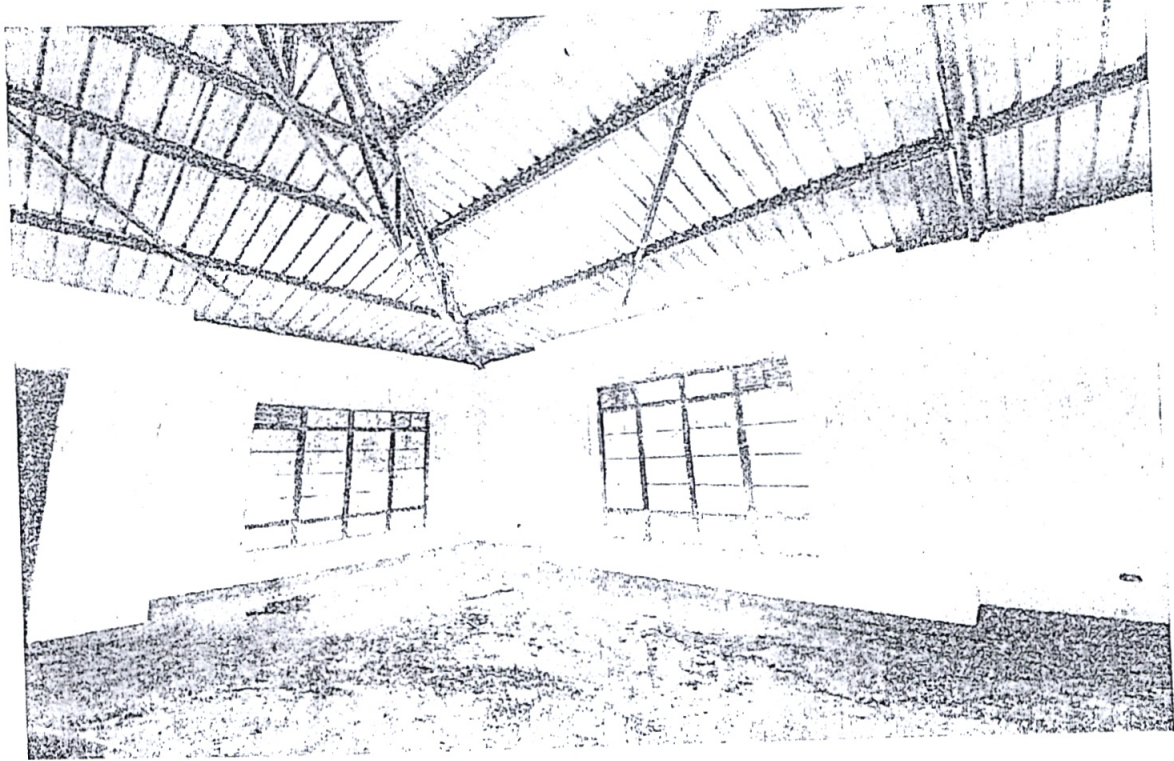
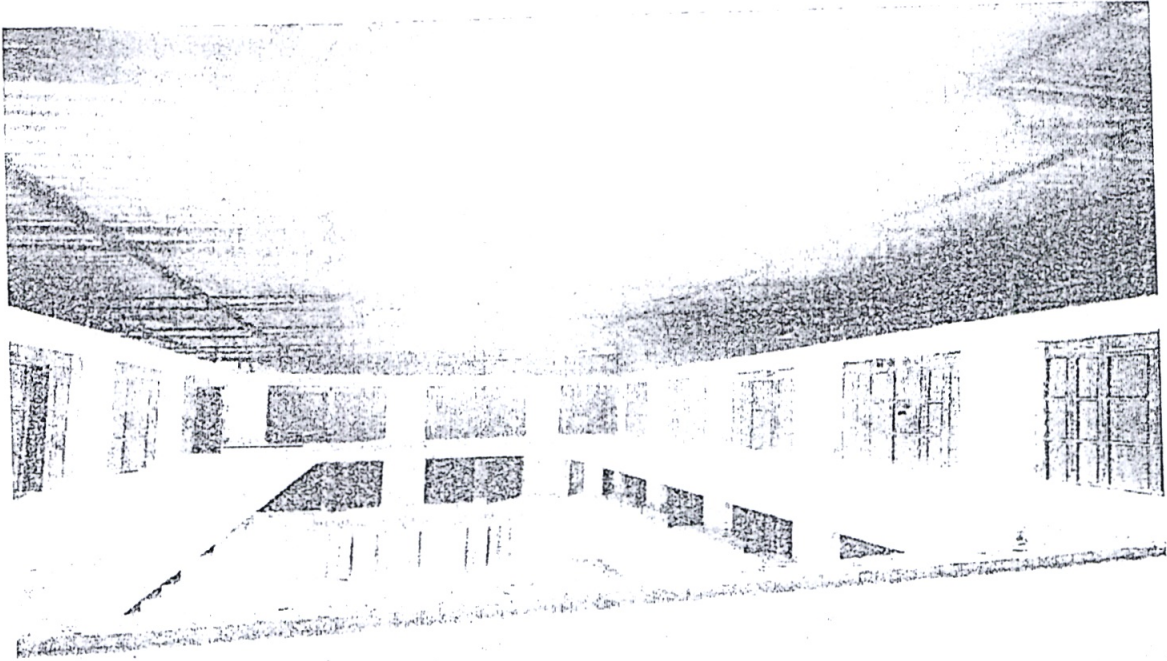
b. Entity's key projects or investments decision implemented or on going,

Kakamega Municipality has achieved key projects in the betterment of service delivery to the citizens as highlighted below.

Ongoing Construction of Sichirai Market







Masinde Muliro Statue at the Muliro Gardens



Walkways





Garbage Collection Dustbins



c. Municipality's compliance with statutory requirements

The Municipality has complied with the required statutory laws and rules that govern it.

Kakamega Municipality complies with rules, orders, regulations, directions, form, tariff of costs or fees, letters patent, commission, warrant, proclamation, by-law, resolution, guideline or other statutory instrument issued, made or established in the execution of a power conferred by or under an Act of

Parliament under which that statutory instrument or subsidiary legislation is expressly authorized to be issued.

The Board of the Kakamega Municipality has been established and draw all their powers and perform all functions vested in boards of municipalities in accordance to the Urban Areas and Cities Act, the County Government Act and the Municipality By-laws.

Financial statements are prepared by the Accounting Officer of the Municipality in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board under the guidance of Section 166 of the Public Finance Management Act, 2012 and Urban Areas and Cities Act No. 13 of 2011 at the end of each quarter.

The procurement planning, procurement processing, inventory and asset management, disposal of assets and contract management of Mumias Municipality comply with The Public Procurement and Disposal Act, 2015.

d. Major risks facing the Municipality, material arrears in statutory and other financial obligations

The Major risk affecting Kakamega Municipality is delay and late disbursement in exchequer disbursements from the Treasury as it's the Main source of funding to the Municipality.

The delays in receiving of the funds slowed down Project implementation.

e. Any other information considered relevant to the users of the financial statements.

The Municipality is in operation and is still picking up gradually to reach its potential.

10. Environmental And Sustainability Reporting

1. Sustainability strategy and profile

Kakamega Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter dated 16th August 2019. The Municipality is under the County Government of Kakamega and is domiciled in Kenya. The Municipality strives to provide quality services that is affordable, accessible, acceptable, sustainable, effective and equitably distributed to all transparently.

The principal activities of Kakamega municipality are as follows:

- Collection of Revenue
- Issuance of Rates Clearance Certificate
- Issuance of Single Business Permits
- Building Inspection
- Recommendation for approval of Building Plans
- Supervision of Infrastructure Development and Maintenance
- Issuance of Registration Certificate to Groups, CBOs
- Organization and coordination of public participation
- Policy Formulation and Governance

2. Environmental performance

This is the mother law of all environmental aspects in the Country. From it, there are regulations that have been developed including Wetlands Regulations, Environmental Regulations (EIA/EA), Water Quality Regulations, Controlled Substances, Biodiversity Regulations, Air Quality Regulations, Waste Management Regulations and Noise Regulations. These regulations regulate the various environmental aspects.

The act talks of having a County Environment Action Plan developed which should be adopted by the County Assembly. The purpose of environmental action plans is to co-ordinate and harmonize the environmental policies, plans, programmes and decisions of the national and county governments, as the case may be, in order to-

- i. minimize the duplication of procedures and functions; and promote consistency in the exercise of functions that may affect the environment;
- ii. secure the protection of the environment across the country; and
- iii. Prevent unreasonable actions by any person, state organ or public Municipality in respect of the environment that are prejudicial to the economic or health interests of other counties or the country.

In section 147A, EMCA gives counties the powers to make legislation in respect of all such matters as are necessary or desirable that are required or permitted under the Constitution and EMCA.

- **National Environment Policy, 2013**

This policy touches on various aspects including:

- **Public participation**

A coordinated and participatory approach to environmental protection and management will be enhanced to ensure that the relevant government agencies, county governments, private sector, civil society and communities are involved in planning, implementation and decision making processes.

- **Climate Change**

Strengthen capacity for national and county level institutions to support national climate resilience, low carbon development through integrating climate change into implementation strategies.

- **Environmental Monitoring and assessment**

Ensure periodic reporting on county and national status of environment.

- **Institutional Arrangement**

Streamline and strengthen the capacity of environmental institutions at the national and county levels so as to make them more effective and participatory.

The policy also requires that environmental concerns are integrated in all policy, planning and development processes, through strengthening the capacity of environmental institutions at the county levels so as to make them more effective in ensuring compliance and enforcement.

- **County Environmental Management Act, 2019**

It has a number provisions relating to air pollution, noise pollution, public nuisances and waste management. These are key aspects that environmental performance should look at.

- **Draft County Climate Change Policy, 2020**

Once enacted, this policy will be key in monitoring, evaluating and reporting climate change adaption and mitigation strategies.

The County's successes include development of a number of legislation to guide environmental performance such as Environmental Management Act, 2019 and County Water Act 2019. Through the Environmental Management Act, 2019, the County has been able to resolve a number of complaints ranging from noise pollution, solid waste pollution, and waste water management just to mention a few. Other draft legislation that are crucial include County Natural Resources Management Bill, Climate Change Bill and Climate Change Policy.

Some of the **shortcomings** include:

- Inadequate awareness of the public on the significance of complying with environmental and social safeguards in implementing development projects.
- Extra costs get incurred for stalled and delayed projects and resolving issues that could have been prevented when County projects comply with social and environmental safeguards.

There is a revised draft National Sustainable Waste Management Policy which is a waste management policy for the country. The national policy:

- aims at transitioning the waste sector in every county away from low collection rates, illegal dumping and uncontrolled dumpsites to affordable waste collection, recycling and composting, and minimize waste fractions that are finally disposed to a well-engineered and regulated landfill.
- supports the creation of the planning, finance, technical and governance capacities that county governments need to effectively deliver on their mandate under the Constitution of Kenya 2010,

to be the lead actors in delivering sustainable waste management services, by providing an enabling policy and regulatory environment to facilitate the counties to effectively deliver waste management services including, facilitating inter-county cooperation under the metropolis approach, financial incentives, research, Some of the **efforts to reduce environmental impact of the county's products** include:

- Provision of a dumpsite to dump the solid waste emerging from the municipal area of the County. The dumpsite is well maintained to ensure there is a conducive living environment for the surrounding community.
- Promotion of 3R principle (refuse, reduce and recycle) among the county residents to ensure minimum waste is generated.
- Plans to incorporate a private investor in developing a county landfill.

3. Employee welfare

The County Government of Kakamega is guided by the following policies on human capital management;

- i. Constitution of Kenya (2010).
- ii. County Human Resource Policy.
- iii. County Government Act (2012).

During recruitment, the County ensure that stakeholders/relevant departments are involved by providing their staff needs guided by their staff establishment/organization structure. These staff needs from all departments are consolidated by Public service and Administration department and forwarded as the County staff needs to the County Public Service Board (CPSB) for recruitment. The board ensures that it sticks not only to the gender rule during hiring process but also considers regional balance as required by law.

In order to improve the staff skills, manage careers, appraisal and reward systems, the County ensured that all the staff in the county fill PAS forms and all departments sign annual performance contracts. The best performing department is always awarded the 13th salary as motivation and this is done annually. The County also ensures continuous and systematic upgrading of county staff skills through training and capacity building based on identified gaps.

Considering the policy on safety and compliance with Occupational Safety and Health Act 2007 (OSHA), the County ensured that all offices have been installed with fire extinguishers, have fire assembly points, have indicative directions to all offices and adhere to Work Injury Benefits Act (WIBA) by compensating employees who get injured while on duty

4. Market place practices

a) Responsible Supply chain and supplier relations-

Using appropriate procurement methods that ensure equity and transparency.

- Use of standard tender documents as guided by Public Procurement Regulatory Authority.
- Supplier development program sensitization and training for special groups.
- Debriefing of unsuccessful bidders to enhance competitiveness and transparency.
- Reporting of contracts awards to relevant authorities and general public
- Procurement based on approved budget and procurement plan.

(i) Treating Suppliers Responsibility by honoring Contract

- Formation of **Contract Implementation teams** for complex projects to monitor projects.
- Consultations and negotiations with suppliers before contract signing especially for complex projects.

(ii) Respecting Payment Practice

- Formation of adhoc Inspection & acceptance Committee to expedite receiving of goods /accepting work to facilitate payment
- Ensuring supporting documents for payment are available on payment vouchers.
- Ensuring necessary approvals are done before payment.

- i. The County Government has undertaken public sensitization and awareness as a key pillar in promotion of fair competition. This has empowered the citizen in decision making as first line of consumer protection. The empowerment has promoted responsible political involvement in promotion of fair trade competition, it is winning political good will to reduce public outcry during enforcement of fair trade practices regulations
- ii. The County Advocates the use of approved, uniform and accurate weighing and measuring standards for trade transactions in order to eliminate unfair trade competition.
- iii. Traders in the County are encouraged to patent their intellectual rights in order to safe guard their innovation against unfair competition through counterfeiting.
- iv. The County Government has undertaken public sensitization and awareness as a key pillar in promotion of fair competition. This has empowered the citizen in decision making as first line of consumer protection. The empowerment has promoted responsible political involvement in promotion of fair trade competition, it is winning political good will to reduce public outcry during enforcement of fair trade practices regulations
- v. The County Advocates the use of approved, uniform and accurate weighing and measuring standards for trade transactions in order to eliminate unfair trade competition.
- vi. Traders in the County are encouraged to patent their intellectual rights in order to safe guard their innovation against unfair competition through counterfeiting.

b) Responsible ethical practices-

- i. Conducted an awareness programme to inform consumers on their rights and obligations. This safeguards them against exploitation by fraudulent traders.
- ii. Inspects and investigates consumer complaints with intention to promote fair trade competition
- iii. Instituted legal proceedings arising from consumer rights complaints to remedy the aggrieved parties.

- iv. Monitors trade description applied on goods and services to ensure they are accurate to enable consumers make informed decisions.
 - v. Maintains a complaints registers, a suggestion boxes and a customer care desk where issues of anti-corruption are handled.
 - vi. Put in place Anti-corruption posters and complies with procurement regulations in all its activities
- c) Stewardship of goods and services**
- vii. Conducted an awareness programme to inform consumers on their rights and obligations. This safeguards them against exploitation by fraudulent traders.
 - viii. Inspects and investigates consumer complaints with intention to promote fair trade competition
 - ix. Instituted legal proceedings arising from consumer rights complaints to remedy the aggrieved parties.
 - x. Monitors trade description applied on goods and services to ensure they are accurate to enable consumers make informed decisions.

5. Community Engagements

The County Government of Kakamega engages with the community in a structured way through the administrative arm called Community Area Administrators' Office (CAA.s) This is a representation of the Governor's Office at the community level. There is collaboration between the two levels of Governments which helps the County to understand issues affecting its residents' livelihoods and discuss how well to address them. Further, the County ensures that all disaster/emergency cases in the County have proper interventions.

The County also supports the vulnerable and its citizens through various programs like shelter improvement, donations during Governors christmas tree celebrations, public participation, sporting activities, music and cultural festivals and construction of gender based violence rescue centre

11. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Municipality affairs.

Principal activities

Principal activities of Kakamega municipality are as follows:

- Collection of Revenue
- Issuance of Rates Clearance Certificate
- Issuance of Single Business Permits
- Building Inspection
- Recommendation for approval of Building Plans
- Supervision of Infrastructure Development and Maintenance
- Issuance of Registration Certificate to Groups, CBOs
- Organization and coordination of public participation
- Policy Formulation and Governance

Performance

The performance of the Municipality for the year ended June 30, 2023 are set out on page 1-5



Board Members

The members of the Board who served during the year are shown on page xi

Auditors

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

By Order of the Board



Name: C. S. Musiten
Secretary of the Board

12. Statement of Management's Responsibilities

Section 180 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the Municipality established by Urban Areas and Cities Act No. 13 of 2011 shall prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Municipality manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2023. 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 Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments 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 No. 13 of 2011*. The Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30, 2023, and the financial position as at that date.

The Municipality Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern and Nothing has come to the attention of the Municipality Manager to indicate that the

*County Government of Kakamega
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Annual Report and Financial Statements for the year ended June 30, 2023*

Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Municipality's financial statements were approved by the Board on 18th Jul 2023 and signed on its behalf by:



.....
L'lanziva Meshack Kijuba Hsc
Municipality Board Chairperson



.....
Name: Cs Daniel Okalo Musita .
Accounting officer of the Board

REPUBLIC OF KENYA

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Enhancing Accountability

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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statement 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 the 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, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kakamega Municipality set out on pages 1 to 38, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

Report of the Auditor-General on Kakamega Municipality for the year ended 30 June, 2023

amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kakamega Municipality as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the Urban Areas and Cities Act, 2011.

Basis for Qualified Opinion

1. Inaccuracies in Comparative Balances

The financial statements reflect three components with comparative balances that are at variance with the corresponding audited financial statements for the year ended 30 June, 2022 as shown below:

Item	Comparative Balance in the Financial Statements for the Year Ended 30 June, 2023 (Kshs.)	Audited Financial Statements for the Year Ended 30 June, 2022 (Kshs.)	Variance (Kshs.)
Depreciation and Amortization statement of Financial Performance	4,684,017	13,533,184	(8,849,167)
Property, Plant and Equipment-Statement of Financial Position	192,826,028	183,976,860	8,849,168
Accumulated Surplus-Statement of Financial Position	176,387,010	167,537,842	8,849,168

In the circumstances, the accuracy and completeness of the respective comparative balances could not be confirmed.

2. Unsupported Additions to Property, Plant and Equipment

The statement of financial position and as disclosed in Note 18 to the financial statements reflects property, plant and equipment amount of Kshs.289,140,289. Included in this is an amount of Kshs.100,512,077 which relates to additions during the year. However, the additional assets amount could not be verified because Management did not provide relevant supporting documents such as payment vouchers, invoices, inspection and acceptance reports, handover reports and completion certificates.

In the circumstances, the accuracy and completeness of property, plant and equipment additions amount of Kshs.100,512,077 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Kshs.274,435,621 and Kshs.75,906,785 respectively, resulting to under-funding of Kshs.198,528,836 or 72% of the budget.

Similarly, the statement reflects actual expenditure of Kshs.170,610,278 against approved budget of Kshs.274,435,621 resulting to under-performance of Kshs.103,825,343 or 38% of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

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

Unresolved Prior Year Matters

In the audit of the previous year, several issues were reported under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has indicated in the Progress on Follow-up of Auditor's Recommendations section that only two issues have been resolved. No explanation was provided on why all the issues have not been resolved in adherence to the requirements of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for conclusion on Lawfulness

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

Basis for Conclusion

1. Failure to Provide Approved Budget

During the year under review, the Municipality operated without an approved budget. Consequently, the source and approval of the amounts reflected in the statement of comparison of budget and actual amounts, including total expenditure for the year of Kshs.170,610,278 could not be ascertained. This is contrary to Section 20(1)(l) of the Urban Areas and Cities Act, 2011 which requires a Board of a Municipality to prepare and submit an annual budget to the relevant County Treasury for consideration and submission to the County Assembly for approval.

In the circumstances, Management was in breach of the law.

2. Lack of Operational Autonomy of Kakamega Municipality

During the audit, it was observed that only office operations were carried out by the Municipality Board while project implementation was being carried out by the County Executive through the Department of Lands, Housing, Urban Areas Development and Physical Planning. This is contrary to Section 21(1)(a) of the Urban Areas and Cities Act, 2011 which gives Municipality Boards executive authority as delegated by County Executives.

In the circumstances, Management was in breach of the law.

3. Failure to Appoint a Municipality Administrator

During the year under review, the Municipality operated without a Municipality Administrator. This is contrary to the provisions of Section 31B of the Urban Areas and Cities (Amendment) Act, 2019 which states that there shall be an administrator for every town established under this act who shall be appointed by the County Public Service Board established under section 57 of the County Governments Act, 2012.

In the circumstances, Management was in breach of the law.

4. Lack of Fixed Asset Register

During the year under review, the Management did not maintain a fixed asset register which shows details relating to: date of purchase, supplier, cost, location, unique identification number, accumulated depreciation and net book values. This is contrary to Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that an accounting officer shall be responsible for maintaining a register of assets under his or her control or possession.

In the circumstances, Management 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 overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and the Municipality Board

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

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

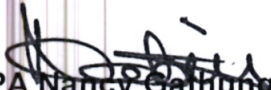
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Municipality to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Municipality to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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.


 FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 March, 2024

County Government of Kakamega

Kakamega Municipality

Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Performance for The Year Ended 30 June 2023.

Description	Note	2022-2023	2021/22
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government-Payments made on behalf	6	59,906,785	121,836,910
Transfers from County Treasury	7	16,000,000	28,910,250
Kenya Urban support programme	8	-	128,628,833
		75,906,785	279,375,993
Revenue from exchange transactions			
Interest income	9	-	-
Total revenue		75,906,785	279,375,993
Expenditure			
Use of goods and services	10	65,072,645	98,056,393
Staff costs	11	49,500	156,800
Board expenses	12	777,900	-
Finance costs-including Bank charges	13	-	91,126
Depreciation and amortization	14	4,197,816	4,684,017
Transfer to CRF	15	340	648
Total expenses		70,098,201	102,988,984
Other gains/losses			
Gain/loss on disposal of assets		-	-
Surplus/(deficit) for the year		5,808,584	176,387,010

The statement of financial performance has been restated to reflect the correct position of depreciation and amortization balance for the FY 2021/2022

The notes set out on pages 21 to 33 form an integral part of these Financial Statements. The entity financial statements were approved on 18th July 2023 and signed by:





Name: CS Daniel Okalo Musifa
Municipality Manager



Name: Mr Sylvance Obondo
Head of Finance

15. Statement of Financial Position As At 30 June 2023

Description	Note	2022-2023	2021/22
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	16	14,701,337	105,207,015
Receivables from exchange transactions	17	-	-
Total current assets		14,701,337	105,207,015
Non-current assets			
Property, plant, and equipment	18	289,140,289	192,826,028
Total Non-current Assets		289,140,289	192,826,028
Total assets		303,841,626	298,033,043
Liabilities			
Current liabilities			
Trade and other payables	19	-	-
Non-current liabilities			
Provisions	20	-	-
Total liabilities		-	-
Net assets		303,841,626	298,033,043
Reserves		-	121,646,033
Accumulated surplus		303,841,626	176,387,010
Total net assets and liabilities		303,841,626	298,033,043

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 18th July 2023 and

signed by:

.....
 Name: Cs Daniel Okalo Musita
 Municipality Manager



.....
 For: Noties

Name: Mr Sylvance Obondo
 Head of Finance

16. Statement of Changes In Net Assets For the Year Ended 30 June 2023

	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2021	-	-	121,646,033	121,646,033
Surplus/(deficit) for the year	-	-	176,387,010	167,537,842
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Bal as at 30 June 2022	-	-	298,033,043	298,033,043
				-
Bal as at 1 July 2022	-		298,033,043	298,033,043
Surplus/(deficit) for the year	-	-	5,808,584	5,808,584
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2023	-	-	303,841,627	303,841,627

17. Statement Of Cash Flows for The Year Ended 30 June 2023

Description	Note	2022-2023	2021/22
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the CGK-payments on behalf		59,906,785	121,836,910
Transfers from County Treasury		16,000,000	28,910,250
Kenya urban support programme		-	128,628,833
Balance brought forward		-	
Total Receipts		75,906,785	279,375,993
Payments			
Use of goods and services		(65,072,645)	(98,056,393)
Staff costs		(49,500)	(156,800)
Board expenses		(777,900)	-
Transfer to crf		(340)	(648)
Depreciation and Amortization		-	(13,533,184)
Finance costs		-	(91,126)
Total Payments		(65,900,385)	(106,798,151)
Net cash flows from operating activities	33	10,006,400	167,537,842
Cash flows from investing activities			
Purchase of PPE & intangible assets		(100,512,077)	(183,976,860)
Proceeds from sale of PPE		-	-
Net cash flows used in investing activities		(100,512,077)	(183,976,860)
Cash flows from financing activities			
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash equivalents		(90,505,677)	(16,439,018)
Cash And Cash Equivalents At 1 July 2022	21	105,207,014	121,646,033
Cash And Cash Equivalents At 30 June 2023	21	14,701,337	105,207,015

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	c=(a+b)	D	e=(c-d)	f=d/c
		Kshs.	Kshs.	Kshs.	Kshs.	
Revenue						67%
Transfers from the County Government	24,000,000		24,000,000	16,000,000	8,000,000	
UDG Bal b/f	105,000,000		105,000,000		105,000,000	0%
Payments on behalf of Municipality	145,435,621		145,435,621	59,906,785	85,528,836	41%
Total Revenue	274,435,621		274,435,621	75,906,785	198,528,836	28%
Expenses		-				
Use of goods and services	133,008,021	-	133,008,021	65,072,645	67,935,376	49%
Board expenses	1,000,000	-	1,000,000	777,900	222,100	78%
Staff Costs	377,600	-	377,600	49,500	328,100	13%
Transfer to CRF	50,000	-	50,000	340	49,660	1%
Depreciation and Armotization	35,000,000		35,000,000	4,197,816	30,802,184	12%
Acquisition of assets	105,000,000	-	105,000,000	100,512,077	4,487,923	96%
Total Expenditure	274,435,621	0	274,435,621	170,610,278	103,825,343	62%
Surplus for the period	-	-	-	(94,703,493)		
Capital Expenditure	105,000,000	-	105,000,000	100,512,077	4,487,923	96%

Budget notes

1. The underperformance and Underabsorption was contributed greatly by delay and late disbursement in exchequer disbursements from the Treasury as it's the Main source of funding to the fund.
2. Ksh. 59,906,785 was spent by parent ministry of Lands hence did not pass through the Municipality Bank Account though budgeted under Municipality.

County Government of Kakamega
 Kakamega Municipality
 Annual Report and Financial Statements for the year ended June 30, 2023

3. Budget appropriation statement does not agree with the statement of financial performance because of the differences in accounting. Reconciliation has been provided as follows,

Reconciliation statement on the differences between the statement of financial performance and statement of comparison of budget and actuals.

Classification	Statement of Comparison of Budget and Actual Amounts	Statement of Financial Performance	Comments
Revenue	Kshs		
Urban Development Grant Balance B/f	105,000,000	0	Bal b/f not recognized in the statement of financial performance
Transfers from the County Government	16,000,000	16,000,000	Balanced
Payments on behalf of Municipality	59,906,785	59,906,785	Balanced
Expenses			
Use of goods and services	65,072,645	65,072,645	Balanced
Board expenses	777,900	777,900	Balanced
Staff Costs	49,500	49,500	Balanced
Transfer to CRF	340	340	Balanced
Depreciation and Armotization	4,197,816	4,197,816	Balanced
Capital ExpenditureAcquisition of assets	100,512,077	100,512,077	Amounts used to purchase Assets were recognized in the statement of Cash flows and satement of Comparison of Budget and Actual Amounts

19. Notes to the Financial Statements

1. General Information

Kakamega Municipality is established by and derives its authority and accountability from Urban Areas and cities Act 2011. The Municipality is under the Kakamega County Government and is domiciled in Kenya.

The municipality's principal activity is Collection of Revenue ,Issuance of Rates Clearance Certificate ,Issuance of Single Business Permits ,Building Inspection , Recommendation for approval of Building Plans ,Supervision of Infrastructure Development and Maintenance ,Issuance of Registration Certificate to Groups, CBOs ,Organization and coordination of public participation and Policy Formulation and Governance.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Kakamega Municipality's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kakamega Municipality.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Application of New and revised standards (IPSAS)

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>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:</p> <ul style="list-style-type: none"> • 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.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>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:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes;</p>

Standard	Effective date and impact:
	<p>and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) 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.</p>
<p>Other improvements to IPSAS</p>	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

Kakamega Municipality did not early – adopt any new or amended standards in the financial year .

(Notes to financial statements continued)

4. Significant Accounting Policies

a) 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. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

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 for each period.

b) Budget information

The original budget for FY 2022/23 was approved by the County Assembly on 30th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Kakamega Municipality recorded additional Budget appropriations following the County Assembly's approval.

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. 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. 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 these financial statements.

c) 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 Municipality 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.

Kakamega Municipality Depreciates and Amortizes its Assets at the Recommended rates as follows,

- i. Buildings 5%,
- ii. Motor Vehicles 25%
- iii. Plant and Machinery 15%

The Kakamega Municipality Depreciates its assets on a reducing Balance method.

d) 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.

e) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless

an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An

estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL)

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

f) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

Raw materials: purchase cost using the weighted average cost method

Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Municipality.

g) 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.

h) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

i) 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)

j) 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

k) Nature and purpose of reserves

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

l) 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.

m) 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 the Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the Municipality does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to scheme 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 benefits 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.

(Significant accounting policies continued)

n) 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 in 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.

o) 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.

p) 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 Municipality, or vice versa. Members of key management are regarded as related parties and comprise the Board members, the Municipality Managers and Municipality Accountant.

q) 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. 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.

(Significant accounting policies continued)

r) Comparative figures

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

s) Events after the reporting period

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue.

Two types of events can be identified:

(a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

(b) Those that are indicative of conditions that arose after the reporting date (*non-adjusting events after the reporting date*).

The Municipality should indicate whether there are material adjusting and non-adjusting events after the reporting period.

t) Currency

The financial statements are presented in Kenya Shillings (Kshs.) and the values rounded off to the nearest shilling.

5. 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.

State all judgements, estimates and assumptions made.

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 Municipality. Such changes are reflected in the assumptions when they occur.

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 funds to replace the asset.
- V)Changes in the market in relation to the asset.

Notes to the Financial Statements

6. Transfers from the County Government-Payments made on behalf

Description	2022-2023	2021/22
	Kshs.	Kshs.
Payments by County on behalf of the entity	59,906,785	121,836,910
	-	
Total	59,906,785	121,836,910

7. Transfers from county Treasury

Description	2022-2023	2021/22
	Kshs.	Kshs.
Transfers from County Government Treasury	16,000,000	28,910,250
	-	-
Total	16,000,000	28,910,250

8. Kenya urban support programme

Description	2022-2023	2021/22
	Kshs.	Kshs.
Kenya urban support programme (KUSP)	-	128,628,833
Total	-	128,628,833

9. Interest income

Description	2022-2023	2021/22
	Kshs.	Kshs.
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	-	-

10. Use of Goods and Services

Description	2022-2023	2021/22
	Kshs.	Kshs.
Utilities, supplies and services	3,066,157	26,496,479
Communication, supplies and services	567,567	1,077,681
Domestic travel and subsistence	3,478,980	2,565,550
Printing, advertising, supplies & services	939,472	786,240
Hospitality supplies and services	2,895,245	7,383,901
Specialized materials and services	812,450	1,137,610
Office and general supplies and services	51,858,815	56,438,745
Other operating expenses	135,810	
Routine maintenance – vehicles and other equipment's	631,335	128,250
Routine maintenance – other assets	487,280	2,001,937
Bank charges	39,634	40,000
Refined fuels	159,900	-
Total	65,072,645	98,056,393

11. Staff costs

Description	2022-2023	2021/22
	Kshs.	Kshs.
Salaries and wages-Casuals	49,500	156,800
Staff gratuity	-	-
Social security contribution	-	-
Total	49,500	156,800

Notes to the Financial Statements

12. Board expenses

Description	2022-2023	2021/22
	Kshs.	Kshs.
Chairman/Members' Honoraria	279,000	-
Sitting allowances	190,200	-
Daily Subsistence Allowances	308,700	-
Total	777,900	-

13. Finance costs

Description	2022-2023	2021/22
	Kshs.	Kshs.
-	-	91,126
Interest on loans from banks	-	-
Total	-	91,126

14. Depreciation and amortization

Description	2022-2023	2021/22
	KShs	KShs
Buildings	1,236,567	1,301,649
Road Construction	819,249	862,367
Plant and Machinery -Refuse track	2,142,000	2,520,000
Total	4,197,816	4,684,017

Notes to the Financial Statements

15. Transfer to County Revenue Fund

Description	2022-2023	2021/22
	KShs	KShs
Transfer to CRF	340	648
Total	340	648

16. Cash and cash equivalents

Description	2022-2023	2021/22
	Kshs.	Kshs.
Current account	14,701,337	105,207,015
Total cash and cash equivalents	14,701,337	105,207,015

Notes to the Financial Statements

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

Financial institution	Account number	2022-2023	2021/22
		Kshs.	Kshs.
a) Current account			-
		-	-
Kakamega Urban Development Grant Account KCB	1260365743	14,680,983	105,201,154
Kakamega Municipality	01141632089800	20,354	5,860
Total		14,701,337	105,207,015

17. Receivables from exchange transactions

Description	2022-2023	2021/22
	Kshs.	Kshs.
Current Receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total receivables from exchange transactions	-	-

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(Notes to the Financial Statements Continued)

18. Property, Plant and Equipment

	Buildings	Road Construction	Plant and Machinery	Capital Work In Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Cost					
At 1 st July 2021	26,032,983	17,247,347	16,800,000	137,429,714	197,510,044
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30 th June 2022	26,032,983	17,247,347	16,800,000	137,429,714	197,510,044
At 1 st July 2022	26,032,983	17,247,347	16,800,000	137,429,714	197,510,044
Additions	-	58,475,675	-	42,036,402	100,512,077
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30 th June 2023	26,032,983	75,723,022	16,800,000	179,466,116	298,022,121
Depreciation And Impairment					
At 1st July 2021	-	-	-	-	-
Depreciation	1,301,649	862,367	2,520,000	-	4,684,017
Impairment	-	-	-	-	-
At 30th June 2022	1,301,649	862,367	2,520,000	-	4,684,017
At 1st July 2022	1,301,649	862,367	2,520,000	-	4,684,017
Depreciation	1,236,567	819,249	2,142,000	-	4,197,816
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30th June 2023	2,538,216	1,681,616	4,662,000	-	8,881,832

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Net Book Values					
At 30th June 2022	24,731,334	16,384,980	14,280,000	137,429,714	192,826,028
At 30 th June 2023	23,494,767	74,041,406	12,138,000	179,466,116	289,140,289

1. The depreciation figure for FY 2021/2022 was restated to Ksh 4,684,017 from Ksh 13,533,184 .
2. The Depreciation rates adopted by Kakamega Municipality are 5% Annually on Land and Buildings, 25% Annually on Motorvehicles , 15% Annually on Plant and Machinery. The Municipality depreciates the assets on a reducing Balance Method.

Notes to The Financial Statements Continued)

19. Trade and other payables from exchange transactions

Description	2022-2023	2021/22
	Kshs.	Kshs.
Trade payables	-	-
Retentions	-	-
Accrued expenses	-	-
Total trade and other payables	-	-

20. Provisions

Description	2022-2023	2021/22
	Kshs.	Kshs.
Balance at the beginning of the year	-	-
Additional Provisions (<i>Specify</i>)	-	-
Provision utilised	-	-
Balance at the end of the year	-	-
Current Portion of provision	-	-
Long term portion of provision	-	-
Total Provisions	-	-

Notes to the Financial Statements**21. Related party balances****a) Nature of related party relationships**

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

- a) The County Government.
- b) The Parent County Government Ministry.
- c) County Assembly.
- d) Key management.
- e) Municipality Board; etc.

b) Related party transactions

Description	2022-2023	2021/22
	Kshs.	Kshs.
Transfers from related parties'	59,906,785	28,910,250
Transfers to related parties	59,906,785	28,910,250

c) Key management remuneration

Description	2022-2023	2021/22
	Kshs.	Kshs.
Board Members	777,900	-
Key Management Compensation	-	-
Total	777,900	-

d) Due from related parties

Description	2022-2023	2021/22
	Kshs.	Kshs.
Due from parent Ministry	8,000,000	-
Total	8,000,000	-

Notes to the Financial Statements

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 Municipality's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize 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:

I. 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 Municipality's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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 Municipality has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality has significant concentration of credit risk on amounts due.

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

II. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Municipality Manager, who has built an appropriate liquidity risk management framework for the management of the Municipality's short, medium and long-term 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 Municipality under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

III. Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Municipality 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 Municipality's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Municipality's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

IV. 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. 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:

The following table demonstrates the effect on the Fund'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.

V. 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 Fund'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.

Notes to the Financial Statements

VI. Capital risk management.

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

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital/Development Grants/Municipality	-	-
Accumulated surplus	-	-
Total Funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

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)
Basis for Qualified Opinion				
1.	<p>Unconfirmed balances The statement of changes in net assets reflects a balance of Kshs.121,646,033 in respect of surplus as at 01 July,2021. However, the source of the balance could not be confirmed since this is the first set of financial statements of the Municipality which have been prepared for a period of twentytwo (22) months beginning 01 September,2020. Further, the statement of cash flows reflects balances of Kshs.(16,439,018) and Kshs.121,646,033 in respect of net increase in cash and cash equivalents and cash and cash equivalents as at 01 July 2021. Similarly, the source of the balances could not be confirmed since this is the first set of financial statements of the Municipality which have been prepared for a period of twenty-two (22) months beginning 01 September,2020. In addition, the statement of financial position reflects a balance of Kshs.121,646,033 in respect of Fund balance brought forward as at 30 June, 2022. However, supporting documents for the balance brought forward was not provided. In the circumstances, the accuracy and completeness</p>	<p>Part one The balance of ksh 121,646,033 was sourced from the following set of items :- I. Urban development account(udg) account no. 1260365743 kcb kakamega Ksh.105,201,155 Ii. Kakamega township operations account no.01141632089800 coop-bank kakamega Ksh 5,860(bank reconciliation statement,and minutes of board survey) Iii. Refuse truck 37cg204a ksh 16,800,000 Part two</p>	Not Resolved	N/a

<p>of the respective balances could not be confirmed.</p>	<p>The figure of 16,439,018 representing a decrease in cash and cash equivalents arises From cashflow from operating activities and net from operating and investing activities As here under A) changes in net assets =ksh 121,646,033 B (i) operating activities use of goods and services note 4 ksh.98,056,393 staff costs note 5 ksh.156,800 asset depreciation note 6 ksh 13,533,184 finance costs-bank charges note 7 ksh.91,126 transfer to crf note 8 ksh.648 total 106,798,151 B (ii) investing activities Note 10 civil works 19,264,408 plant and machinery 11,760,000 road construction 15,522,738 capital work in progress(sichirai market) 137,429,714 total 183,976,860 Net increase in cash and cash equivalents a-b(16,439,018)</p>			
<p>2.</p>	<p>Failure to disclose reporting period The Municipality Board has prepared and presented</p>	<p>The financial statement prepared</p>	<p>Not</p>	<p>N/a</p>

	<p>financial statements for a period of twenty-two (22) months ending 30 June, 2022. However, no disclosure has been provided in the financial statements to this effect as required by Section 66 of International public Sector Accounting Standards (IPSAS) which provides that if an entity prepares financial statements for a period shorter or longer than one financial year, then a disclosure should be made giving reasons for the same. In the circumstances, the financial statements were not prepared in accordance with the requirements of International Public sector Accounting standards.</p>	<p>for the 22 months to june 2022 was because this was The first time the public sector accounting standards board (psasb) had produced a Template for reporting for municipalities in kenya</p>	Resolved	
Other Matter				
	Budgetary Control and Performance			
1.1	<p>The statement of comparison of budget and actual amounts reflects approved revenue budget and actual on a comparable basis of Kshs.391,627,740 and Kshs.279,375, respectively, resulting to under-funding of Kshs.112,251,747 or 29% of the budget. Similarly, the statement reflects actual expenditure of Kshs.111,838,151 against approved budget of Kshs.391,627,740 resulting to under-performance of Kshs 279,789,589 or 71% of the budget.</p> <p>The underfunding and under-performance affected planned activities and may have impacted negatively on service delivery to the public.</p> <p>documents in electronic or manual form shall be in writing, signed and in the case of manual submission, they shall be sealed in an envelope.</p> <p>In addition, no evidence was provided to show that a tender opening committee was constituted as required by Section 78(1) of the Act, which requires an accounting officer of a procuring entity to appoint a tender opening committee. It was, therefore, not possible to confirm whether tenders were submitted, duly opened and evaluated.</p> <p>In the circumstances, the Management was in breach of the law.</p>			
1.2	<p>1.2 Cleaning and Landscape Maintenance Services at Rosterman Solid Waste Disposal Site</p> <p>The Municipality Board awarded a contract to a local company for cleaning and landscape maintenance at Rosterman solid waste disposal site at a contract sum of Kshs.13,689,177. However, the Company did not submit a tender document as required by Section 77(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that submission of tender documents in electronic or manual form shall be in writing, signed and in the case of manual submission, they shall be sealed in an envelope</p> <p>In addition, no evidence was provided to show that a tender opening committee was constituted as required by Section 78(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to appoint a tender opening committee. It was, therefore, not possible to confirm whether tenders were submitted, duly opened and evaluated.</p> <p>In the circumstances, Management was in breach of the law.</p>		Not Resolved	

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2.0	<p>2. Other Contracts Awarded Without Tender Opening Committees</p> <p>During the period under review, the Municipality Board also awarded nine (9) contracts for supply of services and works for amounts totalling to Kshs.263,757,728. However, review of the procurement process revealed that the contracts were awarded without being subjected to tender opening as required by Section 78(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an accounting officer of a procuring entity to appoint a tender opening committee. It was therefore not possible to confirm whether tenders were submitted, duly opened and evaluated.</p> <p>In the circumstances, Management was in breach of the law.</p>		Not Resolved	
3.0	<p>3. Construction of Sichirai Market and Access Roads</p> <p>The Municipality Board awarded a contract to a local construction company for construction of Sichirai market and access roads at a contract sum of Kshs.178,111,050 and a contract period of twelve (12) months commencing May, 2021 and ending in April, 2022. However, the company did not submit a tender document as required by Section 77(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that submission of tender documents in electronic or manual form shall be in writing, signed and in the case of manual submission, they shall be sealed in an envelope.</p> <p>In addition, no evidence was provided to confirm that a tender opening committee was constituted as required by Section 78(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to appoint a tender opening committee. It was therefore not possible to confirm whether tenders were submitted, duly opened and evaluated.</p> <p>For the twenty-two (22) Months ended 30 June, 2022, the Municipality Board had paid the contractor a total amount of Kshs.157,288,139 or 88% of the contract sum, inclusive of advance payment. However, as at that date, advance payments totalling Kshs.8,332,159 had not been recovered from the contractor as required by Clause 6.5 of the contract agreement.</p> <p>Further, a physical inspection carried out in November, 2022 revealed that although the contract period had elapsed, the project was still incomplete as roofing had not been done. It was also revealed that the orientation of the market had been changed due to what was attributed to a dispute over part of the land on which the market was being erected. However, the instructions book, the new drawings and revised Bill of Qualities were not provided for audit review.</p> <p>In the circumstances, the Municipality Board did not obtain value for money from the project.</p>		Not Resolved	
4.0	<p>4. Rehabilitation of Shirere Slaughterhouse</p> <p>The Municipality Board awarded a contract to a local construction company for rehabilitation of Shirere slaughterhouse at a contract sum of Kshs.10,469,097 and a contract period of six (6) months commencing 20 January, 2022 and ending on 19 June, 2022.</p> <p>However, the Company did not submit a tender document as required by Section 77(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that submission of tender documents in electronic or manual form shall be in writing, signed and in the case of manual submission, they shall be sealed in an envelope.</p> <p>In addition, no evidence was provided to confirm that a tender opening committee was constituted as required by section 78(1) of the Act which requires an accounting officer of a procuring entity to appoint a tender opening committee. It was therefore not possible to confirm whether tenders were submitted, duly opened and evaluated.</p> <p>A physical inspection of the project carried out in November, 2022 revealed that although the contract period had expired, the contractor had not installed a solar water heater, and had also not erected concrete support poles after every ten (10) meters and at the corners of the perimeter fence as provided for in the Bill of Quantities.</p> <p>In the circumstances, the Municipality Board did not obtain value for money from the project.</p>		Not Resolved	

<p>5.0</p>	<p>Construction of Perimeter Wall at Rosterman Disposal Site The Municipality Board awarded a contract to a local construction company for construction of a perimeter wall at Rosterman disposal site at a contract sum of Kshs.9,904,727. However, the company did not submit a tender document as required by Section 77(1) of the Public Procurement and Asset Disposal Act,2015 which provides that submission of tender documents in electronic or manual form shall be in writing, signed and in the case of manual submission, they shall be sealed in an envelope. In addition, no evidence was provided to confirm that a tender opening committee was constituted as required by Section 78(1) of the Act which requires an Accounting Officer of a procuring entity to appoint a tender opening committee. It was therefore not possible to confirm whether tenders were submitted, duly opened and evaluated. In the circumstances, Management was in breach of the law.</p>		<p>Not Resolved</p>	
<p>6.0</p>	<p>Operational autonomy of kakamega municipality Municipality Board while project implementation was being carried out by the County Executive through the Department of Lands, Housing, Urban Areas Development and Physical Planning. This is contrary to Section 21(1)(a) of the Urban Areas and Cities Act, 2011 which gives Municipality Boards executive authority as delegated by County Executives. In the circumstances, Management was in breach of the law.</p>	<p>Areas and cities act 2011 ammended 2019. And has undertaken the following steps :- 1) appointed municipality board vide gazette notice number 10370 dated 2/8/2023 2) gazetted proposed devolved functions through gazette notice no.6225 of 12/5/2023,both copies of the gazette notices annex 3) appointed manager as accounting officer of the municipality,copy of the letter Attached</p>	<p>Not Resolved</p>	<p>N/a</p>



 Accounting officer of the Municipality

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Appendix 2: Inter Entity Transfers
KAKAMEGA MUNICIPALITY

Breakdown of Transfers from the County Executive of Kakamega County			
FY 2022/2023	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
a. Recurrent Grants			
	10/25/2022	2,000,000	2022/2023
	8/25/2022	2,000,000	2022/2023
	2/16/2023	2,000,000	2022/2023
	5/19/2023	2,000,000	2022/2023
	6/19/2023	2,000,000	2022/2023
	6/30/2023	2,000,000	2022/2023
	12/6/2022	2,000,000	2022/2023
	7/12/2023	16,000,000	2022/2023
	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
	2022/2023	59,906,785	2022/2023
	Total	59,906,785	

(The above amounts have been communicated to and reconciled with the parent Department in the County.)



For Markets

Signed by the Head of Accounts of the Entity and the transferring Entities

Appendix 3: Reporting of Climate Relevant Expenditures

Name of the Organization
 Telephone Number
 Email Address
 Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications)

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix 4: Disaster Expenditure Reporting Template

Date:

Entity

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