

REPUBLIC OF KENYA



Enhancing Accountability

PAPERS LAID	
DATE	29/5/2024
TABLED BY	Majority leader
COMMITTEE	
CLERK AT THE TABLE	Angela

REPORT

OF

THE AUDITOR-GENERAL

ON

KIMILILI MUNICIPALITY

**FOR THE YEAR ENDED
30 JUNE, 2023**

PARLIAMENT
OF KENYA
LIBRARY



THE MUNICIPALITY OF KIMILILI
County Government of Bungoma

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)**

County Government of Bungoma.
The Municipality of Kimilili.
Annual Report and Financial Statements for the year ended June 30, 2023

Contents

1.	ACRONYMS & GLOSSARY OF TERMS	II
2.	KEY ENTITY INFORMATION AND MANAGEMENT	III
3.	CITY/MUNICIPALITY BOARD	VII
4.	KEY MANAGEMENT TEAM	XI
5.	CITY/MUNICIPALITY BOARD CHAIRPERSON’S REPORT	XIV
6.	REPORT OF THE CITY/MUNICIPALITY MANAGER	XVI
7.	STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY 2022/2023.....	XVII
8.	CORPORATE GOVERNANCE STATEMENT	XX
9.	MANAGEMENT DISCUSSION AND ANALYSIS.....	XXV
10.	ENVIRONMENTAL AND SUSTAINABILITY REPORTING	XXVII
11.	REPORT OF THE CITY/MUNICIPALITY BOARD MEMBERS.....	XXIX
12.	STATEMENT OF MANAGEMENT’S RESPONSIBILITIES	XXX
13.	REPORT OF THE INDEPENDENT AUDITOR (SPECIFY ENTITY).....	XXXII
14.	STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023	1
15.	STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023.....	2
16.	STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023	3
17.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023	4
18.	STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023	5
19.	NOTES TO THE FINANCIAL STATEMENTS	6
20.	APPENDICES	28

1. Acronyms & Glossary of Terms

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

The Municipality of Kimilili is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 24th day of May, 2018. The municipality is under the County Government of *Bungoma* and is domiciled in Kenya.

Principal Activities

The Vision of the Municipality is:

Centre of excellence in Sustainable Urban development, innovation, environmental safety and social inclusion.

The Mission of the Municipality is:

To provide citizens and business community effective municipal services while maintain historical community values.

The principal activities for the Municipality are:

- Urban social and economic infrastructure
- Waste management (liquid and solid)
- Urban connectivity
- Fire and disaster management
- Urban drainage system

The objective of the Municipality are:

- i) Promote infrastructural investments in the Municipality.
- ii) To assure a resilient municipal environment and provision of quality human services.
- iii) To support a thriving urban economy through business-friendly approaches.
- iv) To ensure development and maintenance of heritage infrastructure and talents insports.
- v) To enhance institutional efficiency and effectiveness in service delivery.

b) Key Management

The *City/Municipality's* management is under the following key organs:

- County department of in charge of Cities/Municipalities
- Board of Management

- Accounting Officer/ City/Municipality Manager
- Management
- Others (*specify*)

c) 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 John Ndombi
2	Administrator	Kennedy Pkania
3	Finance Officer	Donah Chesang
4	Accountant	Galgano Fred Wanyonyi
5	Technical Department	Benson Wangila

d) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies at the County for the year ended 30th June 2022 were:

i) County Assembly of Bungoma

The responsibilities of the County Assembly of Bungoma were as follows:

- To vet and approve nominees for appointment to county public offices as may be provided for in the relevant laws;
- To perform the roles set out under Article 185 of the Constitution;
- To approve the budget and expenditure of the county government in accordance with Article 207 of the Constitution, and the legislation contemplated in Article 220(2) of the Constitution, guided by Articles 201 and 203 of the Constitution;
- To approve the borrowing by the county government in accordance with Article 212 of the Constitution;
- To approve county development planning; and
- To perform any other role as may be set out under the Constitution or legislation

ii) Audit and Risk Management Committee

The functions and responsibilities of the audit committee were as follows:

- To obtain assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably.
- To provide an independent review of the County Executive's reporting functions to ensure the integrity of financial reports.
- To monitor the effectiveness of the County Executive's performance management and performance information.
- To provide strong and effective oversight of County Executive's internal audit function.
- To provide effective liaison and facilitate communication between management and external audit.
- To provide oversight of the implementation of accepted audit recommendations.
- To ensure that the County Executive effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behaviour.

iii) Public Accounts Committee

The main function of the Public Accounts Committee is to invite the County Executive's Accounting Officer to appear before it to adduce evidence on the reports of the Auditor-General.

iv) Budget and Appropriations Committee

Budget and Appropriations Committee approves expenditure budget of the County Executive for the execution of governance

e) Registered Offices

Municipal Block Offices

Opposite Law Court

P.O. Box 700-50204,
Kimilili, Bungoma

f) Contacts.

Telephone: (+254) 0720754325

E-mail: kimililimboard@gmail.com

Website: www.kimilili.municipality.go.ke

g) Bankers

Family bank
A/C No 0777000039020
Bungoma branch

Family bank
A/C No 0777000042513
Bungoma branch



h) Independent Auditor

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

i) Principal Legal Adviser



The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. Municipality Board


Serial No.	Name	Details of qualifications and experience
1	JOSEPH O. MULAMA 	D.O.B –1960 He is the chairperson of the Board.He is a holder of Master,s degree in Project Planning and Management and a Bachelor’s degree in Education from The University of Nairobi.He is the Chair Human resource and a committee member in Kenya National Chambers of Commerce and Industry(KNCCI).He is the national treasurer of Kenya Booksellers and Stationers Association.He is the Chief Whip of Caucus of Municipality Baord Chairperson and a chairperson in several Boards.
2	SALOME N. BUKANIA 	D.O.B –1989 She is the chairperson Land use planning,infrastructure and Housing committee of the board.She joined the board through competitive process.She is a holder Bachelor’s degree of Architect from Jomo Kenyatta University of Agriculture and Technology.She holds a practicing certificate and registered for Architects and Quantity surveyors of Kenya.She is a corporate member of the Architechtral Association of Kenya.

*County Government of Bungoma.
The Municipality of Kimilili.
Annual Report and Financial Statements for the year ended June 30, 2023*



3	<p>LILLIAN N. SIMIYU</p> 	<p>D.O.B –1992</p> <p>She is the chairperson Environment,Public health,Social services and Sports committee of the Board.She joined the board through Competitive process.She holds a Diploma in Education from Mt.Kenya University of Agriculture and Technology.She has wide experience in teaching in various schools.</p>
4	<p>JOHN M. TENGEYE</p> 	<p>D.O.B –1992</p> <p>He is the chairperson of Administration,Finance ,Economic Planning and trade committee of the board.He Joined the board through competitive process.He is a holder of Bachelor’s degree from Technical University of Kenya.He is the Land Administration Officer at the National Land Commission.He is experienced in consultancy services on matters of Land u physical Planning.</p>
5	<p>DENSON W. BARASA</p> 	<p>D.O.B –1978</p> <p>He holder a Bachelor Degree in Education Arts from the University of Nairobi.He is the Chief Officer - Housing, Urban Areas and Municipalities.He has been Chief Officer in the County Government Department of Trade, Energy and Industrialization and Public Service Management and Administration.He has worked as the Director of studies and Deputy</p>



		Principal - Kibabii High School and Board Member on several public institutions.
6	CAROLYNE KHASOA WANYONYI 	She represents professional associations in the Board(Law Society of Kenya).She is a holder of Master,s degree in Business Admnistration and Bachelor’s degree in Law.She works at National Land Commission and a member of various boards.
7	DOUGLAS SASITA 	D.O.B – October, 1979. Graduate in Bachelor of Architecture - University of Nairobi. C.P.A Finalist- Strathmore University College. Registered Architect with BORAQS-Corporate Member of Architectural Association of Kenya (A2435)– Architectural experience for seventeen years - Handling various design briefs from institutional to residential largescale projects of 16000m sq. such as Lovington shopping mall and many more. Other key experiences held: <ul style="list-style-type: none">▪ Conceptual design works /project planning and co-ordination /project management /project appraisals andassessment / contract administration;▪ Board chair - Bungoma Municipality and other several institutions.


**County Government of Bungoma.
The Municipality of Kimilili.
Annual Report and Financial Statements for the year ended June 30, 2023**

		Senior Architect-Undersign Architects and Interior Designer for Graduate StudioInfinity Architects.
8	<p>C.S. JOHN W. NDOMBI</p> 	<p>He is the secretary of the Board.He is a holder of Master,s degree in Business Administration from Moi Unuversity.He is a full member of Kenya Institute of Management and a certified Public Secretary.He has worked for 23 years in public service raning from Audit,Accounting,Administration and Human services.</p>

4. Key Management Team

Serial No	Name	Details of qualifications and experience
1.	<p>CS JOHN NDOMBI</p> 	<p>Municipal Manager.</p> <p>He is a holder of Master,s degree in Business Administration from Moi Unuversity.He is a full member of Kenya Institute of Management and a certified Public Secretary.He has worked for 23 years in public service raning from Audit,Accounting,Administration and Human services.</p>
2.	<p>KENNEDY PKANIA</p> 	<p>Municipal Administrator.</p> <p>He holds a Bachelor Degree in Education from Moi University and a certificate in Education management in Kenya education staff Institute.He has been trained on Senior Management course at Lower Kabete-Nairobi.He has wide experience as a teacher and a principal in Secondary School.He has worked as a senior protocal officer and a Administrator in the Department of Trade Energy and Industrialisation-Bungoma County.</p>

3.	<p>DONAH CHESANG</p> 	<p>Municipal Finance Officer.</p> <p>She holds a Bachelor of Business Management Degree (Finance) from Moi University. She has also undertaken Certified Public Accountant-Section V. She has experience in Finance and Accounting. She has worked as an Audit Assistant, Financial Advisor on Security Exchange, assistant Finance officer-Budget office-Bungoma county, as an accountant in Revenue Department and a Finance officer department of Lands, Physical planning and Housing.</p>
4.	<p>GALGANO FRED WANYONYI</p> 	<p>Municipal Accountant.</p> <p>He holds a Bachelor of Commerce Degree (Accounts) option from Masinde Muliro University of Science and Technology, CPA 11, KATC 1 and 11 certificate in Kenya. He has undertaken Senior Management course at Kenya School of Government – Mombasa Campus. He has wide experience in accounts and administrative duties in several organisation.</p>
5.	<p>BENSON WANGILA</p>	<p>Municipal Physical Planner.</p> <p>He holds a Bachelor of Arts (Urban and Regional Planning) with information technology from Maseno University and a Diploma in Civil Engineering from Kitale Technical Training</p>

	<p>Institute. in Kenya education staff Institute. He has worked as a Physical Planner since 2002.</p>
---	---

5. Municipality Board Chairperson's Report

It is my privilege to present to you the Board of Kimilili Municipality's 3rd annual report and financial statements. This is the third time for the board to prepare and present financial statements for audit to the office of the auditor general.

It is my pleasure to report that the board has in the past 36 months transitioned seamlessly from the hands of the county project coordinating team which was a transitioning team awaiting the constitution and operationalization of the board.

The transition period has been characterised by detaching the board operations such as accounting and management from the mother department of lands, Urban, Physical Planning and Housing.

In 2020 the board set out to improve on the accounting and internal auditing standards for the public sector, intense capacity building programs, engagements with key stakeholders and awareness creation. In the process of executing its mandate, the board has continued to develop and improve financial reporting templates, training and capacity building, staffs and board members technical training, engagements with the public among others. For the period 2022/2023, the board has had four main citizen fora, where the public participating in the identification and execution of key municipal projects. The board made a resolution on the key projects identified by the public to be implemented.

Within a short period the board has been able to make quite remarkable achievements. First the board has been able to formulate The Municipal Integrated Plan (MIDP) and the Municipal Strategic Plan which has been approved by the board, awaiting the passing of the county assembly.

During the board's tenure for the year (2018-2019), it has been:

1. Able to complete two roads i.e.

- Upgrading DC to Thursday Market Road of 1km C33-Ksh.70,103,590
- Riziki to slaughter house road and 1km C3-Ksh.88,082,969

During the period (2019/2020) the Municipality has completed 2 main projects:

- a) Upgrading of Thursday Market- Chetambe area to KIE road-1km-Kshs.49,136,782.20
- b) Rehabilitation/construction works on Thursday, Monday Market and bus park- Ksh.187,982,674

During the period (2021/2022) the Municipality has completed 1 main project:

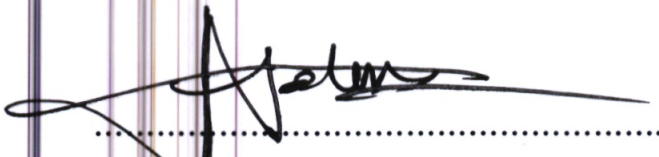
- a) Upgrading of Mkulima – Nasusi Road of 0.6 km-Ksh.33,405,394.18

County Government of Bungoma.
The Municipality of Kimilili.
Annual Report and Financial Statements for the year ended June 30, 2023

Presently the board has also been able to advocate for the transfer of the functions to the municipality. So far 22 functions have been transferred awaiting implementation.

Going forward, the board will carry out its mandate as set out in the urban areas and cities Act 2011 and in accordance with the kimilili Municipal charter. For the year 2022/2023, the Board will continue carrying out its mandate according to its strategic plan (2020-2024).

I would like to thank the Board members and the management of the Kimilili Municipality who through their unwavering commitment have led to the achievement of the Board's mandate in the past years. I also offer my gratitude to our partners, stakeholders and citizens of kimilili and look forward to collaborating with you towards achievements of the Board's mandate.



.....
Name: Joseph Mulama.

Chairperson of the Board

6. Report of the Municipality Manager

It's with great pleasure to present the annual report and financial statement for Kimilili Municipality for the year ended 2022/2023. Since its establishment, the Kimilili Municipality has continued to execute in setting generally acceptance accounting and internal auditing standards for the Kenyan public sector.

The Municipality has a five-year strategy (2020-2024) from which it draws its annual work plans. During the financial year 2022/2023, the Municipality was able to achieve the plan it had set in its work plan. This was achieved through the efforts of the management team who showed great commitment towards achieving the Municipality's mandate.

The Municipality undertook a number of activities in executing its mandates as contained in the Municipal charter which include;

- ❖ Stakeholders engagements and sensitization.
- ❖ Capacity building of the board and the Municipal staff.
- ❖ Mentoring compliances.
- ❖ Development control.
- ❖ Implementing Municipal projects.

The Municipality has continued to expose the board members and the Municipal staff to inductions and training courses and attendance of the board meetings in order to improve skills and ensure they are kept a breast with the Municipality mandates in order to achieve effective and efficient service delivery.

In order to carry out its mandate effectively the Municipality received a total of Ksh. 211,089,400 as allocation from Kenya urban support program FY 2018/2019 being recurrent of Kshs.20,000,000, Development of Kshs. 191,089,400,Ksh. 195,489,400 being recurrent of Ksh.4,400,000 and development of Kshs.191,089,400 and Ksh.49,523,349.50 for FY 2021/2022 as transfer from the county treasury. These transfers have enabled the Municipality to carry out its mandate, including the completed and on-going projects as stipulated in this report.

With the gazetted transfer of functions, the Municipality requires more funding from the county treasury to enable it implement its numerous functions. There is also need to add more competent and qualified staff to be seconded to the Municipality.

A detailed analysis of the Kimilili Municipality activities for the year ended 30th June 2023 is included in the next section.

I would like to express my gratitude to the members of the board for their leadership and guidance during the year. I also extend my thanks to the management team who without their dedication, the Municipality would not have been able to achieve its work plan and strategic objectives. I look forward to the great and dedicated team work.



CS John Ndombi
Manager-Kimilili Municipality.

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

The key development objectives of the Kimilili municipality, 2018-2022 plan are to:

- a) To promote infrastructural investments in the Municipality.
- b) To assure a resilient municipal environment and provision of quality human services.
- c) To support a thriving Urban economy through business friendly approaches.
- d) To enhance institutional efficiency and effectiveness in service delivery.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Urban Governance	To enhance institutional efficiency and effectiveness in service delivery.	Efficient and effective urban services.	<ul style="list-style-type: none"> • Number of works satisfaction surveys undertaken. • Customers/Employees satisfaction survey undertaken. • Proportion of staff remunerated. • proportion of staff trained. • Proportion of staff provided with number of staff recruited. • Proportion of budget allocated for Human Resource Services. • Number of policies formulated/domesticated. • Number of bills formulated/domesticated. • Number of regulations drafted. • Number of regulations reviewed. • Proportions of contracts and agreements signed. • 5 years urban integrated development plan prepared. • Annual investments plan prepared. • Annual urban budget prepared. • Annual urban development plan. • Number of M&E conducted. • Number of annual progress report disseminated. • Number of budget absorption report disseminated. • Number of urban strategic plan formulated. • Number of internal transformations fore held. 	As at the end of the FY 2022/2023 the municipality achieved the following: -Staff remunerated 100% -35% of the budget allocated to Human Resource services. -Prepared Municipal plans and budgets. -Prepared progress and budget and implementation reports. -Held one citizen for a and public participation. -Held stakeholders trainings through benchmarking.

			<ul style="list-style-type: none"> • Number of intergovernmental fore held. • Number of PPP agreements concluded. • Number of office block constructed/renovated. • Number of stakeholders' trainings conducted. • % of policy documents uploaded on website. • Number of management meetings. • Number of public participation fore held. 	-Held 12 management meetings
Urban Infrastructure development and management.	To promote infrastructural investments	Functional urban infrastructural system.	<ul style="list-style-type: none"> • Number of bus park constructed. • Number of solar street lights installed. • Number of high flood solar lights installed. • Number of KM of sewer system expanded. • Number of KM of drainage system constructed. • Number of auctions rings constructed and renovated. • KMS of pedestrian lanes constructed. • Number of parking spaces provided. • Number of bus terminal rehabilitated. • KMS of drainage system maintained. • KMS of walk ways constructed. • % of urban roads demarcated. • % of urban roads with markings. • % of urban roads with road infrastructure. • % of transport safety measures implemented. 	In the year under review the Municipality - constructed and rehabilitated one buspark. -Upgraded 1.6km road within the municipality.
Urban economy and investment management	To prudently manage urban economy and	Enhance economic competitiveness	<ul style="list-style-type: none"> • Number of annual investment promotion events held. • Number of PPP agreements signed. • Number of incentives schemes implemented. • % budget allocated for investments promotion. 	

	investment		<ul style="list-style-type: none"> • Number of jobs created annually. • Number of non-financial services provided. 	
Urban Environment and Human services	To promote sustainable access and utilization of urban environment	Enhanced Urban environmental resilience.	<ul style="list-style-type: none"> • % of Health Facilities Operational. • Average Kgs of solid waste collected per day. • Number of waste segregation points established. • Number of waste treatment options applied. • Number of open dump grounds operational. • Number of sanitary land fields. • Number of composting sites. • Number of incinerators operational. • % of land pollution cases resolved. • % of air pollution case resolved. • Number of open spaces provided. • Acreage reserved for recreational parks. • Number of public recreational parks. • Number of trees planted in public open spaces. • Number of trees planted on walk ways and strategic places. • Number of annual green events. • % of green services provider licenced. • Number of ornamental trees planted and nurtured. 	

8. Corporate Governance Statement

The board of the municipality was appointed pursuant to Section 13 and 14 of the Urban Areas and Cities Act no.13 of 2011 as read together with section 9 of the Urban Areas and Cities Act of 2019. Various committees of the board were constituted except Audit, Risk and Compliance committee.

1) Composition of the board

The board of the Municipality consists of representation who serve in part time basis and are constituted from two main categories;

- 1) Four members appointed through a competitive process by the county executive committee and approved by county assembly.
- 2) Five members of the board nominated by the following umbrella bodies.
 - a) An umbrella bodies representing professional association in the area.
 - b) An association representing the private sector in the area.
 - c) A cluster representing registered association of the informal sector in the area.
 - d) A cluster representing registered neighbourhood association in the area.
 - e) An association of the Municipality and appointed by the county executive committee with the approval of county assembly.

A the closure of the FY 2022/2023, the Municipality of Kimilili has 7 members. A summary of the members and their nominating institution is as follows:

NO	NAME	GENDER	NOMINATING INSTITUTION	ID NO
1	Salome Nanjala Bukania	F	Architectural Association of Kenya	28203926
2	Joseph Mulama	M	Competitive Process By CEC	2067045
3	John Masafu Tengeye	M	Competitive Process By CEC	2817850
4	Lillian Nanjala Simiyu	F	Competitive Process By CEC	29170842
5	Carolyne Khasoa	F	Law Society of Kenya	13436160
6	Douglas Sasita	M	County Executive Committee- Landa, Urban, Physical Planning, Housing and Municipality.	
7	Denson Barasa	F	By CEC	21883083

To complete the composition of the board there is need to appoint 2 more members from;

- a) A cluster representing registered association of the informal sector in the area.
- b) A cluster representing registered neighbourhood association in the area.

However, the 7 members out of the 9 meet the threshold of two third quorum.

BOARD DIVERSITY

The board is established by members who have experience in, corporate governance, legal constitution, Architectural, Planning, and business. The board has three female board members out of the intended nine members and therefore meets the constitutional threshold since at least a third of all members are female.

ROLE AND RESPONSIBILITY OF THE BOARD MEMBERS

The powers, objectives and functions of the Municipality are stipulated in the Municipal charter

BOARD COMPOSITION AND COMMITTEES

The following table represents the board composition and its committees. There are four committees of the board. The table below shows the chairs and members of each committee of the board.

REF	MEMBERS	FULL BOARD	AFEPT COMMITTEE	LUPPH COMMITTEE	ESC&S COMMITTEE	AUDIT COMMITTEE
1	Joseph Mulama	✓ *	–			
2	Carolyn Khasoa	✓	✓	✓	✓	
3	Salome N. Bukania	✓	✓	✓ *	✓ *	
4	Lillian N. Simiyu	✓	✓	✓	✓	
5	John M. Tengeye	✓	✓ *	✓	✓	
6	Douglas Sasita	✓	✓	✓	✓	
7	Denson Barasa	✓	✓	✓	✓	

N/B (*) Represent the Chairpersons of the board/ Committees.
The Audit Committee is not yet composed.

3) Board attendance.

Best practice requiring that every board member attend minimum of 50% of all board meetings. Below is an extract from the attendance register for the board meetings held in the period from 1st July 2022 to 30th June 2023.

NO.	MEMBERS	NUMBER OF MEETINGS ATTENDED
1	Joseph Mulama	4
2	Carolyn Khasoa	4

County Government of Bungoma.

The Municipality of Kimilili.

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

3	Salome N. Bukania	4
4	Lillian N. Simiyu	4
5	John M. Tengeye	4
6	Douglas Sasita	4
7	Denson Barasa	4
8	C.S John W. Ndombi (Secretary)	4
9	Kennedy Pkania- In attendance	4

All the board members attended all the meetings during the year

Committee meeting attendance

1) Administration, Finance, Economic Planning and Trade Committee

This committee deals with promotion of good governance, prudent financial management, good planning and promotion of businesses within the Municipality.

MEMBERS	NUMBER OF MEETINGS DURING THE YEAR	NUMBER OF MEETINGS ATTENDED
John M. Tengeye- Chairman	4	4
Salome N. Bukania	4	4
Lillian N. Simiyu	4	4
Carolyne Khasoa	4	4
Denson Barasa	4	4
Douglas Sasita	4	4

2) Land use Planning, Infrastructure and Housing Committee

This committee deals with Municipal Physical, Urban Planning and development control, Infrastructure development and housing.

Members	Number of meetings during the year	Number of meetings attended
Salome N. Bukania *	4	4
John M Tengeye	4	4
Lillian N. Simiyu	4	4
Carolyne Khasoa Wanyonyi	4	4
Denson Barasa	4	4
Douglas Sasita	4	4

3) Environmental, Social Services, Culture and Sports Committee

County Government of Bungoma.
The Municipality of Kimilili.
Annual Report and Financial Statements for the year ended June 30, 2023

This committee deals with environmental conservations, Social and Cultural activities within the Municipality.

Members	Number of meetings during the year	Number of meetings attended
Lillian N. Simiyu *	4	4
John M. Tengeye	4	4
Salome Bukania	4	4
Carolyne Khasoa	4	4
Denson Barasa	4	4
Douglas Sasita	4	4

Internal audit committee not composed.

Term of Board Members

The term of the board is outlined under the urban areas and cities Act 2011. The members serve for a term of five years' renewable once. The board members were appointed on 15th August 2019 and their five-year period will expire on 15th August 2024, renewable once.

Compliance to law and other legal requirements.

Kimilili Board of Municipality is a responsible corporate citizen and is alive to the tenets of the constitution of Kenya and is fully compliant with the provisions of the Urban areas and Cities Act 2011 under which the board is established. The board also ensures compliance to the other fiduciary Acts

Board Remuneration

As per the PFM act, 2012 section 195 (2), the remuneration payable allowances to the members of the Board are determined by the salaries and remuneration commission. Details of the Board and Committee allowances are included in these financial statements.

Conflicts of interests and declaration of interest.

The board members have established duty to avoid situations in which they have or may have interests that conflicts with those of the board. Board members are obligated to disclose to the board any real or potential conflicts of interest which may come to their attention whether direct or indirect. During board meeting, an agenda item exists which requires members to make a declaration of any conflicts of interest they may have in the business to be discussed.

Board Charter

The Board is still using the Municipality of Kimilili Municipal charter. It's in the process of developing it's on board charter, provided in Mwingozo Code and best cooperate governance practises.

Board Evaluation

***County Government of Bungoma.
The Municipality of Kimilili.
Annual Report and Financial Statements for the year ended June 30, 2023***

The performance of the board and its members is to be evaluated on a regular basis. We should do the evaluation at the end of the year June 2023.

9. Management Discussion and Analysis

Summary of Financial results against the budget.

Receipt

Year ended 30 th June Source of Funds	Donor Commitment FY 2022/2023 (A)	Actual Received to date FY 2022/2023 (B)	Undrawn Balance to date (A)-(B)	Utilisation FY 2022/2023
Grant	Kshs	Kshs	Kshs	%
International Development Association(IDA- Kenya Urban Support Program)	573,268,200	49,523,349.50	523,744,850.50	8.64%
Payments	49,523,349.50	28,499,138.24	21,024,211.26	57.55%

Payments

Year ended 30 th June Source of Funds	Amount received to date FY 2022/2023 (A)	Cumulative amount paid FY 2022/2023 (B)	Unutilised balance to date (A)-(B)	Utilisation FY 2022/2023
Grant	Kshs	Kshs	Kshs	%
International Development Association(IDA- Kenya Urban Support Program)	49,523,349.50	28,499,138.24	21,024,211.26	57.55%

Summary of overall program performance.

The Municipality was supported by the county Government through the county treasury by way of transfer of funds for conditional use of Grant funds. The funds were channelled to the Kenya Urban special purpose account of the Municipality, which was budget for and approved by the county Assembly. During the year the board received a transfer of Kshs. 49,523,349.50 and indicated an under absorption of 42.45%. This was attributed by prolonged implementation of the project due to heavy rains.

The key board projects or investments decisions implemented during the year 2022-2023 include among others;

- i) For the year 2022 / 2023
Upgrading of Mkulima – Nasusi(Phase I) Road to Bitumen standards at a cost of Ksh, 33,405,394

Proposed projects for 2022/2023

- a. Urban Drainages-Kshs.141,089,400.

- b. Urban Walkways- Ksh 50,000,000.
- c. Urban roads-Dreamland road-Kshs.50,000,000
- d. Urban Road-Mkulima –Nasusi-Chesamis road (Phase II)

The above projects were not undertaken because the municipality never received any allocation from the International development partners-Kenya Urban Support Program.

Summary of Program Compliance:

The municipality has fully complied with the legal requirements such as submission to statutory deductions to KRA and its internal policies and procedures. There were no instances of non-compliance.

Major risks facing the Entity:

Major risks facing the fund material areas in statutory and other financial obligations include inadequate and late disbursement of finances, legal constraints and political interferences. The view to move the organization to another level, the board is exploring to have more donors to fund the numerous infrastructural needs of the Municipality, to look for parties and to find ways of integrated developments. The board also seems to have ways of creating an inter-governmental forum to have a wholesome approach to Municipality's development.

10. Environmental And Sustainability Reporting

The Municipality of Kimilili exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on eight goals: putting the residents/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

1. Sustainability strategy and profile

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

2. Environmental performance

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

3. Employee welfare

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

4. Market place practices

The organisation should outline its efforts to:

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices

d) Product stewardship

Outline efforts to safeguard consumer rights and interests

5. Community Engagements

Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community (The City/Municipality gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the City/Municipality promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives) Where no CSR activities are undertaken during the year, there is no need to include the statement).

11. Report of the City/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 City/Municipality affairs.

Principal activities

The principal activities of the City/Municipality are *(continue to be)*

Performance

The performance of the City/Municipality for the year ended June 30, 2023 are set out on page xx

Board Members

The members of the Board who served during the year are shown on page xxx *(refer to the key entity information and management page)*. The changes in the Board during the financial year are as shown below:

Auditors

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

OR

[XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the entity for the year/period ended June 30, 20xx, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board



.....
Name: CS-John W. Naombi

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 City/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 City/Municipality manager is responsible for the preparation and presentation of the City/Municipality's financial statements, which give a true and fair view of the state of affairs of the City/Municipality for and as at the end of the financial year ended on June 30, 2022. 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 City/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 City/Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The City/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 City/Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of City/Municipality's transactions during the financial year ended June 30, 2022, and the financial position as at that date.

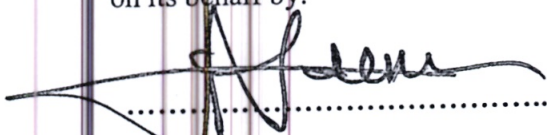
The City/Municipality Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements) OR

Nothing has come to the attention of the City/Municipality Manager to indicate that the City/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 City/Municipal/City's financial statements were approved by the Board on 23rd 2023 and signed on its behalf by:



Name:

Chairperson of the Board



Name: CS-ROTHA W. NDEMBI

Accounting officer of the Board

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KIMILILI 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 Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such Funds are applied for 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

Adverse Opinion

I have audited the accompanying financial statements of Kimilili Municipality set out on pages 1 to 28 which comprise of the statement of financial position as at 30 June, 2023

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

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kimilili 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 do not comply with the Public Finance Management Act, 2012 and the Urban Areas and Cities Act, 2011.

Basis for Adverse Opinion

1. Late Submission of Financial Statements and Failure to Submit Prior Years Financial Statements

The annual report and financial statements of the Municipality for the year ended 30 June, 2023 were submitted to the Auditor-General for audit on 5 October, 2023. In addition, information contained in the financial statements under Key Development Objectives indicate that the Municipality has been in existence since 2018. However, the Municipality did not prepare and present financial statements to the Auditor-General for the years 2018/2019 to 2021/2022 contrary to Section 47(1) of the Public Audit Act, 2015 and Regulation 208 of the Public Finance Management (County Governments) Regulations, 2015 which states that the accounting officer of a County Government entity shall submit financial statements to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

In the circumstances, the accuracy and completeness of amounts and balances in the annual report and financial statements could not be confirmed.

2. Inaccurate Expenditure on Depreciation and Amortization

The statement of financial performance reflects expenditure in respect of depreciation and amortization totalling Kshs.1,114,115. However, the corresponding Note 10 to the financial statements reflects expenditure totalling Kshs.878,892 resulting to unexplained variance of Kshs.235,223.

In the circumstances, the accuracy and completeness of the expenditure on depreciation and amortization totalling Kshs.1,114,115 could not be confirmed.

3. Inaccurate Cash and Cash Equivalents Balance

The statement of financial position reflects a balance of Kshs.8,095,500 in respect of cash and cash equivalents. However, the corresponding Note 11 to the financial statements reflects a balance of Kshs.6,427,715 resulting to unexplained variance of Kshs.1,667,785. In addition, the bank reconciliation statement for the month of June, 2023 reflects receipts in bank statement not in cash book totalling Kshs.1,194,559 and payments in bank statement not in cash book totalling Kshs.1,658,511.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.8,095,500 could not be confirmed.

4. Inaccurate Property, Plant and Equipment Balance

The statement of financial position reflects a balance of Kshs.30,781,334 in respect of property, plant and equipment. However, the corresponding Note 12 to the financial statement reflects a balance of Kshs.21,607,622 resulting to unexplained difference of Kshs.9,173,712. In addition, during the year under review, Management did not maintain a fixed asset register showing details relating to date of purchase, supplier, cost, location, unique identification number, accumulated depreciation and net book values while documents in support of purchase and existence of computers valued at Kshs.806,219 were not provided.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.30,781,334 could not be confirmed.

5. Inaccurate Opening Accumulated Surplus Balance

The statement of changes in net assets reflects an opening accumulated surplus balance of Kshs.35,978,724 as at 1 July, 2022. However, the source and accuracy of the balance could not be ascertained since these are the first financial statements and first year of audit of the Municipality.

In the circumstances, the accuracy and completeness of the opening accumulated surplus balance of Kshs.35,978,724 could not be confirmed.

6. Inaccurate Statement of Cash Flows

The statement of cash flows reflects net cash flows from operating activities balance of Kshs.5,396,710. However, Note 14 to the financial statements reflects a balance of Kshs.7,064,495 resulting to unexplained variance of Kshs.1,667,785. In addition, the statement reflects a cash and cash equivalents balance of Kshs.35,978,724 as at 1 July, 2022 whose source could not be ascertained since these are the first financial statements and first year of audit of the Municipality.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kimilili 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 adverse opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actual on comparable basis totalling Kshs.414,827,381 and Kshs.26,948,113 respectively, resulting to under-funding of Kshs.387,879,268 or 94% of the budget. Similarly, the statement reflects actual expenditure totalling Kshs.26,948,113 against approved budget of Kshs.414,827,381 resulting to under-performance of Kshs.387,879,268 or 94% 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 judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that, public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Lack of Operational Autonomy of Kimilili Municipality

Review of records and systems revealed that while office operations were undertaken by the Municipality Board, project implementation was undertaken by the County Executive through the Department of Lands, Housing, Urban Areas Development and Physical Planning, Roads and Public Works 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.

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, because of the significance of the matter discussed in the Basis for Adverse Opinion and Basis for Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm 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 its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Municipality or to cease 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 controls 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 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


16 April, 2024


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

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

	Notes	2022/23
		Kshs.
Revenue from non-exchange transactions		
Transfers from the County Governme	6	26,948,113
Total revenue		26,948,113
Expenditure		
Use of goods and services	7	13,724,118
Staff costs	8	7,777,304
Board expenses	9	3,102,250
Depreciation and amortization	10	1,114,115
Total expenses		25,717,787
Surplus/(deficit) for the period		1,230,326

The notes set out on pages 1 to 28 form an integral part of these Financial Statements. The entity financial statements were approved on 28th Sept 2023 and signed by:

.....

 Name: CS. JOHN W. NDOMBI
 City/Municipality Manager

.....

 Name: Dona Chesang
 Head of Finance
 ICPAK M/No

County Government of Bungoma.
The Municipality of Kimilili.
Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position as At 30 June 2023

	Note	2022/23
		Kshs.
Assets		
Current assets		
Cash and cash equivalents	11	8,095,500
		8,095,500
Non-current assets		
Property, plant, and equipment	12	30,781,334
Total Non-current Assets		30,781,334
Total assets		38,876,835
Liabilities		
Current liabilities		
Trade and other payables	13	1,667,785
Total liabilities		1,667,785
Net assets		
Accumulated surplus		37,209,049
Total net assets and liabilities		38,876,835

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 28th Sept 2023 and signed by:

.....
Name: CS. JOHN W. NDOMBI
City/Municipality Manager
Date:

.....
Name: Dona Chesang.
Head of Finance
ICPAK M/No
Date:

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

	Accumulated surplus	Total
	Kshs.	Kshs.
Balance as at 1 July 2022	35,978,724	35,978,724
Surplus/(deficit) for the period	1,230,326	1,230,326
Balance as at 30 June 2023	37,209,049	37,209,049

- I. The Opening accumulated Surplus is the Opening Bank Balance us were reporting for the first time.

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

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

	Note	2022/23
		Kshs.
Cash flows from operating activities		
Receipts		
Transfers from the County Government	6	26,948,113
Interest received		
<i>Other receipts (Specify)</i>		
Total Receipts		26,948,113
Payments		
Use of goods and services	7	13,724,118
Staff costs	8	7,777,304
Board expenses	9	3,102,250
Total Payments		24,603,672
Net receipts/ (payments) from operations		
Adjusted for:		
Increase/(decrease) in deposits and retention/ Trade Payables		(9,408,936)
Net cash flows from operating activities	14	(7,064,495)
Cash flows from investing activities		
Purchase of PPE & intangible assets	12	(22,486,514)
Net cash flows used in investing activities		(22,486,514)
Net increase/(decrease) in cash & cash equivalents		(29,551,009)
Cash And Cash Equivalents At 1 July 2022	11	35,978,724
Cash And Cash Equivalents At 30 June	11	6,427,715

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 utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue						
Transfers from the County Government	220,019,233	194,808,148	414,827,381	26,948,113	387,879,268	6%
Total Revenue	220,019,233	194,808,148	414,827,381	26,948,113	387,879,268	6%
Expenses						
Use of goods and services	11,156,053	8,786,000	19,942,053	13,724,118	6,217,935	69%
Board expenses	4,000,000		4,000,000	3,102,250	897,750	78%
Staff Costs	13,773,780	-	13,773,780	7,777,304	5,996,476	56%
Depreciation and Amortisation				1,114,115	(1,114,115)	%
Total Expenditure	28,929,833	8,786,000	37,715,833	25,717,787	11,998,046	68%
Surplus for the period	191,089,400	186,022,148	377,111,548	1,230,326	375,881,222	0%
Capital Expenditure	191,089,400	186,022,148	377,111,548		377,111,548	0%

- I. The 6% on Receipts is attributed to delay disbursement of funds from The National Treasury.
- II. 194,808,148 is increase due to supplementary appropriation.

19. Notes to the Financial Statements

1. General Information

The Municipality of Kimilili was established on 5th January, 2018 by Bungoma County Government after its charter being ratified by the County Assembly of Bungoma. It derives its authority and accountability from the Urban Areas and Cities Act, 2012 and is an agency of the County Government of Bungoma, domiciled in Kenya.

The Municipality's principal activity is to facilitate a sustainable urbanization process through an integrated urban and regional planning management framework of Kenyan urban centres and towns.

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 *entity'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 *entity*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act 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.</p> <p>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>

Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's</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>Applicable 1st January 2023</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>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<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*

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)*

(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 May 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 City/Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the City/Municipality recorded additional appropriations of ksh 194,808,148 on May 2023 following the governing body's approval.

The City/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 xxx 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 City/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.

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.

(Significant accounting policies continued)

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.

(Significant accounting policies continued)

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.

(Significant accounting policies continued)

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) are set out in *Note xx*.

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 City/Municipality.

(Significant accounting policies continued)

g) Provisions

Provisions are recognized when the City/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 City/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 City/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 City/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 City/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 City/Municipality creates and maintains reserves in terms of specific requirements.
City/Municipality to state the reserves maintained and appropriate policies adopted

l) Changes in accounting policies and estimates

The City/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 City/Municipality provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the City/Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the City/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 City/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 City/Municipality, or vice versa. Members of key management are regarded as related parties and comprise the Board members, the City/Municipality Managers and City/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 City/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 City/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 City/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 City/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 City/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

Description	2022/23
	Kshs.
Transfers from County Govt. – Development	1,194,559
Payments by County on behalf of the entity	25,753,553
Total	26,948,113

7. Use of Goods and Services

Description	2022/23
	Kshs.
Utilities, supplies and services	146,936
Communication, supplies and services	298,000
Domestic travel and subsistence	6,376,975
Training expenses	1,947,889
Hospitality supplies and services	3,519,120
Office and general supplies and services	395,039
Other operating expenses (<i>Specify</i>)	500,000
Routine maintenance – other assets	538,299
Other operating expenses (Bank charges)	1,860
Total	13,724,118

8. Staff costs

Description	2022/23
	Kshs.
Salaries and wages	7,777,304
Total	7,777,304

9. Board expenses

Description	2022/23
	Kshs.
Sitting allowances	435,000.00
Induction and Training	2,667,250.00
Total	3,102,250

10. Depreciation and Amortisation.

Description	2022/23
	Kshs.
Property, plant and equipment	878,892
Total depreciation and amortization	878,892

Notes to the Financial Statement

11. Cash and cash equivalents

Description	2022/23
	Kshs.
Current account 30/06/2023	6,427,715.00
Total cash and cash equivalents	6,427,715.00

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

Financial institution	Account number	2022/23
		Kshs.
a) Current account		
Family Bank- kimilili Municipality Urban Development Grant 30/06/2023	77000039020	6,427,715.00

(Notes to the Financial Statements Continued)

12. Property, Plant and Equipment

Description	Capital	Computers	Other Assets	Total
	Work & Civil works		(specify)	
	Shs	Shs	Shs	Shs
As at 30 th June 2022		-		-
Additions	21,334,772.31	1,151,741		22,486,514
As at 30 th June 2023	21,334,772.31	1,151,741	-	22,486,514
Depreciation and impairment				-
Depreciation	533,369.31	345,522		878,892
NBV as at 30 th June 2022	-	-	-	-
NBV as at 30 th June 2023	20,801,403	806,219	-	21,607,622

(Notes to the Financial Statements Continued)

13. Trade and other payables from exchange transactions

Description	2022/23	
	Kshs.	
Retentions	1,667,785	
Total trade and other payables	1,667,785	
Ageing analysis:	Current FY	% of the Total
Under one year	1,667,785	100%
Total	1,667,785	100%

14. Cash generated from operations

	2022/23	
	Kshs.	
Surplus/ (deficit) for the year before tax	1,230,326	
Adjusted for:		
Depreciation	1,114,115	
Increase in payables	(9,408,936)	
Net cash flow from operating activities	(7,064,495)	

Notes to the Financial Statements

12. Related party balances

a) Nature of related party relationships

Entities and other parties related to the City/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 City/Municipality/scheme is related to the following entities:

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

b) Related party transactions

Description	2022/23
	Kshs.
Transfers from related parties'	
Transfers to related parties	

c) Key management remuneration

Description	2022/23
	Kshs.
Board Members	
Key Management Compensation	
Total	

13. Financial risk management

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

I. Credit risk

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

The City/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 City/Municipality Manager, who has built an appropriate liquidity risk management framework for the management of the City/Municipality's short, medium and long-term liquidity management requirements. The City/Municipality manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the City/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.

Notes to the Financial Statements

III. Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the City/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 City/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 City/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 City/Municipality's exposure to market risks or the manner in which it manages and measures the risk.

IV. Foreign currency risk

The City/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.

Foreign currency sensitivity analysis

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.

VI. Capital risk management.

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

Description	2022/2023
	FY Kshs.
Revaluation reserve	-
Capital/Development Grants/City/Municipality	-
Accumulated surplus	277,748,841
Total Funds	277,748,841
Total borrowings	
Less: cash and bank balances	6,427,715
Net debt/(excess cash and cash equivalents)	6,427,715
Gearing	277,748,841

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

This is the first time we are being audited.



.....

CS John Ndombi-Accounting Officer

County Government of Bungoma
The Municipality of Kimilili.
Annual Report and Financial Statements for the year ended June 30, 2023

Appendix 2: Inter Entity Transfers

CITY/MUNICIPALITY NAME: THE MUNICIPALITY OF KIMILILI			
Breakdown of Transfers from the County Executive of Bungoma County			
FY 2022/2023			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>
		27/06/2023	572,678
		Total	572,678
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>
		27/06/2023	1,194,559
		Total	1,194,559



26th Sept 2023

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

Appendix 3: Bank Reconciliation.