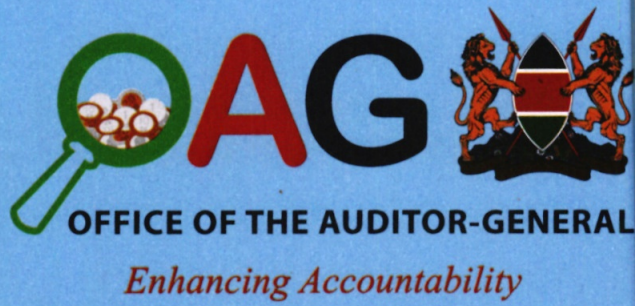


REPUBLIC OF KENYA



REPORT

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ON

MUNICIPALITY OF KITALE

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

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KITALE MUNICIPALITY
County Government of Trans Nzoia
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 Trans Nzoia
Kitale Municipality
Annual Report and Financial Statements for the year ended June 30, 2023*

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1. Acronyms & Glossary of Terms

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

PSASB Public Sector Accounting Standards Board

FY Financial Year

OSHA Occupational Safety & Health Act

1. Fiduciary Management Key management personnel who have financial responsibility in the entity

2. Key Entity Information and Management

a) Background information

Kitale Municipality is established by and derives its authority and accountability from Section 9 of the Urban Areas and Cities Act 2011 (amendment 2019) as well as section 1 of the Municipality Charter - Subsidiary Legislation, 2019. The Municipality is wholly owned by the County Government of Trans Nzoia and is domiciled in Kenya.

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

b) Principal Activities

The principal activity/mission/ mandate of the Municipality is to;
provide infrastructure and services to the residents in an effective and efficient manner.

County Government of Trans Nzoia

Kitale Municipality

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c) Kitale Municipal Board

Ref	Sub Committee Position	Name
1.	Chairman of the Board/ Audit committee chair	Erry Shaban Werunga
2.	County Executive Committee Member – member	Janerose Mutama
3.	Vice Chair Board	Alice Waruguru
4.	Chair Environment Sanitation& Water	Peter Chemengich
5.	Chair Education, Social Service Sports and Housing	David Langat
6.	Chair Finance , Trade, Markets & industrialization	Ann Tulienge
7.	Municipality Manager/ Board Secretary	Nyongesa M. Patrick
8.	Chief Officer Lands- Board Member	Philip Kapten
9.	Infrastructure,Public Works, Transport & urban Dev.	Festus Litiku

d) Key Management

Ref	Position	Name
	County Department in of charge of Kitale Municipality	Lands,Housing, Physical Planning &urban
1	Municipality Manager	CS Patrick Nyongesa
2	Finance officer	CPA Benard Madegwa
3	Project Accountant	CPA Chebet Caroline

e) 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	Kitale Municipality Manager	CS Patrick Nyongesa
	Directors/Head of departments	
2	Works Officer(Infrastructure)	Joseph Wasike
3	Land use Planning	Kenneth Lagat
4	Social safe guards	Pamela Indimuli
5	Environment officer	Godfrey Wekesa
6	Accountant	Caroline Chebet
7	Procurement officer	Eric Ngetich

f) Fiduciary Oversight Arrangements

- i) Internal Audit and Risk Management Committee
- ii) Committees of the Senate
- iii) Finance committee
- iv) County assembly oversight committees
- v) Parliamentary Oversight Committees
- vi) Kenya Urban Support Program- development partner

g) Registered Offices

Ardhi House
P.O. Box 4211, 30200
Kitale,
Mac Asembo road

h) Contacts

Telephone: (254) 0720797869

Website: [www.Kitale Municipality@transnzoiacounty.go.ke](mailto:www.KitaleMunicipality@transnzoiacounty.go.ke)

i) Bankers

CENTRAL BANK OF KENYA Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA

EQUITY BANK

KITALE BRANCH

P.O. Box 801- 30200

KITALE

SBM BANK

KITALE BRANCH

P.O. Box 2060 – 30200

KITALE

j) Independent Auditor

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

k) Principal Legal Adviser

1.The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya



2.County Attorney

Trans Nzoia County



P.O. Box 4211-30200



Kitale

3. Kitale Municipality Board



Name	Details of qualifications and experience
 <p>1. Mr. Erry Shaban Werunga</p>	<p>Date of birth: 06/02/58</p> <p>Key academic: PHD ongoing</p> <p>Bachelor of Arts- Agra University, 1988</p> <p>Post Graduate Diploma in Business Administration- Asian Institute of advance studies</p> <p>Diploma in Education Training Humanities at Kagumo TTC</p> <p>Certificate in Computer Application</p> <p>Work experience: Professional qualifications :2016 – to date consultant National Crime Research Centre</p> <p>20 years in Government Working.</p> <p>Kitale Municipality Board Chairman</p>
<p>2.</p>  <p>Hon. Janerose Mutama CECM Land, Housing Physical planning and Urban Dev.</p>	<p>Date of birth: 5th February 1982</p> <p>Key academic: Bachelors of Education</p> <p>Moi University</p> <p>MSC in Apparel and Fashion Beauty</p> <p>University of Eldoret</p> <p>Professional qualifications:</p> <p>Work experience:</p> <p>-TSC Teacher</p> <p>-Treasurer KUPPET Trans Nzoia</p> <p>Position: County Executive Committee Member for Lands, Housing, Physical Planning and Urban Development</p>

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 <p>Philip Kapten CO Land, Housing Physical planning and Urban Dev</p>	<p>Date of birth: 16th June 1971</p> <p>Key academic: -BSC Law -University of Nairobi -BSC Business Administration United States International University</p> <p>Professional qualifications:</p> <p>Work experience: -Administration Assistant Kenyatta University -Business person -Farmer</p> <p>Position: CO Urban, member of the board</p>
<p>3. </p> <p>CS Patrick Nyongesa Mukamo. Municipality Manager</p>	<p>Date of birth :06/06/1972</p> <p>Key academic: MBA Finance on going at Kenyatta University. BED Arts Kenyatta University Diploma in Supply and Procurement- Chartered institute of purchasing and supply- UK CPAK - KASNEB CPSK – KASNEB 2003 KCSE B- 1990 Member of Certified Public Secretary.</p>


	<p>Professional qualifications: Certified Public Accountant, Certified Public Secretary and a Member of ICPAK</p> <p>Work experience: 2018 to date: Municipal Manager, Kitale Municipality, Trans Nzoia County</p> <p>2013 to 2018, Principal Administrative Officer- West Pokot County.</p> <p>1 Year County Clerk- Pokot County Council.</p> <p>2 Year Town Clerk Kimilili Municipal Council.</p> <p>1 Year Senior Administrative Officer – Kitale Municipal Council.</p> <p>6 Year Graduate Teacher TSC.</p> <p>Position: secretary to Board/ ex officio</p>
<p>4.  Mrs Alice Waruguru. Kitale Municipality vice Chair</p>	<p>Date of birth: 19/05/1968</p> <p>Key academic: Ongoing Masters in entrepreneurship JKUAT KACE 3 principles,1 Subsidiaries 1989 KCE DIV 111</p> <p>Professional qualifications: Director Eden Rock hardware, Director Wali consultants and innovators Chairlady for Youth and Women Municipality Board Member Kitale Club Treasurer PCEA church Kitale</p> <p>Work experience: 2 years with ACDI/VOCA in partnership skills training farmers.</p> <p>1 month in the Panellist in the recruitment of the Trans Nzoia County Public Service Board and the County Secretary.</p>
<p>5. </p>	<p>Date of birth: 02/09/1974</p> <p>Key academic: MBA Finance ongoing at Moi University Bachelor of Business Management (Finance &Banking) Moi University.</p>

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<p>Mrs Anne Tulienge- Member</p>	<p>Diploma in Business management Moi University. CPA Finalist, KASNEB KCSE C Computer Application Certificate. Professional qualifications: Certified Public Accountant, and a Member of ICPAK Work experience: Aug 2018 to date – Part time lecturer JKUAT May 2016-date Part Time Lecturer Moi University. Work Experience :13-years Sr. Freda’s Medical Centre Chairperson finance, trade, Markets and Industrialization.</p>
<p>6.  Mr. Peter Chemengich- Member</p>	<p>Date of birth: 20/06/1963 Key academic: Bachelor of Science Agriculture UON 1989 KACE 1984 Professional qualifications: 2014 constituency member Work experience:4 years Civic Educator / T.O.T, IEBC 3 years’ Voluntary service overseer Nigeria 1-year cooperative officer Ministry of cooperative and Development Trans Nzoia. 3 years District Committee Member Constitutional Review Commission of Kenya. 3 years Sales Person Bayer East Africa Ltd. 6 years Farm Manager ADC Chairperson: environment, sanitation and Water Kitale Municipality</p>
<p>7. </p>	<p>Date of birth:16/09/1946 Key academic: B.A. Hons (Building Economics University of Nairobi 1973</p>

<p>Mr. Festus Litiku – Member</p>	<p>Professional qualifications: to date is the Director and proprietor of Litiku Consultancy- QTY surveyors.</p> <p>1980 – 1981 : Senior Quantity Surveyor, Indus Construction Company Ltd.</p> <p>1976 – 1980 : Senior Quantity Surveyor, Armstrong & Duncan (K), Consulting Quantity Surveyors.</p> <p>1973 – 1976 : Graduate Quantity Surveyor with Armstr Duncan (K), Consulting Quantity Surveyors.</p> <p>Work experience: 1980 – 1981: Project Quantity Surveyor and Site Manager for Indus Construction Company Ltd. Executed and supervised many projects all over Kenya, supervising workers, organising sites and representing company in project meetings.</p> <p>1973 – 1980 : Worked in a professional quantity surveying firm of Armstrong & Duncan (K), carrying out all aspects of quantity surveying, from inception to completion, preparing and agreeing of final accounts.</p> <p>Chairperson Infrastructure, Public Works, Transport and Urban Development.</p>
<p> 8. Mr David Lagat - Member</p>	<p>Date of birth: Aug 1984</p> <p>Key academic: diploma in Pharmaceutical Technology</p> <p>Professional qualifications: Pharmacist</p> <p>Work experience: 12 years in pharmaceuticals</p> <p>Chairperson Education Social services, sports and Housing</p>
<p> 9. Mr.Martin Waliaula</p>	<p>Date of birth:28/01/1970</p> <p>Key academic: Bachelor Business Admin (Marketing) kisii university</p> <p>Professional qualifications: Marketer.</p> <p>Work experience: 15 Years</p>

4. Key Management Team

Name	Details of qualifications and experience
 <p>1. CS Patrick Nyongesa Mukamo. Municipality Manager / Board Secretary</p>	<p>Date of birth :06/06/1972</p> <p>Key academic: MBA Finance on going at Kenyatta University. University. BED Arts Kenyatta University Diploma in Supply and Procurement- Chartered institute of purchasing and supply- UK CPAK - KASNEB CPSK – KASNEB 2003 KCSE B- 1990 Member of Certified Public Secretary.</p> <p>Professional qualifications: Certified Public Accountant, Certified Public Secretary and a Member of ICPAK</p> <p>Work experience: 2018 to date: Municipal Manager, Kitale Municipality, Trans Nzoia County 2013 to 2018, Principal Administrative Officer- West Pokot County. 1 Year County Clerk- Pokot County Council. 2 Year Town Clerk Kimilili Municipal Council. 1 Year Senior Administrative Officer – Kitale Municipal Council. 6 Year Graduate Teacher TSC.</p> <p>Position: secretary to Municipality Board of Kitale</p>

<p>2. CPA Benard Madegwa Finance Officer</p>	<p>Date of birth: Key academic: Professional qualifications: Work experience: Position: Finance Officer</p>
<p>3. CPA Caroline Chebet Accountant</p>	<p>Date of birth: 02 September, 1975 Key academic: MBA finance on going at JKUAT Bachelor of Commerce from JKUAT. Professional qualifications: Certified Public Accountant Finalist and registered member of ICPAK Work experience: 2018 Dec to date Accountant Municipality. 2017 Nov 2018: Loans and Debt Recovery officer Trans Counties Sacco. 2012-2016: Accountant Big Bite Bakers ltd 2006-2011: chief Accountant Kitale Petroleum Dealers Ltd and sister Companies. 2003-2006: Accountant Macheo Ltd and Hillbrook Dairies. (sister company) Position: Accountant Municipality</p>

5. Kitale Municipality Board Chairperson's Report

The board members were appointed and gazetted on 28th March 2019.

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

The CECM Hon Bonface Wanyonyi was appointed to Finance Department as Hon CECM Janerose Mutama came in his place. The Chief Officer MS Linekar Bwire tenure expired while Mr Philip Kapten took over the office as the new government came in.

Review of the Municipality's performance

The Municipality did not receive grants in this financial year ended under the Kenya Urban Support Program.

During the year under review, the Municipality of Kitale undertook the ongoing projects i.e. construct a Multi storey business complex. The progress is at 92% (due to challenges experienced the project did not complete on time).

This was identified as a flagship project to provide decent market stalls to small scale traders and hence improve their economic livelihoods, decongest town and minimize street hawking.

Future outlook of the Municipality

The Municipality Board shall endeavour to initiate key infrastructural projects in furtherance of its mandate to provide infrastructure and services to the residents in an effective and efficient manner. The Municipality looks forward to undertake all the transferred functions as stated in the Kitale Municipal Charter to realise this.

The municipality also looks forward to the completion of the business centre that will decongest the town, generate revenue for the municipality and thus enable the Municipality to be a going Concern.



.....
Name: Alice Waruguru
Chairperson of the Board

6. Report of the Municipality Manager

Review of the Municipality's performance

The Municipality did not receive grants in this financial year ended under the Kenya Urban Support Program.

During the year under review, the Municipality of Kitale undertook the ongoing construction of the Multi storey business complex, a project that would provide decent market stalls to small scale traders and hence improve their economic livelihoods, decongest town and minimize street hawking.

There was a under absorption of the budget this particular financial year due to reallocation of the fund during the supplementary budget 2 by the county executive.

On cumulative budget performance actual amounts, the business complex was a flagship project funded by world bank-Kenya Urban Support Programme and Gok (County Department of Trade)-Agreement availed. The project has been under construction since the year 2019//20. Cuumulative payments are shown on notes of PPE note 14. At the close of the financial year, the project was 91% complete and the work is paid on work certified.

The second project, upgrading Barabara Mpya to bitumen standards is complete, fully paid for and in use as detailed on note 14.

The barabara mpya construction has improved the accessibility of Tuwan and Bondeni area, making it easy for the residents to access key infrastructure such as schools and hospitals as well as transact business within Kitale town while we envision a great revenue source when the business centre is complete and in use as well as decongest Kitale town by reallocating all the traders within the streets to the business centre.

The implementation of the strategies at the municipality was affected by delayed funding from the exchequer and inadequate technical staff at the municipality. This is being addressed by having these staff on full time basis at the municipality for efficient and effective execution of the programmes.

The Kitale Municipality utilizes the available risk management strategies at the county Government. The municipality engages the county's internal audit and audit committee to mitigate and manage the risks.

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Signed: _____

Name: IRENE NANG'OLE

Kitale Municipality Manager



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

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of Kitale Municipality does in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board which includes a statement of the Municipality of Kitale’s performance against predetermined objectives.

The key development objectives of the Municipality of Kitale 2018-2023 plans are to:

a) Provide quality physical infrastructure in the Municipality.

During the year under review, the Municipality of Kitale undertook to construct a Multi storey business complex. The progress is at 92%.

This was identified as a flagship project to provide decent market stalls to small scale traders and hence improve their economic livelihoods and minimize street hawking.

Progress on attainment of Strategic development objectives adopted from Municipality of Kitale.

The key development objectives of the Kitale Municipality as stated in the county urban Integrated Development strategy (CUIDS) and the Integrated Development Plan (IDeP) for Kitale Municipality is:

- b) Provide quality physical Modern infrastructure.
- c) Institute measures for environmental conservation/improvement and aesthetics
- d) Urban governance and administration
- e) Participatory planning within the municipality of Kitale

Program	Objective	Outcome	Indicator	Performance
1. Construction of a business centre	Provide decent business infrastructure for small scale traders	We expect to reduce hawking and therefore decongest the town when the building is complete.	On-going construction works on the Multi storey	we are at 92% complete

	in the Municipality	ii) Improve livelihoods of traders. iii) Organised town. iv) Generate revenue for the municipality	business complex.	
2. Upgrading of Barabara Mpya from Gravel to Bitumen and walk ways	To improve urban road connectivity	-Reduce time taken to access key infrastructures such as hospitals and schools -Improve business environment -Improve drainage -Reduce insecurity by opening up the area -Increased land value hence increased revenue in terms of land rates	1.75 km of upgraded roads. 1.75km of foot paths and walkways upgraded. 1.75 Km of drainage upgraded	complete

8. Corporate Governance Statement

The Municipality was awarded a charter through Trans Nzoia County Subsidiary Legislation, 2019. The board comprises of nine (9) members who were appointed and gazetted on 28th March, 2019 after a successful vetting by the County Assembly and Induction for the board members conducted on 4th August to 9th August, 2019. The board member's remuneration is guided by the provisions of Salaries and Remuneration Commission (SRC) circular on remuneration of members of the Kitale Municipality Boards and Town Committees referenced SRC/TS/CG/3/61/19(38) dated 27th February, 2019.

The board has constituted five sub-committees to facilitate effective discharge of its oversight roles, the ethnic composition is as under.

S/NO.	NAME	POSITION	ETHNICITY
1	Mr. Werunga Shabaan	Board chair	Luhya
2	Alice Waruguru	Vice Chair	Kikuyu
3	CS Patrick Nyongesa	Manager/ Secretary	Luhya
4	Mr. Peter Chemengich	member	Sabaot
5	Mr. David Langat	member	Nandi
6	Mr. Festus Litiku	member	Luhya
7	MS Ann Tulienge	member	Luhya
8.	Mr. Martin Waliaula	Member	Luhya
BY VIRTURE OF OFFICE – EX-OFFICIAL			
9	Janerose Mutama	CECM Urban	Luhya
10	Philip Kapten	CO Urban	Luhya

During the period under review, the year 2022/23 the Board held 4 Full Board Meetings, 2 special Board Meetings and 3 Committee meetings.

9. Management Discussion and Analysis financial

During the year under review, the Municipality of Kitale undertook one project that was ongoing from the previous year and it is still WIP;

- (i) To construct a Multi storey business complex. The progress is at 92%. Due to challenges experienced in the contract period – Covid 19 pandemic and heavy rains, the project was not completed as expected as indicated in the letter for extension. The project was identified as a flagship project to provide decent market stalls to small scale traders and hence improve their economic livelihoods and minimize street hawking.

The municipality did not meet the plans and objectives due to delayed funding which has been corrected by preparing a comprehensive budget of ksh.68,828,705 for the subsequent financial year.

10. Environmental and Sustainability Reporting

Kitale Municipality exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on pillars:

- (1) putting the residents/Citizen first,
- (2) delivering relevant goods and services, and
- (3) improving operational excellence.

Below is a brief highlight of our achievements in each pillar.

1. *Environmental performance*

Environmental issues within the Municipality are guided by Kitale Municipality Solid Waste Management Policy and Act, Trans Nzoia County Integrated Solid Waste Management Act of 2022 and the National Government legislation namely:

Environmental management and coordination Act (EMCA) 1999.

Successes: the above outlined legal framework is being successfully implemented to ensure that Bio diversity and Waste Management are being managed effectively. This is done through subjection of all new projects to environmental and social Impact assessment (ESIA), and annual Environmental Audits (EA).

Shortcomings: Despite the above efforts being put in place by the Municipality, the effect of Climate Change and other emerging issues like Covid 19 pandemic have been a shortcoming to effective environmental management. recovery was slow.

Employee welfare

The process guiding the hiring process is done by the public service Board all the same, the Board members and seconded staff letters of appointments confirms that they take into account gender issue including male, female and disability cases. The staff are taken care. Efforts made in improving skills, managing careers and appraisal include staff training on need assessment basis and also giving them a chance to attend workshops organized by professional bodies which they are affiliated to. On safety and compliance with Occupational Safety and Health Act of 2007, (OSHA) we are in the process of complying.

2. Market place practices

Kitale Municipality has directed its efforts to:

a) **Responsible competition practice.**

Development at Kitale Municipality is guided by the Urban Development plan to distribute development and maximise opportunities to residents/ investors for purpose of improving livelihood and growing the economy of the municipality. The entity considers gender on available opportunities and give everyone equal chance to compete for tenders which are evaluated on common/ standard requirements to be met and equal chance on benefiting from development activities.

b) **Responsible Supply chain and supplier relations**

Tenders are advertised on local dailies, also online, and thus competitive where the suppliers with the best products/ services are awarded. On opening of tenders' suppliers who apply are allowed to witness the tender opening process to confirm that all who applied met the minimum requirements.

c) **Responsible marketing and advertisement**

We give notices and tender adverts to our major stakeholders and have some advertised in the dailies and website. We also give a chance to the residents and other stakeholders by making it known during our public participation meetings.

d) **Product stewardship**

We undertake inspection with on goods supplied to ensure that the contract agreement is applied in terms of quality, quantity required, pricing and specification involving technical/ user Department, finance, supply Chain Officer and the supplier.

3. Community Engagements

We involved the community in preparation of the fiscal strategy paper to give them a chance to decide on their preferred projects thus having a public forum. We also did elections for grievance Redress committee (GRC) and Settlement Executive Committees from our five wards touching the Municipality through public participation.

On charity, food was donated to Bahati Home for the aged.

The Kitale Municipality promoted sports, through participation in the Kenya Inter - County Sports and Culture Association KICOSCA 2022 post mortem, introductory and event preparation for 2023.

11. Report of the Kitale 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 Kitale Municipality affairs.

Principal activities

The principal activities of the Kitale Municipality are to provide quality physical infrastructure, governance mechanism for efficient and management of the affairs by the inhabitants of the municipality.

Performance

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

Board Members

The members of the Board who served during the year are shown on page VII- XI. The changes in the Board during the financial year are as shown below:

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

The Hon CECM Bonface Wanyonyi transferred while Hon CECM Janerose Mutama came in his place. The Chief Officer Mr Philip Kapten took over from MS Linekar Bwile .

Surplus remission

The entity did not remit any surplus since it is a non-profit making entity.

Auditors

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

By Order of the Board



Name: Irene
Secretary to 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 Kitale 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 Kitale Municipality manager is responsible for the preparation and presentation of the Kitale Municipality's financial statements, which give a true and fair view of the state of affairs of the Kitale 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 Kitale 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 Kitale Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Kitale 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 Manager Kitale Municipality is of the opinion that the financial statements give a true and fair view of the state of Kitale Municipality's transactions during the financial year ended June 30, 2023, and the financial position as at that date.

The Kitale 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 Kitale Municipality Manager has assessed the Kitale Municipality's ability to continue as a going concern

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

and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Municipality Manager to indicate that the Kitale 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 Kitale Municipality's financial statements were approved by the Board on 15 September, 2023 and signed on its behalf by:

.....

Name:

Chairperson of the Board



.....

Name:

Accounting officer of the Board

13. Report of 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 Kitale Municipality affairs.

Principal activities

The Municipality did not receive grants in this financial year ended under the Kenya Urban Support Program.

During the year under review, the Municipality of Kitale undertook the ongoing construction of the Multi storey business complex, a project that would provide decent market stalls to small scale traders and hence improve their economic livelihoods, decongest town and minimize street hawking.

There was a under absorption of the budget this particular financial year due to reallocation of the fund during the supplementary budget 2 by the county executive.

On cumulative budget performance actual amounts, the business complex was a flagship project funded by world bank-Kenya Urban Support Programme and Gok (County Department of Trade)-Agreement availed.

The project has been under construction since the year 2019//20. Cumulative payments are shown on notes of PPE note 14. At the close of the financial year, the project was 91% complete and the work is paid on work certified.

The second project, upgrading Barabara Mpya to bitumen standards is complete, fully paid for and in use as detailed on note 14.

The barabara mpya construction has improved the accessibility of Tuwan and Bondeni area, making it easy for the residents to access key infrastructure such as schools and hospitals as well as transact business within Kitale town while we envision a great revenue source when the business centre is complete and in use as well as decongest Kitale town by reallocating all the traders within the streets to the business centre.

The implementation of the strategies at the municipality was affected by delayed funding from the exchequer and inadequate technical staff at the municipality. This is being addressed by having

these staff on full time basis at the municipality for efficient and effective execution of the programmes.

Performance

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

Board Members


The members of the Board who served during the year are shown on page vii- xi. The changes in the Board during the financial year were occasioned by the exit of former executive that gave way to the new regime are as shown below:

Auditors

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

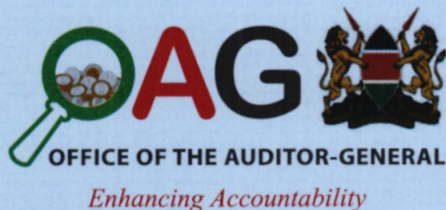
OR

By Order of the Board


.....

Name: Irene Nang'ata
Secretary of the Board

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF KITALE 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 Municipality of Kitale set out on pages 1 to 33, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets,

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

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

In my opinion, 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, in all material respects, the financial position of Municipality of Kitale 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 Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Unconfirmed/Unexplained Restated Prior Year Balances

The statement of financial position and statement of changes in net assets reflect restated balances for the 2021-2022 financial year in respect of capital/development grant/fund and accumulated surplus as summarised in the table below.

Component	2022-2023 Financial Statements Restated Amount (Kshs.)	2021-2022 Audited Financial Statements (Kshs.)	Variance (Kshs.)
Capital/Development Grant/Fund	675,697,718	126,405,021	549,292,697
Accumulated Surplus	(4,456,392)	668,585,103	(673,041,495)

However, as required by IPSAS 3 paragraph 54, there is no explanatory information or Note to disclose the nature of the prior period error; the amount of correction for each financial statement line item affected; the amount of correction at the beginning of the earliest prior period presented and; if retrospective restatement was impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Under this circumstances, the accuracy and completeness of the prior year restated balances could not be confirmed.

2. Inaccuracies of the Statement of Cash Flows

The statement of cash flows reflects cash outflow of Kshs.93,234,399 and Kshs.230,500,639 in respect of purchase of property, plant and equipment for the years ended 30 June, 2023 and 2022 respectively. These balances however differ with the total additions amounts of Kshs.99,484,723 and Kshs.193,014,233 reflected under Note 14 to the financial statements by unexplained variance of Kshs.6,250,324 and Kshs.37,486,406 for the two years respectively. No reconciliation or explanation was provided for the variances.

In the circumstances, the statement of cash flows is incorrect and does not explain the cash flows of the Municipality.

3. Inaccuracies of the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts contains casting or arithmetic errors and unexplained omissions. The surplus for the period for the original budget, final budget and performance difference are included as Kshs.21,039,915, Kshs.4,781,080 and Kshs.43,227,583 instead of the correct recalculated amounts of Kshs.16,839,915, Kshs.(43,710,920) and Kshs.39,502,161 respectively. Further, the statement includes actual amount for expenditure on use of goods and services at Kshs.7,935,213 which differs from the amount reported in the statement of financial performance of Kshs.5,739,755 by a variance of Kshs.2,195,458. In addition, the statement has omitted actual task force expenditure of Kshs.3,290,210 and repairs and maintenance of Kshs.2,195,388 both totalling Kshs.5,485,598.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

4. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.28,961,933 which, as disclosed in Note 12 to the financial statements includes Kshs.27,748,589 held in a commercial bank account. However, the amount differs with the balance of Kshs.27,680,883 reflected in the respective cashbook resulting in unreconciled or unexplained variance of Kshs.67,756.

Further, the bank reconciliation statement for the commercial bank account number 0402381879001 reflects reconciled cashbook balance of Kshs.13,432 which differs with Kshs.1,192,732 reported in Note 12 to the financial statements by unexplained variance of Kshs.1,179,300.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.28,961,933 could not be confirmed.

5. Valuation of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.683,672,525 which as disclosed in Note 14 to the financial statements includes construction of roads amount of Kshs.108,295,110. However, the construction of roads amount of Kshs.108,295,110 was not subjected to depreciation thereby overstating the amount of property, plant and equipment. Further, Note 14 on property, plant and equipment reflects work in progress amount of Kshs.573,971,071. However, the supporting schedule provided reflects total certified work amount of Kshs.748,688,260 for certificate No.1 to certificate No.11. The resulting variance of Kshs.174,717,189 has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.683,672,525 for the year under review could not be confirmed.

6. Trade and Other Payables

The statement of financial position reflects trade and other payables amount of Kshs.51,185,835 as detailed in Note 15 to the financial statements. Examination of the documents provided for audit review in support of the payables revealed that payables amounting to Kshs.890,000 were not supported by invoices and procurement records.

In addition, Note 15 to the financial statements reflects retentions balance of Kshs.43,901,020 which differs with the supporting schedule balance of Kshs.70,410,578 as at 30 June, 2023 resulting to unexplained variance of Kshs.26,509,738.

Further, the Municipality did not maintain a deposits/retentions account and register where all retentions money should be deposited and recorded to await completion of projects and lapse of the defects liability period to be paid to the contractors. As per the statement of financial position the Municipality's cash and cash equivalents balance of Kshs.28,961,933 as at 30 June, 2023 was not enough to meet in full the retention obligation of Kshs.70,410,758.

In the circumstances, the validity, accuracy and completeness of the trade and other payables balance of Kshs.51,185,835 could not be confirmed.

7. Unsupported Inventories

The statement of financial position reflects inventories balance of Kshs.993,187 as at 30 June, 2023 as indicated in Note 16 to the financial statements. However, the supporting schedules, stock cards and stock taking reports as at 30 June, 2023 in support of the balance were not provided for audit verification.

Consequently, the accuracy of the inventory balance could not be confirmed.

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

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, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Irregular Expenditure on Public Fora

The statement of financial performance reflects under use of goods and services an amount of Kshs.5,739,825 which includes public fora expenditure of Kshs.1,813,500 as disclosed in Note 9 to the financial statements. The expenditure on public fora was not supported with requisitions and approvals, contract or quotation documents, tender evaluation reports, notification of award and acceptance, inspection reports, or contract agreements. In addition, the following issues were noted;

- i) There was no action plan stating out the purpose of the public participation.
- ii) There was no evidence that awareness was created (placing advertisement in media – print/visual) before the public participation was carried out as is required by Regulation 7(1) of the Public Finance Management (County Governments) Regulations, 2015.
- iii) There was no communication to stakeholders in writing and inviting them for meetings and requesting submission of documents or memoranda.

In the circumstances, Management was in breach of the law and the authenticity of the payments could not be confirmed.

2. Irregular Board Expenses

The statement of financial performance further reflects board expenses amounting to Kshs.4,182,400 which as shown in Note 10 to the financial statements included sitting allowances amount of Kshs.909,500 paid to Board Members. However, the expenditure was not supported with invitation letters, attendance registers and minutes of the board meetings.

In addition, examination of the board meetings attendance register revealed that in the period between January, 2023 to March, 2023, the board held four (4) meetings. This is contrary to Section 23(1) of the Urban Areas and Cities Act, 2011 which requires the board to hold sittings every three (3) months. The extra three (3) meetings were however not supported by a request in writing by at least one-third of the members of the board to hold special meetings contrary to Section 23(2) of the Urban Areas and Cities Act, 2011.

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

3. Irregular Expenditure on Taskforce

The statement of financial performance for the year ended 30 June, 2023 also reflects taskforce expenses amount of Kshs.3,290,210 which was not explained by a note in the financial statements. The amount was utilized by a taskforce that was formed by County Government of Trans Nzoia in consultation with the National Land Commission to inquire into public land. As at 30 June, 2023, the taskforce had utilized Kshs.10,579,190 inclusive Kshs.7,288,980 spent in financial year 2021/2022. Examination of the payment vouchers revealed that, though the funds were spent under the Municipality's vote, the activity was under the department of lands and the Municipality only accorded custody of the funds and had no control over the funds. It was, therefore, unclear why the expenditure was

recognized in the Municipality's financial statements. Also, the activity was not budgeted for in the current financial year.

As reported in the previous year's audit report, review of the report prepared by the task force revealed that, only 123 parcels of public land were within Kitale Municipality. This number significantly varied with more than 1,440 parcels of land contained in the valuation roll of year 2006 casting doubt on the reliability of the task force report.

In the circumstances, the Municipality incurred the expenditure without a budget and the task force may not have achieved the objective for which it was formed leading to wasteful spending of public funds amounting to Kshs.10,579,190.

4. Long Outstanding Imprest

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.700,000 as at 30 June, 2023 which, as detailed in Note 13 to the financial statements relates to outstanding imprest. Review of supporting documentation provided revealed that the balance is a long outstanding imprest advanced to an employee on 22 March, 2019. Management has not explained why the imprest had not been surrendered or recovery process instituted by the accounting officer contrary to Regulation 93(6) of the Public Finance Management (County Governments) Regulations, 2015 which requires the accounting officer to recover the full amount from the salary of the defaulting officer with interest.

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

5. Lack of an Updated Assets Register and Annual Physical Verification of Assets

The Municipality of Kitale did not have an updated asset register with the required information such as the acquisition costs, opening balances at the start of the year, disposals and the closing balances at the end of the year, with others missing serial numbers, models and makes.

In addition, there was no evidence that the Municipality carried out annual physical verification of assets which includes matching the recorded assets with physical existence contrary to Section 7.2.4 of the County Financial Accounting and Reporting Manual requiring that an independent physical inspection and verification of the assets should be performed once every year matching the recorded assets with physical existence.

Consequently, in the absence of a complete up to date assets register, it was not possible to establish and verify the assets of the Kitale Municipality, their valuation, existence and use. Control over the assets could not also be confirmed.

6. Proposed Construction of Multi-Storey Business Complex

The statement of financial position as at 30 June, 2023 disclosed plant, property and equipment of Kshs.683,648,905 which included work in progress of Kshs.573,791,077 in relation to proposed construction of multi-storey business complex for the County of Trans Nzoia vide tender number CGTNCP/T012/2017/2018 with a contract sum of Kshs.874,280,383 being executed by a local construction company. The multi-year project was contracted on 25 June, 2018 with a contract period of 731 days and expected completion date of 10 June, 2021. However,

- a) The schedule of gross payments processed in favour of the contractor as at 30 June, 2023 amounted to Kshs.748,688,260 which is at variance with an amount of Kshs.573,791,077 reflected in Note 14 to the financial statements by Kshs.174,897,183.
- b) The contractor has requested seven times for extension of contract period through the project consultant and architect but there was no subsequent approvals and no site meeting minutes conducted by project implementation team were provided for audit review. The project has delayed for over two years from the initial expected completion date thereby denying the county residents the benefits that would have accrued from the completed project as well as revenue to the municipality from leased spaces to traders.
- c) The Management made a gross payment of Kshs.53,532,543 to the contractor vide certificate number 10 dated 29 July, 2022, voucher number 4278 with corresponding withholding taxes and value added tax. However, the payment for taxes thereon were remitted on 9 November, 2022 thereby delaying the remittances of taxes by three (3) months contrary to Income Tax Act, 1973 (revised 2012) which requires the payment of tax by employer to be before the tenth day following the end of every month or before any other day which may be notified to him by the Commissioner.
- d) The memorandum of understanding on the co-funding between the Municipality, department of trade and lands were not provided for audit review.
- e) Audit inspection carried out on 10 September, 2023 revealed that the contractor was not on site and the project had stalled at 92% of completion.

Consequently, no value was derived from the expenditure so far incurred on the project and continued delay in completing the project may result into cost escalation.

7. Unimplemented CIDP, ADP and Approved Budget Projects

Analysis of the County Integrated Development Plan, Annual Development Plan (ADP) and approved budget revealed unimplemented projects as detailed below

No.	Projects Identified	Amount (Kshs.)
1	Routine Maintenance of Urban Roads	4,500,000
2	Upgrading of Urban Roads and Footpaths/Walkways to Paved Surfaces	15,000,000
3	Construction and Maintenance of Urban Drainage and Storm Water Control Structures	6,255,000
4	Urban Road Consultancies	3,000,000
5	Maintenance of High-Mast Flood Lights and Streetlights	6,500,000
		35,255,000

Failure to implement the planned projects implies that the county's integrated development plan did not inform the county's budget which should be based on the annual development priorities and objectives referred to in Section 103 of the County Government Act, 2012 and the performance targets set by the county.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Fraud Management and Risk Policy

Management has continued to operate the entity without formulating a Fraud Management and Risk Policy contrary to the Public Finance Management (County Governments) Regulations, 2015 under Section 158 (1) which states that, the Accounting Officer shall ensure that a county government entity develops risk management strategies, which include fraud prevention mechanism; risk management and internal control that builds robust business operations.

To this extent, the effectiveness of fraud prevention and risk management in the Municipality could not be ascertained.

2. Control Over Functions

The following functions of the Municipality envisioned under the Urban Areas and Cities Act, 2011 are still being budgeted for and performed by the respective County departments.

- i) Revenue collection.
- ii) Construction, maintenance and regulation of municipal markets and abattoirs.
- iii) Development and enforcement of municipal plans and development controls.
- iv) Promoting and undertaking infrastructural development and services within municipality.
- v) Promotion, regulation and provision of municipal sports and cultural activities.
- vi) Construction and maintenance of urban roads and associated infrastructure.
- vii) Regulation of outdoor advertising.

viii) Any other function as may be delegated by the County Executive Committee.

In the circumstances, the Board was not able to exercise its powers and functions as envisioned in the enabling legislation.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 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 the Management is aware of the intention to dissolve the Municipality or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Municipality to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Municipality to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

12 March, 2024

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


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

Description	Note	2023	2022
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	7,829,165	19,500,000
Cash rebank	2		67,420
Taskforce	17		10,579,190
Revenue from exchange transactions			
Interest income	8	79,689	
Total revenue		7,908,854	30,146,610
Expenditure			
Use of goods and services	9	5,739,755	10,411,986
Board expenses	10	4,182,400	3,780,800
Taskforce expenses	17	3,290,210	7,288,980
Depreciation for the period	14	600,619	633,988
Repairs and maintenance	11	2,195,388	
Total expenses		16,008,372	22,115,754
Surplus/(deficit) for the period		(8,099,518)	8,030,856

The notes set out on pages 18 to 27 form an integral part of these Financial Statements. The entity financial statements were approved on 10th January 2024 and signed by:

.....

Name: IRENE NANG'OLE
Kitale Municipality Manager





.....

Name: CPA CHEBET CAROLINE
Head of Finance
ICPAKIM/No 26048

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

14. Statement of Financial Position as at 30 June 2023

Description	Note	June 2023	June 2022
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	12	28,961,933	129,695,230
Receivables from Non- exchange transactions	13	700,000	700,000
inventory	16	993,187	
Total current assets		30,655,120	130,395,230
Non-current assets			
Property, plant, and equipment	14	683,672,525	584,756,926
Total Non-current Assets		683,672,525	584,756,926
Total assets		714,327,646	715,152,156
Liabilities			
Current liabilities			
Trade and other payables	15	51,185,837	43,910,833
Non-current liabilities			
Trade and Other Payables			
Total liabilities	15	51,185,837	43,910,833
Net assets		663,141,808	671,241,323
Capital/Development Grants/Fund			
Development Grant		675,697,718	675,697,718
Accumulated surplus		-12,555,910	- 4,456,392
Total net assets and liabilities		663,141,808	671,241,323

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 15 September, 2023 and signed by:

Name: Irene Nang'ole
 Kitale Municipality Manager
 Date:

Name: Caroline CHEBET
 Head of Finance
 ICPAK M/No 26048
 Date: 10/1/24

15. Statement of Changes in Net Assets for the Year Ended 30 June 2023

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2019	299,106,900	0	0	299,106,900
Surplus/(deficit) for the year			3,279,780	302,386,680
Funds received during the year				
Revaluation gain				
Bal as at 1 July 2020 (previous year)	299,106,900	0	3,279,780	302,386,680
Surplus/(deficit) for the year			-15,767,028	-15,767,028
Funds received during the year	299,106,900	0		299,106,900
Revaluation gain				
Bal as at 30 July 2021	598,213,800		-12,487,248	585,726,552
Surplus/(deficit) for the year			8,030,856	8,030,856
Funds received during the year	77,483,918	0		77,483,918
Revaluation gain		0		0
Bal as at 1 July 2022	675,697,718	0	- 4,456,392	671,241,326
Surplus/(deficit) for the year		0	-8,099,518	-8,099,518
Funds received during the year	0	0		0
Revaluation gain				
Balance as at 30 June 2023	675,697,718	0	-12,555,910	663,141,808





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

16. Statement of Cash Flows for The Year Ended 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	7,829,165.00	19,500,000.00
Cash rebanked	3		67,420.00
Land Taskforce	17		10,579,190.00
Interest received	8	79,689.00	
Total Receipts		7,908,854.00	30,146,610
Payments			
Use of goods and services	9	5,739,755.00	10,411,986
Over deducted tax			63,258
Board expenses	10	4,182,400.00	3,760,980
Repairs and maintenance	11	2,195,388.00	
Land Taskforce expense	17	3,290,210.00P	7,288,980
Total Payments		15,407,743.00	21,525,204
Net cash flows from operating activities		-7,498,899.00	8,621,406
Cash flows from investing activities			
Purchase of PPE & intangible assets	14	- 93,234,399.00	-230,500,639
Total Payments		- 93,234,399.00	-230,500,639
Net cash flows used in investing activities		- 93,234,399.00	-230,500,639
Cash flows from financing activities			
Receipts from Capital grants	7	0	77,483,918
Total Receipts		0	77,483,918
Net Cash flows from financing activities		0	77,483,918
Net cash flows used in financing activities		-100,733,298.00	-144,415,135
Net increase/(decrease) in cash & cash equivalents		-100,733,298.00	-144,415,135
Cash And Cash Equivalents At 1 July	5	129,695,231.00	274,110,366
Cash And Cash Equivalents At 30 June	5	28,961,933.00	129,695,231.00

(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).

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

Description	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		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	71,500,000	63,670,835	7,829,165	7,829,165	0	100%
Public contributions and donations	0	0	0	0	0	0%
Interest income	0	0	0	79,689	79,689	0%
Miscellaneous income	2,339,915		2,339,915	0	-2,339,915	0%
Total Revenue	73,839,915	63,670,835	10,169,080	7,908,854	-2,260,226	78%
Expenses						
Use of goods and services	52,800,000	4,120,000	48,680,000	7,935,213	40,744,787	16 %
Board expenses	4,200,000	1,000,000	5,200,000	4,182,400	1,017,600	80 %
Total Expenditure	57,000,000	5,120,000	53,880,000	12,117,613	41,2762,387	22%
Surplus for the period	21,039,915	58,550,835	4,781,080	-4,208,759.00	43,227,583	12%
Capital Expenditure	59,255,000	-59,255,000	0	0	0	0%

Budget notes

The difference is due to non-receipt of funds from county government as budgeted

15. Notes to the Financial Statements

1. General Information

Kitale Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act. The Municipality is under Trans Nzoia County Government and is domiciled in Kenya.

The Kitale Municipality principal activity is to provide physical infrastructure for efficient and accountable management of the affairs, provide for governance mechanism that will enable the inhabitants of the Municipality to: - Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations

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 Kitale Municipality 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 Kitale Municipality.

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

3. Application of New and revised standards (IPSAS)

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Not relevant.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<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>

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Standard	Effective date and impact:
	<i>(State the impact of the standard to the Entity if relevant)</i>
Other improvements to IPSAS	<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. <p><i>State the impact of the standard to the Entity if relevant</i></p>

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>Applicable 1st January 2025</p> <p>Leases not <i>relevant</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>Not relevant to the period <i>relevant</i></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 11 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 Kitale Municipality upon receiving the respective approvals in order to conclude the final budget.

The Kitale 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 1-5 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 Kitale 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. Work In Progress – construction of multy storey centre is not depreciated, furniture and computer are depreciated at 12.5% and 25 % respectively while the percentage for depreciating the Road has not been determined by the Engineer. The Land where the busuness center is heritage from the defunt municipal council and the county is in the planning to value its assets once the circular is issued,

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.*

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).

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 Kitale Municipality.

(Significant accounting policies continued)

g) Provisions

Provisions are recognized when the Kitale 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 Kitale 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 Kitale 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.

j) Contingent assets

The Kitale 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 Kitale 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

(Significant accounting policies continued)

j) Changes in accounting policies and estimates

The Kitale 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.

k) Employee benefits – Retirement benefit plans

The Kitale Municipality provides retirement benefits for its employees and directors is handled centrally at the County Payroll in Finance Department.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Grants are received by world bank and transferred to the Municipality operations account in the Local Currency

a) Related parties

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

b) 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)

l) Comparative figures

comparative figures for the previous financial year 2021/2022 have been amended to conform to the required changes in presentation.

m) 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*).

There are adjusting and non- adjusting events after the reporting period for corrections on the amended financial statements for the previous year.

n) Currency

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

1. Significant judgments and sources of estimation uncertainty

The preparation of the Kitale 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 Kitale 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 Kitale 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 Kitale 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	FY 2022/23	FY 2021/22
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	7,829,165	19,500,000
Cash Re-banked		67,420
Taskforce		10,579,190
Total	7,829,165	30,146,610

(The above amounts is a total of money spent by the Municipality on share allocated through the budget.)

7. Grants received Kenya Urban Support Program

Description	2022/23	2021/22
	Kshs.	Kshs.
Grants from development partners	0	77,483,918
Contributions from the public	0	
Total	0	77,483,918

8. Other Revenues from Non-Exchange Transactions

Interest income

Description	FY 2022/23	FY 2021/22
	Kshs.	Kshs.
Interest income from investments	0	
Interest income on bank deposits (UDG)	79,629.80	
Interest income on bank deposit (UIG)	59.15	
Total interest income	79,689.00	

Kshs 79,629.80 is Interest income on bank deposits on UDG and 59.15 on UIG.

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Notes to the Financial Statements

9. Use of Goods and Services

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Utilities, supplies and services	191,132	782,552
Communication, supplies and services	99,500	
Domestic travel and subsistence	939,800	6,340,410
Foreign travel and subsistence		605,745
Printing, advertising, supplies & services		144,114
Donation chamber commerce	150,000	
Training expenses		249,600
Hospitality supplies and services	1,124,230	169,540
Subscription	121,900	
Public For a	1,813,500	204,000
Office and general supplies and services	831,600	
Fuel, oil and lubricants	22,000	327,275
Other operating expenses event facilitation		432,000
Operationalization	365,600	690,500
Routine Maintenance		91,000
ESIA Certificate		100,000
Control – removal illegal structures	65,000	121,000
Bank Charges	3,540	9,660
Social Benefit expenses* Bahati home for the aged		144,590
Tax on interest earned	11,953.00	
Total	5,739,755.00	10,411,986.00

Notes to the Financial Statements

10. Board expenses

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Chairman/Members' Honoraria		
Sitting allowances	909,500	3,780,800
Induction and Training		
Travel and accommodation	2,878,500,	
Participant fees	394,400	
Total	4,182,400	3,780,800

11. Repairs and Maintenance

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Property- Buildings	2,195,388	
Office equipment		
Furniture and fittings		
Motor vehicle expenses		
Maintenance of civil works		
Total repairs and maintenance	2,195,388	

12. Cash and cash equivalents

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

Financial institution	Account number	FY 2022/2023	FY 2021/2022
		Kshs.	Kshs.
a) Current account			
Equity Bank	0330279238289	20,611.90	345,681.60
Equity Bank -	0330278998033	27,748,589.40	120,442,482.16
SBM BANK	0402381879001	1,192,731.25	8,907,067.25
Special Purpose Account	1000376996	0	0
Grand total		28,961,933	129,695,231

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13. Receivables from Non-Exchange transaction

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Transfer from County Executive		
Imprest from UDG SPA 1000376996	700,000	700,000
Total receivables from non-exchange transactions	700,000	700,000

Ageing analysis for Receivables from non-exchange transactions

Description	FY 2022/2023		FY 2021/2022	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year			700,000	100
Between 1- 2 years				
Between 2-3 years				
Over 3 years				
Total			700,000	100

(Notes to the Financial Statements Continued.)

14. Property, Plant and Equipment

	Land	Road	Motor vehicles	Furniture and fittings	Computers	Work in progress	Total
Description	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 30th June 2021	-	0	-			390,958,731	392,376,681
Additions	-	108,295,110	-	299,950	1,118,000	84,719,123	193,014,233
As at 30 June 2022 assets at cost		108,295,110	-	299,950	1,118,000	475,677,854	585,390,914
As at 1 July 2022		108,295,110	-	299,950	1,118,000	475,677,854	585,390,914
additions				537,000	866,000	98,113,223	99,484,723
As at 30 June 2023 assets at cost		108,295,110		836,950	1,984,000	573,791,071	684,875,637
DEPRECIATION AND IMPAIRMENT							
Accumulated Depreciation prior period – 2021/22				(74,988)	(559,000)		(633,988)
Depreciation F/Y 2022/23	-	-	-	(104,619)	(496,000)	-	(600,619)
As at 30th June 2022 NBV	-	108,295,110	-	224,962	559,000	475,677,856	584,756,928
As at 30th June 2023 NBV		108,295,110	-	657,344	929,000	573,791,071	683,672,525

Depreciation of furniture is at the rate of 12.5%, computers at 25%, on straight-line basis over its useful life. Construction of the Multi Complex Business centre is work in progress. The guidelines on Asset and Liability management in the public sector for March 2020 on appendix 4 schedule of useful lives and Depreciation Overview Part 114 no. 13 proposes that no depreciation nor useful lives is applicable to

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work in progress. The Road is not also depreciated since we have not received a guideline, however we have requested the in charge of the newly set section - Asset Management through the chief officer finance to advice on the estimated useful life of the same.

(Notes to The Financial Statements Continued)

15. Trade and other payables from exchange transactions

Description	June 2023		June 2022	
	Kshs.		Kshs.	
Trade payables: G ton Co	31,631		31,631	
Eden wilsons	5,331,428		5,331,428	
Retentions	43,901,020		38,547,773	
Romimwa investment - computers	384,500			
Margomim – office furniture	537,000			
- inventories	993,187			
Twinkle Pop Tax on Printer	7,069			
Total trade and other payables	51,185,835		43,910,833	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year				
1-2 years	7,275,003		12,747,488	
2-3 years	12,747,488		31,163,344	
Over 3 years	31,163,344			
Total	51,185,835		43,910,833	

16. Inventories

Description	June 2023		June 2022	
	Kshs.		Kshs.	
General office supplies	993,187			
Total	993,187			

Notes to financial Statements

17. TASKFORCE INQUIRING INTO PUBLIC LAND KSHS 10,579,190/=

The activity was under the Department of Lands for expenditure by a taskforce inquiring into public land and the Municipality only accorded custody of the funds transferred to the Board Account at SBM Bank and had no control over the funds.

s/no	details	debits	credits	balance
1	Transfer 1		2,040,000	
2	Transfer 2		2,539,000	
3	Transfer 3		4,480,000	
4	Transfer 4		1,520,190	10,579,190
	Cumulative expenses July 2022	7,288,980		3,290,210
	Brought forward 2023		3,290,210	

Annex SBM BANK Account. Ksh 7,288,980 was utilized in the FY 2021-2022 and Kshs 3,290,210 in the year under review.

Notes to the Financial Statements

18. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Kitale 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 Kitale Municipality is related to the following entities:

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

19. Financial risk management

The Kitale Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Kitale 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 Kitale 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 Kitale Municipality's financial risk management objectives and policies are detailed below:

20. Credit risk

The Kitale 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 Kitale 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 Kitale Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Notes to the Financial Statements

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 Kitale Municipality has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Kitale Municipality has no significant concentration of credit risk.

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

21. Liquidity risk management

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

The table below represents cash flows payable by the Kitale Municipality under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts

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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

22. Market risk

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

23. 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.

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Notes to the Financial Statements

24. Capital risk management.

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

Description	FY22/23	FY21/22
	Kshs.	Kshs.
Revaluation reserve		
Capital/Development Grant		77,83,918
Accumulated surplus	(13,720,336.15)	(4,455,391.85)
Total Funds	(13,720,336.15)	73,07,526.15
Total borrowings		
Less: cash and bank balances	28,961,933	129,695,231
Net debt/(excess cash and cash equivalents)	-15,241,526.85	-53,377,494.85
Gearing		

19. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the External audit Report - OAG/WRO/MUN.KIT/2020/2021/(44)	
Issue/ observation from the Auditor	Inaccuracies in Property, plant and equipment
Management Response	
Depreciation has been adjusted on the notes No. 8 Property, Plant & Equipment of Ksh 316,993.75 for the two financial years ended 30 June 2021.	
Status: resolved / not resolved	Resolved
Time frame put when you expect the matter to be resolved	N/A

Reference No. on the External audit Report - OAG/WRO/MUN.KIT/2020/2021/(44)	
Issue/ observation from the Auditor	Undisclosed Bank Account
Management Response	
The report was corrected and the Accounts are disclosed in this report	
Status: resolved / not resolved	Resolved
Time frame put when you expect the matter to be resolved	N/A

Annex 1. Progress on Follow up of Auditors Recommendations continued

Reference No. on the External audit Report - OAG/WRO/MUN.KIT/2020/2021/(44)	
Issue/ observation from the Auditor	Incorrect recognition of Development Grants
Management Response	
The corrections are shown on financial statement of 2021/22 and adjustments done	

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on the Statement of Changes in Net Assets See amended comparative figures.	
Status: resolved / not resolved	Resolved
Time frame put when you expect the matter to be resolved	N/A

Reference No. on the External audit Report - OAG/WRO/MUN.KIT/2020/021/(44)	
Issue/ observation from the Auditor	Budgetary control and performance
Management Response	
Kshs.24, 567,028 was the total expenditure on Recurrent. Kshs.114,967,406 was payment in respect to Development. Giving a total expenditure of 139,545,434 thus an under expenditure of Kshs.168, 372,466 which is equivalent to 54% under-expenditure. The construction of the Multi-storey business complex is paid based on work certified hence we could not have paid more without certification during the period.	
Status: resolved / not resolved	Resolved
Time frame put when you expect the matter to be resolved	N/A

Reference No. on the External audit Report - OAG/WRO/MUN.KIT/2020/2021/(44)	
Issue/ observation from the Auditor	Non-compliance with Public Sector Board in the presentation of the financial Statements
Management Response	
<p>(i) The Chairperson and the Secretary to the Board have duly signed the financial Statements.</p> <p>(ii) Corrections have been made on the statements for changes in Net Assets in conformity to the requirement of the Public Sector Accounting standards Board</p> <p>(iii) The statement of comparison and actual amounts reflects the figures under performance differences and percentage</p>	
Status: resolved / not resolved	Resolved
Time frame put when you expect the matter to be resolved	N/A

Reference No. on the External audit Report - OAG/WRO/MUN.KIT/2020/2021/(44)	
Issue/ observation from the Auditor	Late Submissions of financial Statements
Management Response	
We endeavour to be submitting on time going forward. Last years were submitted on time.	
Status: resolved / not resolved	Resolved
Time frame put when you expect the matter to be resolved	N/A

Reference No. on the External audit Report - OAG/WRO/MUN.KIT/2020/2021/(44)	
Issue/ observation from the Auditor	Long outstanding sundry Debtors
Management Response	
The imprest of kshs.700, 000 has been fully recovered from the Officer's Salary, process of forwarding to the operations Account are on - going in the payroll section. Copies of pay slip were availed for Audit to confirm deductions.	
Status: resolved / not resolved	Resolved
Time frame put when you expect the matter to be resolved	N/A

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Reference No. on the External audit Report - OAG/WRO/MUN.KIT/2020/2021/(44)		
Issue/ observation from the Auditor	Non-compliance to staff ethnicity	
Management Response		
The CECM and Chief Officer for Lands are Members of the Board automatically While the Municipal Manager is the Secretary to the Board. The Composition of the Board is as follows:		
No.	Name	Ethnicity
1	Shaban Werunga - Chairperson	Luhya
2	Alice Mwai	kikuyu
3	Ann Tulienge	Luhya
4	David Lagat	Nandi
5	Peter Chemengich	Sabaot
6	Martin Waliaula - member	Luhya
7	Festus Litiku	Luhya
Status: resolved / not resolved		Resolved
Time frame put when you expect the matter to be resolved		N/A

Guidance Notes

- a) The external auditors report for the financial year 2019-2020 had raised no issues.

IRENE NANG'OLE

(Signature)



To be Signed by the Accounting officer of the Entity

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Appendix 2: Inter Entity Transfers

NAME: KITALE MUNICIPALITY				
Breakdown of Transfers from the County Executive of Trans Nzoia County				
FY 2022/2023				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		

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

No Grants were received in the year under review



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

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Appendix 3: Reporting of Climate Relevant Expenditures

Name of the Organization Kitale Municipality
Telephone Number
Email Address kitalemunicipality@gmail.com
Name of CEO: IRENE NANG'OLE

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

IRENE

No expense in the year under review



Appendix 4: Disaster Expenditure Reporting Template

No expense in the year under review