

REPUBLIC OF KENYA



Enhancing Accountability

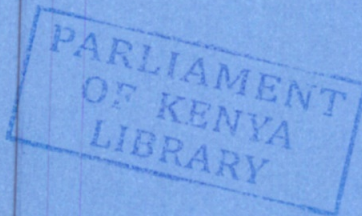
REPORT

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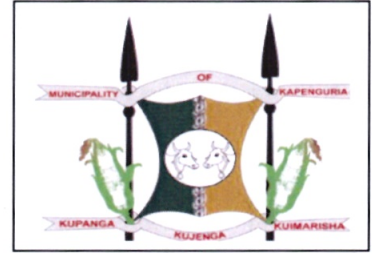
THE AUDITOR-GENERAL

ON



MUNICIPALITY OF KAPENGURIA

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



KAPENGURIA MUNICIPALITY

County Government of West Pokot

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

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1. Acronyms & Glossary of Terms

KUSP	Kenya Urban Support Programme
SDG	Sustainable Development Goals
MTP	Medium Term Programme
IDeP	Integrated Development Plan
C.I.D.P	County Integrated Development Plan
FY	Financial Year
IFMIS	Integrated Financial Management System
ADP	Annual Development Plan
LPLUDP	Local Physical Planning & Land Use Development Plan
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

2. Key Entity Information and Management

a) Background information

Kapenguria Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter of 29th June 2018. The Municipality is under the County Government of West Pokot and is domiciled in Kenya.

b) Principal Activities

Vision

- To be a model Municipality in service delivery in Kenya.

Mission

- Provision of Effective, Efficient and Sustainable Development

Core Functions

- (a) Promotion, regulation and provision of refuse collection and solid waste management services;
- (b) Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider);
- (c) Construction and maintenance of urban roads and associated infrastructure;
- (d) Construction and maintenance of storm water drainage and flood controls;
- (e) Construction and maintenance of walkways and other non-motorized transport infrastructure;
- (f) Construction and maintenance of recreational parks and green spaces;
- (g) Construction and maintenance of street lighting;
- (h) Construction, maintenance and regulation of traffic controls and parking facilities;
- (i) Construction and maintenance of bus stands and taxi stands;
- (j) Regulation and control of outdoor advertising;
- (k) Construction, maintenance, management and regulation of municipal markets and abattoirs;

- (l) Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- (m) Promotion, regulation and provision of municipal sports and cultural activities;
- (n) Promotion, regulation and provision of animal control and welfare;
- (o) Development and enforcement of municipal plans and development controls;
- (p) Municipal administration services (including construction and maintenance of administrative offices);
- (q) Promoting and undertaking infrastructural development and services within municipality;

Core values

Integrity, Excellence, Client Care, Innovativeness, Accountability, People-centeredness, Equity, Professionalism, Passion

c) Key Management

The Municipality’s management is under the following key organs:

- County Department of Housing and Urban development
- Board of Management
- Accounting Officer-Municipal Manager

Municipality Board

Ref	Position	Name
1.	Chairman of the Board	David Yator Kiptum
2.	Vice Chairperson	Dorcas Chepkemei Endoo
3.	Board Member	Martin Lokite Korwa
4.	Board Member	Moses Arupe Maklap
5.	Board Member	Lomong’o P. Samuel
6.	Board Member	Justus Kibor Rutto
7.	Board Member	Roselyne Lopisto
8.	Board Member	Esther Chelimo
9.	Board Member	Mathew Rionokol
10.	Municipal Manager- Secretary	Joseph Eritom

d) Fiduciary Management

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

Ref	Position	Name
1	Municipality Manager	Joseph Eritom
2	Assistant Director Finance	CPA Geoffrey Lokong
3	Head of Physical Planning	Plan. Hamilton Bett
4	Supply Chain Management Officer	Scholar Cherop

e) Fiduciary Oversight Arrangements

i) Audit and Risk Management Committee

The West Pokot County Audit Committee was constituted and inducted on 1st July 2018 as per the provisions of the Public Finance and Management Act, 2012. It is mandated to review audit reports and advise the Municipality on institutional risk management.

S/No	Name	Designation
1	Mr. Paul Loitangiro Rikilem	Chairperson
2	CPA Thomas Pkemoi Lotiaka, CPA	Secretary
3	Mr. Kizito Musakala Makhumi CPA	Member
4	Ms. Irene Chebet Lorot	Member

ii) County Assembly committees

Article 185(3) provides that a County Assembly, while respecting the principle of the separation of powers, may exercise oversight over the County Executive Committee and any other County Executive organs. The oversight role of the County assembly is exercised directly by all members of the County assembly and through County assembly committees. The following are the committees responsible for oversight in the County assembly:

- Public Accounts and Investment Committee
- Sectorial Committees
- Finance and Planning Committee
- Implementation Committee

f) Registered Offices

Kapenguria Municipality
P.O Box 222 – 30600
Kapenguria County Hospital Road
Kapenguria, Kenya.

g) Contacts

Telephone: (+254) 713611146

E-mail: kapenguriamunicipaliy@gmail.com, info@kapenguriamunicipality.co.ke

Website: kapenguriamunicipality.go.ke

h) Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 002Nairobi, Kenya
2. Kenya Commercial Bank
Kapenguria Branch,
P.O. Box 66 - 30600
Kapenguria, Kenya


Independent Auditor

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



j) Principal Legal Adviser


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



3. Municipality Board



Serial No.	Name	Details of qualifications and experience
1	<p>DAVID YATOR KIPTUM</p> 	<p>Mr. David is 57 years old. He holds Bachelor of Science in Animal Production from Egerton University and has attended several Short Trainings both in Kenya and outside Kenya.</p> <p>Mr. Kiptum has worked with Kenya Seed Company, Bayer East Africa, Sengwer Cultural Centre and Ward Administrator in Trans-Nzoia County and Currently the Secretary of Sengwer Indigenous Peoples Programme Community Based Organization.</p> <p>Mr.Kiptum has attended International Conferences in Washington DC USA, Paris France, Banjul Gambia, Yaoundé Cameroon, Doha Qatar, Kinshasa DR Congo, Arusha Tanzania, Rome Italy and Geneva Switzerland.</p>


2	<p>DORCAS CHEPKEMEI ENDOO</p> 	<p>Ms. Endoo is 31 years and holds Master of Laws from University of Nairobi, Post-graduate Diploma from Kenya School of Law and Bachelors of laws from Kenyatta University. She also holds a Diploma in Human Resource Management from University of Nairobi. Ms. Endoo is a Candidate for the award of Master of Arts (Diplomacy and International Relations) from Kenyatta University. She is currently writing her proposal for the consideration of admission for Doctor of Laws.</p> <p>She is a trained Arbitrator and a Member of the Chartered Institute of Arbitrators (Kenya and England). She is an accredited Mediator by the Judiciary of Kenya. She is also a Lead Environmental Impact Assessment/Environmental Audit. She has also been trained on Senior Management Course by Kenya School of Government.</p> <p>Ms. Endoo has gained vast experience having working in Milimani Commercial Courts, Nairobi City Council, Karuiki Muigua & Co. Advocates and KWEW Advocates. She served as Policy Analyst at the Senate of Kenya. Currently she is the Resident Magistrate and Mediation Deputy Registrar - Embu Law Courts.</p>
3	<p>ROSELYNE LOPISTO</p>	<p>Madam Lopistosto 34 years old. She holds Diploma in Social Work and Community Development from Mt.Kenya University Ms.Lopisto has worked with UwezoKenya,Sikom PeaceNetwork for Development, Justice & Peace Centre</p>

		
<p>4</p>	<p>MARTIN LOKITE KORWA</p> 	<p>Mr. Martin Korwa is 54 years old. He holds Diploma in Pharmacy from Kenya Medical Training College, Nairobi and has attended Trainings in Management of the Medical Stores Supply Chain, Malaria Awareness Treatment, Malaria Case Management Training, Pharmacotherapy of HIV-related infections, Hygienic Milk Production & Handling among others.</p> <p>Mr. Korwa has worked with Pharmaceutical Technologist as in-Charge in Naivasha District, Managing & Financial Director Elementaita Pharmaceutical Limited .Managing Director, Kape Health Limited. Martin is also a member and or Chair of Several School Board of Management.</p>

		<p>Mr. Korwa is a member of Kenya Pharmaceutical Association and was awarded Certificate of Merit by Health Workforce and Institutional Excellence Award for Pharmaceutical Technologist, Frontline Award</p>
<p>5</p>	<p>MOSES ARUPE MAKLAP</p> 	<p>Mr. Maklap is 51 years old He holds Bachelor of Theology from Kenya Highlands Evangelical University, Diploma in Pastoral Ministries from Kaboson Pastors School and is currently Pursuing Master in Public Administration from Kisii University.</p> <p>Mr. Maklap has worked as Part-time Lecturer with Kisii University, Principal Kapenguria Ministry Institute, World Vision and Currently North Rift Regional Bishop for AGC</p>

6	<p>LOMONG'O P. SAMUEL</p> 	<p>Mr.Lomongo is 49 years and holds Bachelor of Education in Special Needs from Mount Kenya University, Diploma in Special Needs Education from Mosoriot Teachers Training College and Primary Teacher Education from Eregi Teachers Training College. Mr.Lomomgo has been in Teaching Profession for over 22 years and is Currently the Head teacher Simitei Primary School.</p>
7	<p>JUSTUS KIBOR RUTTO</p> 	<p>Mr. Rutto is 54 years and holds Bachelor of Education in Early Childhood Education from Moi University, Diploma in Education Management from Kenya Education Management Institute, Diploma in Early Childhood Education from Kapenguria ECDE TTC and Kenya Primary Teachers Education from Mosoriot Teachers Training College. Mr. Rutto has been in teaching Profession for over 29 years and is Currently the Head teacher Cheptuya Primary School</p>
9	<p>Esther Chelimo</p>	<p>Ms. Esther Chelimo Loukotum is 39 years old and she is currently pursuing her Master degree in Business administration , She also a</p>

		<p>holder of Bachelor degree in Management, Diploma in Education Management and Senior Management Course from Kenya School of Government.</p> <p>Ms. Esther has vast experience in various fields including being Deputy Head teacher Karon primary school, Head teacher Konyao Arid Zone Primary school, North Pokot Sub-county Administrator for a period of five years, ECDE coordinator Kipkomo Sub-County. Madam Esther is currently The County Executive Committee Member (CECM) for Land, Physical Planning, Housing and Urban Development.</p>
10	<p>Mathew Rionokol</p> 	<p>Mr. Mathew Rionokol is 45 years old</p> <p>EDUCATION</p> <p>2010: MSC Land Management from Royal Institute of Technology Stockholm Sweden</p> <p>2004: Bachelor of Science Land Surveying and Photogrammetry University of Nairobi</p> <p>1995: Kenya Certificate of Secondary Education: Ortum Secondary School</p>

		<p>1992: Kenya Certificate of Primary Education: Chemororoch Primary School</p> <p>WORK EXPERIENCE</p> <p>2023 to Date: Chief Officer for Lands, Physical Planning, Housing and Urban Development West Pokot County.</p> <p>2020 to 2022: Head of Geospatial Data Management Ministry of Lands, Housing and Urban Development.</p> <p>2018 to 2020: Regional Surveyor Western Region</p> <p>2014 to 2017: Chief Officer for Lands, Physical Planning, Housing and Urban Development West Pokot County</p>
10	<p>Joseph Eritom Limo</p> 	<p>Date of birth:15th November 1986</p> <p>Key academic and professional qualification:</p> <ul style="list-style-type: none"> • Ongoing-Masters of Urban Development and Management (Maseno University) • Bachelors of Urban Planning (Makerere University) • “A” Level Certificate(Crane High School, Kampala) • “O” Level Certificate (Chewoyet High School)

		<ul style="list-style-type: none"> • PLE Certificate (Chepareria Primary) • Corporate Member No.0273C of Kenya Institute of Planners (Professional Qualification) Board of Trustees of Kenya Institute of Planners(KIP) Governing Council <p>Work experience:</p> <ul style="list-style-type: none"> • Acting Municipal Manager from 1st April 2023 to date. • Deputy Municipal Manager from 13th August 2018 to date. • Worked as Community Safety Facilitator with Danish Refugee Council from 17th June 2013 to 31st March 2017. • Worked as Training of Trainers with RTI international on K-YES Program-West Pokot from December 2017 to May 2018 • Worked as Lead Consultant with Anglican Development Service North rift Region, Anti-FGM Consultancy-West Pokot from 1st July 2018 to 28th July 2018.
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	<ul style="list-style-type: none">• Worked as Assistant Physical Planner with Geoinformatiks Ltd from 1st May 2014 to 30th May 2015.• Worked as Board Representative with Pokot Youth Bunge Forum from 2012 to 2014.
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4. Key Management Team

Serial No	Name	Details of qualifications and experience
1.	<p>Joseph Eritom</p> 	<p>Date of birth: 15th November 1986</p> <p>Key academic and professional qualification:</p> <ul style="list-style-type: none"> • Ongoing-Masters of Urban Development and Management (Maseno University) • Bachelors of Urban Planning (Makerere University) • “A” Level Certificate(Crane High School, Kampala) • “O” Level Certificate (Chewoyet High School) • PLE Certificate (Chepareria Primary) • Corporate Member No.0273C of Kenya Institute of Planners (Professional Qualification) <p>Work experience: Deputy Municipal Manager and Acting Municipal Manager</p> <p>Key responsibilities:</p> <ul style="list-style-type: none"> • Developing and adopting policies, Plans, Strategies and Programmes for Kapenguria Municipality • Formulating and implementing integrated Municipal Development Plan • Ensuring preparation and submission of Municipal annual budget estimates to County Government

	<ul style="list-style-type: none">• Control Land use, Land subdivision, Land Development and Zoning by Public and Private sectors for any purpose, including Industry, Commerce, Markets, Shopping as well as Employment centres, Residential areas, Parks, Entertainment, the spatial and master plans for the Municipality as may be delegated by the County Government• Promote and undertake infrastructural development in collaboration and services within the Municipality• Develop and manage schemes, including site development in collaboration with the relevant National and County Agencies• Maintain a comprehensive Database and information system of the administration and provide Public access thereto upon payment of a nominal fee to be determined by the Board• Implement applicable national and County Government legislations• Monitor the impacts and effectiveness of any services, policies as delegated by the County Government
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Kapenguria Municipality
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		<ul style="list-style-type: none"> • Promote a safe and healthy environment • Facilitate and regulate public transport
2.	<p>CPA Geoffrey Lokong</p> 	<p>Date of Birth- 29/05/1978</p> <p>Academic & Professional Qualification: Master of Business Administration(Finance), Bachelor of Education Maths and Accounting, Certified Public Accountant CPA(K)(No. 27397) , Strategic Leadership and Development Programme (SLDP), Senior Management Course (SMC)</p> <p>Work Experience: Assistant Director Accounting Services West Pokot County,</p> <ul style="list-style-type: none"> • Planning officer Department of Prisons • Deputy Officer in Charge, Nairobi Medium Prison, • Planning and Budget Officer United Nation and African Mission in Darfur(UNAMID
3.	Plan. Hamilton Bett	<p>Plan. Hamilton Bett is 31 years old.</p> <p>Academic & Professional Qualification: Registered Physical Planner (RPP305). Bsc. Urban and Regional Planning from The Technical University of Kenya. Certificate in GIS from ESRI. SPSS Data Analyst.</p> <p>Work Experience: Currently Principal Physical Planner, West</p>

		<p>Pokot County. Senior Physical Planner, Ekambridge Services Ltd. Senior Physical Planner, Geomaestro Consult Africa Ltd.</p> <p>Assistant Physical Planner and GIS Data Analyst, Geomaestro Consult Africa Ltd. Assistant Physical Planner and GIS Data Analyst, The Planning Studio Ltd,</p>
<p>4.</p>	<p>Scholar Cherop Loyer</p> 	<p>Scholar was born in 1990</p> <p>Academic & Professional Qualification:</p> <p>She has holder of KCSE certificate, she also has a certificate, Diploma and Degree in Supply chain Management and Master Degree in Logistics Management.</p> <p>Work Experience: Currently is she in charge of supply chain management at Kapenguria Municipality, She also worked as Supply Chain Management officer in various department in West Pokot County including Finance, Lands, Roads, Trade and Tourism.</p>

5. Municipality Board Chairperson's Report

It gives me pleasure to present the financial statements for Kapenguria Municipality board for the period ended June 30, 2023. The financial statements have been prepared in accordance with Section 164(2) of the Public Finance Management Act, 2012 and Section 46 of The Urban Areas and Cities Act of 2011. They contain appropriation accounts showing the services for which the appropriated money was rendered, amounts actually spent on each service, and any variations between the actual expenditure and the sums vote for the financial year 2022/2023.

In order to ensure improved transparency, accountability and fiscal responsibility the Municipality is committed to prudent use of its finances guided by sound fiscal policies that ensure efficient utilization of resources. Taking consideration of the importance of the citizens' voice in prioritizing development programmes, we continuously engage and update the citizens of Kapenguria Municipality through public participation. This upholds the key objective of devolution, which is to promote sustainable and equitable social, political and economic development in the County.

The Entity Financing

Kapenguria Municipality finances its operations through allocation by the County Government of West Pokot and Grants from the National Government through Kenya Urban Support Programme (KUSP) as both development and institutional support. The department is in the process of mapping key revenue areas that will ensure increased revenue collection that will assist the department increase its fund basket. The entity is also engaging the County executive Member of Finance and Economic Planning so that funds appropriated for Kapenguria Municipality are transferred to its Bank accounts since currently only the conditional Grants are transferred to the Municipality Bank Accounts.

Description	Amount (Kshs.)	%
Conditional Grants (Transfer from the County Government)	2,339,915	3
County Allocation	35,134,000	46
Balances Brought Forward F/Y 2021/2022	39,103,969	51
Total	76,577,884	100

Key policy documents

The Municipality recently initiated the development of Kapenguria Municipality Local Physical and Land Use Development Plan 2023-2033 (Also known as Municipal Spatial Plan). The Municipal LPLUDP sets out policies and strategies to guide the spatial development of the municipality hence ensuring orderly and sustainable development. The preparation of the plan has five phases that include (i) Preparatory (ii) Project activation (iii) Data collection and activation (iv) Visioning and Scenario building and (v) Plan proposal and approval. During the year under review the entity was able to implement the first two phases that is Preparatory and Project activation stages.

The primary role of spatial planning is to enhance the integration between sectors such as housing, transport, energy and industry, and to improve national and local systems of urban and rural development, also taking into account environmental considerations. This plan is set to guide spatial development within the municipality for the next 10 years and covers the entire jurisdiction of Kapenguria Municipality within West Pokot County.

During the previous financial years the entity developed key policy documents that include; Integrated Development Plan (IDeP), Solid waste Management Policy and By-Laws (awaiting adoption by the County Assembly) .These policy documents have enabled the Municipality implement its programmes and activities effectively.

Future outlook of the Fund

In the Financial Year under review, the Municipality received its funding through allocations by the County Government and conditional grants from the National government through the County Government specifically for the infrastructural developments. The Municipality has also been putting strategies in place to ensure it identifies other sources of income that include borrowings, engaging the County Government to transfer the appropriated funds for the municipality to its bank accounts.(since currently the funds allocated to the board are expended at County treasury) , identifying other potential revenues streams among other strategies. The Municipality is also engaging the County Treasury and County Assembly to develop the criteria for allocation of funds to the Municipality as provided by PFM act Section 173. With additional funding, the entity shall be able to implement its programmes and projects as envisioned in the IDeP as well as fill in the

vacant vacancies as detailed in the organogram that include public health department, water & environment among others.

Public Participation:

Good governance entails addressing the needs of the public through consultation and communication, and being accountable to the residents of Kapenguria Municipality as envisaged in our constitution. The management undertook a number of processes to achieve this goal, including holding consultative meetings with a wide range of stakeholders and residents of Kapenguria; organizing citizen Fora, having a talk show in the local media to discuss pertinent issues affecting the residents, establishing the Municipal website where the public can access our programmes and activities. Through these meetings and Fora, the municipality is able to establish the needs and aspirations of the residents.

Challenges

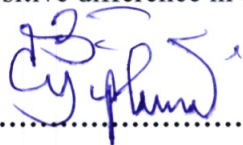
During the year under review, the board faced myriad of challenges that include shortage of technical staff especially the physical planners, inadequate funding from the county government despite the fact that the entity has been transferred some of the key functions through Gazette Notice of 2018. The little amount allocated to the board is still expended at the County treasury hence not giving the entity the full powers on the spending of the funds (though the Manager approves the expenditures). The only funds the entity gets in its bank account is the conditional grant under the Kenya Urban Support Programme

Conclusion

The Annual Report 2022/23 provides details on the various key infrastructure projects that are being undertaken to facilitate the growth of the Municipality and through implementation of various projects that include road construction, market stalls and recreational park constructions. These projects are only possible through strategic partnerships with the County Government and the residents of Kapenguria Municipality. I remain thankful to His Excellency the Governor, Simon Kachapin, Board Members, the

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Municipal Manager who continue to direct our staff, resources and operations towards making a positive difference in the lives and future of Kapenguria Municipality.



.....
Name: David Yator Kiptum

Chairperson of the Board

6. Report of the Municipality Manager

The Urban Areas and Cities Act No.13 of 2011 requires that each Municipality board shall prepare the statement of financial performance & statement of financial position of the board at the end of each financial year. The purpose of this report is therefore to provide a record of the activities for the year, to report on performance against the budget of the Municipality for the financial year reported on, and to promote accountability to the local community for the decisions made throughout the year.

During the year under review, Kapenguria Municipality received **KShs. 37,473,915** for both infrastructural developments and operations. **Kshs.39, 103,969** were balances brought forward from 2021-2022 F/Y totalling KShs. 76,577,883.38. The total budget for the department during the year in review is **KShs. 11,194,559** for development and **Kshs. 26,279,356** for recurrent. Only the KUSP allocation amounting to **Kshs. 2,339,915** were transferred to the entity account. The remaining amount for both development and the recurrent amount were expended at the County treasury with the Municipal Manager being the accounting officer.

The Municipality was established in 2018 and its' funding is mainly from County allocation and grants by National Government through Kenya Urban Support Programme (KUSP), which is a five year programme from financial year 2017/2018 to 2022/2023. Up to date, the board has received **KShs.214, 904,721** infrastructural funds.

Physical progress based on outputs, outcomes, and impacts since the establishment of Municipality

Since the inception of the project the entity has been able to implement the following activities

- Constructed 25.3 Km road within the Municipality which has opened up the rural areas and has enabled the traders transport their produce to town as well as increased efficient transportation of people, goods and services.
- Constructed 70 units of market stalls, 100 parking spaces and refurbished Makutano Bus Park. The stalls have accommodated 70 traders especially the women and youth and this has enabled them participate in trading hence improving their economic capability, create employment and increase revenue collection to the County Government. The revamped Bus Park has also enabled the transport operators to work in conducive and safe environment.

- Rehabilitated Kapenguria dumpsite and purchased refuse skip loader with 10 bins which has ensured a clean and safe working environment for both traders and inhabitants of Kapenguria Municipality.
- To enhance safety of the business people in case of fire outbreaks, the entity has constructed a modern fire station with three (3) bays to accommodate the fire engines as well as the fire crew. This has resulted to timely response to fire outbreaks.
- Upgraded 0.6 Km of urban road to tarmac within Makutano Township which has improved linkages and connectivity within the town hence enhancing service delivery.
- Ongoing construction of recreational park which will provide a space where the residents of Kapenguria Municipality and its visitors will have a place to rest. The same will also create space where people can undertake their social activities including meetings, wedding's, parties among other social events. This will in effect provide revenue to the Municipality.
- Initiated the process of development of Kapenguria Spatial plan by holding citizen fora in the three wards of Siyoi, Mnagei and Kapenguria.



Figure 1: Ongoing construction of Makutano recreational park



Figure 2: Opening up of urban roads within the Municipality- Kwa Chief Kamarkech Road



Figure 3: members of Public actively participating during Spatial Plan Preparation process

Budget Performance

As indicated above, the entity received Kshs. 37,473,915 while it had Kshs. 39, 103,969 as balances brought forward, out of the total amount received and balances brought forward, KShs. 57,624,937.00 was spend during the year under review which represents 75% absorption rate. The project implemented during this period include constructional of recreational park which is at 88% completion and improvement and maintenance of various Municipal roads that include Sakas- St. Mary road, Kwa Sakwa Road, Kanagwlikwan- Transformer Road, Kwa Chief –Kamarkech road among others.

Value-for-money achievements

Kapenguria Municipality main mandate is to provide effective and efficient services for its residents and therefore our main infrastructural focus is mainly on waste management, connectivity, urban social economic infrastructure and storm water drainage among others. The infrastructural implementation of the above project has had a positive impact on residents of Kapenguria Municipality through ensuring access through improvement and Maintenance of the Municipal roads and building of markets stalls, construction of recreational park among other activities has improved service delivery to the residents of Kapenguria Municipality as well as provided an opportunity for the residents to engage in entrepreneurship hence improving their economic status , therefore value for money has been achieved. The Board has also invested in projects that bring returns in terms of revenue collection that include markets stalls. Other projects implemented has had a lot of impact on the traders in terms of them having an opportunity to do their business in a conducive environment, access to their business location has also been enabled through construction of access road.

Challenges and recommended way forward.

Challenges

- Shortage of technical staff especially Quantity surveyors, Engineers and Architects. The department depend on staff from public works department.
- Inadequate funding. There is need to adopt the funding criteria to the Municipality as per the PFM act section 175 which provides clear criteria for Budget and budget process for urban areas or cities.

Recommendations

There is need to employ technical staff that include Quantity surveyors, engineers, architects, clerk of works among others to assist in project design and supervision.

There is also need to allocate enough funds to the board by the County assembly and Executive as per the transferred functions. The executive to also transfer the board's allocation to its bank accounts for easy accountability and reporting.

There is need to adopt the funding criteria to the Municipality as per the PFM act section 175 which provides clear criteria for Budget and budget process for urban areas or cities.

In regard to the future outlook for the Municipality the board intends to implement the roll over projects which include the ongoing construction of recreational park at Makutano and spearhead the completion of fire station as well as implement the 2023/2024 budget as appropriated by the County assembly. In the 2023/24 F/Y Kapenguria Municipality has been allocated Kshs. 18,500,000.00 for recurrent and Kshs. 10,000,000.00 for development. Key project and activities to be implemented includes maintenance of strategic access roads, completion of the Municipality Spatial plan, completion of by- Laws, review the IDeP among others. The entity also expects to receive KUSP conditional grants from World Bank and this will in a long way to support infrastructural development of the Municipality in areas such as solid waste management, Connectivity and storm water drainage, Fire and disaster management among others.

Conclusion

The Municipality is keen on enforcing fiscal responsibility principles with major focus on economy, efficiency and effectiveness in the implementation of all its programmes. The funds received during the year under review were used for their eligible intended purposes and have been duly accounted for.

Finally, I take this opportunity to thank West Pokot County government for its support which gave the board a helping hand to ensure it achieves its key mandate to make Kapenguria a model Municipality in service delivery in Kenya. Am also grateful the Municipal board members and staff to their unparalleled support during the 2022/23 financial year, their teamwork led to the implementation of key programmes and activities within the Municipality.



.....
Name: Eritom Joseph Limo
Municipality Manager

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

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a County Government entity shall prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board including a statement of the county government entity's performance against predetermined objectives. The key development objectives of the Kapenguria Municipality in the 2022/2023 financial year plan is to:

- a) Provide quality physical infrastructure.
- b) Urban planning.
- c) Urban governance and administration
- d) Urban Social and Economic Infrastructure

The Municipality of Kapenguria is currently implementing the County Integrated Development Plan (CIDP) 2018-2022 and it's Municipal Integrated Development Plan (IDeP) 2019-2024. The plan outlines programmes and projects aimed at fostering vibrant resilient communities and making investments that transform lives by enhancing our delivery of comprehensive interventions; supporting the wellness in our communities so as to drive the Municipality social economic transformation so as to accelerate the realization of quality and equitable development for the residents of the Municipality. The IDeP summarizes details, plans and the projects as identified by the local people to address specific and strongly expressed issues and challenges during the municipality - community public participation meetings. The IDeP addresses issues based on the following sectors: Agriculture, Water Services; Health and Sanitation Services Sector; Energy, Environment and Natural Resources Sector; Public Service, decentralized Services and Disaster Management Sector; Tourism, Trade and Industry Sector; Roads, Housing and Education Sector

The strategic plan's underlying goals are summarized as follows

- Develop special development framework which must include the provision of basic guidelines for land use management system for the municipality
- Develop Municipality investment plans which will ensure its viability and sustainability in service provision

- Identify potential area for urban development based on land suitability and other factors.
- Analyse present and future (5, 10, 20 years) housing needs/market, stock, conditions and recommend strategies for land acquisition, distribution of land and housing in future
- Develop Land Use plan and recommend bye-laws for the construction of building and other infrastructures which include; Residential zone, Institutional zone, Industrial hub, Airport/Airstrip zone, Sport facilities, Urban expansion zone, Stream/river banks zone, Green zone, Apartment housing, Petrol pump/Electric line/Cinema theatres etc

The CIDP and The IDeP are implemented yearly through preparation of Municipal Annual Development Plan (ADP), which extracts from CIDP and IDeP the development proposals, projects and programmes for the fiscal year. The ADP progress is monitored using quarterly and Annual Progress Reports.

Kapenguria Municipality Strategic Development Objectives

The County's 2018-2022 CIDP and the Municipal IDeP highlights key strategic development objectives. Broadly, these objectives were identified through a participatory process that reviewed the development priorities of the Governor's Manifesto, the National Government's Bottom up model, SDGs and the MTP III.

The strategic objectives are a synthesized product of the afore-mentioned planning frameworks that amalgamate the thematic focus and development aspirations in these policy frameworks.

The key development objectives of Kapenguria Municipality IDeP 2019-2024 and County's 2018-2022 CIDP are to:

- a) Improve business environment and security
- b) To ensure controlled sustainable urban development
- c) To ensure proper solid waste management
- d) Develop special development framework which must include the provision of basic guidelines for land use management system for the Municipality
- e) Develop Municipality investment plans which will ensure its viability and sustainability in service provision

Progress on attainment of Strategic development objectives

The CIDP and IDeP contains flagship projects, which were identified through public participation and various stakeholder engagements. Below is a status update of flagship projects for Kapenguria Municipality.

The department continues to plan for and fund high priority capital asset projects that address infrastructure and improvement of livelihoods through controlled urban development, safe business environment, and proper solid waste management. The department also continues to construct new tarmac roads as well as market stalls to ensure effective delivery of services to the residents of Kapenguria Municipality

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Provide quality physical infrastructure	To develop and maintain roads so as improve connectivity	Increased efficient transportation of people, goods and services	Kms of roads road tarmacked	For 2022/2023 F/Y 11.7 Km urban road was constructed and in use
Urban Social and Economic Infrastructure	To provide a recreational area for the residents to hold their social activities.	Increased number of social events done Increased business opportunities for shoe shiners	One completed recreational park	During 2022/2023 F/y ongoing construction of recreational park and purchase of 15 market stalls.

8. Corporate Governance Statement

Existence of Municipal Charter

In exercise of the powers conferred by section 9 (1) of the Urban Areas and Cities Act, (No. 13 of 2011) as complemented by section 72 of the Interpretations and General Provisions Act (Chapter 2) and all other enabling provisions of law, the Governor of West Pokot County granted the Municipality of Kapenguria this Municipal Charter on 29th June 2018. The following key features is elaborated in the charter

Board Meetings

The Board of the Municipality of Kapenguria holds its sittings to transact the business of the Board once every three months. The Chairperson of the Board of the Municipality of Kapenguria may, and upon request in writing by at least one-third of the members of the Board of the Municipality of Kapenguria shall, convene a special meeting to transact any urgent business of the Board of the Municipality of Kapenguria. All regular meetings of the Board of the Municipality of Kapenguria called for transacting public business, where a majority of the members elected are present, shall be open to the public.

A majority of the members of the Board of the Municipality of Kapenguria is a quorum to conduct business, but a smaller number may meet and compel attendance of absent members as prescribed by Board of the Municipality of Kapenguria Rules. A member of the Board of the Municipality who is interested in any discussions or decision-making regarding any subject or transaction under consideration by the Board, shall not be counted as participating in the discussions or decision-making, and is not entitled to vote on or agree to the subject or transaction relating to it.

Role and functions of the board

Subject to the Constitution and any other written law, the Board of the Municipality is mandated, within the boundaries of the Municipality of Kapenguria performs the following functions

- (a) Exercise executive authority as delegated by the Governor of the County of West Pokot;
- (b) Ensure provision of services to its residents;
- (c) Impose such fees, levies and charges as may be authorized by the County Government for delivery of services by the Municipality;

- (d) Promote constitutional values and principles;
- (e) Ensure the implementation and compliance with policies formulated by both the National and County Government;
- (f) Make By-laws or make recommendations for issues to be included in By-laws;
- (g) Ensure participation of the residents in decision making, its activities and programmes; and
- (h) Exercise such other powers as may be delegated by the Governor of the County of West Pokot.

Process of appointment and removal of Board Members

Each member of the Board of the Municipality of Kapenguria shall have the following qualifications¹:

- (a) In case of the Chairperson, holds a minimum of a degree; while for any other member, holds at least a minimum of a diploma from an institution recognized in Kenya;
- (b) Has a distinguished career in a medium level management position in either the private or public sector;
- (c) Holds at least ten years post-qualification professional experience in case of the Chairperson, while in case of any other member, at least five years post-qualification professional experience;
- (d) Satisfies the requirements of Chapter six of the Constitution of Kenya 2010;
- (e) Is ordinarily resident or has a permanent dwelling in the Municipality of Kapenguria; and
- (f) Carries on business or has lived in the Municipality of Kapenguria for at least five years.
- (g) A person shall not be appointed a member of the board the Municipality of Kapenguria if that person :
 - (1) Is an un-discharged bankrupt;
 - (2) Has been removed from office for contravening the Constitution or any other law;
 - (3) Is not a citizen of Kenya; or
 - (4) Has in the conduct of his or her affairs not met any statutory obligations.

A member of the Board of the Municipality of Kapenguria shall cease to hold office if the member;

- (a) Is unable to perform the functions of the office by reason of mental or physical infirmity;
- (b) Is declared or becomes bankrupt or insolvent;
- (c) Is convicted of a criminal offence and sentenced to a term of imprisonment of six months or more;
- (d) Resigns in writing to the County Governor;
- (e) Without reasonable cause, the member is absent from three consecutive meetings of the Board or Committee of the Board of the Municipality of Kapenguria within one financial year;
- (f) Is found guilty of professional misconduct by the relevant professional body;
- (g) Is disqualified from holding a public office under the Constitution;
- (h) Fails to declare his or her interest in any matter being considered or to be considered by the Board or Board Committees;
- (i) Engages in any gross misconduct; or
- (j) Dies.

Remuneration of the Board

The members of the Board of the Municipality of Kapenguria are not be entitled to a salary. However, members of the Board are paid allowances as advised by the Salaries and Remuneration Commission

9. Management Discussion and Analysis

a) Resource Envelope

The entity received its revenues mainly from the allocation by the County executive and conditional grants through Kenya Urban Support programme (KUSP) as shown below;

Table 1: Resource Envelope

Description	Development (Kshs.)	Recurrent (Kshs.)	Total Amount (Kshs.)	%
Allocation by the County Government	10,000,000.00	25,134,000.00	35,134,000	46
Conditional allocation(Kenya Urban Support Programme)	1,194,559.32	1,145,355.56	2,339,915	3
Balance brought forward from 2021/2022F/Y(KUSP)	39,089,722.50	14,246.00	39,103,969	51
Total	50,284,281.82	26,293,601.56	76,577,883	100

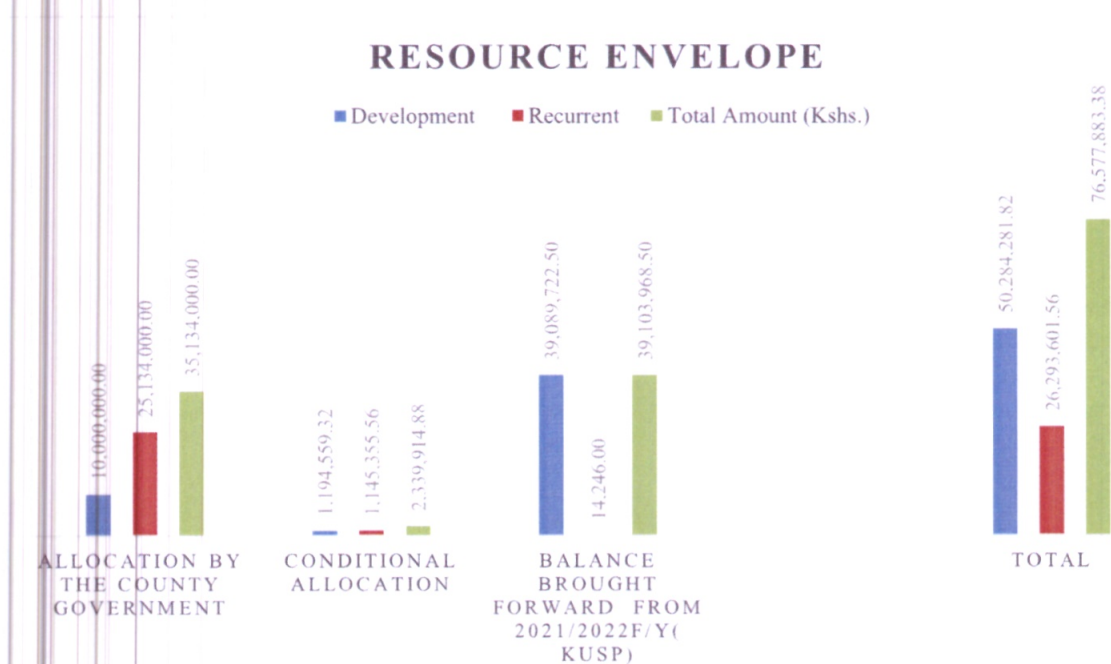


Figure 4: Resource Envelope

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b) Budget performance

Out of the total projected revenues, the entity received 100% of its budget as shown below;

Table 2: Budget Performance

Revenue Classification	Budget Amount (Kshs.)	Actual Amount received (Kshs.)	% Realization
Transfers from Other Government Entities (Both County allocation and Conditional Grants) Development	11,194,559.32	11,194,559	100
Recurrent Expenditure	26,279,355	26,279,356	100
Balance brought forward (Development)		39,089,723	
Balance brought forward (Recurrent)		14,246.00	
Total	37,473,915	76,577,883	

The entity had a total budget of KShs. 37,473,915 which included both the County allocation and the conditional grants under KUSP (KShs. 2,339,914.88). The balance brought forward from the previous year was Kshs. 39,103,969 as shown in the table (3) below.

The conditional grants were transferred to the boards' bank account while the county allocation were expended at County treasury, the Municipal manager being the accounting officer.

In FY2022/2023 Kapenguria Municipality realized overall absorption rate of 75% percent for both recurrent and development as shown below

Table 3: Budget Performance

VOTE HEAD	Amount received (Kshs.)	Balance B/F	Total	Actual Expenditure (Kshs.)	Absorption %
Development	11,194,559	39,089,723	50,284,282	31,690,277	63%
Recurrent	26,279,356	14,246.00	26,293,602	25,934,660	99%
Total	37,473,915	39,103,968	76,577,883	57,624,937	75%

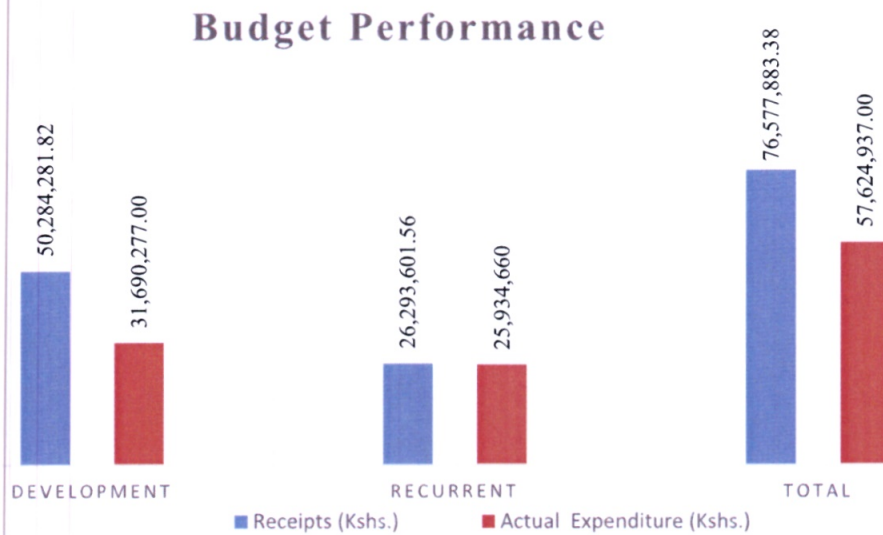


Figure 5: Budget Performance

c) Municipality Expenditure Analysis

The total expenditure for the financial year 2022/2023 amounted to **Kshs 57,624,937** for both infrastructural development and recurrent expenditures as indicated in Figure 5.

d) Cash Flow Analysis

During FY2022/2023 the department received allocation from the County Government amounting to KShs. 35,134,000 and conditional grants through KUSP of KShs. 2,339,915, while Kshs. 39,103,969 were balance brought forward from the previous year. The KUSP funds were transferred to the entity’s bank while the County allocation were expended through IFMIS and in this case the Manager approved the payments. The funds received were utilized to acquire assets as well as run the operational activities of the Municipality. The entity received all of its allocation though the conditional Grants were available towards the end of the financial year.

e) Fixed Assets

The PPE acquired during the period under review amounted to Kshs. **31,690,277**. The Municipality has developed a system of internal accounting controls designed to provide reasonable assurance to safeguard assets against loss from unauthorized use. It also provides reliable records for preparing financial statements and maintaining accountability for assets via the Asset Register.

f) Operational Performance

For seamless service delivery departments has worked towards achieving operational efficiency. Below is a summary of some key outcomes of activities over the period under review:

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DEPARTMENT	SECTOR PERFORMANCE
Urban Development	<ul style="list-style-type: none">• Constructed and maintained 11.7 Km road within Kapenguria Municipality to enable traders transport their produce and products to the main town.• Ongoing construction of a recreational Park in Makutano Township where the residents of the Municipality will have space to relax and carry out their social events.

10. Environmental and Sustainability Reporting

1. Sustainability strategy and profile

Kapenguria 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 sustainable development, partnership pillars: putting the residents/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

The Kapenguria Municipality with the support of State Department of Housing & Urban Development (SDHUD) has actively sought partnerships with the National Government and others in a bid to increase grants and donations and this has led to signing of Intergovernmental Participation agreement between the National Government and County Government of West Pokot to support infrastructural activities Kapenguria Municipality. The Municipality has also mapped new revenue streams to increase its source revenue collection. During the year under review 70 units of market stalls were completed and given out to traders to start their business. We realize that funds from the grants and other government entities will not be sufficient to achieve the objectives of our Integrated Development Plan (IDeP) and CIDP therefore, we seek to economically empower our people by actively investing in infrastructure that will benefit the Municipality residents through engaging in trading (such infrastructure include construction and paving of market stalls). This will also be a source revenue collection.

2. Environmental performance

Kapenguria Municipality has in place a Solid Waste Management Policy that has assisted the public and the institutions involved to be 7R oriented society by Reducing; Rethinking; Refusing; Recycling; Reusing; Repairing; and Refilling their waste. The policy has also provided framework to address solid waste problems and ensures at achieving zero waste generation. The policy has further ensured that the Municipality in collaboration with other stakeholders is able to sustain the provision of adequate quality services in solid waste management and establish appropriate response to solid waste challenges. In conjunction with department of Environment, we have developed Environmental Rules and Regulations, which include Noise Regulations among others and this has led to reduction in loud noise, unnecessary or unreasonable noise to ensure health and safety of the others. An environmental expert was employed and deployed to the Municipality during the year under review.

3. Employee welfare

Employee welfare is a critical component for unified service delivery. Kapenguria Municipality is very committed in ensuring that the welfare of all its employees is catered for by providing a favourable working environment. During the 2022/2023 financial year and with the stewardship of the County Public Service board and the HR department the following key issues were achieved towards staff welfare:

- Provision of full medical cover for staff and their dependents as well as capacity building through trainings and workshops both internally and at the Kenya School of Government.
- Purchased office furniture, computers and its accessories.
- Procured working tools including Wheelbarrows, *Jembes*, Spades, Rakes so as ensure that staff working in our municipality use the right items to ensure their safety.
- Result Based Management / Performance management System is key in ensuring staff perform their work and are rewarded accordingly. In this regard the department ensured staff were appraised through systematic staff performance appraisal system where staff participates through work planning, target setting and execution, feedback and reporting. During the year under review, the staff were appraised using a scale to indicate the level of performance and those who performed exemplary were rewarded through commendation letter among other recognitions.

4. Market place practices

a) Responsible competition practice.

The Kapenguria Municipality applies the principles of public procurement as espoused in the Public Procurement and Asset Disposal Act, 2015; fairness, competitiveness, integrity, professionalism, transparency and accountability, promotion of local industry, promotion of citizen contractors and maximization of value for money.

The County uses the Public Procurement and Regulatory Authority market price index and its own market survey to assure competitive prices of procured goods, works and services. In compliance with achieving affirmative action as provided by the Constitution under Articles 55 and 56 and as enacted in the Public Procurement and Asset Disposal Act, 2015 Sections 155,156,157 & 158, the County reserves 30% of its procurement budget to Youths, Women and Persons Living with Disability. Furthermore, the department prepares and submits the reports to Public Procurement and Regulatory Authority Quarterly and bi-annually as required under the Act and Executive Order no. 2/2018.

b. Responsible Supply chain and supplier relations

The Municipality applies the procurement methods that ensure promotion of local industry through Request for Quotations and Open County Specific Tenders. In accordance, as provided in the first schedule of the

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Act, the threshold matrix guides all other procurement for adoption for each procurement, which is included in a procurement plan and approved by the accounting officer.

Kapenguria Municipality continued to sensitize its residents on various policies including Solid Waste Management Policy, draft Kapenguria Municipality By-Laws, and Budgetary Process, monthly cleaning services, Urban Integrated Development Plans. This has been done through Public Meetings and Radio Talk shows. The engagement has provided the residents of Kapenguria Municipality an opportunity to bring out their views in respect to laws as well as infrastructural programmes hence ensuring ownership by the citizens

11. Report of the Municipality Board Members

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

Principal activities

The principal activities of the Municipality are to provide efficient and effective services to the residents of Kapenguria Municipality so as to improve their livelihoods

Performance

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

Board Members

The members of the Board who served during the year are shown on page Viii. The changes in the Board were made during the financial year where the whole board was replaced by a new board which was inaugurated on 2nd May 2023. The mandate of the old board (as listed below) came to an end on 1st May 2023.

S/No	Position	Name
1	Board chairperson	Benson Ririmpoi
2	Board vice chair	Selina Lodengo
3	Board Member	Augustine Lotodo
4	Board Member	Linus Losialima
5	Board Member	John Tulel
6	Board Member	Mercy Achokor
7	Board Member	Obadiah Koech
8	Board Member	Zakaria Odero
9	Board Member	Philip Magal

Auditors

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

By Order of the Board



.....
Name: Joseph Eritom
Secretary of the Board

12. Statement of Management's Responsibilities

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

The Municipality Manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30, 2023, and the financial position as at that date.

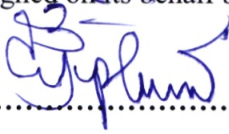
The Municipality Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Municipality Manager to indicate that the City/Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Municipal financial statements were approved by the Board on 25/09 2023

and signed on its behalf by:



.....

Name: David Yator Kiptum

Chairperson of the Board



.....

Name: Joseph Eritom

Accounting officer of the Board

REPUBLIC OF KENYA

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HEADQUARTERS
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Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF KAPENGURIA 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Municipality of Kapenguria 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, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Municipality of Kapenguria as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities (Amendment) Act, 2019 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.22,121,977 which includes deposits and suspense account balance of Kshs.3,169,030, as disclosed in Note 11 to the financial statement. However, the amount is held in an account which does not belong to the Municipality Board. In addition, cash books and bank reconciliation statements were not provided for audit review.

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

2. Unsupported Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.3,169,030 as disclosed in Note 13 to the financial statements. The balance relates to retention money owed to various contractors. The details of the payables including the payees, contracts dates and contracts references were however, not provided for audit review.

In the circumstances, it was not possible to confirm the accuracy and completeness of the trade and other payables balance.

3. Unexplained Restatement of Prior Year Balances

The statement of financial performance, statement of financial position, statement of changes in net assets and statement of cash flows reflect restated balances for the financial year 2021/2022. As required by IPSAS 3 paragraph 54, there is however, no explanatory information or Note for the restatement. The explanatory information would include nature of the prior period error, the amount of correction for each financial statement line item, 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.

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

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

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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue and total expenditure budget amounts of Kshs.26,279,356 and Kshs.47,172,804 respectively, resulting to an unbalanced budget by Kshs.20,893,448. Further, the statement reflects total revenue and total expenditure actual amounts of Kshs.26,279,356 and Kshs.45,944,796 respectively resulting to over-expenditure of Kshs.19,665,440. The Management has however, not explained how the over-expenditure was to be funded and how the resultant actual over-expenditure was funded.

The Board did not also prepare budget estimates to be submitted to the County Assembly for approval as required by law.

Consequently, it was not possible to ascertain the performance of the Board without an approved budget. The funding of the over-expenditure has also not be explained.

My opinion is not modified in respect of this matter.

Other Matter

Unresolved Prior Year Audit Matters

The audit report for the year ended 30 June, 2022 highlighted several issues under the report on financial statements. Although the Management has indicated in the report on progress of follow up of auditor's recommendations that the matters were resolved immediately, the actual status of the matters will be confirmed after they are discussed

by the respective committees of the Senate and the County Assembly. Thus, the issues are yet to be resolved.

Other Information

The Management is responsible for the other information set out on page iii to xliv which comprise of Key Entity Information and Management, Municipality Board, Key Management Team, Municipality Board Chairperson's Report, Report of the Municipality Manager, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Municipality Board Members and Statement of Management Responsibilities.

The other information does not include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the other information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Irregular Extension of Contract Period

During the year under review, the Management made payments totalling Kshs.21,723,726 to a local contractor for the proposed recreation park and purchase of three (3) storage containers for Municipality Board. The project completion date was 14 February, 2023 but was extended by five (5) months to 14 July, 2023. The contract period was further extended by four (4) months ending on 14 November, 2023. There was however no approval of extension by the tender evaluation committee and certificate of the tenderer justifying the extension of the period.

The contract period was initially seven (7) months and was extended by a cumulative period of nine (9) months or 129% of the original contract period, contrary to Section 139(2)(a) of the Public Procurement and Asset Disposal Act, 2015 which provides that an accounting officer of a procuring entity, on the recommendation of an evaluation committee, may approve the request for the extension, which request shall be accompanied by a certificate from the tenderer making a justifications for such extension or contract period.

In addition, at the time of audit in November, 2023, the contractor was not on site and the project was incomplete.

In the circumstances, Management was in breach of the law and value for money for fund expended on the construction of the recreational park could not be confirmed.

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 and based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

The audit was conducted in accordance with the International Standards for 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 the 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Municipality's ability to continue to sustain services disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Municipality or 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 March, 2024

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

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

Description	Note	2022-2023	2021-2022	2021-2022- Restated
		Kshs.		Kshs.
Revenue from non-exchange transactions				
Transfers from the County Government	6	26,279,356	-	-
Total revenue		26,279,356	-	-
Expenditure				
Use of goods and services	7	18,883,361	-	185,776
Board expenses	8	3,000,000	-	-
Depreciation and amortization	9	10,043,630	-	4,887,616
Repairs and maintenance	10	4,051,300	-	-
Total expenses		35,978,291	-	5,073,392
Other gains/losses				-
Surplus/(deficit) for the period		(9,698,935)	-	(5,073,392)

The notes set out on pages 23 to 30 form an integral part of these Financial Statements. The entity financial statements were approved on 25/07/2023 and signed by:

.....


Name: Joseph Eritom
Municipality Manager

.....


Name: Geoffrey Lokong
Head of Finance
ICPAK M/No 27397

NOTE

Change in preparation of the Financial statements from Cash Basis to Accrual Basis

15. Statement of Financial Position as at 30 June 2023

Description	Note	2022-2023	2021-2022	2021-2022-Restated
		Kshs.	Kshs.	Kshs.
Assets				
Current assets				
Cash and cash equivalents	11	22,121,977	-	39,688,820
Total current assets		22,121,977	-	39,688,820
Non-current assets				
Property, plant, and equipment	12	110,294,851	-	88,648,204
Total Non-current Assets		110,294,851	-	88,648,204
Total assets		132,416,828	-	128,337,024
Liabilities				
Current liabilities				
Trade and other payables	13	3,169,030	-	584,851
Total current liabilities		3,169,030	-	584,851
Non-current liabilities		-		
Total liabilities		3,169,030	-	584,851
Net assets		<u>129,247,798</u>	=	<u>127,752,173</u>
Capital/Development Grants/Fund		148,894,938	-	137,700,379
Reserves		-	-	-
Accumulated surplus		(19,647,140)	-	(9,948,206)
Total net assets and liabilities		<u>129,247,798</u>	=	<u>127,752,173</u>

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 25/09 2023 and signed by:

.....


Name: Joseph Eritom
 Municipality Manager

Date: 25/09/2023

Note

Change in preparation of the Financial statements from Cash Basis to Accrual Basis

.....


Name: Geoffrey Lokong
 Head of Finance

ICPAK M/No 27397

Date 25/09/2023

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

Description	Capital/ Development Grants/Fund	Revaluatio n Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2021	121,986,843	-	-	121,986,843
Surplus/(deficit) for the year	(5,073,393)	-	-	(5,073,393)
Funds received during the year	10,838,723	-	-	10,838,723
Revaluation gain	-	-	-	-
Bal as at 30 Jun 2022	127,752,173	-	-	127,752,173
Bal as at 1 July 2022 (current year)	127,752,173	-	-	127,752,173
Surplus/(deficit) for the year	(9,698,935)	-	-	(9,698,935)
Funds received during the year	11,194,560	-	-	11,194,560
Balance as at 30 June 2023	129,247,798	-	-	129,247,798

17. Statement of Cash Flows for the Year Ended 30 June 2023

Description	Note	2022-2023	2021-2022	2021-2022
		Kshs.	Kshs.	Restated Kshs.
Cash flows from operating activities				
Receipts				
Transfers from the County Government	6	26,279,356	-	-
Total Receipts		26,279,356	-	-
Payments				
Use of goods and services	7	(18,883,361)	-	(185,776)
Board expenses	8	(3,000,000)	-	-
Repairs and maintenance	10	(4,051,300)	-	-
Working capital adjustments				
Increase in Payables	14	2,584,179	-	584,851
Net cash flows from operating activities	14	2,928,874	-	399,075
Cash flows from investing activities				
Purchase of PPE & intangible assets	12	(31,690,276)	-	12,095,361
Net cash flows used in investing activities		(31,690,276)	-	(12,095,360)
Cash flows from financing activities				
Receipts from Capital grants	6(a)	11,194,559	-	10,838,723
Net cash flows used in financing activities		11,194,559	-	10,838,723

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Description	Note	2022-2023	2021-2022	2021-2022
		Kshs.	Kshs.	Restated Kshs.
Net increase/(decrease) in cash & cash equivalents		(17,566,843)	-	(857,562)
Cash And Cash Equivalents At 1 July	11	39,688,820	-	40,546,382
Cash And Cash Equivalents At 30 June 2023	11	22,121,977	-	39,688,820

NOTE

*Change in preparation of the Financial statements
from Cash Basis to Accrual Basis*

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

Description	Original budget	Adjustments	Final budget	Actual on	Performance	% of
	Kshs.	Kshs.	Kshs.	comparable basis	difference	utilization
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	25,134,000	1,145,356	26,279,356	26,279,356	-	100%
Public contributions and donations	-	-	-	-	-	0%
Interest income	-	-	-	-	-	0%
Miscellaneous income (<i>specify</i>)	-	-	-	-	-	0%
Total Revenue	25,134,000	1,145,356	26,279,356	26,279,356	-	100%
Expenses						
Use of goods and services	31,846,445	1,131,800	32,978,245	32,978,245	-	100%
Board expenses	3,000,000	-	3,000,000	3,000,000	-	100%
Total Expenditure	34,846,445	1,131,800	35,978,245	35,978,245	-	100%
Surplus for the period	(9,712,445)	13,556	(9,698,889)	(9,698,889)	-	
Capital Expenditure	10,000,000	1,194,559	11,194,559	9,966,551	1,228,008	89%

Notes: During the first supplementary, conditional funds were appropriated

19. Notes to the Financial Statements

1. General Information

Kapenguria Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act. The Municipality is under the West Pokot County Government and is domiciled in Kenya.

The *entity's* principal activity is to provide efficient and effective services to the residents of Kapenguria Municipality so as to improve their livelihood.

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Application of New and revised standards (IPSAS)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and

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Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
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>
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.

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

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

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or

(Notes to financial statements continued)

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Entity* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2022/23 was approved by the County Assembly on 30th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality recorded additional appropriations of Kshs.2, 339,914.88 on 7th December 2022 following the governing body's approval.

The Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis

using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial Statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, Prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 18 of these financial statements.

c) Property, plant and equipment

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

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 cash flows 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

(Significant accounting policies continued)

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

Impairment

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

Financial liabilities

Classification

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

f) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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

(Significant accounting policies continued)

g) Provisions

Provisions are recognized when the Municipality has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Municipality expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

h) Social Benefits

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

i) Contingent liabilities

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

j) Contingent assets

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

(Significant accounting policies continued)

reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

k) Changes in accounting policies and estimates

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

l) Employee benefits – Retirement benefit plans

The Municipality through the County executive provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the County executive on behalf of the Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the Municipality does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to scheme obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefits are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions

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

(Significant accounting policies continued)

n) Borrowing costs

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

o) Related parties

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

p) 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.

q) Comparative figures

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

(Significant accounting policies continued)

r) Events after the reporting period

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

Two types of events can be identified:

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

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

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

s) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made.

Estimates and assumptions.

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

Useful lives and residual values

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

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

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(Notes to the Financial Statements)

6. Transfers from the County Government

Description	2022-2023	2021-2022	2021-2022 Restated
	Kshs.		Kshs.
Transfers from County Govt. – Recurrent	1,145,356	-	
Payments by County on behalf of the entity	25,134,000	-	-
Total	26,279,356	-	-

NOTE

Change in preparation of the Financial statements from Cash Basis to Accrual Basis

(a) Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognize d to Statement of financial performa nce*	Amount deferred under deferred income	Amount recognise d in capital fund.	Total grant income during the year	2021- 2022	2021-2022- Restated
	Kshs	Kshs	Kshs	Kshs		Kshs
West Pokot County Governm ent	26,279,356	-	11,194,559	37,473,915	-	10,838,723
Total	26,279,356		11,194,559	37,473,915	-	10,838,723

NOTE

*Change in preparation of the Financial statements
from Cash Basis to Accrual Basis*

County Government of West Pokot
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(Notes to the Financial Statements Continued)

7. Use of Goods and Services

Description	2022-2023	2021-2022	2021-2022- Restated
	Kshs.	Kshs.	Kshs.
Utilities, supplies and services	331,500	-	183,280
Communication, supplies and services	7,999,988	-	-
Domestic travel and subsistence	6,837,850	-	-
Training expenses	742,600	-	-
Fuel, oil and lubricants	2,968,732	-	-
Bank Charges	2,691	-	2,496
TOTAL	18,883,361	-	185,776

NOTE

Change in preparation of the Financial statements
 from Cash Basis to Accrual Basis

8. Board expenses

Description	2022-2023	2021-2022	2021-2022- Restated
	Kshs.	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-	-
Sitting allowances	1,464,100.00	-	-
Induction and Training	1,535,900.00	-	-
Total	3,000,000.00	-	-

9. Depreciation and amortization

Description	2022-2023	2021-2022	2021-2022- Restated
	KShs		KShs
Property, plant and equipment	10,043,630	-	4,887,616
Total depreciation and amortization	10,043,630	-	4,887,616

NOTE

Change in preparation of the Financial statements from Cash Basis to Accrual Basis

10. Repairs and Maintenance

Description	2022-2023	2021-2022	2021-2022- Restated
	KShs	Kshs	KShs
Motor vehicle expenses	4,051,300.00	-	-
Total repairs and maintenance	4,051,300.00	-	-

NOTE

*Change in preparation of the Financial statements
 from Cash Basis to Accrual Basis*

11. Cash and cash equivalents

Description	2022-2023	2021-2022	2021-2022-Restated
	Kshs.		Kshs.
Current account	22,121,977	-	39,688,820
Total cash and cash equivalents	22,121,977	-	39,688,820

NOTE

*Change in preparation of the Financial statements
 from Cash Basis to Accrual Basis*

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

Financial institution	Account number	2022-2023	2021-2022	2021-2022- Restated
		Kshs.	Kshs	Kshs.
a) Current account		-	-	-
Kenya Commercial bank	1259776840	18,559,250	-	39,089,723
Kenya Commercial Bank	1259776697	26,417	-	14,246
Transfers to CRF	-	367,280		-

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Financial institution	Account number	2022-2023	2021-2022	2021-2022- Restated
		Kshs.	Kshs	Kshs.
WPC- Deposit and Suspense A/c- Retention	1164634089	3,169,030		584,851
Sub- total		22,121,977		39,688,820
Grand total		22,121,977		39,688,820

NOTE

*Change in preparation of the Financial statements
from Cash Basis to Accrual Basis*

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(Notes to the Financial Statements Continued)

12. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Road Infrastructure (Asphalt)	Road Infrastructure(Grave)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs		Shs	Shs
As at 1 July 2021 (previous year)	-	14,954,142	13,000,000	4,490,650	2,999,000	-	3,155,855	47,728,430	86,328,077
Additions	-	-	-	-	-	-	-	12,095,360	12,095,360
Disposals	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-
As at 30 th June 2022	-	14,954,142	13,000,000	4,490,650	2,999,000	-	3,155,855	59,823,790	98,423,437
Additions for the year	-	-	-	-	-	51,560,138	-	31,690,276	83,250,415
Disposals for the year	-	-	-	-	-	-	-	(51,560,138)	(51,560,138)
Transfer/adjustments	-	-	-	-	-	-	-	-	-
As at 30 th June 2023 (current year)	-	14,954,142	13,000,000	4,490,650	2,999,000	51,560,138	3,155,855	39,953,928	130,113,714
Depreciation and impairment	-								
At 1 July 2021 (previous year)	-	1,495,414	1,300,000	561,331	899,700		631,171	-	4,887,616
Depreciation	-	1,495,414	1,300,000	561,331	899,700		631,171	-	4,887,616
Impairment	-	-	-	-	-	-	-	-	-

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Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Road Infrastructure (Asphalt)	Road Infrastructure(Grave)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs		Shs	Shs
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-
As at 30 June 2022	-	2,990,828	2,600,000	1,122,663	1,799,400		1,262,342	-	9,775,233
Depreciation for the year	-	1,495,414	1,300,000	561,331	899,700	5,156,014	631,171	-	10,043,630
Disposals for the year	-	-	-	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-
As at 30th June 2023(current year)	-	4,486,243	3,900,000	1,683,994	2,699,100	5,156,014	1,893,513	-	19,818,863
	-								
NBV as at 30 th Jun 2022 (previous year)	-	11,963,314	10,400,000	3,367,988	1,199,600	-	1,893,513	59,823,790	88,648,204
NBV as at 30 th Jun 2023 (current year)	-	10,467,899	9,100,000	2,806,656	299,900	46,404,125	1,262,342	39,953,928	110,294,851

Brief description of WIP

WIP:

1. Construction of Fire station
Kshs. **8,263,652**
2. Construction of recreation park
Kshs. **21,723,726**

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3. Maintenance and Improvement of Urban
Roads Kshs. **9,966,550**

NOTE

*Change in preparation of the Financial
statements from Cash Basis to Accrual Basis*

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(Notes to the Financial Statements Continued)

13. Trade and other payables from exchange transactions

Description	2022-2023		2021-2022		2021-2022- Restated	
	Kshs.		Kshs.		Kshs.	
Retentions	3,169,030		-		584,851	
Total trade and other payables	3,169,030		-		584,851	
Ageing analysis:	2022-2023	% of the Total	2021-2022-	% of the Total	2021-2022- Restated	% of the Total
Under one year	3,169,030	100%	-	-	-	0%
2-3 years	-	0%	-	-	584,851	100%
Total	3,169,030	100%	-	-	584,851	100%

NOTE

Change in preparation of the Financial statements from Cash Basis to Accrual Basis

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(Notes to the Financial Statements Continued)

14. Cash generated from operations

Description	2022-2023	2021-2022	2021-2022- Restated
	Kshs.	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	(9,698,935)	-	(5,073,392)
Adjusted for:			
Depreciation	10,043,630	-	4,887,616
Gains/ losses on disposal of assets	-	-	-
Working capital adjustments			
Increase in Payables	2,584,179	-	584,851
Net cash flow from operating activities	2,928,874	-	399,075

NOTE

Change in preparation of the Financial statements from Cash Basis to Accrual Basis

(Notes to the Financial Statements Continued)

15. Related party balances

a) Nature of related party relationships

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

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

16. Appendices

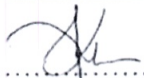
Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Presentation of the Financial statements The 2021/22 financial statements were prepared on International Public Sector Accounting Standard (IPSAS) Cash basis reflecting only the World Bank Funding under KUSP instead of IPSAS accrual basis incorporating all the sources of funding and expenditure of the Municipality	The board will correct this in the 2022/23 Financial year when preparing its report and Financial statements. The Board prepared its Financial Statements on Accrual basis in 2022-2023 Financial Year.	Resolved	30 th June 2023
2	Expenditure on behalf of the Municipality of Kapenguria board The Municipality of Kapenguria was allocated Kshs. 48,224,084 and Kshs.	The board has taken an initiative by ensuring the Municipal Manager is the accounting officer of all the funds of the Municipality and that all expenditures are	Partly resolved	30 th June 2025

County Government of West Pokot
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>21,184,000 for development and recurrent expenditures respectively totalling to Kshs. 69,408,000. However the funds were not transferred to the Municipality bank account but were instead spent at the County executive leading to non-disclosure of receipts and expenditures</p>	<p>approved by the Municipal Manager. During the 2022/23 F/Y all expenditures in relation to the Boards' allocation were approved by the Municipal Manager. The board also prepared its Financial statement for 2022-23 F/Y on IPSAS accrual and has incorporated revenues from the County allocation and grants. On the transfer of the allocated funds the Board has discussed the same with the CECM of Finance and Economic Planning and it was agreed that the transfer will be done during the 2024/25 F/Y</p>		




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 To be signed by the Accounting officer of the Entity

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Appendix 2: Inter Entity Transfers

MUNICIPALITY NAME: KAPENGURIA MUNICIPALITY					
Breakdown of Transfers from the County Executive of West Pokot County					
	FY 2022/2023	Bank Statement Date	Amount (Kshs.)	The FY to which the amounts relate	
a.	Recurrent Grants				
	Kenya Urban Support Programme	05/06/2023	1,145,356	2022/2023	
	Total		1,145,356		
b.	Development Grants				
	Kenya Urban Support Programme	30/05/2023	1,194,559	2022/2023	
	Total		1,194,559		
c.	Direct Payments				
	Expenditures paid through IFMIS(Recurrent)		25,134,000	2022/2023	
	Expenditures paid through IFMIS(Development)		10,000,000	2022/2023	
	Total		35,134,000		
	TOTAL		37,473,915		

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


Tom Ekanem
County Executive

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