

REPUBLIC OF KENYA

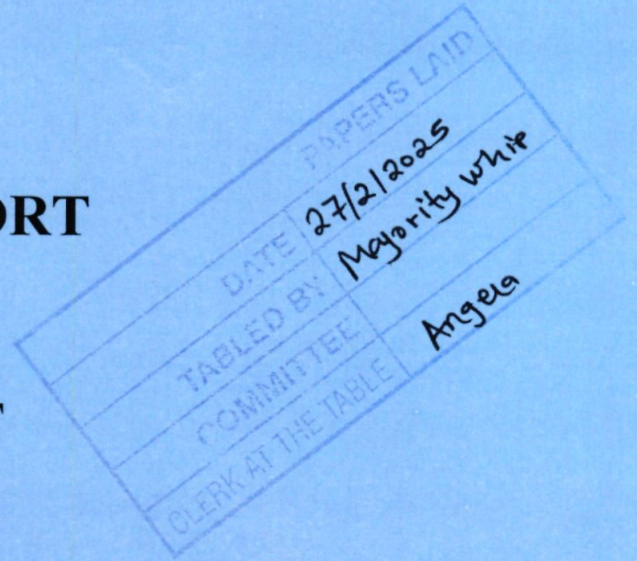


OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*



**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**KERUGOYA/KUTUS MUNICIPALITY**

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



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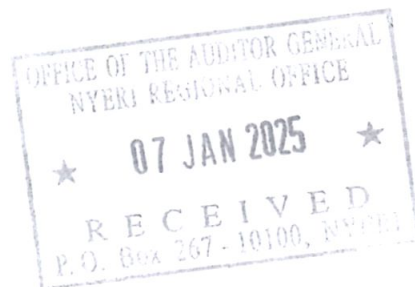
# KERUGOYA /KUTUS MUNICIPALITY

*County Government of Kirinyaga*

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2023

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



**1. Acronyms and Definition of Key Terms**

**A. Acronyms**

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act

**B. Definition of Key Terms**

**Fiduciary Management** - Members of Management directly entrusted with the entity's financial resources.

**Comparative Year**- Means the prior period.

## 2. Key Entity Information and Management

### a) Background information

Kerugoya/Kutus Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Municipal Charter on 27<sup>th</sup> June 2018. The Municipality is under the County Government of Kirinyaga and is domiciled in Kenya.

### b) Principal Activities

The principal activity of the Municipality is to provide efficient and accountable management of the affairs of the Municipality through provision of Governance mechanism that will enable the inhabitants to:

- i) Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations.
- ii) Ensure public resources and authority are utilised or exercised to their satisfaction.
- iii) Enjoy efficiency in service delivery.

### c) City/Municipality Board

Ref	Position	Name
1.	Chairman of the Board	Elijah Kimani Mutuango
2.	County Executive Committee Member responsible for Cities and Urban areas.	Rev. Samuel Kanjobe
3.	Vice Chairperson	Getrude W. Gatonye
4.	Board Member	Christine Wanjiru
5.	Board Member	Dickson K. Muriithi
6.	Board Member	Margeret W. Muriithi
7.	Board Member	John Kabui
8.	Chief Officer responsible for Cities and Urban areas.	John N. Makumi
9.	Municipality Manager	CPA Paul M. Muchira

**d) Key Management**

Ref	Position	Name
1	Municipality Manager	CPA Paul M. Muchira
2	Finance and Budget	CPA Naftaly M. Muikia
3	Stategy, Communication and Liason	Jemimah W. Mugo
4	Municipality Economist	Brian K. Gitei
5	Enforcement and Compliance	Martin N. Mugo
6	Accountant	Sylvia W. Muli
7	Urban Planner	Frinah Wambui
8	ICT	Isaiah Mwangi

**e) Fiduciary Oversight Arrangements**

The Municipality management is oversighted by the audit committee of the County Government of Kirinyaga and County Assembly committee on Physical planning and Urban Development who from time-to-time points on areas that needs improvement for the overall service delivery to residents of the Municipal area.

**f) Registered Offices**

P.O. Box 260 - 10304, Kutus.  
 Municipal Board Offices,  
 County Commissioners' Compound,  
 Kerugoya, KENYA

**g) Contacts**

Telephone: (+254) 0202582237  
 E-mail: info@kirinyaga.go.ke  
 Website: www.kirinyagacounty.go.ke

**h) Bankers**

Kenya Commercial Bank  
Kerugoya Branch.  
P. O. box 90 – 10300  
Kerugoya.  
Tell: 020 2731814  
E-mail: contactcentre@kcb.co.ke

**i) Independent Auditor**

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

**j) Principal Legal Adviser**

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

### 3. Municipality Board

Name	Details of qualifications and experience
1. Elijah Kimani Mutuango	He served as the Chairman of the Board after the demise of Daniel Kimwea, Mutuango was recruited competitively and holds a bachelor's degree in Land Economics.
2. Getrude Wambui Gatonye	She was the Vice Chairperson for the period under review, she holds a bachelor's degree in Urban Planning and was the nominee of Kerugoya women and youth empowerment.
3. Dickson K. Muriithi	Dickson holds a Diploma in ICT and was competitively recruited
4. Christine Wanjiru Muriithi	Christine holds a Diploma in Business Administration and was the nominee for Agricultural Association, PADAGO Dairy Farmers.
5. Margaret Wambui Muriithi	She holds Masters of science in entrepreneurship and a Bachelor's Degree in Education. She was the nominee for Kenya National Chambers of Commerce and Industry (KNCC)
6. John Kabui Mwai	John Kabui is a distinguished member of business community within the Municipality, he holds Masters of Business Administration and Bachelors of business administration. He is the nominee of Kirinyaga Business community and Chambers of Commerce, Kirinyaga Chapter.

7. Rev. Samuel Kanjobe	He is the County Executive Committee Member responsible for Urban development and serves as an ex-official member of the Board. He holds a masters of Arts in Leadership and Bachelor's degree in Divinity.
8. John Ngangu Makumi	John Makumi served as the Chief officer responsible for urban development and an ex-official of the Board. He holds Masters in Project Planning and Management and a Bachelor's degree in Quantity Survey.
9. CPA Paul Muchiri Muchira	He is the Municipal Manager of Kerugoya/Kutus and serves as the Secretary to the Board. He holds a Bachelor's degree in Commerce (Accounting Option) and is a Certified Public Accountant of Kenya.

## 4. Management Team

Name	Details of qualifications and experience
1. CPA Paul Muchiri Muchira	Municipal Manager holds a Bachelor's degree in Commerce (Accounting Option) and is a Certified Public Accountant of Kenya.
2. CPA Naftaly Mwangi Muikia	Finance and Budget specialist with the Municipality holds a B. Com (Accounting) degree from UoN and is a Certified Public Accountant of Kenya (ICPAK) from Strathmore. He has a career spanning 20 years with 16 years in public sector. His main area of responsibility is budgeting, financial operations and financial statements preparations.
3. Jemimah Wanjiku Mugo	She is holds a bachelor's degree in Communication with over 10 years in public sector service
4. Brian Kariuki Gitei	He holds Bachelor of Economics degree with over 5 years' experience in public sector service
5. CPA. Sylvia Wanjira Muli	Accountant holds B.com (Accounting Option) degree from Kabarak University and is a certified public accountant of Kenya. She has 9 years of experience in public sector accounting field.
6. Frinah Esther Wambui	She is a graduate urban planner with over eight years' experience in urban planning.
7. Isaih Mwangi	He is a graduate ICT officer with over 10 years' experience in public sector service.

## **5. Municipality Board Chairperson's Report**

The municipality covers a total area of 70.52 Km<sup>2</sup> with a current population of 99,845 persons. By the year 2030, the population is expected to rise to over 150,000 persons. This results to more demand in social services and physical infrastructure over time to cater for the growing population and urbanization. The municipality has two main densely populated urban areas namely Kerugoya and Kutus. Kutus Urban centre is the County Government headquarters. Other key upcoming urban centres within the municipality includes Kibingo, Mukinduri, Kiamwenja, Karia, Kabare Ithare-ini, Rukenya and Kiamiciri.

The Municipality of Kerugoya/Kutus is fully operational semi-autonomous County Government entity formed under Urban Areas and Cities act 2011 and the respective amendments of 2019. Kerugoya/Kutus Municipal Board is enjoying a lot of Support and collaboration from the County Government of Kirinyaga and the state department of urban development.

It is worth noting the immense support to the municipality through Kenya Urban Support Program (KUSP) to operationalize the Municipality and the continued cooperation between the Municipal and the County Government executive. This enabled the formation of fully chartered municipality and preparation of key important documents to spur economic growth in the municipality.

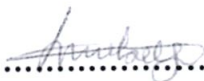
### **Overall assessment of progress**

The Urban Institutional Grant (UIG) from KUSP has gone a long way in assisting the operationalization of the Municipality of Kerugoya/Kutus. Kerugoya and Kutus Urban plans are guiding in sustainable development within the Municipality which will ultimately improve the business environment. The capacity building to County leadership, staff and the county legislature has enriched the management and governance of the Municipality and other County Government institutions, the experiences and lessons learnt from various engagements and training from UIG funds are immense. UIG has been instrumental in the formation of the Municipality of Kerugoya/Kutus, the collaborations, the structures and continued support towards eventual implementation as provided for in the Constitution of Kenya and the Urban Areas and Cities Act number 13 of 2011.

Kerugoya/Kutus municipal board appreciates KUSP and county Executive funding which has definitely opened further county potential. It's worth noting that the fund has really assisted county in core objective of urbanization and improvement of the standard of living of the people of Kirinyaga. The county plans to mainly use the fund to open up stable municipalities within the county for the economic growth of the Kirinyaga County.

**Major problems and bottlenecks.**

1. Financial constraints in designing and planning for the municipality and operationalization of the Kerugoya/Kutus municipality. County Executive has assisted in solving this by seconding staff to the Kerugoya/Kutus Municipal Board. Equally with UIG funding the problem of financial constraint is significantly solved.
2. Inadequate municipal staff. The county government has continuously seconded staff to the municipal Board for the effective operations of the Board.
3. Delay in the release of Urban Development Grant (UDG) of KUSP funds affecting the Work plan. It would be more efficient to implement the UDG work plans with timely fund receipt.
4. Unpredictable weather Conditions especially downpour affecting the project progress.



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**Name: Elijah Kimani Mutuango**

**Chairperson of the Board**

## **6. Report Of the Municipality Manager**

### **Municipality progress Overview and Value for money achievements.**

Kerugoya/Kutus Municipal has done a number of projects since its formation in the financial year 2018/2019 among the major ones been Urban Regeneration and improvement of Kerugoya/Kutus Municipality infrastructural projects. This project consisted of construction of Cabro parking spaces and associated works in Kutus town, upgrading of Kerugoya fresh produce market and construction of Kaitheri apparel factory in Kerugoya town. This project was completed in the period under review and currently under use.

The municipality has also done the construction of Kerugoya town parking spaces, roads walkways and associated works, involved construction of Cabro parking spaces in Kerugoya town at the frontage of Kerugoya Referral Hospital, construction of walkways from Baricho road Junction to Cooperative Bank for Non-Motorized transport and construction of Market stalls for resettling the fruits vendor opposite the referral hospital gate. This project is complete and in use.

In the period under review the Municipality undertook a project for the Construction of fire station at the Livestock market in kutus town. This project was funded through KUSP funds for the FY 2020/2021. The project is still ongoing and is behind schedule. This was occasioned by rationing of UDG funds as the County received partly 25.68% of the budgeted amount. In view of this the County Government has budgeted for the balance to complete the project during this financial year and the project is expected to be complete and operational in the next six months.

UDG implementation is on track except for the Construction of Fire station at the Livestock Market in Kutus which was caused due to rationing of UDG funds by KUSP. To rectify this, the County Government of Kirinyaga has allocated adequate funds to complete the project to its feasible completion during this Financial Year. The project has been rescheduled to compensate the contractor for time the project had been stalled.

On aggregate the UDG projects are 90% complete an indication they are slightly behind schedule. However, we have agreed with the contractors on the need to speed up the project and complete the projects soonest possible.

Both county executive and the municipal board really appreciates the UDG funding and all technical assistant offered by UDD and the World Bank team. However, we appeal for more financial assistant/funding to enhance more economic growth within the municipality. The KUSP funds has really assisted in the formation of Kerugoya/Kutus Municipality and operationalization of the Kerugoya/Kutus Municipal Board.

The UDG has helped implement the first batch of projects on various areas and the projects are already changing lives, improving business environment, enhancing mobility and accessibility, enhancing Walkability, improving visual impacts, improving security, reducing congestion among other benefits. The capacity building to County leadership, staff and the county legislature has enriched the project implementation and outcome. The experiences and lessons learnt from project implementation process will enhance other county projects as it provides best practices to learn from. Financing urban development projects as has been demonstrated by the KUSP – UDG funds informs the budget process post the fund period going forward, KUSP has also been instrumental in the formation of the Municipality of Kerugoya/Kutus, the collaborations, the structures and continued support towards eventual implementation as provided for in the Constitution of Kenya and the Urban Areas and Cities Act number 13 of 2011.

#### **Main achievements of the Municipality**

1. Upgrade of public vehicles parking spaces and walkways (NMTs). This is through Construction of more cabro parking spaces at Kutus and Kerugoya urban centres as well as Non-Motorable Transport (NMTs). This has resulted to Increase of revenue through levy charging of parkings spaces, Investment increase, urban order and tidiness.

2. Building of Kerugoya fresh produce market Sheds to boost trading and economic activities in the municipality. This has created self-employment in the market activities as well as increase in revenue generation to the county government.
3. Improvement of the infrastructure at Kaitheri apparel textile factory in terms of building a storage unit and baby care unit. This will help significantly in the running and successful operations of the factory. The baby care unit will also offer a more conducive working environment for mothers working at the apparel factory.
4. Beautification and regeneration of Kerugoya and Kutus urban centres.
5. Building and Improvement of drainage system.
6. Storm water management and Control.
7. Building of Boda Boda operators Sheds to promote young generation self-employment.
8. Building of the Traders Stalls next to the Kirinyaga County Referral Hospital. This has enhanced job opportunities to the traders as well as increasing the revenue paid by the traders to the county government.
9. Construction of the modern Fire station which is still on going
10. Development of the Kerugoya Kutus Municipal spatial plan which is in progress (95% done) using the UIG funds.
11. Development of the municipality Urban Economic plans.
12. Establishment of the Municipal Board and Operationalization/Equipping of Kerugoya Kutus municipal offices at Kerugoya town.
13. Participating in the Development of the County Spatial Plan
14. Preparation of kerugoya kutus municipal urban plan (Local Physical Development Plans)  
This is at advanced stage in terms of preparation and the consultant is already on site winding up on the plan. The plan is approximately 95% complete.
15. Establishment of a well-furnished municipal offices at Kerugoya town
16. Operationalization of Kerugoya/Kutus municipality in terms of equipping municipal offices and training the municipal Board and staff. At the moment the Municipal board has spacious office building situated at Kerugoya with significantly enough resources for the municipal operations.

17. Secondment of the municipal staff by the county Executive. H. E. the Governor has ensured secondment of six members of the county staff to assist the municipal manager in the operations of the municipal Board.

**Some of the key priorities in the near future.**

1. Completion of the Kerugoya/Kutus Municipal urban plan (Local Physical Development Plans)
2. Further unlock operationalization of Kerugoya/Kutus Municipal Board and equipping the Municipal offices at Kerugoya town.
3. More Training and rebranding of the Municipal Board and staff.
4. Finalization of the development of County Spatial Plan in conjunction with the county executive.
5. Implementation of the Municipal Plans.
6. Diversify on own sources of revenue in partnership with the County Executive and the private sector.
7. Further provision of key utilities to the municipality dwellers among them modern markets, walkways, NMTS etc
8. Storm water management projects.
9. Upgrade of the access roads within the municipality.
10. Solid waste management.
11. Improvement of the urban images.
12. Further unlock on (Private Public Partnership) PPPs for more resources and potential as a Municipality.
13. Equipping of the Fire station.

County Government of Kirinyaga

Kerugoya/Kutus Municipality

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

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Name: CPA Paul Muchiri Muchira  
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 Kerugoya/Kutus Municipality for the Financial year 2022/2023 are to:

- a) Provide quality physical infrastructure.
- b) Urban planning.
- c) Urban governance and administration
- d) Fire and Disaster Management and Control

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Urban planning	To control urban development	To create orderly development in urban areas	Completed Development Plans	In FY under review, we were able to complete two urban plans i.e. IDeP and Municipal Spatial Plan
Quality Physical Infrastructure	Improve the quality of urban infrastructure	Improve on the investment and business environment	Number of developments conforming with rules and regulations governing urban development	We were able to do cabro parking spaces both at Kutus and Kerugoya Urban centres
Fire and disaster	Improve on firefighting	Improve in fire fight and disaster	Firefighting and disaster	We have done a modern fire station in

Program	Objective	Outcome	Indicator	Performance
Management and Control	equipment and apparatus	management	preparedness	Kutus which is 80% complete

## **8. Corporate Governance Statement**

Kerugoya/Kutus Municipal Board is formed in accordance with Urban Areas and Cities Act, 2011 sections 13,14,28,29 and 30 in conjunction with Kerugoya/Kutus Municipal charter Section 3 and 6. Member of the first Municipal Board were recruited and subsequently in the month of June 2018. The second Municipal board members were recruited and subsequently appointed in the month of November 2023. Recruitment and appointment of the Municipal manger was done in September 2018. Therefore, the Municipal Board effectively started its operations in September 2018 with the appointment of the Municipal Manager.

### **Municipal board Operations**

The board operates as per the Urban areas and Cities Act, 2011 under the guidance of Kerugoya/kutus Municipal Charter for its day-to-day operations. The board is comprised of 10 members of which the Municipal Manager is an Ex-official member.

### **Functions of the Municipal Board**

Subject to the provisions of Urban Areas and Cities Act, 2011 Sec. 20 and 21, the Municipal Board shall perform the following functions;

1. Oversee all the affairs of the Municipality.
2. Develop and adopt policies, plans, strategies and programs, and set targets for delivery of Municipal services.
3. Formulate and implement Municipal integrated development plan.
4. Control land use, land subdivision, land development and zoning by public and private sectors for any purpose including industry, commerce, markets, shopping and other employment centres, residential areas, recreational areas, parks, entertainment, passenger transport, agriculture, freight and transit stations within the framework of the spatial and master plans for the Municipality.
5. Promote and undertake infrastructural development and services within the Municipality.
6. Develop and manage schemes including site development in collaboration with relevant National and County agencies.

7. 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 Municipal board.
8. Administer and regulate Municipal internal affairs.
9. Implement applicable National and County legislations.
10. Enter into such contracts, partnerships or joint ventures as it may consider necessary for the discharge of its functions under this Act or other written law.
11. Monitor and where appropriate regulate Municipal services where those services are provided by service providers other than the board of the Municipality.
12. Prepare and submit its annual budget estimates to the County Treasury for consideration and submission to the County Assembly for approval as part of the annual County Appropriation bill.
13. Collet rates, taxes, levies, duties, fees and surcharges on fees within the Municipality.
14. Settle and implement tariff, rates and tax and debt collection policies as delegated by the County Government.
15. Monitor the impact and effectiveness of any services, policies, programmes or plans in the Municipality.
16. Establish, implement and monitor performance management systems.
17. Promote a safe and healthy environment.
18. Facilitate and regulate public transport.
19. Perform such other functions as may be delegated to it by the County Government or as may be provided for by any written law.

## **9. Management Discussion and Analysis**

### **Overview on the operational and financial performance of the Municipality during the period.**

The Municipality of Kerugoya/Kutus undertook the first capital project in the year 208/2019 from funds received from Kenya Urban Support Programme (KUSP). The project name was Urban Regeneration and Improvement of Kerugoya/Kutus Municipality infrastructural projects. This project consisted of construction of Cabro parking spaces and associated works in Kutus town, upgrading of Kerugoya food market and construction of Kaitheri apparel factory in Kerugoya town. This project was completed in the year under review and currently under use.

In the year 2019/2020, the Municipality commenced the second project from the funds received for FY 2019/2020. This project dubbed, Construction of Kerugoya town parking spaces, roads, walkways and associated works, involved construction of Cabro parking spaces in Kerugoya town at the frontage of the Kerugoya Referral Hospital, construction of walkways from Baricho road junction to Cooperative Bank for non-motorised and construction of market stalls for the resettling the fruits vendors opposite the referral hospital gate. This project is complete and in use.

In the period under review, the Municipality undertook a capital project for the construction of a fire station at the livestock market in Kutus town. This project was funded through KUSP UDG funds for the FY 2020/2021. The project is still ongoing and is behind schedule. This was occasioned by the rationing of UDG funds as the County received Paltry 25.68% of the budgeted amount. In view of this the County Government has budgeted the balance to complete the project during this financial year and the project is expected to be complete and operational in the next one month.

Both the County Executive and the Municipal board really appreciates the KUSP Phase 1 UDG funding and all technical assistance offered by UDD and the World Bank team. However, we appeal for more financial assistance/funding to enhance more economic growth within the Municipality. The KUSP funds has really assisted in the formation of Kerugoya/Kutus Municipality and operationalization of the Kerugoya/Kutus Municipal Board.

No.	Project Name	Location	Budgeted Amount	Contract Amount	Amount Paid	Unpaid	Completion Rate
1	Cabro work in Kutus town, upgrading of Kerugoya fresh produce market and Apparel factory expansion.	Kerugoya and Kutus	71,302,200	66,563,856	64,520,346	2,043,510	100%
2	Construction of Kerugoya town Parking spaces, Roads, Walkways and Associated Works	Kerugoya	71,302,200	70,000,200	69,996,120	4,080	100%
3	Construction of Modern fire station	Kutus	71,302,200	50,782,580	35,784,456	14,998,124	85%
4	Development of the Municipal Spatial Plan	Within the Municipality	25,000,000	23,925,000	22,607,500	1,317,500	98%

## **10. Environmental And Sustainability Reporting**

Kerugoya/Kutus 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 prosperity and social economic 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.

### **Sustainability strategy and profile**

The Urban Boards/ Committees are embedded within the county government executive structure performing the county government functions within the Municipalities. The County Executive Committee Member in charge of urban development will be the link between the Municipal Board with the CECM being a member. The CECM will present the interests of the Boards and other matters that require approval by the County Executive Committee. Additionally, the CECM shall present the matters that require approval by the County Assembly for adoption and approval as the case may be. The County Departments based on the functions performed by the Boards will provide technical support where the Boards requires the support.

The Chief Officer in charge of urban development will offer support to the Municipal Manager in accounting matters particularly on the County Annual Work Plans and Budgets.

An analysis of the functions of the boards as per section 20(1) for the Urban Areas and Cities Act 2011 the functions have been prioritized for operationalization of the Municipal Board and its Committees.

- Finance, Audit and Accounting
- Engineering and public works
- Administration
- Urban Planning
- Environmental and Management

The finance, audit and accounting office will be responsible for preparation of annual budgets, work plan, revenue management and expenditure. The office will also keep financial records and accounting and audit reports.

Engineering office will be responsible for identification, design and supervision of capital projects by the Municipality/Town. Administration office will be responsible for enforcement, disaster management, ICT and office administration.

Urban Planning office will be in charge of preparation and review of urban plans, formulation of policy and guidelines, development control and compliance. Environment office will take charge of waste management and maintenance of public parks and spaces.

The offices established shall be provided with requisite technical personnel as per the structure provided.

### **Environmental performance**

The Municipal board is relying on the following documents and tools for Environmental performance.

- a. Municipality Solid waste policy.
- b. The Kirinyaga County Solid Waste Management Act 2021.
- c. The Kirinyaga County Climate Change Act, 2023

### **Promotion, regulation and provision of refuse collection and solid waste management services strategies.**

#### **a) Situational Analysis**

- Around 60% percentage of all total waste is collected and transferred to designated dumpsites in the municipality
- solid waste management practices within Kerugoya and Kutus Towns results to indiscriminate solid waste disposal and a threat to the environment and water sources.
- Solid waste management is done at Kabatiro dumpsite. The site uses the traditional methods of waste disposal including crude burning hence pollution of the immediate surroundings.
- In adequate distribution of waste skips around the municipality. Some emerging centres and high-density residential areas (Ithare, Karia, Mukinduri, Kaitheri, Kiamirici etc) lack these skips hence resort to indiscriminate dumping of waste.
- There is existence of private waste collectors predominantly in the urban residential areas who are unlicensed.

- However, by reducing or eliminating open dumping and burning of waste as well as reducing the volume of waste going to the dumpsites which could lead to a reduction in the size and number of dumpsites required. This would free up space for housing and other land use.
- Actions to build social capital include mobilizing community organizations and volunteers can be involved with the development and implementation of projects. The most successful mobilization of human and social capital resources occurs for projects where there is a demonstrated, direct and visible relationship between the project and the future benefits for community and volunteer stakeholders. Examples of projects could include raising awareness campaigns for more efficient use of water and solid waste collection and management.
- With the Implementation of the municipality solid waste management policy, there will be a reduction in solid waste and wild dumping. This will reduce the amount of waste which is swept into drainage systems and rivers and streams, and which can cause blockages, and localized flooding. As such, a solid waste collection system should help to increase resilience to flooding.

**b) Projects proposed on Solid waste management**

- Procure and provide waste skips in Ithare, Karia, Mukinduri, Kaitheri, Kiamirici and Karia (adjacent to Thiba Dam).
- Reclaim and repurpose the dumpsite behind Kerugoya County Referral Hospital to form part of the urban forest.
- Develop the Kabatiro dumpsite into a modern landfill to ensure proper and environmentally friendly waste management practices on site. Adequately buffer the site with trees to protect the neighbouring Kabatiro village from pollution resultant from waste management on site.
- Procure five skip loaders and two waste compactors to effectively manage solid waste from the various points in the municipality.
- Construct a solid waste collection point for each colonial village settlement (6 collection points in total)
- Employ municipal waste collectors to assist in proper waste management in both Kutus and Kerugoya towns.

## 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 accountable management of the affairs of the Municipality through provision of Governance mechanism that will enable the inhabitants to:

- i) Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations.
- ii) Ensure public resources and authority are utilised or exercised to their satisfaction.
- iii) Enjoy efficiency in service delivery.

### Performance

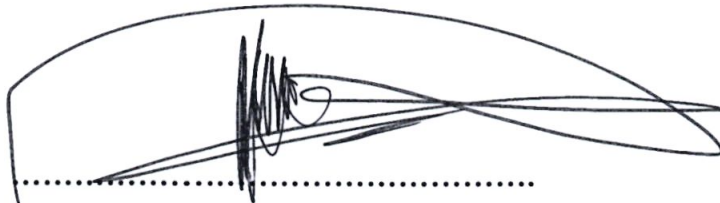
The performance of the Municipality for the year ended June 30, 2023 are set out on page 1 to 6

### Board Members

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

### Auditors

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



Name: CPA Paul Muchiri Muchira

Secretary of the Board

## **12. Statement of Management's Responsibilities**

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

The Municipality manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2023. This responsibility includes:

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

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

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

Manager has assessed the Municipality's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Municipality Manager to indicate that the 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's financial statements were approved by the Board on 30<sup>th</sup> September 2023 and signed on its behalf by:

.....  
*[Handwritten signature]*

**Name:**

**Chairperson of the Board**

.....  
*[Handwritten signature]*

**Name:**

**Accounting officer of the Board**

# REPUBLIC OF KENYA

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

*Enhancing Accountability*

## **REPORT OF THE AUDITOR-GENERAL ON KERUGOYA/KUTUS MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2023**

---

### **PREAMBLE**

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

- A. Report on 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 the 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; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Kerugoya/Kutus Municipality set out on pages 1 to 40, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Kerugoya/Kutus Municipality as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kerugoya/Kutus Municipality Municipal Charter, 2018, Urban Areas and Cities Act, 2011, the County Government Act, 2012 and the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1. Failure to Submit Financial Statements**

Kerugoya/Kutus Municipality was established on 27 June, 2018 and 1<sup>st</sup> Board was appointed on 3 April, 2019 has been in operation since then however, the Municipality has to date not submitted for audit the financial statements for the financial year 2018/2019, 2019/2020, 2020/2021 and 2021/2022 contrary to Paragraph 7.8.1 of the Kerugoya/Kutus Municipal Charter, Section 47 of the Urban areas and Cities Act, 2011 and Section 131 of the County Government Act, 2012 and Section 167 of the Public Finance Management Act, 2012.

In the circumstances, the accuracy and completeness of the opening balances reflected on the financial statement under review and comparative figures for prior years could not be confirmed.

### **2. Inaccuracies in the Balances and Disclosures in the Financial Statements**

#### **2.1 Presentation and Disclosures in the Financial Statement**

- (i) The financial statement omits passport size information for the members of the Municipality Board and Management team contrary to the presentation format and reporting by the public sector accounting Standards Board.
- (ii) The statement of financial performance reflects an amount Kshs.140,000 in respect of board expenses however, the corresponding amount has not been disclosed in Note 14 of the financial statement.
- (iii) Statement of financial position reflects balance Kshs.4,840,726 in respect of cash and cash equivalent as disclosed in Note 17 of the financial statements. However, the supporting schedule on detailed analysis of the cash and cash equivalent reflects total balances of Kshs.4,387,750 two commercial bank account resulting to unexplained variance of Kshs.452,726.

## **2.2 Inaccuracies of Statement of Changes in Net Assets**

The statement of changes in net assets reflects balances of Kshs.11,261,235 and Kshs.4,840,726 as opening and closing balances respectively. However, the accuracy and completeness of the opening and closing balances could not be confirmed due to non-submission of financial statement for the previous year's i.e 2018/2019, 2019/2020, 2020/2021 and 2021/2022.

## **2.3 Inaccuracies of Statement of Cashflow**

The statement of cashflow reflects balances of Kshs.11,261,109 and Kshs.4,840,726 as opening and closing balances of cash and cash equivalent respectively. However, the balances be confirmed due to non-submission of financial statement for the previous year's i.e 2018/2019, 2019/2020, 2020/2021 and 2021/2022 whose closing balances have an effect on the accuracy of the balances.

In the circumstances, the accuracy and completeness of disclosures and balances reflected in the financial statement could not be confirmed.

## **3. Misstatement of Cash and Cash Equivalent Balances**

Statement of financial position reflects Kshs.4,840,726 in respect of cash and cash equivalent as disclosed in Note 17 in the financial statements. However, the supporting detailed analysis of the cash and cash equivalent in Note 17 reflects total of Kshs.4,387,500 as balances for the two (2) commercial bank accounts resulting to unreconciled variance of Kshs.452,726.

In the circumstances, the correctness of balances for cash and cash equivalent could not be confirmed.

## **4. Non-Disclosure of Payables**

The statement of financial position reflects Nil balance for trade and other payables. Audit review of schedules and documentary evidence provided revealed retention monies due contactors amounting to Kshs.5,146,009 were not disclosed in the financial statements contrary to the Regulation 97(1) of the Public Finance Management (County Government) Regulations, 2015. In addition, the unpaid training costs of Kshs.138,000 was also not disclosed in the financial statements. Further, ageing analysis of trade and other payables was not was not disclosed in the financial statements.

Further, ageing analysis of trade and other payables was not was not disclosed in the financial statements.

In the circumstances, the outstanding trade and other payables balances could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kerugoya/Kutus Municipality 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 Adverse opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Information**

#### **Conclusion**

The Management are responsible for the Other Information set out on page iii to xxvi which comprise of Key Entity Information and Management, Municipality Board Profiles, Management Team, Municipality Board's 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.

#### **Basis for Conclusion**

In connection with my audit on the Kerugoya/Kutus Municipality financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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 THE USE OF PUBLIC RESOURCES**

#### **Conclusion**

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

## **Basis for Conclusion**

### **1. Late Submission of Financial Statements to the Auditor-General**

The financial statements for the year ended 30 June, 2023 were submitted for audit to the Auditor-General on 24 November, 2023 instead of the statutory deadline of 30 September, 2023. This was contrary to Section 81 of the Public Finance Management Act, 2012 and Regulation 208 of the Public Finance Management (County Government) Regulations, 2015 on preparation and submission of the financial statements.

In the circumstances, Management was in breach of law.

### **2. Lack of Approved Annual Estimates for the Municipality**

The statement of comparison of budget and actual amounts reflects total budgeted revenue and expenses of Kshs.7,476,056. However, there was no evidence provided for the approved annual estimates by the Board or town committee, submission to the County Governor and the subsequent approval by County Assembly contrary to Section 45 of the Urban areas and Cities Act, 2011 and Paragraph 7.3.1 of the Kerugoya/Kutus Municipal Charter.

In the circumstances, Management was in breach of law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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

### **Responsibilities of Management and Board Members**

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 as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

The Board Members are 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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generalresponsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

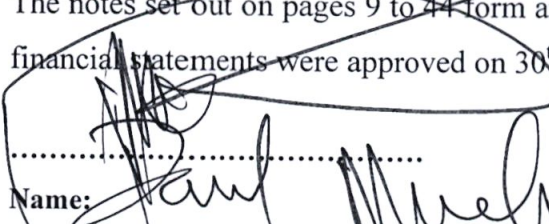
**Nairobi**

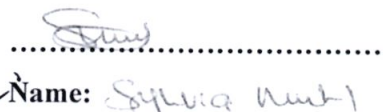
**17 January, 2025**

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

	Notes	2022/23	2021/22
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	7,476,056	1,160,000
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues ( <i>Specify</i> )	9	-	-
		<b>7,476,056</b>	<b>1,160,000</b>
<b>Revenue from exchange transactions</b>			
Interest income	10	-	-
Other Income	11	-	-
		-	-
<b>Total revenue</b>		<b>7,476,056</b>	<b>1,160,000</b>
<b>Expenditure</b>			
Use of goods and services	12	12,101,539	30,729,892
Staff costs	13	1,654,900	-
Board- expenses	14	140,000	-
Finance costs	15	-	-
<b>Total expenses</b>		<b>13,896,439</b>	<b>30,729,892</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	16	-	-
<b>Surplus/(deficit) for the period</b>		<b>(6,420,383)</b>	<b>(29,569,892)</b>

The notes set out on pages 9 to 44 form an integral part of these Financial Statements. The entity financial statements were approved on 30<sup>th</sup> September 2023 and signed by:

  
 Name: .....  
 City/Municipality Manager

  
 Name: Sylvia Muti  
 for Head of Finance  
 ICPAK M/No 25051

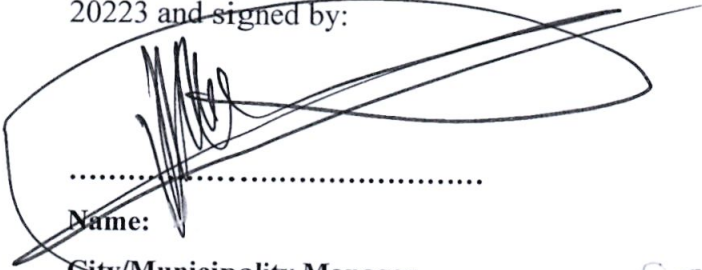
## 15. Statement of Financial Position As At 30 June 2023

	Note	2022/23	2021/22
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	4,840,726	11,261,109
Receivables from exchange transactions	18	-	-
Receivables from Non- exchange transactions	19	-	-
Prepayments	20	-	-
Inventories	21	-	-
		4,840,726	11,261,109
<b>Non-current assets</b>			
Property, plant, and equipment	22	-	-
Intangible assets	23	-	-
<b>Total Non-current Assets</b>		-	-
<b>Total assets</b>		<b>4,840,726</b>	<b>11,261,109</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	24	-	-
Provisions	25	-	-
Borrowings	26	-	-
Employee benefit obligations	27	-	-
		-	-
<b>Non-current liabilities</b>			
Provisions	25	-	-
Borrowings	26	-	-
Non-current employee benefit obligation	27	-	-
<b>Total liabilities</b>		-	-
<b>Net assets</b>		<b>4,840,726</b>	<b>11,261,109</b>
<b>Capital/Development Grants/Fund</b>		-	-
Reserves		-	-
Accumulated surplus		4,840,726	11,261,109
<b>Total net assets and liabilities</b>		<b>4,840,726</b>	<b>11,261,109</b>

**County Government of Kirinyaga**  
**Kerugoya/Kutus Municipality**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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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 30<sup>th</sup> September 2023 and signed by:



.....

**Name:**

**City/Municipality Manager**

**Date:**

*Sany*  
.....

**Name:**

*Sylvia Muli*  
*for* **Head of Finance**

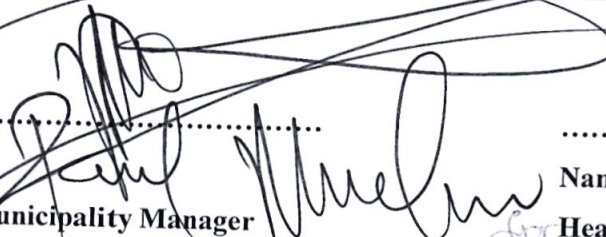
**ICPAK M/No** *25051*

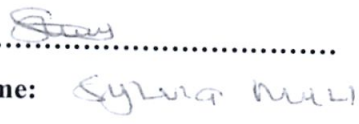
**Date:**

*Kerugoya/Kutus Municipality  
County Government of Kirinyaga  
Annual Report and Financial Statements for the year ended June 30, 2023*

**16. Statement of Changes In Net Assets As At 30 June 2023**

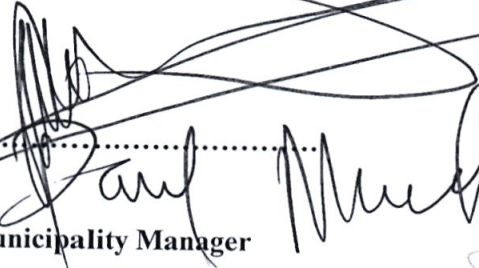

	Capital/ Development Grants/Fund	Revaluatio n Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
<b>Balance as at 1 July 2021</b>	-	-	40,831,001	40,831,001
Surplus/(deficit) for the period		-	(29,569,892)	(29,569,892)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2022</b>	-	-	<b>11,261,109</b>	<b>11,261,109</b>
<b>Balance as at 1 July 2022</b>	-	-	<b>11,261,109</b>	<b>11,261,109</b>
Surplus/(deficit) for the period		-	(6,420,383)	(6,420,383)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2023</b>	-	-	<b>4,840,726</b>	<b>4,840,726</b>


.....  
Name:   
City/Municipality Manager

.....  
Name:   
Head of Finance  
ICPAK M/No 25051

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

	Note	2022/23	2021/22
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		4,317,156	1,160,000
Public contributions and donations		-	-
Interest received		-	-
<i>Other receipts (Specify)</i>		-	-
<b>Total Receipts</b>		<b>4,317,146</b>	<b>1,160,000</b>
<b>Payments</b>			
Use of goods and services		10,737,539	30,729,892
Staff costs			-
Board expenses			-
Finance costs		-	-
<b>Total Payments</b>		<b>10,737,539</b>	<b>30,729,892</b>
<b>Net cash flows from operating activities</b>	28	<b>(6,420,383)</b>	<b>(29,569,892)</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets		-	-
Proceeds from sale of PPE		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(6,420,383)</b>	<b>(29,569,892)</b>
Cash And Cash Equivalents At 1 July	17	11,261,109	40,831,001
<b>Cash And Cash Equivalents At 30 June</b>	17	<b>4,840,726</b>	<b>11,261,109</b>

  
.....  
Name:   
City/Municipality Manager

  
.....  
Name: Sylvia Muli  
for Head of Finance  
ICPAK M/No 25051

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	c=(a+b)	d	e=(c-d)	f=d/c
		Kshs.	Kshs.	Kshs.	Kshs.	
<b>Revenue</b>						
Transfers from the County Government	7,476,056	-	7,476,056	7,476,056	-	100%
Public contributions and donations	-	(-)	-	-	-	%
Interest income	-	(-)	-	-	-	%
Other income ( <i>specify</i> )	-	-	-	-	-	%
<b>Total Revenue</b>	<b>7,476,056</b>	-	<b>7,476,056</b>	<b>7,476,056</b>	-	<b>100%</b>
<b>Expenses</b>						
Use of goods and services	5,681,156	(-)	5,681,156	12,101,539	(6,420,383)	%
Board expenses	140,000	(-)	140,000	140,000	-	%
Staff Costs	1,654,900	(-)	1,654,900	1,654,900	-	%
Finance costs		(-)			-	%
<b>Total Expenditure</b>	<b>7,476,056</b>	(-)	<b>7,476,056</b>	<b>13,896,439</b>	<b>(6,420,383)</b>	<b>186%</b>
<b>Surplus for the period</b>	-	-	-	<b>(6,420,383)</b>	-	
<b>Capital Expenditure</b>	-	(-)	-	-	(-)	%

County Government of Kirinyaga  
Kerugoya/Kutus Municipality  
Annual Report and Financial Statements for the year ended June 30, 2023

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Budget notes

.....  
Name: *Paul Muthira*  
City/Municipality Manager  
Date:

*Sylvia Njiru*  
.....  
Name: *Sylvia Njiru*  
*for* Head of Finance  
ICPAK M/No *25051*  
Date:

## **19. Notes to the Financial Statements**

### **1. General Information**

Kerugoya/Kutus Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act, 2011. The Municipality is under the Kirinyaga County Government and is domiciled in Kenya.

### **2. Statement of Compliance and Basis of Preparation**

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

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

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

*(Notes to financial statements continued)*

**3. Application of New and revised standards (IPSAS)**

***i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022***

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

***ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.***

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></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"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>

*County Government of Kirinyaga  
Kerugoya/Kutus Municipality  
Annual Report and Financial Statements for the year ended June 30, 2023*

<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></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>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p>

	<ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b>                      Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> 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 apply early or adopt any new or amended standards in year 2022/2023

*(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 Municipality and can be measured reliably.

**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 30<sup>th</sup> 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.

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

*(Significant accounting policies continued)*

statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts,

prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

**Loans and receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit

**Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Municipality has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**Impairment of financial assets**

The Municipality assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Municipality of financial assets that can be reliably estimated asset or the entity of financial assets that can be reliably estimated.

*(Significant accounting policies continued)*

## **Financial liabilities**

### **Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

### **Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

#### **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

*(Significant accounting policies continued)*

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) Contingent liabilities**

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

**i) Contingent assets**

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

*(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.

**j) Nature and purpose of reserves**

The Municipality creates and maintains reserves in terms of specific requirements.  
*Municipality to state the reserves maintained and appropriate policies adopted*

**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 City/Municipality provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the City/Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the 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

*(Significant accounting policies continued)*

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.

**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 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.).

**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 e.g ;

**Estimates and assumptions**

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

*(Significant accounting policies continued)*

**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	2022/23	2021/22
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	4,317,156	1,160,000
Payments by County on behalf of the entity	3,158,900	-
<b>Total</b>	<b>7,476,056</b>	<b>1,160,000</b>

**7. Public Contributions and Donations**

Description	2022/23	2021/22
	Kshs.	Kshs.
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**8. Levies, Fines and penalties**

Description	2022/23	2021/22
	Kshs.	Kshs.
Levies	-	-
Fines	-	-
Penalties	-	-
Others ( <i>indicate and specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**9. Other Revenues from Non-Exchange Transactions**

Description	2022/23	2021/22
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others ( <i>indicate and specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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(Notes To the Financial Statements (Continued))

10. Interest income

Description	2022/23 Kshs.	2021/22 Kshs.
Interest income from investments	-	-
Interest income on bank deposits	-	-
Others (Specify)	-	-
<b>Total interest income</b>	-	-

11. Other income

Description	2022/23 Kshs.	2021/22 Kshs.
Income from sale of tender documents	-	-
Others (specify)	-	-
<b>Total other income</b>	-	-

12. Use of Goods and Services

Description	2022/23 Kshs.	2021/22 Kshs.
Utilities, supplies and services	10,129,459	30,729,292
Communication, supplies and services	-	-
Domestic travel and subsistence	-	-
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	-	-
Rent and rates	1,888,600	-
Training expenses	75,000	-
Hospitality supplies and services	-	-
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	-	-
Fuel, oil and lubricants	-	-
Other operating expenses (Specify)	-	-
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	-	-
Audit fees	-	-
Hire of Transport, equipment etc	-	-

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Description	2022/23	2021/22
	Kshs.	Kshs.
Bank Charges	8,480	600
Depreciation and amortisation	-	-
<b>Total</b>	<b>12,101,539</b>	<b>30,729,892</b>

**13. Staff costs**

Description	2022/23	2021/22
	Kshs.	Kshs.
Salaries and wages	1,654,900	-
Staff gratuity	-	-
Social security contribution	-	-
Other staff costs ( <i>Specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**14. Board expenses**

Description	2022/23	2021/22
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	-	-
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	-
Conference Costs	-	-
Other allowances ( <i>Specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**15. Finance costs**

Description	2022/23	2021/22
	Kshs.	Kshs.
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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(Notes To the Financial Statements Continued)

16. Gain/(loss) on disposal of assets

Description	2022/23	2021/22
	Kshs.	Kshs.
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	-	-

17. Cash and cash equivalents

Description	2022/23	2021/22
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	4,840,726	11,261,109
Others( <i>specify</i> )	-	-
<b>Total cash and cash equivalents</b>	<b>4,840,726</b>	<b>11,261,109</b>

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

Financial institution	Account number	2022/23	2021/22
		Kshs.	Kshs.
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>		-	-
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>		-	-
Kenya Commercial bank	1259401286	1,889,216	15,297
Kenya commercial bank	1259400883	2,498,534	11,641,728
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>d) Others(specify)</b>		-	-
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		-	-

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{Notes To the Financial Statements Continued}

18. Receivables from exchange transactions

Description	2022/23 Kshs.	2021/22 Kshs.
<b>Current Receivables</b>		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Current receivables (a)</b>	-	-
<b>Non-Current receivables</b>		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Non- current receivables (b)</b>	-	-
<b>Total receivables from exchange transactions</b>	-	-

19. Receivables from Non-Exchange transaction

Description	2022/23 Kshs.	2021/22 Kshs.
Transfer from County Executive	-	-
Transfer from XXXX Fund	-	-
<b>Total receivables from non-exchange transactions</b>	-	-

20. Prepayments

Description	2022/23 Kshs.	2021/22 Kshs.
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments( <i>specify</i> )	-	-
<b>Total</b>	-	-

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(Notes To The Financial Statements Continued)}

21. Inventories

Description	2022/23	2021/22
	Kshs.	Kshs.
Stationery	-	-
Consumables	-	-
Other inventories( <i>specify</i> )	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-

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(Notes to the Financial Statements Continued)

22. Property, Plant and Equipment

Description	Land Shs	Building Shs	Motor vehicles Shs	Furniture and fittings Shs	Computers Shs	Other Assets (specify) Shs	Capital Work in progress Shs	Total Shs
As at 1 July 2020	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfers/adjustments	-	-	(-)	-	(-)	(-)	-	(-)
As at 30 <sup>th</sup> June 2021	-	-	-	-	-	-	-	-
Additions	-	-	-	-	(-)	(-)	(-)	(-)
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/adjustments	(-)	-	-	-	-	-	-	-
As at 30 <sup>th</sup> June 2022	-	-	-	-	-	-	-	-
Depreciation and impairment								
At 1 July 2020		-	-	-	-	-	-	-
Depreciation		-	-	-	-	(-)	-	(-)
Impairment		-	-	-	(-)	(-)	-	(-)
Transfers/ Adjustments		-	-	-	(-)	(-)	-	(-)

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Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 30 June 2021		-	-	-	-	-	-	-
Depreciation		-	-	-	-	(-)	(-)	(-)
Disposals		(-)	(-)	(-)	-	(-)	-	(-)
Impairment		-	(-)	(-)	-	(-)	(-)	-
Transfer/adjustment		-	-	-	-	-	-	-
As at 30 <sup>th</sup> June 2022								
NBV as at 30 <sup>th</sup> June 2021	-	-	-	-	-	-	-	-
NBV as at 30 <sup>th</sup> June 2022	-	-	-	-	-	-	-	-

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(Notes to The Financial Statements Continued)

23. Intangible assets

Description	2022/23	2021/22
	Kshs.	Kshs.
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
	-	-
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
<b>NBV</b>	-	-

24. Trade and other payables from exchange transactions

Description	2022/23	2021/22
	Kshs.	Kshs.
Trade payables	-	-
Refundable deposits (Retentions, court bonds etc)	-	-
Accrued expenses	-	-
Other payables ( <i>Specify</i> )	-	-
<b>Total trade and other payables</b>	-	-

25. Provisions

Description	2022/23	2021/22
	Kshs.	Kshs.
Balance at the beginning of the year	-	-
Additional Provisions ( <i>Specify</i> )	-	-
Provision utilised	(-)	(-)
<b>Balance at the end of the year</b>	-	-
	-	-
Current Portion of provision	-	-
Long term portion of provision	-	-
<b>Total Provisions</b>	-	-

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*(Notes To The Financial Statements Continued)*

**26. Borrowings**

The table below shows the classification of borrowings long-term and current borrowings:

Description	2022/23	2021/22
	Kshs.	Kshs.
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	-	-

*(NB: the total of this statement should tie to note 20 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)*

Description	2022/23	2021/22
	Kshs.	Kshs.
<b>Balance at beginning of the period</b>	-	-
Borrowings during the year	-	-
Repayments of borrowings during the period	(-)	(-)
<b>Balance at end of the period</b>	-	-

The table below shows the Distribution of borrowings:

	2022/23	2021/22
	Kshs.	Kshs.
<b>Borrowings</b>		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	-	-

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*(Notes To The Financial Statements Continued)*

**27. Employee benefit obligations**

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
<b>Total employee benefits obligation</b>	-	-	-	-

**28. Cash generated from operations**

	2022/23	2021/22
	Kshs.	Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	<b>(6,420,383)</b>	<b>(29,569,892)</b>
<b>Adjusted for:</b>		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	(-)	(-)
Interest income	(-)	(-)
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	(-)	(-)
Increase in receivables	(-)	(-)
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	<b>(6,420,383)</b>	<b>(29,569,892)</b>

**Other Disclosures**

**29. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

	2022/23	2021/22
	Kshs.	Kshs.
Transfers from related parties'	-	-
Transfers to related parties	-	-

**c) Key management remuneration**

	2022/23	2021/22
	Kshs.	Kshs.
Board of Board Members	-	-
Key Management Compensation	-	3,064,400
<b>Total</b>	-	<b>3,064,400</b>

**d) Due from related parties**

	2022/23	2021/22
	Kshs.	Kshs.
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
<b>Total</b>	-	-

(Other Disclosures continued)

**e) Due to related parties**

	2022/23	2021/22
	Kshs.	Kshs.
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
<b>Total</b>	-	-

**30. Contingent liabilities**

Contingent liabilities	2022/23	2021/22
	Kshs.	Kshs.
Court case xxx against the entity	-	-
Bank guarantees	-	-
<b>Total</b>	-	-

(Give details)

**31. Contingent Assets**

Contingent liabilities	2022/23	2021/22
	Kshs.	Kshs.
Court case xxx against the entity	-	-
Others Specify	-	-
<b>Total</b>	-	-

**32. Financial risk management**

The Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Municipality's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Municipality does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Municipality's financial risk management objectives and policies are detailed below:

*(Other Disclosures Continued)*

**I. Credit risk**

The Municipality has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Municipality's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June 2022</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
	-	-	-	-
<b>At 30 June 2021</b>	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

**(Other Disclosures Continued)**

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Municipality has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality has significant concentration of credit risk on amounts due from xxx.

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

**II. Liquidity risk management**

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

The table below represents cash flows payable by the Municipality under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 June 2022</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2021</b>	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-

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Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

*(Other Disclosures continued)*

### **III. Market risk**

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Municipality on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Municipality's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Municipality's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

### **IV. Foreign currency risk**

The Municipality has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the Municipality's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

		Other currencies	Total
	Kshs.	Kshs.	Kshs.
<b>At 30 June 2023</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-

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<b>Liabilities</b>	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

*(The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.)*

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
<b>2023</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2022</b>			
Euro	10%	-	-
USD	10%	-	-

**V. Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

*(Other Disclosures continued)*

**VI. Capital risk management**

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

	2022/23	2021/22
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital/Development Grants/City/Municipality	-	-
Accumulated surplus	-	-
<b>Total Funds</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	0%	0%

**20. Annexes**

**Annex 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>

**Guidance Notes:**

- a) Use the same reference numbers as contained in the external audit report.
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue.
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.

.....



*To be Signed by the Accounting officer of the Entity*

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**Annex 2: Inter Entity Transfers**

<b>KERUGOYA/KUTUS MUNICIPALITY</b>				
<b>Breakdown of Transfers from the County Executive of Kirinyaga County</b>				
	<b>FY 20xx-1/20xx</b>			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	Urban institutional grant	06-06-2023	2,339,915	2022-2023
	Urban institutional grant	13-07-2023	1,977,241	2022-2023
	Urban institutional grant			2021-2022
		<b>Total</b>	<b>4,317,156</b>	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	Urban development grant			2021-2022
			-	
			-	
		<b>Total</b>		
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		30-06-2023	3,158,900	
			-	
		<b>Total</b>	<b>3,158,900</b>	

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

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

**Annex 3: Reporting of Climate Relevant Expenditures**

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

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

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

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**Annex 4: Disaster Expenditure Reporting Template**

Date:

Entity

Period to which this report refers (FY)	Year 2022/2023			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments