

REPUBLIC OF KENYA



Enhancing Accountability

PAPERS LAID	
DATE	22.03.2023
TABLED BY	Majority Leader
COMMITTEE	
DECLARED AT THE TABLE	Abdirahman Moalim

REPORT

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

MUNICIPALITY OF MURANG'A

**FOR THE YEAR
ENDED 30 JUNE, 2022**





MUNICIPALITY OF MURANG'A
County Government of Murang'a

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2022

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



County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30, 2022

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1. Key Entity Information and Management

a) Background information

Murang'a Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter on 3/12/2019. The Municipality is under the County Government of *Murang'a* and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Municipality is to ...

1.1. Objectives of the Municipality

1. Provide for efficient and accountable management of the affairs of the Municipality.
2. Provide for a governance mechanism that enable the inhabitants of the Municipality to:
 - Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations.
 - Verify whether public resources and authority are utilized or exercised, as the case may be, to their satisfaction.
 - Enjoy efficiency in service delivery.
3. Pursue the developmental opportunities which are available in the Municipality and to institute such measures as are necessary for achieving public order and the provisions of civic amenities, so as to enhance the quality of life of the inhabitants of the Municipality.
4. Provide a high standard of social services in a cost-effective manner to the inhabitants of the Municipality.
5. Promote social cohesiveness and a sense of civic duty and responsibility among the inhabitants and stakeholders in the Municipality in order to facilitate collective action and commitment towards achieving the goal of a harmonious and stable community.
6. Providing for services, regulations and other matters for Municipality's benefit.

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7. Fostering the economic, social and environmental well-being of its community.

2. Functions of the Municipality

The functions of the Municipality based on the Charter and gazetted delegated functions include;

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

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(o) Development and enforcement of municipal plans and development controls;


Municipal administration services (including construction and maintenance of administrative offices

c) Municipality Board



Ref	Position	Name
1.	Chairman of the Board	Arch. Benson Githinji Mwangi
2.	County Executive Committee Member responsible for Cities and Urban areas.	Hon. Sarah T. Masaki
3.	Chief Officer Housing & Urban Development	Eng. Gabriel Kamau
4.	Board Member 1	Dr. Judy Njoki Makira
5.	Board Member 2	Mr. James Waweru Mwangi
6.	Board Member 3	Ms Judith Wambui
7.	Board Member 4	Dr. Bernard Nthuku Muia
8.	Board Member 5	Mr. Habel Karanja Ngugi
9.	Board Member 6	Hon. Charles Mwaniki
10.	Municipality Manager (Secretary to the Board)	Mr. Sammy Njogu

2. Municipality Board


Name	Details of qualifications and experience
<p>1. Board's Chairman Arch. Benson Githinji</p> 	<p>HOLDER of Bachelor's Degree in Architecture from UON 1995, Corporate, governance training course, 10years as member of AAK Governing council, 20years experience in professional architectural practise, representative of professional body. He was nominated to represent Professional Associates</p>
<p>2. Board Vice chairperson Dr. Judy Njoki Makira</p> 	<p>PhD in Education Communication Technology from Kenyatta university in 2017, Masters of Education Communication in the year 2012from Kenyatta University, Bachelor of Education from UON IN THE YEAR1997.Former lecturer at Mount Kenya University, currently appointed English teacher by TSC teacher service commission. She was nominated to represent Governor Appointee. She resigned on February 2022.</p>

<p>3. Board Member. Bernard Nthuku Muia</p> 	<p>Holder of international Master in Public Health from Hebrew University Jerusalem ,I rael. Bachelor of Medicine and Surgery from UON 1985. He holds several international professional certifications . He was formerly CECM Health Nairobi City County year 2015 to 2017. He was head of several divisions at the ministry of health and long serving Muranga District Medical officer of health . He has served at several Boards. He leads in sensitization and creating awareness as far as health issues are concerned globally He is registered in kenya as medical specialist. He was nominated to represent Governor Appointee.</p>
<p>4. Board Member. Habel karanja</p> 	<p>Attained bachelor degree in law from university of South Africa Nairobi 2007, diploma from Kenya school of law 2011, experience currently working with H.K Ngugi and Company Advocates, Africa Foundation for Human Right and tolerance (project officer), KTDA (Payroll attendant). He was nominated to represent Governor Appointee.</p>


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<p>5.Charles Karina</p> 	<p>Possesses diploma in Business Management from Pioneer International University, certificate in Motor Vehicle Mechanics Engineering from Murang'a college of Technology 1986 to 1988</p> <p>2017 was elected as member of Murang'a County Assembly for township ward and served as chairperson for alcoholic control board. He was nominated to represent Registered Neighbourhood Associates. He resigned on February 2022.</p>
<p>6. Ms Judith Wambui</p> 	<p>Holds diploma in secretarial from Kianda college, certificate in management and basic selling skills from Mayka management training centre, has initially worked with orbit chemicals and Hoechst E.A LTD. She was nominated to represent Associate of Informal Sector.</p>






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<p>7. James Mwangi</p> 	<p>Holds a Bachelor's Degree (BED) Arts-Business studies from Mt. Kenya University. Certificate in County Governance from Jomo Kenyatta University. He started working with Murang'a Farmers Union from year 1986-1994. He served as a Councillor in Murang'a County Council from 1996-2012 and was a long serving Chairman of Murang'a County. He was one of the representatives from the County to Bomas devolution conference. Currently he is the Chairman of Finance and Administration committee in the Board. He was nominated to represent Registered Neighbourhood Associates.</p>
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d) Key Management

Ref	Position	Name
1	Municipality Manager	Sammy Njogu Gathata 

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	Deputy Manager	Peter Makara Ngure 
3	Directors/Head of departments	
	a) Directorate of Finance, Administration, IT and Economic Planning	Stephen Kamiri 
	b) Transport, Infrastructure, Public Works, Housing and Urban Planning	Sabastian Bubiru 
	c) Legal, Education, Social Services and Partnerships	Edith King'ori 
	d) Health, sanitation, water and environment	Catherine W. Mwangi 

e) Fiduciary Oversight Arrangements

i) Audit and Risk Management Committee:

Currently we don't have this committee in our Municipality. However, there is one which is domiciled at county executive and deals with county issues. In future we are planning to have one.

ii) Committee Assembly

There are various county assembly committees doing oversight roles on Municipality.

a) **Finance Committee** – Approves budget estimate for the County

b) **Legal Committee** – Deals with legal issues affecting Municipality e.g. the approval of By-laws

c) **Public Health Committee** – Deals with health and sanitation issues

f) Registered Offices

P.O. Box 205

Municipal Offices

Murang'a Law Court Road

NAIROBI, KENYA

g) Contacts

Telephone: (+254)060-2030271

E-murangamunicipal.go.ke

Website: www.muranga.go.ke

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h) Bankers

Kenya Commercial Banks
Murang'a

Kenya Commercial bank	UDG A/C 129263975	
	UIG A/C1263560784	
	OPER 1259505336	


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. Management Team

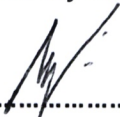
Name	Details of qualifications and experience
<p>1. Manager 1: SAMMY NJOGU</p> 	<p>EDUCATION</p> <p>He sat for his KACE 1984 attained division 11 grade and later completed KACE 1986 after attaining 2 principles 1 subsidiary, he then proceeded to Kenyatta university where he graduated with bachelors of art degree second class honours in the year 1990</p> <p>1999-2000 he joined Nairobi University for law degree</p> <p>WORK EXPERIENCE</p> <p>Worked as clerk of defunct Murang'a Municipality after inception of devolved structure he was appointed clerk of Murang'a County Assembly 23 march 2015 later 2021 he was deployed to Murang'a Municipality as Municipality Manager.</p>

The Municipal board has been committed in providing vision leadership in enhancement of specific legislation and policy formulation and development key among them; strategic plan (IDEP), Environmental Impact Assessment, delineation of Kenol and Kangari Municipalities among others

The financial year 2021/2022 we have faced more problem because the Municipality was recovering from the challenges posed by covid 19 pandemic. However, we registered resilience from this challenge to normal development programmes, besides this our officers have not been mapped in the IFMIS system to enable the board to commit and access budgetary allocation a case we have kept on follow up.

Additionally, two of our board members have resigned to seek elective positions in country general election namely Dr. Judy Makira and Hon. Charles Machigo Karina.

The municipal board looks forward for support relationship with KUSP, devoted partners and other key players in releasing funds on time to enable Municipality offer seamless service delivery to our residents.

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Name: Sammy Njogu
Municipality Manager

4. Municipality Board Chairperson's Report

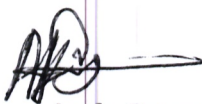
The Municipality had achieved tremendous achievement in areas of infrastructure development especially on road improvement to Bitumen Standards, laying of Cabros on the street parking in our (CBD), street lighting in town and stormy water drainage.

The Municipal board has been committed in providing vision leadership in enhancement of specific legislation and policy formulation and development key among them; strategic plan (IDEP), Environmental Impact Assessment, delineation of Kenol and Kangare municipalities among others

The financial year 2021/2022 we have faced more problem because the Municipality was recovering from the challenges posed by covid-19 pandemic. However, we registered resilience from this challenge to normal development programmes, besides this our officers have not been mapped in the IFMIS system to enable the board to commit and access budgetary allocation a case we have kept on follow up.

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Name: Arch. Benson Githinji

Chairperson of the Board

5. Report of the Municipality Manager


The budget's Revenue performance report shows that in year 2021/2022 collection was Ksh 141,813,450. This can be attributed to revenue innovation strategy, automation of cashiering system to adopt cashless transaction to seal loopholes that were stumbling block on broadening revenue base and fund embezzlement at collection point

On infrastructure development we have made milestone in regard to improvement of our road connectivity through tarmacking road within the municipality, street lighting program that has created a 24 hour economy. As a result wealth creation through increased job to the youth because the lighting of town was major boost not only to business growth and development but also security enhancement and provided conducive environment for business growth and development

On value for money, resident are enjoying services offered by municipality in terms of garbage collection, stormy water drain through improved water channels, disaster management has improved because the municipality has bought new fire engine with modern equipment that displays best of art.

Despite all tremendous achievement made there were also impending obstacle that hindered service delivery key among the delay in disbursement of funds from treasury, electioneering period, covid 19 epidemics among other challenges.

We look forward for treasury to release fund on time to ensure seamless service delivery



.....

**Name: Sammy Njogu
Municipality Manager**

6. Statement of Performance Against County Predetermined Objectives for the FY 2021/2022

6.1. Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives. The key development objective of the Murang'a Municipality during the 2021/2022 strategic plan period as derived from the Integrated Development Plan (IDeP 2018-2022) and Annual Strategic Plan 2021/2022 are to;

- i. Maintain and rehabilitate Karii dump site
- ii. Designate waste collection sites
- iii. Procure waste management equipment and tools
- iv. Construction and maintenance of quality physical infrastructure
- v. Mapping, designing and construction of drainage system
- vi. Enhanced inspection and licensing of food establishments
- vii. Surveillance of food borne diseases
- viii. Establish adequate Municipality Infrastructure (offices, Equipment, Facilities)
- ix. Maintenance of urban parks
- x. Maintenance of all public facilities and make them self-sustaining
- xi. Beautification of open spaces
- xii. Upgrade access roads
- xiii. Improve matatu parks, streets and walkways
- xiv. Improve pavements and drainage works
- xv. Facilitate/complete enactment of Municipal by laws
- xvi. Timely review of CUIDS, preparation of project implementation reports and Annual Strategic Plan 2022-2023 prepared, and annual review of IDeP 2018-2022

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The priorities were identified through an intensive and active public participatory process that reviewed the development priorities of the community, the Governor's Manifesto, the National Governments agenda as well as the national and international policy documents, among other plans.

6.2. Progress on Attainment of Strategic Development Objectives (Adopted from Murang'a Municipality Annual Strategic Plan 2021-2022)

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives: ANNUAL STRATEGIC PLAN 2021 -2022

Programme 1: General administration, planning and support services Programme					
Objective: Enhance administration, coordination and management of Municipal functions					
Outcome: Enhanced administration, coordination and service delivery within the Municipality					
Sub Programme	Key Outputs	Key Performance Indicators	Targets		Remarks
			Planned	Achieved	
Administrati on and support	Fully renovated and furnished offices	No. of offices renovated	4	4	Renovation funded by KUSP-UIG
	Trained personnel	No. of staff trained/capacity built	160	160	Training achieved through the support of KUSP - UIG
Programme 2: Urban Development Programme					
Objective: Enhance service infrastructure provision within the Municipality					

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Outcome: Well managed urban settlements					
Urban management	Delineated and conferred new municipalities	No. of new municipalities delineated and gazetted	2	0	Process of conferment at an advanced stage
	Well-equipped Municipal administration centres	No. of equipped municipal administration centres	1	1	Municipal offices renovated and furnished
Community health services	Functional community units	No. of functional community units	2	2	Ongoing
Programme Name: Public Works & Infrastructure Maintenance					
Objective: Improve, maintain and sustain municipal infrastructure					
Outcome: Enhanced mobility, accessibility and maintained service infrastructure					
Social infrastructure	Well maintained public social amenities	No. of social halls rehabilitated/renovated	1	1	Renovated Mukuyu social hall through KUSP
ECDE infrastructure	Well-equipped ECD Centres	No. of ECDE Schools within the Municipality equipped/Improved	1	1	Improved Mukuyu ECDE centre toilets and playground through KUSP funds
Programme Name: Kenya Urban Support Programme (KUSP)					
Objective: Enhance management and infrastructure in urban areas					

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Outcome: Well managed urban areas					
Kenya Urban Support Programme (KUSP)	Bitumen-standard municipal roads	Kms of Municipal roads upgraded to bitumen standards	1.8	1.8	Complete
	Well-maintained drainage system	Kms of drainage system constructed	2.4	2.4	Complete
Programme Name: Performance Management					
Objective: Enhance service provision through institutionalized result-based performance management					
Outcome: Institutionalized results-based performance management					
Performance Management and reporting	Approved Municipal IDeP	Copies of approved Municipal IDeP	1	1	Prepared
	Approved Municipal Annual Strategic Development Plan	Copies of approved Municipal annual strategic development plan	1	1	Prepared
	Approved Municipal budget	Copies of approved municipal budget	1	1	Prepared
	Approved Municipal Structure/Organogram	Copy of approved Municipal organogram	0	0	On process

7. Corporate Governance Statement

a) Process of appointment and removal of Board Members

Appointment

As outlined by the Urban Areas and Cities Act sec.8 the board shall comprise of (9) members.

- i. Four (4) members shall be appointed through a competitive process by the County Executive Committee and approved by the County Assembly.
- ii. Three (3) members shall be nominated by the following umbrella bodies
 - An umbrella body representing professional associations in the area;
 - An association representing the private sector in the area;
 - A cluster representing registered associations of the informal sector in the area;
 - A cluster representing registered neighborhood associations in the area;
 - An association of the Municipality;And appointed by the County Executive committee with the approval of the County Assembly;
 - The County Executive Member for the time being responsible for cities and urban areas or his/her representative;
 - The chief officer responsible for urban development;
- iii. Two (2) members; the executive responsible for finance and the municipal manager who shall be ex- officio members. The municipal manager shall be the Secretary of the Board.

In appointing the members of the Board of the Municipality; the County Executive Committee shall ensure gender equality, representation of persons with disability, youth and marginalized groups.

Each member should have the following qualifications: -

- i. Be a Kenyan Citizen

- ii. Be ordinarily resident or have a permanent dwelling in the Municipality or;
- iii. Carry on business in the municipality or;
- iv. Have lived in the Municipality for at least five (5) years.

Removal

The term of the members of the Board of the Municipality shall be **five (5) years** on part time basis. However, the chairperson and vice- chairperson of the Board of the Municipality may be removed by-

- i. A majority decision of the members of Board of the Municipality at a duly convened meeting where quorum is present or;
- ii. Upon petition by the resident of the Municipality.

b) Roles and functions of the Municipality Board Members

- i. The board of the Municipality shall have powers and perform all functions vested in boards of municipalities under the Urban Areas and Cities Act, 2011, the County Government Act, 2012 and the Municipality By-laws.
- ii. The Board of the Municipality shall provide for the exercise of these powers and for the performance of all the duties and obligations imposed on the Board of the Municipality.
- iii. Subject to the Kenya Constitution and any other written law, the Board of the Municipality shall; within the boundaries of the Municipality of Murang'a-
 - Exercise executive authority as delegated by the County Executive Committee of the County government of Murang'a.
 - Ensure implementation and compliance with policies formulated by both the National and County Government
 - Ensure participation of the residents in decision making, it's activities and programs
 - Promote constitutional values and principles
 - Make By-laws or make recommendations for issues to be included in the By-laws.

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

The board has been trained on strategic leadership to enhance their leadership skills. More so, the board members have participated in benchmarking with other board members from various Municipalities eg. Nakuru Municipality, so as to borrow new ideas on how to improve Murang'a Municipality.

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

We have established 4 Committees as follows:-

- Finance, Administration, Public Service, IT & Economic Planning
- Public Health, Sanitation, Water & Environment
- Legal, Education & Social Services
- Transport, Infrastructure, Public Works & Housing

The committees hold quarterly meetings; in addition, the full board meeting is held once in a quarter (3 months)

e) Succession Plan

Any vacancy arising out of removal of any member of the board of the Municipality may be filled in the manner provided under Article 10 and 12 respectively of the Urban Areas and Cities Act.

f) Existence of a Service Charter

The Municipality of Murang'a has gazetted a Municipality charter that details the functions and objectives of Murang'a Municipality. Key among them include;

- i. To provide for efficient and accountable management of the affairs of the Municipality.
- ii. Provide for services, regulations and other matters for Municipality's benefit
- iii. Fostering the economic, social and environmental well- being of its community.

- iv. Pursue the development developmental opportunities which are available in the Municipality and institute such measures as are necessary for achieving public order and the provisions of civic amenities, so as to enhance the quality of life of the inhabitants of the Municipality.

g) Conflict of interest

The board members are not supposed to procure or contract for supply of goods and services because they are part of the management. In any case one of them is interested he/she has to declare the interest and withdrawal from the deliberations from the matter in question

h) Board Remunerations

The board members are not entitled to any salaries. However, they are paid allowances as determined by the County Executive Committee with approval of the County Assembly and as advised by the Salaries and Remuneration Commission.

i) Ethics and Conduct as well as governance audit undertaken if any

Before entering upon the duties of their offices, the members of the board must take and subscribe to the oath or affirmation as stipulated in the Urban Areas and Cities Act sec.52

We have also established an attendance register where every member signs the register. This is also used to tabulate the remuneration.

8. Management Discussion and Analysis

During the year 2021/222 Murang'a Municipality achieved tremendous result in areas of revenue collection. This has been occasioned by automation of revenue collection by adoption of cashless transaction that is meant to seal all loopholes in revenue collection

On project implementation we undertook key programs on Road Infrastructure development by upgrading roads to bitumen standards. We also did drainages tunnels for storm water drain. The essence was to make the Municipality a 24hour economy.

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We in the local compliance with the statutory requirements like statutory payment to the Kenya Revenue Authority, carry out Environmental Impact Assessment (CIA) before the start of every project and ensure strict adherence to the Public Finance Management Act that govern smoothness on the use of Public Funds.

On ICT we confined in confidentiality and follow all the regulations provided the Kenya Communication Authority. This ensure that financial data is secure and can only be accessed by the relevant officials.

Key risk facing the Municipality is non remittance of statutory deductions for employees like NHIF, SACCO deductions etc. Payment of staff salaries has been in arears.

The Municipality is facing risk from lack of sustainable funding from the County Government in order to carry out its mandate. There is also health hazard posed by poor solid waste disposal due to lack of financial facilitation to collect refuse on daily basis from all the garbage pits

9. Environmental and Sustainability Reporting

Environmental policy, refers to measures put in place regarding the effects of human activities on the environment, particularly those measures that are designed to prevent or reduce harmful effects of human activities on ecosystems. Environmental law works to protect land, air, water, and soil. Negligence of these laws results in various punishments like fines, community service, and in some extreme cases, jail time. Without these environmental laws, the government would not be able to punish those who treat the environment poorly. The department of Environment is guided by 7 principles namely:

1. Sustainability Strategy and Profile

- a) Polluter Pays Principle (PPP)
- b) User Pays Principle (UPP)
- c) Precautionary Principle (PP)
- d) Principle of Responsibility.

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- e) Principle of Effectiveness and Efficiency.
- f) Principle of Proportionality.
- g) Principle of Participation.

The department also is guided by EMCA guidelines and has a solid waste management policy

Efforts to manage biodiversity:

- a) Support local farms.
- b) Save the bees
- c) Plant local flowers, fruits and vegetables
- d) Take shorter showers
- e) Respect local habitats
- f) Know the source

2. Environmental Performance

Success and Shortcoming efforts to manage Solid waste

Success:

- Improved health due to timely collection of garbage
- Availability of vehicles to collect garbage
- Cleaned markets and streets
- Improved hygiene

Shortcoming

- Limited environmental awareness combined with low motivation has inhibited innovation and the adoption of new technologies that could transform waste management

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- Lack of timely allocation of funds for consistent collection of garbage
- Blocked drainages when it rains
- Insufficient casual labourer
- inadequate financing,
- Poor infrastructure and technology,
- Lack of public awareness on good sanitary practices,
- Inadequate legal and regulatory

Efforts to manage solid Waste.

As citizens of Murang'a municipality, we have a responsibility to manage our waste sustainably. We can do this following the 5R's of waste management: These 5R's include: Reduce, Reuse, Recycle, Recover and Residual management.

Reduce Environmental Impacts of the organization's product

Reducing your workplace's environmental impact is a very different story.

1. Watch your water usage.
2. Go paperless (if you can!).
3. Recycle if you can't go paperless.
4. Use recycled

3. Employees Welfare

Community Engagements

The department conduct participation on quarterly basis to take proposal on the need of community for implementation some of the successful community projects

1. Mukuyu social hall
2. Mukuyu ECDE centre.

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At the end of every day the vulnerable children the aged, widows are identified and given assistance in form charismas gift like foodstuff. The municipality has identified about.

Others are youths and sports

The Municipality, partnered with other youth organization and held two successful tournaments. The participant were drawn from clubs within the Municipality. The winners were awarded sports equipment, and refreshments and sitting arrangement were catered for by municipality. The partner organization Kikwetu provided the games referees and umpires.

Education

The municipality continuously support ECD centres by ensuring the staff and teachers and support staff are adequate, learning materials are available and fending program are in place. The vocational centres within the jurisdiction are well equipped with trainers and other necessities. Short courses like computer packages, hair dressing, manicure, and pedicure are also offered on demand basis

10. Report of the Municipality Board Members

The principal activities of the Municipality is to offer services to residents in an efficient and accountable manner.

It is the principle requirement for the Municipality to assist its residents to participate in all decision making at the grassroots through public forums. It is in these forums that they can verify with assurance whether their resources are utilized with fairness to meet their satisfaction.

The Municipality is supposed to create an enabling environment for business growth prospects by creating an opportunity which are available in the Municipality and instating such measures are necessary in achieving quality life for the residents.

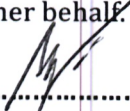
Ensure that there is a functional Municipality that can sustain itself through local source by collecting all resources in its area of jurisdiction as cited in Finance Act.

The performance of the Municipality for the year ended 30th June 2022 are set on Page....

The Board Members who have served during the year as shown on page.....

Auditor General is responsible for the Statutory Audit of the Municipality in accordance with Article 229 of the constitution of Kenya, Public Audit Act 2015.

The Kenya National Audit office representatives from the regional office were allowed to carry out the audit of the year that ended in June 2022, in accordance to section 23 of the Public Audit Act 2015, which empowers the Auditor General to appoint an Auditor on his/her behalf.


.....

Name: Sammy Njogu

Board Secretary.

11. Statement of Management's Responsibilities

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

The Municipality manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2022. This responsibility includes:

- i. maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period,
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2022, and the financial position as at that date.

**County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30, 2022**

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.

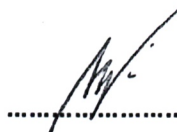
Approval of the financial statements

The Municipal financial statements were approved by the Board on 30th September 2022 and signed on its behalf by:


.....

Name: Arch. Benson Githinji

Chairperson of the Board

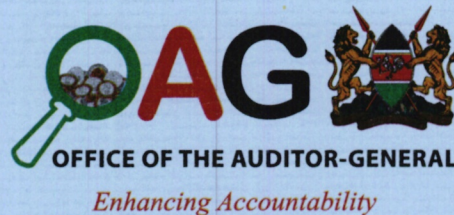

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Name: Sammy Njogu

Accounting officer of the Board

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF MURANG'A FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Municipality of Murang'a set out on pages 1 to 44, which comprise the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Municipality of Murang'a as at 30 June, 2022 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 Municipal Charter of Murang'a, 2019, Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0. Inaccuracies in the Financial Statements

1.1 Statement of Financial Position

The statement of financial position as at 30 June, 2022 reflects an accumulated surplus of Kshs.908,514 while the statement of financial performance for the year ended 30 June, 2022 reflects a deficit for the period of Kshs. 2,812,524. The resulting variance of Kshs.3,721,038 has not been reconciled or explained. In addition, the statement reflects property, plant and equipment balance of Kshs.35,512,994 while Note 22 to the financial statements reflects nil balance.

Further, the statement reflects total net assets and liabilities of Kshs.65,510,423 while the statement of changes in net assets reflects Kshs.100,173,574 resulting to unreconciled and unexplained variance of Kshs.34,663,151.

1.2 Statement of Changes in Net Assets

The statement of changes in net assets reflects fund balance of Kshs.100,173,574 which includes a balance of Kshs.68,278,704 in respect to financial year 2020/2021. However, the financial statements for the financial year 2020/2021 were not audited hence the accuracy and completeness of the opening balance could not be confirmed.

In addition, the statement reflects total balance of Kshs.100,173,574 while a recast gives Kshs.100,183,574 resulting to unreconciled and unexplained variance of Kshs.10,000.

1.3 Statement of Cash Flows

The statement of cash flows for the year ended 30 June, 2022 is incomplete and has no cash and cash equivalents balance as at 30 June, 2022.

In the circumstances, the validity, accuracy and completeness of the financial statements balances for the year ended 30 June, 2022 could not be confirmed

2.0 Presentation of Financial Statements

Review of the financial statements against the prescribed presentation format by the Public Sector Accounting Standards Board revealed that three (3) financial statements components notes in the statement of financial position were inconsistent with the corresponding explanatory notes as shown below;

Note	Item as per the Statement of Financial Position	Items as per the Explanatory Notes
28	Provision	Cash Generated from Operations
29	Borrowing	Related Party balance
30	Non-Current Employee Benefit Obligation.	Contingent Liabilities

In the circumstances, the inconsistencies are contrary to accounting standards as prescribed by the Public Sector Accounting Standards Board.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue final budget and actual on comparable basis totaling Kshs.64,102,889 and Kshs.37,919,394 respectively resulting in under-performance of Kshs.26,183,495 or 41% of the budget. Similarly, the Municipality expended Kshs.7,456,320 against approved budget of Kshs.64,102,889 resulting in an under-expenditure of Kshs.56,646,569 or 88% of the total expenditure budget.

Further, the Municipality has wrongly captured under expenditure in the statement as Kshs.57,046,569 instead of Kshs.56,646,569 resulting to unreconciled and unexplained variance of Kshs.400,000.

In the circumstances, the under-performance and under expenditure of the budget affected the planned activities and impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to Maintain Updated Asset Register

The Municipality inherited various classes of assets from Murang'a County Government and defunct Local Authorities. However, these assets have not been valued and recorded in an asset register contrary to Regulation 136 (1), (2) and (3) of the Public Finance Management (County Governments) Regulations, 2015 which require that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws, the register of land and buildings shall record each parcel of land and each building and the terms on which it is held, with reference to the conveyance, address, area, dates of acquisition, disposal or major change in use, capital expenditure, lease hold terms, maintenance contracts and other pertinent management details and all major items including furniture and equipment issued for a government's quarters or offices, large tools for county, works, plant, equipment, vehicles or (launches) large motor boat shall be recorded in a register.

Report of the Auditor-General on Municipality of Murang'a for the year ended 30 June, 2022

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and the Municipality Board

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

In preparing the financial statements, Management is responsible for assessing the ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Municipality or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 March, 2023

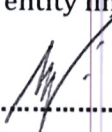
County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30, 2022

13. Statement of Financial Performance for The Year Ended 30 June 2022.

	Notes	2021/22	2020/2021
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	3,200,000	-
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Others	9	-	-
Revenue from exchange transactions			
Interest income	10	-	-
Other Income	11	-	-
Total revenue			-
Expenditure			
Use of goods and services	12	3,272,824	-
Staff costs	13	-	-
Board expenses	14	2,739,700	-
Finance cost	15	-	-
Total expenses		6,012,524	-
Other gains/losses	16	-	-
Gain/loss on disposal of assets			
Surplus/(deficit) for the period		(2,812,524)	-

The notes set out on pages 9 to 48 form an integral part of these Financial Statements.

The entity financial statements were approved on 30th September 2022 and signed by:


.....

Name: Sammy Njogu
Municipality Manager


.....

Name: Stephen Kamiri
Head of Finance
ICPAK M/No;9046

County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30, 2022

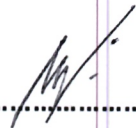
14. Statement of Financial Position As At 30 June 2022

	Note	2021/22	2020/21
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	17	29,997,429	-
Receivables from exchange transactions	18	-	-
Receivables from Non- exchange transactions	19	-	-
Prepayments	20	-	-
Inventories	21	-	-
Non-current assets			
Property, plant, and equipment	22	35,512,994-	-
Intangible assets	23	-	-
Total Non-current Assets			-
Total assets		65,510,423	-
Liabilities			
Current liabilities			
Trade and other payables	24	29,882,515	-
Provisions	25	-	-
Borrowings	26	-	-
Employee benefit obligations	27	-	-
Non-current liabilities			
Provisions	28	-	-
Borrowings	29	-	-
Non-current employee benefit obligation	30	-	-
Total liabilities		29,882,515	-

**County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30, 2022**

	Note	2021/22	2020/21
		Kshs.	Kshs.
Net assets		35,627,908	-
Capital/Development Grants/Fund		34,719,394	
Reserves		-	-
Accumulated surplus		908,514	-
Total net assets and liabilities		65,510,423	-

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 30/09/2022 and signed by:


.....

Name: Sammy Njogu
Municipality Manager
Date:


.....

Name: Stephen Kamiri
Head of Finance
ICPAK M/No;9046
Date:

County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30, 2022

15. Statement of Changes In Net Assets As At 30 June 2022

	Capital/ Development Grants/Fund	Revaluat ion Reserve	Accumulat ed surplus	Total
		Kshs.	Kshs.	Kshs.
Balance as at 1 July 2020				
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	68,278,704	-	-	68,278,704
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	68,278,704	-	-	68,278,704
Balance as at 1 July 2021	68,278,704			68,278,704
Surplus/(deficit) for the period	(2,812,524)	-	-	(2,812,524)
Funds received during the year	34,717,394			34,717,394
Revaluation gain				
Balance as at 30 June 2022	100,173,574			100,173,574

.....
Name: Sammy Njogu
Municipality Manager

.....
Name: Stephen Maina Kamiri
Head of Finance
ICPAK M/No;9046

County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30, 2022

16. Statement Of Cash Flows for The Year Ended 30 June 2022

	Note	2021/22	2020/21
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		37,919,394	-
Public contributions and donations		-	
Interest received		-	
<i>Other receipts (Specify)⁴</i>		-	
Total Receipts		37,919,394	-
Payments			
Use of goods and services		3,133,124	-
Building renovation		471,832	
Staff costs		-	
Board expenses		2,739,700	-
Bank charges		-	-
Total Payments		6,344,656	-
Net cash flows from operating activities	28	31,564,026	-
Cash flows from investing activities			
Part payment road construction to Spinners Ventures LTD.		5,699,308	-
Proceeds from sale of PPE		-	
Net cash flows used in investing activities		5,699,308	-
Cash flows from financing activities			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-

**County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30, 2022**

	Note	2021/22	2020/21
		Kshs.	Kshs.
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	
Net increase/(decrease) in cash & cash equivalents		25,864,718	-
Cash And Cash Equivalents At 1 July		29,997,429	-



.....
Name: Sammy Njogu
Municipality Manager



.....
Name: Stephen Maina Kamiri
Head of Finance
ICPAK M/No;9046

County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30, 2022

17. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	64,102,889	-	64,102,889	37,919,394	26,183,495	59%
Public contributions and donations	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Other income (specify)	-	-	-	-	-	-
Total Revenue	64,102,889		64,102,889	37,919,394	26,183,495	59%
Expenses						
Use of goods and services	19,000,000		19,000,000	4,716,620	15,727,176	83%
Board expenses	3,000,000		3,000,000	2,739,700	260300	91%
Staff Costs	42,102889		42,102889	-	42,102889	%
Finance costs	-		-	-	-	%

**County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30, 2022**

Total Expenditure	64,102,889		64,102,889	7,456,320	57,046,569	11.6%
Surplus for the period	0		0	30,455,592	(30,055,592)	-
Capital Expenditure	35,512,994		35,512,994		35,512,994	%

Budget Notes

Explanations of Differences

Transfer from county government - the county executive did not transfer the required amount of co fund as per the budget. Only sh 3,200,000 was transferred to the Municipality

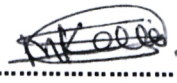
For recurrent expenditure.


.....

Name: SAMMY NJOGU

Municipality Manager

Date:


.....

**Name: STEPHEN MAINA
KAMIRI**

Head of Finance

ICPAK M/No 9046

Date:

18. Notes to the Financial Statement

1. General Information

Municipality of Murang'a is established by and derives its authority and accountability from Urban Area and Cities Act 2019. The Municipality is under the County Government of Murang'a and is domiciled in Kenya.

The entity's principal activity is service delivery to residents of Municipality of Murang'a.

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Application of New and revised standards (IPSAS)

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

County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30, 2022

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

County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30, 2022

19. Annexes

i. 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>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p>

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	<p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i>

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	<p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022

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 2021/22 was approved by the County Assembly on xxx (Date). 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 statements were recast from the accrual basis to the cash basis and

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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.

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.

Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

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

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

g) Provisions

Provisions are recognized when the Municipality has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Municipality expects some or all of a provision to be reimbursed, for example, under an

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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 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

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 Municipality provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the Municipality does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to scheme obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefits are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions

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

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.

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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.

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.

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.

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- 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.

NB: The process of revaluation of non current assets is underway. For that reason we have not included their values in these financial statements as doing so would be misleading.

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(Notes to the Financial Statements)

6. Transfers from the County Government

Description	2021/22	2020/21
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	3,200,000	
Transfers from County Govt- Development	-	
Payments by County on behalf of the entity		
Total	3,200,000	

*Recurrent fund is counter fund received from county treasury for recurrent expenditure.
Development is the donor fund issued for development only.*

7. Public Contributions and Donations

Description	2021/22	2020/21
	Kshs.	Kshs.
Donation from development partners		
Contributions from the public		
Total		

8. Levies, Fines and penalties

Description	2021/22	2020/21
	Kshs.	Kshs.
Levies		
Fines		
Penalties		
Others (<i>indicate and specify</i>)		
Total		

9. Other Revenues from Non-Exchange Transactions

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Description	2021/22	2020/21
	Kshs.	Kshs.
Transfers from other government entities		
<i>Local sources</i>		
Total		

(Notes to the Financial Statements (Continued))

10. Interest income

Description	2021/22	2020/21
	Kshs.	Kshs.
Interest income from investments		
Interest income on bank deposits		
Others <i>(Specify)</i>		
Total interest income		

(Provide brief explanation for this revenue)

11. Other income

Description	2021/22	2020/21
	Kshs.	Kshs.
Income from sale of tender documents		
Others <i>(specify)</i>		
Total other income		

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

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12. Use of Goods and Services

	2021/22	2020/21
	Kshs.	Kshs.
Utilities, supplies and services		
Communication, supplies and services		
Domestic travel and subsistence	2,709,644	
Public participation	86,000	
Printing, advertising, supplies & services		
Rent and rates		
Training expenses		
Hospitality supplies and services		
Building renovation (retention payment)	471,824	
Specialized materials and services		
Office and general supplies and services	-	
Fuel, oil and lubricants	-	
Other operating expenses (<i>Specify</i>)	-	
Routine maintenance - vehicles and other equipment	-	
Routine maintenance - other assets		
Contracted Professional Services		
Audit fees		
Hire of Transport, equipment etc		
Bank Charges	5,356	
Depreciation and amortisation		
Total	3,272,824	

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13. Staff costs

Description	2021/22	2020/21
	Kshs.	Kshs.
Salaries and wages		
Staff gratuity		
Social security contribution		
Other staff costs (<i>Specify</i>)		
Total		

14. Board expenses

Description	2021/22	2020/21
	Kshs.	Kshs.
Chairman/Members' Honoraria		
Sitting allowances	2,739,700	-
Medical Insurance		
Induction and Training		
Travel and accommodation		
Conference Costs		
Other allowances (<i>Specify</i>)		
Total	2,739,700	-

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15. Finance costs

Description	2021/22	2020/21
	Kshs.	Kshs.
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

16. Gain/(loss) on disposal of assets

Description	2021/22	2020/21
	Kshs.	Kshs.
Property, plant and equipment		
Intangible assets		
Total		

17. Cash and cash equivalents

	2021/22	2020/2021
	Kshs	Kshs
Fixed deposits account		
On - call deposits		
Current account	29,997,429	-
Others(<i>specify</i>)		
Total cash and cash equivalents	29,997,429	-

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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

		2021/22	2020/21
Financial institution	Account number	Kshs.	Kshs.
a) Fixed deposits account			
Kenya Commercial bank			
Equity Bank, etc			
Sub- total			
b) On - call deposits			
Kenya Commercial bank			
Equity Bank - etc			
Sub- total			
c) Current account			
Kenya Commercial bank	UDG A/C	29,980,931	-
	129263975	16,024	
	UIG		
	A/C1263560784		
Kenya Commercial bank	OPER 1259505336	474	
Equity Bank - etc			
Sub- total			
d) Others(specify)			
Cash in transit			
Cash in hand			
Mobile Money			
Sub- total			
Grand total			

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18. Receivables from exchange transactions

Description	2021/22	2020/21
	Kshs.	Kshs.
Current Receivables		
Service, water and electricity debtors		
Other exchange debtors		
Less: impairment allowance		
Total Current receivables (a)		
Non-Current receivables		
Service, water and electricity debtors		
Other exchange debtors		
Less: impairment allowance		
Total Non- current receivables (b)		
Total receivables from exchange transactions		

19. Receivables from Non-Exchange transaction

Description	2021/22	2020/21
	Kshs.	Kshs.
Transfer from County Executive		
Transfer from XXXX Fund		
Total receivables from non-exchange transactions		

20. Prepayments

Description	2021/22	2020/21
	Kshs.	Kshs.
Prepaid rent		
Prepaid insurance		
Prepaid electricity costs		

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Other prepayments(<i>specify</i>)		
Total		

21. Inventories

Description	2021/22	2020/21
	Kshs.	Kshs.
Stationery		
Consumables		
Other inventories(<i>specify</i>)		
Total inventories at the lower of cost and net realizable value		

22. Property, Plant and Equipment

	Land	Buildi	Moto	Furnit	Comput	Construc	Capita	Tot
	d	ng	r	ure	ers	tion Of	l	al
			vehic	and		roads	Work	
			les	fitings			in	
							progr	
Description	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 July 2020								
Additions								
Disposals								
Transfers/adjustments								
As at 30th June 2021								
Additions								
Disposals								
Transfer/adjustments								

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	Land	Building	Motor vehicles	Furniture and fittings	Computers	Construction Of roads	Capital Work in progress	Total
Description	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 30th June 2022							--	
Depreciation and impairment								
At 1 July 2020								
Depreciation								
Impairment								
Transfers/ Adjustments								
As at 30 June 2021								
Depreciation								
Disposals								
Impairment								
Transfer/adjustment								
As at 30th June 2022								
NBV as at 30th June 2021								
NBV as at 30th June 2022							--	

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23. Intangible assets

Description	2021/22	2020/21
	Kshs.	Kshs.
Cost		
At beginning of the year		
Additions		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization		
At end of the year		
Impairment loss		
At end of the year		
NBV		

24. Trade and other payables from exchange transactions

Description	2021/22	2020/21
	Kshs.	Kshs.
Trade payables		
Refundable deposits	-	-
Accrued expenses	3,343,769	-
Other payables (unpaid contract amount)	26,538,746	-
Total trade and other payables	29,882,515	-

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25. Provisions

Description	2021/22	2020/21
	Kshs.	Kshs.
Balance at the beginning of the year		
Additional Provisions (<i>Specify</i>)		
Provision utilised		
Balance at the end of the year		
Current Portion of provision		
Long term portion of provision		
Total Provisions		

26. Borrowings

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

Description	2021/22	2020/21
	Kshs.	Kshs.
Short term borrowings (current portion)		
Long term borrowings		
Total		

(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	2021/22	2020/21
	Kshs.	Kshs.
Balance at beginning of the period		
Borrowings during the year		
Repayments of borrowings during the period		

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Balance at end of the period		
-------------------------------------	--	--

The table below shows the Distribution of borrowings:

	2021/22	2020/21
	Kshs.	Kshs.
Borrowings		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
Borrowings from other government institutions		
Total balance at end of the year		

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				
Total employee benefits obligation				

28. Cash generated from operations

	2021/22	2020/21
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax		
Adjusted for:		
Depreciation	-	-

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Amortisation		
Gains/ losses on disposal of assets		
Interest income		
Finance cost		
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Increase in payables	31,564,026	-
Net cash flow from operating activities	31,564,026	-

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/scheme is related to the following entities:

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

b) Related party transactions

	2021/22	2020/21
	Kshs.	Kshs.
Transfers from related parties'		
Transfers to related parties		

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c) Key management remuneration

	2021/22	2020/21
	Kshs.	Kshs.
Board of Board Members		
Key Management Compensation		
Total		

d) Due from related parties

	2021/22	2020/21
	Kshs.	Kshs.
Due from parent Ministry		
Due from County Government		
Due from County Assembly		
Total		

(Other Disclosures continued)

e) Due to related parties

	2021/22	2020/21
	Kshs.	Kshs.
Due to parent Ministry		
Due to County Government		
Due to Key management personnel		
Due to County Assembly		
Total		

30. Contingent liabilities

Contingent liabilities	2021/22	2020/21
	Kshs.	Kshs.

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Court case xxx against the entity		
Bank guarantees		
Total		

(Give details)

31. Contingent Assets

Contingent liabilities	2021/22	2020/21
	Kshs.	Kshs.
Court case against the entity		
Others Specify		
Total		

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.

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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 performi ng Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2022				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				
At 30 June 2021				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				

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(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.
At 30 June 2022				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				

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Total				
At 30 June 2021				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				

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.

III. 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.

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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.
At 30 June 2022			
Financial assets			
Investments			
Cash			
Debtors/ receivables			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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.
20xx			
Euro	10%		
USD	10%		
20xx-1			
Euro	10%		
USD	10%		

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IV. 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.

V. Capital risk management

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

	2021/22	2020/21
	Kshs.	Kshs.
Revaluation reserve		
Capital/Development Grants/Municipality	34,719,394	-
Accumulated surplus	31,906,870	-
Total Funds	66,626,264	-
Total borrowings		
Less: cash and bank balances	29,997,429	-
Net debt/(excess cash and cash equivalents)	36,628,835	-
Gearing		

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.

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

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.

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To be Signed by the Accounting officer of the Entity

Annex 2: Inter Entity Transfers

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MUNICIPALITY OF MURANGA				
Breakdown of Transfers from the County Executive of Muranga				
	FY 2021/2022			
a	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	UIG			
	a/c no 1263560784		Nil	2021/2022
		Total		
b	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	UDG	17 th March 2022	25,498,484	2021/2022
	a/c no 1259263975			
		Total	25,498,484	
c	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	Operations	21 st July 2021	2,000,000	2021/2022
	a/c no 1259504336	16 th March 2022	200,000	2121/2022
		4 th may 2022	1,000,000	2121/2022
		Total	3,200,000	




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

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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			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

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Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments