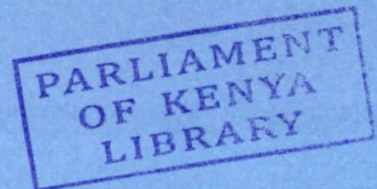


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**



**OF**

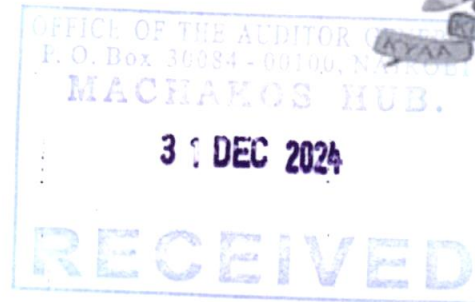
**THE AUDITOR-GENERAL**

**ON**

**KANGUNDO/TALA MUNICIPALITY**

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

PAPERS LAID	
DATE	13/2/2025
TABLED BY	Majority Whip
COMMITTEE	
CLERK AT THE TABLE	Mbaya



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# KANGUNDO/ TALA MUNICIPALITY

*County Government of Machakos*

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30<sup>TH</sup> JUNE 2023

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

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**1. Acronyms & Glossary of Terms**

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

*County Government of Machakos*

*Kangundo /Tala Municipality*

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

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## **2. Key Entity Information and Management**

### **a) Background information**

Kangundo Tala Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 27 June 2018. The Municipality is under the County Government of Machakos and is domiciled in Kenya.

### **b) Principal Activities**

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

- Support for the establishment, operationalization, and strengthening of the institutional framework for urban management of the county as part of the national level interventions.
- Assist county governments address urban development and management issues as part of the county level interventions
- Provision of support for planning, logistical, urban infrastructure and service delivery.
- Provision for clean urban areas through collection of garbage and waste management

### **c) Key Management**

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

- Department of Housing and Urban Development
- Board of Management
- Municipality Manager
- Management

#### **Municipality Board**

<b>Ref</b>	<b>Position</b>	<b>Name</b>
1.	Ag Board Chair	Rebecca Mutua
2.	Ag Vice Chairperson	Joshua Kitonga
3.	County Executive Committee Member responsible for Cities and Urban areas.	Philip Kilonzo
4.	Municipality Manager	Ann Mwendu Masai
5.	Board Member 1	Hellen Muthoki
6.	Board Member 2	Cecilia Mwosa
7.	Board Member 3	Esther Kimeu
8.	Board Member 4	Lawrence Muthusi

**Key Management**

Ref	Position	Name
1	Municipality Manager	Ann Mwende Masai
2	Head of department	Paul Mawili Wambua
3	Accountant	Alfred Kitoo

**d) Fiduciary Management**

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

Ref	Position	Name
1	Municipality Manager	Ann Masai
2	Head of department	Paul Mawili Wambua
3	Accountant	Alfred Kitoo

**e) Fiduciary Oversight Arrangements**

- i) Audit and Risk Management Committee
- ii) County Assembly committees
- iii) Committees of the Senate

**f) Registered Offices**

P.O. Box 1996-90100  
Mwatu Wa Ngoma Road  
NAIROBI, KENYA

**g) Bankers**

SBM Bank- Kangundo/ Tala UDG account Account- Number 3423756844001  
SBM Bank-Kangundo Tala Municipality Retention Account- Number 0342380184001

**h) Independent Auditor**


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

**i) Principal Legal Adviser**



The County Attorney  
County Legal Office  
P.O BOX 1996 - 90100  
Machakos, Kenya





**3. Municipality Board**

Serial No.	Name	Details of qualifications and experience
1.	<p>REBECCA MUTUA</p>  <p>CHAIRPERSON</p>	<p>Date of birth 1958</p> <p>Rebecca Mutua Holds Certificate in Women Enterprenuership from the United States International University acquired in 2011</p> <p>Diploma in Bible correspondence from the Every Home Evangelism acquired in 1974, East African Advanced Certificate of Education in 1978.</p> <p>She is an Enterprenuership as she operates a restaurant in Tala Township and is a member of the Kenya National Chamber of Commerce.</p> <p>She is serving as an independent director to the Board</p>
2.	<p>JOSHUA KITONGA</p>  <p>VICE CHAIRPERSON</p>	<p>Joshua is an independent director to the board and Holds Diploma in journalism from the Kenya Institute of Mass Communication acquired in 1974 Diploma in Business Studies from the Mombasa Polytechnic acquired in 1972</p> <p>He has experience in Cooperative movement and development having served as the Chairperson Kangundo, Matungulu coffee growers union from 2018 and vice chairperson of Machakos cooperative union for 4 years He also has experience in Public</p>

*County Government of Machakos  
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Annual Report and Financial Statements for the year ended June 30, 2023*

		<p>service where he serviced as an officer and news reporter at the Ministry of Information and Broadcasting from 1975 to 1977.</p> <p>She was born in 1987 and holds Bachelors of Science degree in Hotel and restaurant management from the United States International University acquired in 2010.</p>
<p>3.</p>	<p>ESTHER KIMEU</p>  <p>MEMBER</p>	<p>Esther has is experienced in Procurement Logistics as she practiced procurement from 2014 to 2018, and also served as an office administrator from 2013 to 2014.</p> <p>She is an independent Director</p>
<p>4.</p>	<p>CECILIA MWOSA</p>  <p>MEMBER</p>	<p>D.O.B 1958</p> <p>Cecilia holds Diploma in Community development from Wintech college acquired in 2008, Certificate in computer systems and applications from computers from the heart college.</p> <p>She has experience in Community service as she is the Chairperson Maendeleo ya Wanawake Kangundo sub county.</p> <p>She is serving the board as an independent director.</p>

<p>5.</p>	<p>LAWRENCE MUTHUSI</p>  <p>MEMBER</p>	<p>D.O.B 1954</p> <p>Lawrence has Bachelor of Theology degree from the Carey Theological College. Certificate in evangelical ministry from the Carey Theological College acquired in 2006.</p> <p>Trained P1 teacher from Eregi Teachers College acquired in 1972. He served as a teacher from 1972 to 2014 rising to the position of a head teacher since 1984. He also serves as a church leader at African Brotherhood Church within Nguluni Township from 2000 to date.</p> <p>He is serving as an independent director to the board.</p>
<p>6.</p>	<p>HELLEN MUTHOKI</p>  <p>MEMBER</p>	<p>D.O.B 1976</p> <p>She holds Master of business administration from Kenyatta university in 2017, Bachelors of Business administration degree from Kenya Methodist University in 2013</p> <p>Worked in the banking sector from 1999 to date.</p> <p>She is an independent director to the board.</p>
<p>7.</p>	<p>Ann</p>	<p>Ann Masai holds a Masters degree in Business administration specializing in Strategic management. She also holds a a degree in Commerce and a diploma in banking and Finance,</p>



Masai  
Municipal Manager

She has experience in Banking, Marketing and administration. She is currently serving as the municipal manager, Kangundo/Tala Municipality since the year 2018.

**4. Key Management Team**

<b>Serial No</b>	<b>Name</b>	<b>Details of qualifications and experience</b>
1.	Paul Mawili Wambua	Chief Officer Urban Development
2.	Ann Mwendu Masai	Manager Kangundo Tala Municipality
3.	Alfred Kitoo	Accountant Kangundo Tala Municipality

## 5. Municipality Board Chairperson's Report

During the year the Municipality has managed to undertake the construction of Kawethei shopping centre, Mulleys link road in Tala, and purchase of a tipping trailer at a total cost of Ksh. 89,597,981.46. The projects had a very positive impact on the society.

I wish to thank the County Executive for giving the municipalities the powers to execute the following functions namely, maintenance of streetlights, solid waste management, urban infrastructure of markets and management of markets. The County Executive also deployed more staff on fulltime basis to the municipality so as to ensure efficient service delivery to the residents as well as the independence and empowering of the municipalities.

Some of the challenges that we faced were; delay in payment of board allowances and lack of funding for municipal projects from the County Government of Machakos; There are many projects that the municipality would wish to carry out but the resources available are not enough.

With increased funding expected in future, the municipality endeavours to undertake more projects that will help grow and urbanize the municipality of Kangundo/Tala.

I also wish to thank the leadership of Machakos County government for helping the municipality in building its capacity.



.....  
Name: Rabele Mutha

Chairperson of the Board



## 6. Report Of the Municipality Manager

The Municipality has achieved a lot since its establishment. Several projects have been implemented and they are all at 100% complete. Since inception Kangundo Tala municipality has constructed Kangundo Tala . It has upgraded Nguluni, Katine polytechnic, Kangundo town and Kawethei road into bitumen standards. The Municipality has also installed solar street lights in Kangundo, Tala and Nguluni market. The Municipality has also purchased skip bins; skip loader, tractor and compacting track to aid in solid waste collection. All these mentioned projects are 100% complete.. Construction of walkways has reduced road accidents and also reduced congestions of pedestrians and motorists on the roads. Solar Street connections have enabled traders to extend their trading hours to late at night and they have also reduced crime rate in the municipality. Upgrading of roads into Bitumen standards has given Kangundo Tala municipality a face lift and has also increased the land value. Construction of parking facilities has also helped the County to increase its revenue collection. Purchase of solid waste vehicle and collection bins has also helped the municipality to manage its solid waste collection and disposal effectively and efficiently.

The main challenge that the Municipality faced during the implementation of the project was weather interruption and vandalism. During the rainy season many projects were forced to stop or slow down due to heavy rain.

For the entire projects that were done in Kangundo- Tala Municipality there was value for money because the cost for collecting and transporting our solid waste has become more effective and efficient. The traders are able to trade in a more conducive environment because their products are no longer affected by dust and also their trading are now extended hence more income. Upgrading of roads bitumen standards has helped the motorist to cut down on maintenance cost of their vehicles.

Some of the key risk management that the Municipality intends to apply are risk reduction and risk avoidance.

In risk reduction, the Municipality will ensure that the contractor will install all the necessary safe guards to reduce occurrence of any accident on the construction site. The Municipality will also ensure that the kind of investment it will implement will have low or medium risk and avoid implementing projects that have high risk.



.....  
Name: Joblyne Nzeki

City/Municipality Manager



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

We have prepared the municipality's financial statements as per Section 164 (2) (f) of the Public Finance Management Act, 2012 which requires that, at the end of each financial year, the Accounting Officer for a County Government entity shall prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board including a statement of the county government entity's performance against predetermined objectives.

As per the Municipality's annual plan, we managed to construct Kawethei Market centre, Mulley Link road in Tala town, and purchased tipping trailer for use within the municipality.

However some objectives were not met due to financial constraints. Some of the projects are; upgrading of Kakuyuni Market, Purchase of more litter bins and purchase of waste compactor.

Our key development objectives of the Kangundo/Tala Municipality are to:

- a) Provide quality physical infrastructure.
- b) Urban planning.
- c) Urban governance and administration

## **8. Corporate Governance Statement**

### **a) Process of appointment and removal of Board members.**

Members of the board are appointed by the governor to serve for a term of three years renewable once. Once nominated, the members are gazetted and sworn in as per the law

The Municipality board members perform the several roles

### **b) Roles and functions of the City/Municipality Board members.**

- Overseeing the affairs of the municipality.
- Develop or adopt policies, strategies and programs and set targets for service delivery.
- Implement integrated development plan; maintaining a comprehensive database and information system of the administration.
- Administering and regulating municipality's affairs
- Implementing applicable national and county policies and legislation monitoring and where appropriate.
- Regulating municipal services where those services are provided by service providers other than the board of the Municipality.

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

Once appointed, the members were taken on an induction training sponsored by the World Bank. The Municipality has thereafter organized training on regular basis to keep them up to date with the management of the fund and emerging issues affecting the municipality. The chair on behalf of the board has signed performance contract with the County Executive Committee Member of the line Department.

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

The board holds one sitting after every three months hence having four sittings per year. Sometimes there may be a special sitting by board to tackle emergency issues which may arise. Almost all members have been attending the said meetings unless one is absent with apology. In this financial year, the board had the four normal sittings as stipulated by the law.

### **e) Succession plan,**

Once members' terms expires or resigns, a replacement is done by the governor as stipulated in the cities and municipalities act.

**f) Existence of a service charter,**

Kangundo Tala Municipality has a well-established service charter and is in force.

**g) Conflict of interest,**

There is no conflict of interest currently but members are encouraged to declare any conflict of interest that may arise.

**h) Board remuneration,**

Members are remunerated as per the Salaries and remuneration commission approved rates. The County government managed to pay most of the outstanding allowances and sitting allowances in the year under review. During this year, the management defined all board members in the IFMIS system for ease of processing their allowances.

**i) Ethics and conduct as well as governance audit undertaken if any**

The board did not undertake any audit on ethics and governance in this financial year. The board will not hesitate to undertake the same if need arises.

**9. Management Discussion and Analysis**

- a) The operational and financial performance of the municipality during the period

During the financial year, the municipality performed fairly well both financially and operationally. However, due to limited resources, we could not achieve as per our desired objectives.

- b) **Key projects or investments decisions implemented or on-going** - The principal activity/mission/ mandate of the Fund is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya

**Core objectives**

- Support for the establishment, operationalization, and strengthening of the institutional framework for urban management as part of the national level interventions
- Assist county governments address urban development and management issues as part of the county level interventions
- Provision of support for planning, urban infrastructure and service delivery.
- Provision of clean environment by doing waste management through acquisition of garbage trucks.

- c) **Entity's compliance with statutory requirements**

The municipality since the inception of the fund has followed all the statutory regulations and as at the date of current reporting there were no reported non-compliance issues.

- d) **Major risks facing the municipality material arrears in the statutory and other financial obligations**

The municipality as at the time of reporting was not facing any serious risk as the framework of work was being followed as per the plan.

The municipality as at the time of reporting had no pending bills or any other item which had been defaulted in payment.

## 10. Environmental And Sustainability Reporting

### **Sustainability strategy and profile**

The main mandate of the municipality is maintenance of urban infrastructure as well as solid waste management. The municipality has acquired equipment and machinery for solid waste management, developed an integrated development plan and established structures for actualising the development plan.

### **Environmental performance**

The Municipality did not have established environment performance policy. We are however guided by the existing authorities such as NEMA and legislation developed by the Parliament. Employee welfare

During the year the municipality did not hire any staff. The county government of Machakos however seconded required staff to work in the municipality. Due to shortage of funds, there was one training to the Manager which was undertaken in the year under review. The Municipality endeavours to undertake continuous capacity building of its staff to keep them updated on emerging trends in the market. The Municipality is guided by the existing laws on health safety and health.

Market place practices. The Municipality adheres to the laid down market practices.

### **Responsible Supply chain and supplier relations**

The Municipality followed the rules on procurement as set out by the law and regulation on procurement and Disposal

### **Responsible marketing and advertisement**

We are guided by the existing law and ethics practice on advertising marketing.

Product stewardship

The Municipality adheres to all regulations on consumer protection and competition. Community Engagements

The Municipality did not undertake any corporate social responsibility in the year.

## **11. Report of the Municipality Board Members**

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

### **Principal activities**

The principal activities of the Municipality is as stated in page iii above.

### **Performance**

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

### **Board Members**

The members of the Board who served during the year are shown on page vi to ix. There were no changes in the Board during the financial year.

### **Auditors**

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

By Order of the Board



.....

**Name:** *Jobelyne Nzeke*

**Secretary of the Board**



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

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

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

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


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

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern

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 Municipality's financial statements were approved by the Board on 23/nd 2023 and signed on its behalf by:

..... 

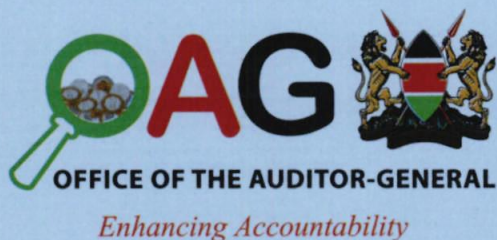
Name: Rebecca Mutua  
Chairperson of the Board

..... 

Name: Jodelyne Mzeki  
Accounting officer of the Board

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON KANGUNDO/TALA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2023

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### PREAMBLE

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

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

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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

#### Opinion

I have audited the accompanying financial statements of Kangundo /Tala Municipality set out on pages 1 to 47 which comprise of the statement of assets and liabilities as at 30

June, 2023 and the statement of receipts and payments, statement of cash flows and summary statement of appropriation 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, the financial statements present fairly, in all material respects, the financial position of Kangundo/Tala Municipality as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2011 (Amended 2019) and the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipt budget and actual amount on comparable basis of Kshs.140,084,074 and Kshs.109,249,963 respectively, resulting to under-funding of Kshs.30,834,111 or approximately 22% of the budget.

The under-funding may affect the planned activities and may impact negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Information**

The Management is responsible for the other information set out on pages iiv to xxv which comprise of Key Entity Information and Management, Municipality Board, Key

Management Team, Municipality Board Chairperson's Report, Report of the Municipality Manager, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Municipality Board Members and Statement of Management Responsibilities. The other information does not include the financial statements and my audit report thereon.

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

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Lack of a Strategic Plan and an Integrated Development Plan**

During the year under review, Management and the Municipal Board did not develop a Strategic Plan for the Municipality. This is contrary to Section 39 (1) of the Urban Areas and Cities Act, 2011 which stipulates that a Board or town Committee shall, within the first year of its election, adopt a single, inclusive Strategic Plan for the development of the City or Urban area for which it is responsible.

In addition, Management did not prepare the Integrated Development Plan which acts as a basis for preparation of the Strategic Plan. This is contrary to Section 37 & 38 of the Urban Areas and Cities Act, 2011 which stipulates that a City or Urban area shall prepare an integrated City or Urban area Municipal Development Plan in accordance with the Third Schedule to this Act and which shall be aligned to the development plans and strategies of the County Governments.

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

## **2. Failure to Prepare Budget**

The Municipality Management did not prepare a budget for the financial year 2022/2023 for submission to the County Treasury for approval by the County Assembly. This is contrary to Section 175 (5) of the Public Finance Management Act, 2012 which stipulates that the urban area or city shall prepare and submit budget requests to the County Treasury upon approval by the Board in sufficient time, in the case of cities and municipalities, for their approval as part of the annual County Appropriation Bill.

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

## **3. Late Submission of Financial Statements**

Management submitted the financial statements for 2022/2023 on 16 October 2023 to the Auditor-General, one month after the statutory deadline of 30 September 2023. This is contrary to Section (1) and (2) of the Urban Areas and Cities Act, 2011 which stipulates that the Board or town Committee shall cause to be kept all proper books and records of account of its income, expenditure, assets and liabilities and within a period of three months after the end of each financial year, the Board or town Committee shall submit to the County Executive Committee its accounts for that year for transmission to the Auditor-General.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

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

## **Responsibilities of the Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Municipality's, ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

## **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229 (4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions

and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

30 December, 2024

County Government of Machakos  
 Subungu /Tala Municipality  
 Annual Report and Financial Statements for the year ended June 30, 2023

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

Description	Note	FY 2022/2023
		Kshs.
<b>Revenue from non-exchange transactions</b>		
Transfers from the County Government	6	131,422,026
Public contributions and donations	7	-
Services Fines and Penalties	8	-
Other revenues (included in)	9	-
<b>Revenue from exchange transactions</b>		
Interest income	10	-
Miscellaneous Income	11	8,662,048
		-
<b>Total revenue</b>		<b>140,084,074</b>
<b>Expenditure</b>		
Cost of goods and services	12	109,249,963
Staff costs	13	
Travel expenses	14	
Finance costs	15	
Depreciation and amortization	16	
Repairs and maintenance	17	
<b>Total expenses</b>		<b>(109,249,963)</b>
<b>Other gains/losses</b>		
Gain/loss on disposal of assets	18	-
<b>Surplus for the period</b>		<b>30,834,111</b>

The notes set out on pages 23 to 44 form an integral part of these Financial Statements. The entity's financial statements were approved on 25/12 2024 and signed by:

.....

.....

Name:  
 Municipality Manager

Name: Benjamin Kioko Katola  
 Head of Finance  
 ICPAK M/No 21416

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

Description	Note	FY 2022/2023
		Kshs.
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	19	30,834,111
Receivables from exchange transactions	20	-
Receivables from Non- exchange transactions	21	-
Prepayments	22	-
Inventories	23	-
<b>Total current assets</b>		<b>30,834,111</b>
<b>Non-current assets</b>		
Property, plant, and equipment	24	-
Intangible assets	25	-
<b>Total Non-current Assets</b>		
<b>Total assets</b>		<b>30,834,110</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	26	25,526,153
Refundable deposits from customers	27	-
Provisions	28	-
Retentions	29	5,307,957
Employee benefit obligations	30	-
Deferred Income	31	-
Social Benefits	32	-
<b>Total current liabilities</b>		<b>25,526,153</b>
<b>Non-current liabilities</b>		
Provisions	28	-
Borrowings	29	-
Non-current employee benefit obligation	30	-
Deferred Income	31	-
Social Benefits	32	-
<b>Total liabilities</b>		<b>30,834,110</b>

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Description	Note	FY 2022/2023
		Kshs.
<b>Net assets</b>		
Capital/Development Grants/Fund		-
Reserves		-
Accumulated surplus		
<b>Total net assets and liabilities</b>		<b>30,834,110</b>

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 \_\_\_\_\_ 2023 and signed by:

..... 

**Name:**  
**Municipality Manager**

**Date:**

..... 

**Name: Benjamin Kioko Katola**  
**Head of Finance**

**ICPAK M/No 21416**

**Date:**

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

Description	Capital/ Development Grants/Fund	Revaluatio n Reserve	Accumulated Surplus	Total
		Kshs.	Kshs.	Kshs.
<b>Bal as at 1 July 2021</b>	-	-	-	-
Surplus for the year		-	-	
Funds received during the year	-	-		
Revaluation gain	-	-	-	
<b>Bal as at 30 Jun 2022</b>	-	-	-	
<b>Bal as at 1 July 2022</b>	-	-	-	-
Surplus for the year		-	30,834,111	30,834,111
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2023</b>	-	-	<b>30,834,110</b>	<b>30,834,110</b>

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

Description	Note	FY 2022/2023
		Kshs.
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from the County Government	6	131,422,026
Public contributions and donations		-
Interest received		-
Miscellaneous receipts		8,662,048
<b>Total Receipts</b>		<b>140,084,074</b>
<b>Payments</b>		
Use of goods and services		109,249,963
Staff costs		-
Board expenses		-
Finance costs		-
<b>Total Payments</b>		109,249,963
<b>Net cash flows from operating activities</b>	33	<b>30,834,111</b>
<b>Cash flows from investing activities</b>		
Purchase of PPE & intangible assets		-
Proceeds from sale of PPE		-
<b>Net cash flows used in investing activities</b>		-
<b>Cash flows from financing activities</b>		
Receipts from Capital grants		-
Proceeds from borrowings		-
Repayment of borrowings		-
<b>Net cash flows used in financing activities</b>		-
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>30,834,111</b>
Cash And Cash Equivalents At 1 July	19	-
<b>Cash And Cash Equivalents At 30 June</b>	19	<b>30,834,111</b>

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	B	c=(a+b)	D	e=(c-d)	f=d/c
<b>Revenue</b>		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	
Transfers from the County Government	131,422,026	-	131,422,026	109,249,963	22,172,063	83%
Public contributions and donations	-	-	-	-	-	0%
Interest income	-	-	-	-	-	0%
Miscellaneous income	8,662,048	-	8,662,048	-	8,662,048	100%
<b>Total Revenue</b>	<b>140,084,074</b>	<b>-</b>	<b>140,084,074</b>	<b>109,249,963</b>	<b>30,834,111.00</b>	<b>0%</b>
<b>Expenses</b>						
Use of goods and services	109,249,963	-	109,249,963.00	109,249,963	-	100%
Board expenses	-	-	-	-	(-)	0%
Staff Costs	-	(-)	-	-	(-)	0%
Other Infrastructure and civil works	-	(-)	-	-	-	0%
Refined Fuels and Lubricants for Transport	-	-	-	-	-	100%
Other Capital Grants and Trans		-	-	-	-	0%
Other Infrastructure and Civil Works						
Finance costs	-	(-)	-	-	(-)	0%
<b>Total Expenditure</b>	<b>109,249,963</b>	<b>(-)</b>	<b>109,249,963</b>	<b>109,249,963</b>	<b>-</b>	<b>0%</b>
<b>Surplus for the period</b>	<b>30,834,111</b>	<b>-</b>	<b>30,834,111</b>	<b>-</b>	<b>30,834,111</b>	<b>17%</b>
<b>Capital Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

Budget notes

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

### **1. General Information**

Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019). The Municipality is under the Machakos County Government and is domiciled in Kenya.

The entity's principal activity is

- Support for the establishment, operationalization, and strengthening of the institutional framework for urban management as part of the national level interventions
- Assist county governments address urban development and management issues as part of the county level interventions
- Provision of support for planning, urban infrastructure and service delivery.
- Provision of clean environment by doing waste management through acquisition of garbage trucks.

### **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.

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

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

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

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

Standard	Effective date and impact:
	<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><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>

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

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<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></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><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

*iii. Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year 2022/2023

*(Notes to financial statements continued)*

**4. Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

*Transfers from other government entities*

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

**ii) Revenue from exchange transactions**

*Interest income*

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

**b) Budget information**

The original budget for FY 2022/2023 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 reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts,

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

**c) Property, plant and equipment**

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

**d) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

*(Significant accounting policies continued)*

**e) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Municipality's financial statements.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Financial assets**

**Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net

assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

*(Significant accounting policies continued)*

#### **Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

#### **Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

#### **Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

#### **Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

#### **Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

*(Significant accounting policies continued)*

### **Impairment**

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

### **Financial liabilities**

#### **Classification**

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

#### **f) Inventories**

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

Raw materials: purchase cost using the weighted average cost method

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make

**County Government of Machakos**  
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the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the City/Municipality.

*(Significant accounting policies continued)*

**g) Provisions**

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

**h) Social Benefits**

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

**i) Contingent liabilities**

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

*(Significant accounting policies continued)*

**j) Contingent assets**

The 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

**k) Nature and purpose of reserves**

The Municipality creates and maintains reserves in terms of specific requirements.

**l) 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.

**m) Employee benefits – Retirement benefit plans**

All employees of the Municipality are seconded from the county public service board of Machakos. The County government provides retirement benefits for all their employees including those seconded to the municipality. Defined contribution plans are post-employment benefit plans under which the County 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.

*(Significant accounting policies continued)*

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

**p) Related parties**

The 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 the Municipality Accountant.

**q) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents

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also include short-term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

*(Significant accounting policies continued)*

**r) Comparative figures**

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

**s) Events after the reporting period**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

- (a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) Those that are indicative of conditions that arose after the reporting date (*non-adjusting events after the reporting date*).

Municipality did not have any material adjusting and non- adjusting events after the reporting period.

**t) Currency**

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

## **5. Significant judgments and sources of estimation uncertainty**

The preparation of the 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.

### **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.          |
| ii)  | The nature of the asset, its susceptibility and adaptability to changes in technology and processes. |
| iii) | The nature of the processes in which the asset is deployed.  |
| iv)  | Availability of funds to replace the asset.  |
| v)   | Changes in the market in relation to the asset.  |

Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2022/2023
	Kshs.
Transfers from County Govt. – Recurrent	131,422,026
Payments by County on behalf of the entity	
Unconditional development grants	
<b>Total</b>	<b>131,422,026</b>

(a) Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance* Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year
			Kshs	Kshs
State Department	-	-	-	-
Ministry	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

7. Public Contributions and Donations

Description	FY 2022/2023
	Kshs.
Donation from development partners	-
Contributions from the public	-
<b>Total</b>	<b>-</b>

Notes to the Financial Statements

8.

Levies, Fines and penalties

Description	FY 2022/2023
	Kshs.
Levies	-
Fines	-
Penalties	-
Others	-
<b>Total</b>	-

9. Other Revenues from Non-Exchange Transactions

Description	FY 2022/2023
	Kshs.
Transfers from other government entities	-
Others	-
<b>Total</b>	-

10. Interest income

Description	FY 2022/2023
	Kshs.
Interest income from investments	-
Interest income on bank deposits	-
Others	-
<b>Total interest income</b>	-

11. Miscellaneous income

Description	FY 2022/2023
	Kshs.
Income from sale of tender documents	-
Others ( <i>Retentions Deducted from Contractors and Paid to the retentions account</i> )	8,662,048.00
<b>Total other income</b>	<b>8,662,048.00</b>

*Notes to the Financial Statements*

**12. Use of Goods and Services**

Description	FY 2022/2023
	Kshs.
Utilities, supplies and services	-
Communication, supplies and services	-
Domestic travel and subsistence	-
Foreign travel and subsistence	-
Printing, advertising, supplies & services	-
Rent and rates	-
Training expenses	-
Hospitality supplies and services	-
Insurance costs	-
Specialized materials and services	-
Office and general supplies and services	-
Fuel, oil and lubricants	-
Other operating expenses (Construction of roads and Shopping Centre)	89,597,981.00
Retentions paid out to contractors	19,647,061.00
Routine maintenance – vehicles and other equipment	-
Routine maintenance – other assets	-
Contracted Professional Services	-
Audit fees	-
Hire of Transport, equipment etc	-
Bank Charges	4,920.00
Social Benefit expenses	-
<b>Total</b>	<b>109,249,963.00</b>

**13. Staff costs**

Description	FY 2022/2023
	Kshs.
Salaries and wages	-
Staff gratuity	-
Social security contribution	-
Other staff costs	-
<b>Total</b>	<b>-</b>

*Notes to the Financial Statements*

**14. Board expenses**

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Description	FY 2022/2023
	Kshs.
Chairman/Members' Honoraria	-
Sitting allowances	-
Medical Insurance	-
Induction and Training	-
Travel and accommodation	-
Conference Costs	-
Other allowances	-
<b>Total</b>	-

**Note**

All board allowances were processed in the IFMIS system and paid through exchequer and could therefore not be included in this financial statement since it was not paid from our bank accounts disclosed above. However the budget used in processing the allowances was drawn from Kangundo/Tala Municipality Vote.

**15. Finance costs**

Description	FY 2022/2023
	Kshs.
Interest on Bank overdrafts	-
Interest on loans from banks	-
<b>Total</b>	-

**16. Depreciation and amortization**

Description	FY 2022/2023
	KShs
Property, plant and equipment	-
Intangible assets	-
Investment property carried at cost	-
<b>Total depreciation and amortization</b>	-

Notes to the Financial Statements

17. Repairs and Maintenance

Description	FY 2022/2023
	KShs
Property- Buildings	-
Office equipment	-
Furniture and fittings	-
Motor vehicle expenses	-
Maintenance of civil works	-
<b>Total repairs and maintenance</b>	-

18. Gain/(loss) on disposal of assets

Description	FY 2022/2023
	Kshs.
Property, plant and equipment	-
Intangible assets	-
<b>Total</b>	-

19. Cash and cash equivalents

Description	FY 2022/2023
	Kshs.
Fixed deposits account	-
On – call deposits	-
Current account	30,834,111.00
Others	-
<b>Total cash and cash equivalents</b>	<b>30,834,111.00</b>

Notes to the Financial Statements

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

Financial institution	Account number	FY 2022/2023
		Kshs.
<b>a) Fixed deposits account</b>		
Kenya Commercial bank		-
Equity Bank, etc		-
<b>Sub- total</b>		-
<b>b) On - call deposits</b>		
Kenya Commercial bank		-
Equity Bank – etc		-
<b>Sub- total</b>		-
<b>c) Current account</b>		
SBM bank-UDG accounts	0342375684001	5,307,957.98
SBM bank-Retentions account	0342380184001	25,526,152.57
<b>Sub- total</b>		<b>30,834,110.55</b>
<b>d) Others(specify)</b>		-
Cash in transit		-
Cash in hand		-
Mobile Money		-
<b>Sub- total</b>		-
<b>Grand total</b>		<b>30,834,110.55</b>

20. Receivables from exchange transactions

Description	FY 2022/2023
	Kshs.
<b>Current Receivables</b>	
Service, water and electricity debtors	-
Other exchange debtors	-
Less: impairment allowance	(-)
<b>Total Current receivables (a)</b>	-
<b>Non-Current receivables</b>	
Service, water and electricity debtors	-
Other exchange debtors	-
Less: impairment allowance	(-)
<b>Total Non- current receivables (b)</b>	-

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Total receivables from exchange transactions	-
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**Ageing analysis for Receivables from exchange transactions**

Description	FY 2022/2023	
	Kshs	
	Current FY	% of the total
Less than 1 year	-	%
Between 1- 2 years	-	%
Between 2-3 years	-	%
Over 3 years	-	%
<b>Total (a+b)</b>	-	%

**21. Receivables from Non-Exchange transaction**

Description	FY 2022/2023
	Kshs.
Transfer from County Executive	-
<b>Total receivables from non-exchange transactions</b>	-

**Ageing analysis for Receivables from non-exchange transactions**

Description	FY 2022/2023	
	Kshs	
	Current FY	% of the total
Less than 1 year	-	%
Between 1- 2 years	-	%
Between 2-3 years	-	%
Over 3 years	-	%
<b>Total</b>	-	%

## 22. Prepayments

Description	FY 2022/2023
	Kshs.
Prepaid rent	-
Prepaid insurance	-
Prepaid electricity costs	-
Other prepayments	-
<b>Total</b>	<b>-</b>

## 23. Inventories

Description	FY 2022/2023
	Kshs.
Stationery	-
Consumables	-
Other inventories	-
<b>Total inventories at the lower of cost and net realizable value</b>	<b>-</b>

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(Notes to the Financial Statements Continued)

**24. Property, Plant and Equipment**

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>As at 1 July 2021</b>	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2022</b>	-	-	-	-	-	-	-	-
Additions for the year	-	-	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2023</b>	-	-	-	-	-	-	-	-
<b>Depreciation and impairment</b>								
<b>At 1 July 2022</b>		-	-	-	-	-	-	-
Depreciation		-	-	-	-	-	-	-
Impairment		-	-	-	-	(-)	-	(-)
Transfers/ Adjustments		-	-	-	(-)	(-)	-	(-)

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Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>As at 30 June 2022</b>		-	-	-	-	-	-	-
Depreciation for the year		-	-	-	-	-	-	-
Disposals for the year		(-)	(-)	(-)	(-)	(-)	(-)	(-)
Impairment for the year		-	(-)	-	-	(-)	-	(-)
Transfer/adjustment		-	(-)	(-)	(-)	(-)	(-)	(-)
<b>As at 30<sup>th</sup> June 2023</b>		-	-	-	-	-	-	-
<b>NBV as at 30<sup>th</sup> Jun 20XX (previous year)</b>	-	-	-	-	-	-	-	-
<b>NBV as at 30<sup>th</sup> Jun 20XX (current year)</b>	-	-	-	-	-	-	-	-

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(Notes to The Financial Statements Continued)

25. Intangible assets

Description	FY 2022/2023
	Kshs.
<b>Cost</b>	
At beginning of the year	-
Additions	-
At end of the year	-
<b>Amortization and impairment</b>	
At beginning of the year	-
Amortization	-
At end of the year	-
Impairment loss	-
At end of the year	-
<b>NBV</b>	-

26. Trade and other payables from exchange transactions

Description	FY 2022/2023	
	Kshs.	
Trade payables	-	
Other payables	25,526,153.00	
Accrued expenses	-	
Other payables	-	
<b>Total trade and other payables</b>	<b>25,526,153.00</b>	
<b>Ageing analysis:</b>	<b>FY 2022/2023</b>	<b>% of the Total</b>
Under one year	8,662,048.00	33.93%
1-2 years	16,864,105.00	66.07%
2-3 years	-	%
Over 3 years	-	%
<b>Total</b>	<b>25,526,153.00</b>	<b>100%</b>

Notes to the Financial Statements

27. Refundable deposits from customers

Description	FY 2022/2023	
	Kshs.	
Rent deposits	-	
Others	-	
<b>Total</b>	-	
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>
Under one year	-	%
1-2 years	-	%
2-3 years	-	%
Over 3 years	-	%
<b>Total</b>	-	%

28. Provisions

Description	FY 2022/2023
	Kshs.
Balance at the beginning of the year	-
Additional Provisions	-
Provision utilised	(-)
<b>Balance at the end of the year</b>	-
Current Portion of provision	-
Long term portion of provision	-
<b>Total Provisions</b>	-

29. retentions

The table below shows the classification of retentions:

Description	FY 2022/2023
	Kshs.
Short term retentions (current portion)	5,307,957
Long term retentions	-
<b>Total</b>	<b>5,307,957</b>

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Description	FY 2022/2023
	Kshs.
<b>Balance at beginning of the period</b>	-
Borrowings during the year	-
Repayments of borrowings during the period	(-)
<b>Balance at end of the period</b>	-

The table below shows the Distribution of borrowings:

Description	FY 2022/2023
	Kshs.
<b>Borrowings</b>	
Kenya Shilling loan from KCB	-
Kenya Shilling loan from Barclays Bank	-
Kenya Shilling loan from Consolidated Bank	-
Borrowings from other government institutions	-
<b>Total balance at end of the year</b>	-

### 30. Employee Benefit Obligations

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

Notes to the Financial Statements

31. Deferred Income

Description	FY 2022/2023
	Kshs
National/County Government	-
International Funding Bodies	-
Public Contributions and Donations	-
<b>Total Deferred Income</b>	-

The deferred income movement is as follows:

Description	County government	International funders/ donors	Public contributions and donations	Total
	Kshs	Kshs	Kshs	Kshs
Balance brought forward	-	-	-	-
Additions during the year	-	-	-	-
Transfers to capital fund	-	-	-	-
Transfers to income statement	-	-	-	-
Other transfers	-	-	-	-
Balance carried forward	-	-	-	-

Analysed as:

Description	Amount
	Kshs
Current	-
Non- Current	-
<b>Total</b>	-

Notes to the Financial Statements

32. Social Benefit Liabilities

Description	FY 2022/2023
	Kshs
Health social benefit scheme	-
Unemployment social benefit scheme	-
Orphaned and vulnerable benefit scheme	-
People Living with disabilities benefit scheme	-
Elderly social benefit scheme	-
Bursary social benefits	-
<b>Total</b>	-
Current social benefits	-
Non- current social benefits	-
<b>Total (tie to totals above)</b>	-

33. Cash generated from operations

Description	\FY 2022/2023
	Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	-
<b>Adjusted for:</b>	
Depreciation	-
Amortisation	-
Gains/ losses on disposal of assets	(-)
<b>Working Capital adjustments</b>	
Increase in inventory	(-)
Increase in receivables	(-)
Increase in payables	-
<b>Net cash flow from operating activities</b>	-

*Notes to the Financial Statements*

**34. Related party balances**

**a) Nature of related party relationships**

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

- a) The County Government of Machakos
- b) Department of Housing and Urban Development, Machakos County
- c) County Assembly of Machakos
- d) The Municipality's Key Management.
- e) The Municipality Board of Management

**b) Related party transactions**

Description	FY 2022/2023
	Kshs.
Transfers from related parties'	-
Transfers to related parties	-

**c) Key management remuneration**

Description	FY 2022/2023
	Kshs.
Board Members	-
Key Management Compensation	-
<b>Total</b>	-

**d) Due from related parties**

Description	FY 2022/2023
	Kshs.
Due from parent Ministry	-
Due from County Government	-
Due from County Assembly	-
<b>Total</b>	-

*Notes to the Financial Statements*

e) **Due to related parties**

Description	FY 2022/2023
	Kshs.
Due to parent Ministry	-
Due to County Government	-
Due to Key management personnel	-
Due to County Assembly	-
<b>Total</b>	-

**35. Contingent liabilities**

Contingent liabilities	FY 2022/2023
	Kshs.
Court case against the entity	-
Bank guarantees	-
<b>Total</b>	-

**36. Contingent Assets**

Contingent liabilities	FY 2022/2023
	Kshs.
Court case against the entity	-
Others Specify	-
<b>Total</b>	-

*Notes to the Financial Statements*

**37. 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:

**I. Credit risk**

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Municipality's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June 2023</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2022</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

**Notes to the Financial Statements**

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

**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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 Jun 2023</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 Jun 2022</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**Notes to the Financial Statements**

**II. 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. 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:

Description		Other currencies	Total
	Kshs.	Kshs.	Kshs.
<b>At 30 June 2023</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
<b>Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

**Notes to the Financial Statements**

**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.

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

**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.

*Notes to the Financial Statements*

**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:

Description	FY 2022/2023
	Kshs.
Revaluation reserve	-
Capital/Development Grants/City/Municipality	-
Accumulated surplus	5,307,958.00
<b>Total Funds</b>	<b>5,307,958.00</b>
Total borrowings	-
Less: cash and bank balances	(-)
Net debt/(excess cash and cash equivalents)	-
<b>Gearing</b>	-

Appendices

**Appendix 1. Progress on Follow up of Auditors Recommendations.**

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

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

**Guidance Notes:**

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

.....  


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

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**Appendix 2: Inter Entity Transfers**

MUNICIPALITY NAME: KANGUNDO /TALA MUNICIPALITY				
Breakdown of Transfers from the County Executive of Machakos County				
	FY 20xx/20xx			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		

The Municipality did not receive any funds from the county in the financial year 2022/2023

.....  .....

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

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

Name of the Organization; Kangundo/Tala Municipality

Telephone Number

Email Address

Name of the Municipal Manager; Dorothy Mutuku

Name and contact details of contact person (in case of any clarifications) .....**Dorothy Mutuku; Phone Number; 0724621127**

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

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**Appendix 4: Disaster Expenditure Reporting Template**

Date: 30-06-2024

Entity ; Kangundo/ Tala Municipality

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments