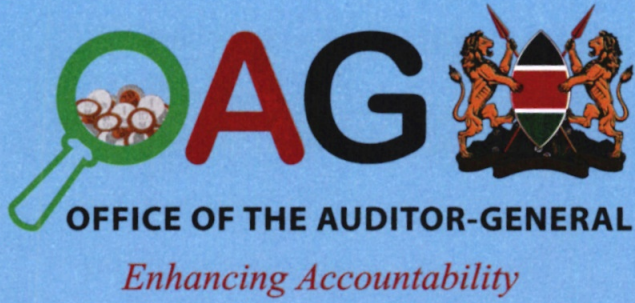


REPUBLIC OF KENYA



**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**LODWAR MUNICIPALITY**

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

PAPERS LAID	
DATE	21/3/2024
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# **LODWAR MUNICIPALITY**

**COUNTY GOVERNMENT OF TURKANA**

**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)**

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

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**1. Acronyms & Glossary of Terms**

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

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

## 2. Key Entity Information and Management

### a) Background information

Lodwar 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 (5<sup>th</sup> December, 2018). The Municipality is under the County Government of *Turkana* and is domiciled in Kenya.

### b) Principal Activities

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

#### (i) Principal activities

The principal activities of the Municipality are;

- a. overseeing the affairs of the municipality and
- b. develop or adopt policies, plans, strategies and programmes and set targets for service delivery

#### (ii) Vision

A transformative and economic prosperous municipality.

#### (iii) Mission

To facilitate socio economic transformation through creation of a conducive business environment and sustainable use of resources to ensure high quality of life.

#### (iv) Core objectives

- a) Efficient management and disposal of both solids and liquid waste.
- b) Adequately managed storm water within the Municipality.
- c) Manage and control development within the Municipality.
- d) Achieve a decent liveable environment with adequate urban infrastructure and services.
- e) Achieve an urbanized system of transport.
- f) Establish Municipality Infrastructure.
- g) Identify & protect/zone all open spaces and refreshment areas within the Municipality.
- h) Provide for affordable housing.

**County Government of Turkana**

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**Key Management**

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

Ref	Position	Name
1.	Chairperson of the Board	Amujal Tatoi Christine
2.	County Executive Committee Member responsible for Cities and Urban areas.	Peter Akono
3.	Chief Office	Kathra Abdi
4.	Board Member	Boniface Lokuruka Rimati
5.	Board Member	Chris Ekutan Erukudi
6.	Board Member	Moses Elar Mariaio
7.	Board Member	Roseline Ngilebei Ekidor
8.	Board Member	Ekiru Nabali Margaret
9.	Board Member	Ambrose Arib Merinyang
10.	Municipality Manager	Benjamin Tukei

- County department of in charge of Municipalities
- Board of Management
- Accounting Officer/Municipality Manager
- Management
- Others (*specify*)

**c) 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	Benjamin Tukei
2	Director	Victor Lekaram
3	CECMs	Peter Akono
4	Chief Officer	Kathra Abdi

**d) Fiduciary Oversight Arrangements**

**i) Audit and Risk Management committee**

There exist risk assessment and management policy in Lodwar Municipality

The purpose of the policy is to set out broad guidelines in the establishment of risk management framework, and risk management tools for the oversight and management of risk within the Municipality and key stakeholders.

in line with Mwongozo code of conduct for state corporations,2015 the risk management committee was a pointed by the municipality manager.

The functions of the committee will be,

- develop or enhance and implement appropriate risk management plan,processes and procedures.
- nominate risk champions
- evaluate risk on quarterly basis
- coordinate and monitor the implementation of risk initiatives
- oversee and update the municipality wide risk profiles

The manager reports all key risks to the Audit committee through the head of internal Audit

ii) County Assembly committees-The Lodwar Municipality board submits department's quarterly progress reports through the CECM for Lands to the committee for Lands.

iii) Committees of the senate: Provision of oversight to the Municipality where all county department meets to discuss with various committees.

**County Government of Turkana**

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

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**e) Registered Offices**

P.O. Box 187-30500

Lands Office-Municipality

KENYA

**f) Fund Contacts**

Telephone:(+254) 000

E-mail: [tcg@gmail.com](mailto:tcg@gmail.com)

Website: [www.tcg.go.ke](http://www.tcg.go.ke)

**g) Bankers**

Commercial Banks

Kenya Commercial- Lodwar Branch

Central Bank of Kenya

**h) Independent Auditor**

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box30084

Nairobi, Kenya

**i) Principal Legal Adviser**


The County Attorney


P.O. Box 11 -30500

Lodwar

3. Municipality Board

Serial No.	Name	Details of qualifications and experience
1	 <p>Christine Tatoi-Chairperson Lodwar Municipality Board</p>	<p>She is the Chairperson for Lodwar Municipality Board since 2019 to date.</p> <p>She is KCB branch manager since 2011 to date. Before being the branch manager, she was an assistant manager between 2010-2011, section head of personal banker between 2008-2010, Teller clerk between 2006-2007, Advances clerk between 2004-2005, current account between 2002-2003, and savings accounts clerk between 1999-2002</p>
2	 <p>Rev. Bonface Lokuruka Rimati – Vice chairperson, Lodwar Municipality Board</p>	<p>He was born in 1969.</p> <p>He is the current vice chair for Lodwar Municipality Board since 2019 to date. He is the chairperson for Trade and Investment Board Committee. He's also the Vice Chair person for planning and development Control Board Committee.</p> <p>He was the Chairman for Lodwar Pastors Fellowship between 2004 to 2016, Chairman for Kipsongo Training Centre between 2001 to 2015, Chairman for National Council Churches of Kenya, Turkana County and Chairman for Peace Committees Turkana county 2010.</p>


		<p>He was also Catchment area advisory committee member between 2012-2014, Conflict resolution with members of parliament and the Governor, TOT on the national values by the directorate of national cohesion, peace caravan.</p> <p>In 2015, he visited Israel to see the bible historical sites.</p>
3	 <p>Chris Erukudi – Board Member, Lodwar Municipality</p>	<p>He was born in 1963.</p> <p>He is the Board Member for Lodwar Municipality.</p> <p>He holds BSC agribusiness management and trade in Kenyatta University, Master of science in Land and Water Management (Dry Land Farming) from Cranfield University, Silsoe College, Diploma in Agricultural Engineering (Soil and Water Engineering Option. Egerton University, Njoro Kenya, Diploma in management of Non-governmental Organization Kenya Institute of Management, Diploma in Public Relations, International Correspondence Schools.</p> <p>He is experienced Freelance Consultant and Capacity Building of Community Groups. He was the County Program Coordinator GIZ, Social Investment Coordinator, Tullow Oil Kenya, Instructor Trans Africa Institute of Advance Studies and Regional Manager-World Vision Kenya</p>

4	 <p>Ambrose Arib Merinyang – Lodwar Municipality Board Member</p>	<p>He was born in 27 Nov 1969. He is the Board member of Lodwar Municipality. He is the Chairperson for Municipal services, member for Trade and Investment Board Committee.</p> <p>Holds Bachelor of development studies and Diploma in community development. He also has Certificate in community development.</p> <p>Attended Lodwar High school between 1986-1989 for O Level Certificate.</p> <p>He participated in various trainings; Monitoring and evaluation organised and facilitated by WFP, Workshop on fleet transport logistics distribution management at Kenya polytechnic and Conflict prevention and mitigation and response trainers workshop funded by USAID Karamoja cluster.</p> <p>He also has Skills and competence on Community engagement and mobilisation, Project planning and management, Relationship management, Personnel management and Operations management.</p> <p>He worked in various institutions like TULLOW KE BV as Field stakeholder engagement officer, World Vision Kenya as Field Coordinator and LWF as Assistant project officer.</p>
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County Government of **Turkana**

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5	 <p>Moses Mariaio – Lodwar Municipality Board Member</p>	<p>He was born in 28th Dec 1982 and he is an Independent Board Member of Lodwar Municipality, chairperson for Finance and Administration Committee, Vice Chairperson, Municipal Services.</p> <p>He has diploma in business management and a certificate from Mosoriot Teachers College for PI teacher. He also has Certificate in management, preparedness and mitigation.</p> <p>He attended Kakuma secondary school for O Level certificate after completion of Primary School.</p> <p>He was an IEBC registration clerk and polling clerk in the year 2010 and also field monitor Oxfam GB 2006.</p> <p>Field Monitor Oxfam GB 2006.</p>
7.	 <p>Roseline Ngilebei Ekidor – Lodwar Municipality Board Member</p>	<p>Born on</p> <p>She is the Board Member, Municipality.</p> <p>She is the Chairperson for planning and Development Control, and a member for Finance and Administration Board Committee.</p> <p>She is a teacher by profession.</p> <p>Holds a BED Arts and community studies and English/lit. She's pursuing Master's Degree in MSC in Disaster management and humanitarian assistance.</p>


County Government of **Turkana**

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

		<p>She worked with various NGO's managing education programs. She is currently Program Co-ordinator for Echami Aito.</p>
8.	 <p>Magaret Nabali Ekiru – Lodwar Municipality Board Member</p>	<p>She was born on 28th August 1989.</p> <p>She is one of Board Member, Municipality.</p> <p>She is Vice chairperson for Trade and Investment for Board Committee.</p> <p>She has Bachelor in education Arts (ECD)Mku, Certificate in primary education Eregi Teachers college.</p> <p>KCSE 2001-2004 She attained Kenya certificate of secondary in the year between 2001-2004. She attended primary school between 1993-2000</p> <p>Work Experience</p> <p>She is a P1 teacher at Loyo primary school. She was a</p> <p>KCSE invigilator at Lodwar Girl secondary school in the year 2016, 2015 wash and sanitation hygiene facilitator at Napuu primary and Kakwanyang primary school. She also participated at desert wheel chair race for persons with disability in April 2014.</p>
9.		<p>Masters in strategic Management</p> <p>Bachelors of Criminology and Security Studies</p>


	 <p>Peter Akono, CECMs, Min. of Lands, Physical Planning &amp; Urban Areas Management, Lodwar Municipality Board Member.</p>	
10	 <p>Kathra Abdi, Chief Officer for Urban Areas Management, Lodwar Municipality Board Member</p>	<p>Education:</p> <ul style="list-style-type: none"><li>-Master of Business Administration in Health, Leadership &amp; Management</li><li>-Master of Science in Public Health</li><li>-Bsc Public Health</li><li>-Diploma Clinical Medicine &amp; Surgery</li></ul> <p>Work Experience</p> <p>2020 May -2023: Regional Surveillance Officer</p> <p>2018 -2019(Dawasafe hospital): Health Facility Manager.</p> <p>2016 -International Organization for Migration (IOM): Migration Clinical Officer</p> <p>2013 -2015 -Primary Health Care Officer</p> <p>2011 Aug-2012 – St. Mary’s Mission Hospital: Clinical Officer</p>


11	 <p>Benjamin Tukei Lore -Manager, Lodwar Municipality</p>	<p><b>EDUCATION:</b></p> <p>2018 – 2020: MSc IT Management University of Nairobi Ongoing – Done with Coursework</p> <p>2001 -2005: B.Sc. (Telecommunication and Information Technology) Kenyatta University.</p> <p>Jan. – Dec. 2001 Certificate in Information Technology Management. Tropical Management Institute.</p> <p>1996 – 1999: Kenya Certificate of Secondary School (KCSE)Kakuma Boys Secondary School.</p> <p><b>PROFESSIONAL TRAININGS</b></p>

	<p>Jan 2022: - Data Management and Analysis using SPSS &amp; R Programming - Monitoring and Evaluation for Malnutrition and Food Security - GIS in Drought and Disaster management.</p> <p>Oct 2015</p> <p>NAIROB, Kenya First Aid course – 1 Week by UNHCR Office</p> <p>Aug 2012:</p> <p>Kampala, Uganda. Senior IT Management course - 2 Weeks by MSF-Holland</p> <p>Oct 2010:</p> <p>Nairobi, Kenya. Experts Field Training Course – 2 Weeks by MSF-Holland</p> <p><b>WORK EXPERIENCE:</b></p> <p>TWO KB Telecoms &amp; IT Ltd – Turkana County</p> <p>Sep 2022 – Present</p> <p>Turkana County Government</p> <p>Director Governors Press Service</p> <p>Sep. 2019 – Dec. 2019</p> <p>CARITAS – Diocese of Lodwar</p> <p>East African Trade, Transport and Development Facilitation Project (EARTTDFP) funded</p> <p>Monitoring, Evaluation, Accountability and Learning Specialist on Consultancy</p>
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		<p>November 2014 – March 2016</p> <p>United Nations High Commissioner for Refugees (UNHCR), Kakuma Sub Office.</p> <p>Senior IT Assistant</p> <p>June 2013 – October 2014</p> <p>Senior Telecoms Operator (On Temporary Assignment)</p> <p>MSF - OCA/HOLLAND, Sudan South Mission</p> <p>Aug 2008 – May 2013</p> <p>ICT Officer</p> <p>5. Team Leadership:</p> <p>Field Monitor</p> <p>Also, his main areas of responsibility include;</p> <p>i) Being Secretary to the Board</p> <p>ii) He's an Accounting officer to Lodwar Municipality</p> <p>iii) He's an Administrative head to Lodwar Municipality</p>
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4. Key Management Team

Serial No	Name	Details of qualifications and experience
1.	 <p><i>Benjamin Tukei Lore -Manager, Lodwar Municipality</i></p>	<p><b>EDUCATION:</b>                      2018 – 2020: MSc IT Management University of Nairobi Ongoing – Done with Coursework                      2001 -2005: B.Sc. (Telecommunication and Information Technology) Kenyatta University.                      Jan. – Dec. 2001 Certificate in Information Technology Management. Tropical Management Institute.                      1996 – 1999: Kenya Certificate of Secondary School (KCSE)Kakuma Boys Secondary School.</p> <p><b>PROFESSIONAL TRAININGS</b>                      Jan 2022: - Data Management and Analysis using SPSS &amp; R Programming - Monitoring and Evaluation for Malnutrition and Food Security - GIS in Drought and Disaster management.</p> <p>Oct 2015                      NAIROB, Kenya First Aid course – 1 Week by UNHCR Office</p> <p>Aug 2012:                      Kampala, Uganda. Senior IT Management course - 2 Weeks by MSF-Holland</p> <p>Oct 2010:                      Nairobi, Kenya. Experts Field Training Course – 2 Weeks by MSF-Holland</p> <p><b>WORK EXPERIENCE:</b>                      TWO KB Telecoms &amp; IT Ltd – Turkana County</p> <p>Sep 2022 – Present                      Turkana County Government                      i. Director Governors Press Service</p> <p>Sep. 2019 – Dec. 2019                      CARITAS – Diocese of Lodwar                      East African Trade, Transport and Development Facilitation Project (FARTTDFP) funded                      2. Monitoring, Evaluation, Accountability</p>

		<p>and Learning Specialist on Consultancy</p> <p>November 2014 – March 2016 United Nations High Commissioner for Refugees (UNHCR), Kakuma Sub Office. 3. Senior IT Assistant</p> <p>June 2013 – October 2014 4. Senior Telecoms Operator (On Temporary Assignment) MSF - OCA/HOLLAND, Sudan South Mission</p> <p>Aug 2008 – May 2013 5. ICT Officer 5. Team Leadership: 4. Field Monitor</p> <p>Also, his main areas of responsibility include;</p> <p>i) Being Secretary to the Board ii) He’s an Accounting officer to Lodwar Municipality iii) He’s an Administrative head to Lodwar Municipality</p>
2.	 <p>Victor Lekaram, Director Urban Areas Management</p>	<p><b>WORK HISTORY:</b></p> <p>Director –Urban Areas Management 02/2021 - Current Government of Kenya, Turkana County</p> <p><b>EDUCATION</b></p> <p>MSc: Public Policy and Analysis,12/2014 JKUAT - Nairobi • Coursework in Econometrics, Advanced Microeconomics, Macroeconomics, Policy and Programme Evaluation •</p>

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

Lodwar Municipality is a semi-autonomous entity in the Turkana County Government that provide essential services to the residents of Lodwar township and Kanamkemer wards with its objectives and powers provided under the model Municipal charter, Urban Areas and Cities Act 2011 and County Government Act of 2012.

Lodwar Municipality was conferred a municipal status on 21st December 2018 and the board was constituted of seven members' representatives of various associations in the municipality (Section 12(2) UACA 2019 and Article 3 of the draft municipal charter). The County Executive Committee member and Chief officer for Lands, Housing and Urban Areas Management are also board members. The Manager is the secretary of the board. There is established priorities in areas of development in the Institutional Development Plan (IDeP) arrived at from consultative meetings in the municipality. The IDeP is a five-year development plan aligned to the CIDP, governors five-point agenda, presidents four-point agenda, SDGs and Vision 2030.

The board aspires to ensure that the municipality is economically prosperous by facilitating economic transformation and enhancing opportunities for inclusive growth, modern markets, organized parking, street lighting, recreation facilities, standard public toilets for health and safety concerns, storm water drainage, traffic management, urban planning and development under the oversight of the County government.

- **Successes made.**

- Establishment of the board committees: Municipal services, Finance and Administration, Planning and development control, Trade and Investment as per Mwongozo guideline on Cooperate governance.
- Successful quarterly meetings
- Successful quarterly board committees' meetings
- Successful quarterly citizen fora
- Development and Finalization of Nine (9) Municipal bylaws: Air quality, Animal Control, Abattoir and slaughter slab, Fire safety, Public amenities, Market Regulation, Waste Management, Storm water Management and Transport bylaws.
- On- going drafting of policies and administration regulations on the bylaws
- Contracted cleaning and waste collection Services

Other successes made by the municipality in the previous years included;

- 100% construction of parking lots,
  - Review of the Municipality Board's performance
    1. The board met regularly on quarterly basis achieving the right number of meetings.
    2. The board conducted special meetings when need arose to address major issues.
    3. The right number of meetings per year for citizen fora/ public participation meetings were achieved.
    4. The board delegated powers to board committees with clear responsibilities, which also met regularly on quarterly basis.
    5. The board met with the right number of members(quorum) whenever a meeting was held
    6. Both the board and committees met at the specified dates and time as scheduled.
    7. The board always sought consultancy and contracted services in critical areas
      - Challenges faced
        - Land grabbing of public spaces
        - Delayed/ Non- payments of the Daily Subsistence Allowance (DSA) of the board and Citizen fora participants (Lunches and transport reimbursement)
        - Logistical issues due to inability to access fuel and garage services
        - Funds and Assets have not been transferred on the performance of gazetted functions
        - Procurement and financial management is centralized.
      - Changes in the Municipality Board during the year (in terms of the board or key management team)
    - Municipality manager was recruited and replaced the previous.
    - Future outlook of the Municipality Board

The next three years will see Socio – economic transformation in the municipality through creation of a conducive business environment and sustainable use of resources. The board is dedicated to build their capacity in urban governance and infrastructural development in order to deliver efficient and effective services in ensuring high quality of live for the people.

**County Government of Turkana**

**Lodwar Municipality**

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- Any other matters deemed necessary.

Health and Security to ensure long hours of doing business through installation of street lights. There is also the issue of firefighting response that is why power station has been constructed and equipped with fire engine truck. Enhance of businesses environment by construction of modern markets

The board recommends that all monies received by the municipality shall be deposited in an account opened in its name. as provided under Section 179 of Public Finance and Management Act

.....  
Name: *Christine Jator*

CHAIRPERSON  
Date: *8.12.2023*  
LODWAR MUNICIPALITY

**Chairperson of the Board**

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

Lodwar Municipality is a semi-autonomous entity in the Turkana County Government that provide essential services to the residents of Lodwar township and Kanamkemer wards with its objectives and powers provided under the model Municipal charter, Urban Areas and Cities Act 2011 and County Government Act of 2012.

Lodwar Municipality was conferred a municipal status on 21st December 2018 (two and a half years ago) and the board was constituted of seven members' representatives of various associations in the municipality (Section 12(2) UACA 2019 and Article 3 of the draft municipal charter). The County Executive Committee member and Chief officer for Lands, Housing and Urban Areas Management are also board members. The Manager is the secretary of the board. There is established priorities in areas of development in the Institutional Development Plan (IDeP) arrived at from consultative meetings in the municipality. The IDeP is a five-year development plan aligned to the CIDP, governors five-point agenda, presidents four-point agenda, SDGs and Vision 2030.

The board aspires to ensure that the municipality is economically prosperous by facilitating economic transformation and enhancing opportunities for inclusive growth, modern markets, organized parking, street lighting, recreation facilities, standard public toilets for health and safety concerns, storm water drainage, traffic management, urban planning and development under the oversight of the County government.

- Successes made.

- Establishment of the board committees: Municipal services, Finance and Administration, Planning and development control, Trade and Investment as per Mwongozo guideline on Cooperate governance.
- Successful quarterly meetings
- Successful quarterly board committees' meetings
- Successful quarterly citizen fora
- Development and Finalization of Nine (9) Municipal by laws: Air quality, Animal Control, Abattoir and slaughter slab, Fire safety, Public amenities, Market Regulation, Waste Management, Storm water Management and Transport bylaws.
- Contracted cleaning and waste collection Services

Other successes made by the municipality in the previous years included;

- Commissioning of parking lots
- 100% completion of Cemetery
- Complete construction of public toilets in KanamKemer

Review of the Municipality Board's performance shows that;

The board met regularly on quarterly basis aching the right number of meetings.

The board conducted special meetings when need arose to address major issues.

The right number of meetings per year for citizen fora/ public participation meetings were achieved.

The board delegated powers to board committees with clear responsibilities, which also met regularly on quarterly basis.

The board met with the right number of members (quorum) whenever a meeting was held

Both the board and committees met at the specified dates and time as scheduled.

The board always sought consultancy and contracted services in critical areas

The Future outlook of the Municipality Board in the next three years will see Socio – economic transformation in the municipality through creation of a conducive business environment and sustainable use of resources. The board is dedicated to build their capacity in urban governance and infrastructural development in order to deliver efficient and effective services in ensuring high quality of live for the people.

Health and Security to ensure long hours of doing business through installation of street lights. There is also the issue of firefighting response that is why power station has been constructed and equipped with fire engine truck. Enhance of businesses environment by construction of modern markets  
Budget allocation FY 2022/2023 will be Kes 262,470,646 as a projection.

Programs to be undertaken

- Routine maintenance of streets lights and flood lights in Kanamkemer.

b) Strategic objectives states how to realize municipalities vision and mission: -

- a) Efficient management and disposal of both solids and liquid waste.
- b) Adequately managed storm water within the Municipality.
- c) Manage and control development within the Municipality
- d) Achieve a decent livable environment with adequate urban infrastructure and services
- e) Achieve an urbanized system of transport
- f) Establish Municipality Infrastructure
- g) Identify and protect / zone all open spaces and recreation areas within the Municipality
- h) Provide for affordable housing

- Highlight key risk management strategies

- Avoidance: that could harm you not participating in activities
- Retention: acknowledges inevitability of certain risk
- Sharing risk: can be applied to how employee- based benefits are often more affordable than if an individual gets their own
- Transferring risks: the cost is transferred to the insurer
- Loss prevention and reduction: used to minimize risk not eliminate it

Municipality's Original budget was Shs 105,097,022 and 133,512,656 both recurrent and development respectively. The total expenditure for Municipality executive budget was Shs 74,672,604.70. After supplementary, the budget changed to Shs 108,297,022 and 92,375,685 for both Recurrent and Development.

  
Name: Tuxel Benjamin Love  
Municipality Manager



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

Guidance

Municipality's Original budget was Shs 105,097,022 and 133,512,656 both recurrent and development respectively. The total expenditure for Municipality executive budget was Shs 74,672,604.70. After supplementary, the budget changed to Shs 108,297,022 and 92,375,685 for both Recurrent and Development.

**Introduction**

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

- a) Provide quality physical infrastructure.
- b) Urban planning.
- c) Urban governance and administration
- d) Municipal services
- e) Trade and Investment

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(Progress on attainment of Strategic development objectives (Adopted from Lodwar Municipality),

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
<b>Urban planning</b>	To control urban development	To create orderly development in urban areas	Number of developments conforming with rules and regulations governing urban development	In FY under review we increased Housing unit by 0%.
Municipal services	To plan public spaces	Well planned public spaces	Complete people recreational parks and green spaces	<b>In FY21-22 under review we completed parking lots 100%</b>
Trade and Investment	To promote, coordinate businesses, collate and manage information, facilitate trade fair and exhibition and improve revenue collection.	Thriving businesses	Number of markets constructed	<b>In FY21-22 under review we completed 45%</b>
Urban Governance and administration	To over efficient and effective service delivery	Timely and quality services delivered for effective governance.	Performance appraisals	<b>In FY21-22 under review we delivered 100%</b>

County Government of **Turkana**

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<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Quality physical infrastructure	To offer quality services to the citizens	Street lights and accessed roads are availed to selected sites	Number of street lights installed and kms of accessed roads opened	<b>In FY21-22 under review we delivered 100%</b>

## **8. Corporate Governance Statement**

The board members were appointed in 2019 based on the following qualification: Kenyan citizens, have permanent dwellings in the Municipality, and have lived in the municipality for at least five years.

A member of the board ceases to hold office if:

- Is unable to perform the functions by reason of mental or physical infirmity
- Is declared bankrupt or insolvent
- Is convicted of a criminal offence and sentenced to a term of six months
- resigns in writing to the governor
- Without reasonable cause a member is absent from three consecutive sittings
- Is found guilty of professional misconduct by relevant professional body
- Is disqualified from holding a public office under the constitution
- Engages in gross misconduct
- dies

Roles and functions of the Municipality Board members:

- (a) Oversee the affairs of the municipality
- (b) Develop and adopt policies, plans, strategies and programmes and set targets for service delivery
- (c) Formulate and implement an integrated development plan
- (d) Control and implement, land sub-division, land development and zoning by public and private sectors for any purpose, including industry, commerce, market, shopping and other employment centres, residential areas, parks, entertainment, passenger transport. Agriculture and freight and transit stations within the framework of the spatial and master plans for the municipality as delegated by the County government of Turkana.
- (e) Promoting and undertaking infrastructural development and services within the municipality as delegated by the County government of Turkana.
- (f) Developing and managing schemes, including site development in collaboration with the relevant national and county agencies.
- (g) Maintaining a comprehensive database and information system of the administration
- (h) Administering and regulating its internal affairs
- (i) Implementing applicable national and county legislation

- (j) Entering into contracts, partnerships and or joint ventures as it may consider necessary for the discharge of its functions
  - (k) Monitoring and where appropriate regulating municipal services where those services are provided by service providers other than the board of the municipality
  - (l) Preparing and submitting its annual budget estimates to the relevant County treasury for consideration and submission to County Assembly for approval for approval as part of the annual County Appropriation Bill
  - (m) Collecting rates, taxes levies, duties, fees and surcharges on fees as delegated by the County Government of Turkana.
  - (n) Settling and implementing tariff, rates and debt collection policies as delegated by the County government of Turkana.
  - (o) Monitoring the impact and effectiveness of any services, policies, programs systems
  - (p) Establishing, implementing and monitoring performance management systems
  - (q) Promoting a safe and healthy environment
  - (r) Facilitating and regulating public transport
  - (s) Performing such other functions as delegated by the Country government of Turkana.
- 
- a. Induction and training, Municipality Board members and member's performance: On the period under review, there was no induction or training that the Lodwar municipality board members went.
  - b. Number of Municipality Board meetings held and the attendance to those meetings by members.  

The board has held four board meetings and special sitting in the financial year with majority of the members' present conduct business.
  - c. Succession plan: The appointing authority ensures the tenure of board members are staggered to ensure a phased transition.
  - d. Existence of a service charter: There exist a Charter for Lodwar Municipality.
  - e. Conflict of interest: There is no conflict of interest as board members serve public interest and as a part time board meet on quarterly basis.

- f. Board remuneration: The board is not entitled to a salary however they are paid such allowances as the County Executive Committee shall, with approval of the County Assembly and on the advice of the Salaries and Remuneration Commission, determine
- g. Ethics and conduct as well as governance audit undertaken if any
  - o On Leadership and strategic management, the board has provided a strategic direction in the Institutional Development Plan (a five-year plan) with clear vision, mission statements and core values.
  - o The procurement of goods and services in the municipality is in accordance with procurement laws and regulations.
  - o The board organizes to meet citizens to communicate with stakeholders, on quarterly basis in order to set development priorities and get feedback on service delivery.
  - o Board Independence and governance Board systems and procedures are not fully independent as the funds and assets have not been transferred to follow transferred functions.
  - o Consistent shareholder and stakeholders value enhancement Cooperate Social Responsibility and Investment

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

On the operational and financial performance of the Municipality during the period, Municipality's Original budget was Shs 105,097,022 and 133,512,656 both recurrent and development respectively. The total expenditure for Municipality executive budget was Shs 73,242,722.75. After supplementary, the budget changed to Shs 108,297,022 and 92,375,685 for both Recurrent and Development.

Entity's key projects or investments decision implemented or ongoing, California market to be completed.

Municipality's compliance with statutory requirements, all the statutory deductions are always submitted on time especially during payment of suppliers /contractors.

Major risks facing the Municipality, material arrears in statutory and other financial obligations, Changes in projects funding, Delay in implementation of projects, Delay in completion of projects by contractors, economic fluctuations leading to price variations, natural calamities like floods, strong winds, theft and vandalization on constructed projects like street lights by removal of batteries, health hazards through garbage collection since a lot is generated by increased population there stretching the capacity to serve the citizen by collecting garbage.

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

Lodwar Municipality exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on Lodwar Municipality Service Charter pillars: putting the residents/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

### **2. Sustainability strategy and profile**

All the aspects of sustainability strategy are aligned to the following documents; Sustainable development goal, vision 2030, medium term goals especially the nine points agenda of the County Government.

### **3. Environmental performance.**

Municipality does not have the policies yet but have designated dumpsite for garbage disposal, engagement of garbage collector, and have identified several dump sites for future use. Waste management policy still in draft form waiting for public participation.

The challenge is liquid waste management/disposal

### **4. Employee welfare**

However, the municipality has its charter, it engages deployed and staffs from the Turkana County Government. Therefore, the hiring process is done by Turkana County Public Service Board, and the deployed staffs shows the gender ratio is 50:50 of the 16 staffs - male -female respectively.

Municipality conducted a six-day training for staffs on GHRIS and appraisal system. In addition, municipality also took Board members to attend leadership and corporate governance course at Kenya School of Government.

### **5. Market place practices**

The organisation should outline its efforts to:

- a) Responsible competition practice.

Municipality ensures all procurement processes are followed as per the Public finance and procurement acts to source goods and services. Various categories are encouraged to apply/bid.

b) Responsible Supply chain and supplier relations

Both the successful and unsuccessful bidders are notified of the results through IFMIS system. And after successful of the service/works, payment are processed and paid within the expected time.

c) Responsible marketing and advertisement

In terms of transparency and disclosure, municipality publishes the available works and services on the county website and National media. The board engages the public on quarterly basis and informs all the plans through public participation on the works and services available.

d) Product stewardship

Municipality ensures that there are no sub-standard goods in the market, they are not overpriced, protected against counterfoil goods and make sure there is competition in the market within the municipality. Also are open channel of communication for complains and feedbacks.

6. **Community Engagements**

After Public participation on various municipality projects before implementation, the public/stakeholders are usually given refreshments and transport reimbursement. The public participation fora usually inform on the following year investment plans. Due to the street lights, crimes have reduced and prolonged business hours. After fully installation of fire truck, there has been quick response to fire outbreaks and other emergencies.

Opening of access roads has ease accessibility and in case of any emergency citizens can easily be reached.

Parking lots will help to bring order in the transport sector, revenue generation. Cleaning services has helped in improved health and sanitation.

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

The Lodwar 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.

## 11. Report of the Municipality Board Members

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

### Principal activities

The principal activities of the Municipality are;

- a. overseeing the affairs of the municipality and
- b. develop or adopt policies, plans, strategies and programmes and set targets for service delivery

### Performance

The performance of the Municipality for the year ended 30 June, 2023 are set out on page 1 to 3.

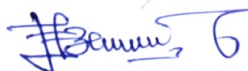
### Board Members

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

### 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: Terkei Benjamin Love

Secretary of the Board



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

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In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR

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


**Approval of the financial statements**

The Municipal financial statements were approved by the Board on 8/12/2023 and signed on its behalf by:

.....  
Name: Christine Tui  
Chairperson of the Board



.....  
Name: Lukey Benjamin  
Accounting officer of the Board



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


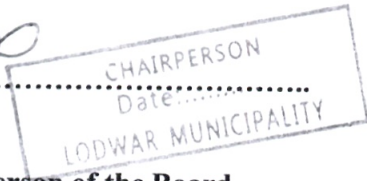
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In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR

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

**Approval of the financial statements**

The Municipal financial statements were approved by the Board on 8/12/2023 and signed on its behalf by:

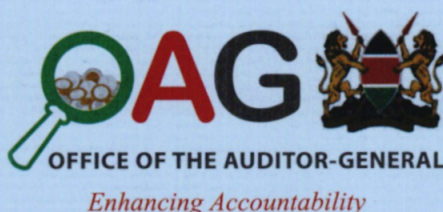
  
.....  
Name:   
Chairperson of the Board

  
.....  
Name: Tukei Benjamin Lore  
Accounting officer of the Board



# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Lodwar Municipality set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets,

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lodwar 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 and the Public Finance Management Act, 2012.

### **Basis for Qualification**

#### **1. Inaccuracy of Transfers from County Government**

The statement of financial performance reflects transfers from county government amounting to Kshs.74,672,605. The amount additions to property, plant and equipment amounting to Kshs.19,627,454 as disclosed in Note 24 to the financial statements which was incurred by the County Executive on behalf of the Municipality. However, the transfer has been disclosed as revenue resulting to a surplus of equivalent amount.

In the circumstance, the accuracy and completeness of transfers from the county government amounting to Kshs.19,627,454 could not be confirmed.

#### **2. Inaccuracies in Use of Goods and Services**

The statement of financial performance reflects use of goods and services amounting to Kshs.54,832,527. However, the amount differs with the use of goods and services amounting to Kshs.74,672,605 reflected in the statement of comparison of budget and actual amounts resulting to unreconciled variance of Kshs.19,840,078. Further, the statement of comparison of budget and actual amounts reflects use of goods and services final budget amounting to Kshs.108,297,022 which differs with the approved expenditure budget amounting to Kshs.93,526,246 resulting to unexplained variance Kshs.14,770,776.

In the circumstances, the accuracy and completeness of use of goods and services amounting to Kshs.54,832,527 could not be confirmed.

#### **3. Inaccuracy of Utilities, Supplies and Services**

The statement of financial performance reflects use of goods and services amounting to Kshs.54,832,527. The amount includes utilities, supplies and services expenditure totaling to Kshs.7,655,060 as disclosed in Note 12 to the financial statements. Review of records revealed that the utilities, supplies and services expenditure includes Kshs.6,809,203 incurred on electricity bills for the months of February to September, 2023. However, the electricity expenditure payment for the months of July to September, 2023 has not been disclosed as a prepayment.

In the circumstance, the accuracy and completeness of utilities, supplies and services amounting to Kshs.6,809,203 could not be confirmed.

#### **4. Unsupported Fuel, Oil and Lubricants**

The statement of financial performance reflects use of goods and services amounting to Kshs.54,832,527. The amount includes fuel, oil and lubricants totaling to Kshs.4,024,138 as disclosed in Note 12 to the financial statements. However, the fuel, oil and lubricants expenditure includes Kshs.3,300,000 incurred on the purchase of fuel which was not supported with supplier statements, detail orders, work tickets and fuel registers. Further, a payment of Kshs.2,450,000 made on 24 February, 2023 for the supply of fuel was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the fuel, oil and lubricants amounting to Kshs.4,024,138 could not be confirmed.

#### **5. Misclassification Board Expenses**

The statement of financial performance reflects use of goods and services amounting to Kshs.54,832,527. The amount includes other operating expenses totaling to Kshs.21,073,190 as disclosed in Note 12 to the financial statements. The other operating expenses includes board expenses amounting to Kshs.1,878,860 which should have been disclosed separately as provided in the reporting template. Further, the board expenses amount was not supported with payment vouchers, board meeting minutes, attendance registers, appointment letters and gazette notices for the appointed board members.

In the circumstances, the validity and accuracy of the other operating expenses amounting to Kshs.1,878,860 could not be confirmed.

#### **6. Inaccuracy of Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment amounting to Kshs.19,627,454 as further disclosed in Note 24 to the financial statements. However, the assets were recorded at cost and not subjected to depreciation as required by Paragraph 43 International Public Sector Accounting Standards (IPSAS) 17 which states that an item of property, plant, and equipment shall be carried at its cost, less any accumulated depreciation and any accumulated impairment losses.

In the circumstance, the accuracy and valuation of the property, plant and equipment amounting to Kshs.19,627,454 could not be confirmed.

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

## **Emphasis of Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget amounting to Kshs.200,672,707 against actual receipts amounting to Kshs.74,672,605 resulting to underfunding of Kshs.126,000,102 or 63% of the budget. Similarly, the statement reflects approved expenditure budget amounting to Kshs.108,297,022 against actual expenditure of Kshs.74,672,605 resulting to under-expenditure of Kshs.33,624,417 or 31% of the budget.

The underfunding and under absorption may have affected planned activities and impacted 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Irregular Payments for Hire of Transport Services**

The Municipality contracted a Company for the provision of transport services for officers conducting a National Hygiene Programme Phase II in partnership with National Government to alleviate the impact of COVID-19 on 15 July, 2022. Review of records revealed that bidders were invited on 01 October, 2022 through quotation number TCG/LMB/RFQ/1086673/2022-2023 in the IFMIS system, the bids were opened on 14 October, 2022 and the award was made on 17 October, 2022. Further, the activity was carried out from 01 October, 2022 to 17 November, 2022 before the procurement process was concluded. This is an indication that the contract was signed and activity executed before the tendering process. No explanation was provided for anomaly.

In addition, the activity undertaken was a function of COVID-19 Emergency Fund.

In the circumstances, the propriety and value for money of the expenditure on hire of transport could not be ascertained.

## **2. Irregular Award of Tender for Laying of Cabros at Lodwar Fire Station**

The County Government of Turkana advertised the tender for laying of cabros at Lodwar Fire Station works on 17 January 2023 in the Daily Nation Newspaper and the county website. Review of records revealed that three bids were received which were evaluated. However, preliminary evaluation revealed that two firms did not provide valid NCA 7 and above practicing certificate and the other did not have pre-qualification letter for the category. As a result, all the firms did not meet the preliminary requirements but still the evaluation committee proceeded with technical and financial evaluation where the committee declared one of the firms as the lowest evaluated bidder at a contact price of Kshs.8,105,210. This was contrary to Section 55(1)(c) of the Public Procurement and Asset Disposal Act, 2015 which states that a person is eligible to bid for a contract in procurement or an asset being disposed, only if the person, if a member of a regulated profession, has satisfied all the professional requirements.

In the circumstances, Management was in breach of the Public Procurement and Asset Disposal Act, 2015.

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

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

#### **Conclusion**

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

#### **Basis for Conclusion**

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

#### **Responsibilities of Management and the Municipality Board**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Municipality Board is responsible for overseeing the Municipality's financial reporting process, reviewing the effectiveness of how 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that

might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

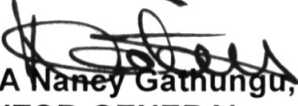
Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that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

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

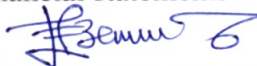
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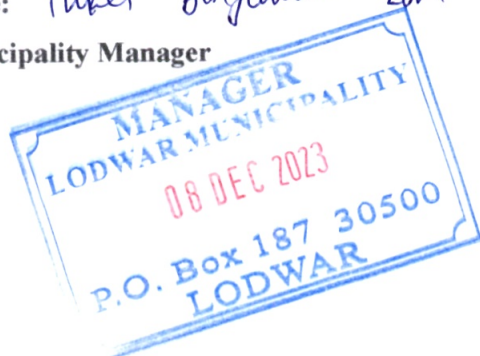
16 February, 2024

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

Description	Note	FY2022/2023	FY2021/2022
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	74,672,604.7	37,416,885
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues ( <i>Specify</i> )	9	-	-
		74,672,604.7	37,416,885
<b>Revenue from exchange transactions</b>			
Interest income	10	-	-
Miscellaneous Income	11	-	-
		-	-
<b>Total revenue</b>		74,672,604.7	37,416,885
<b>Expenditure</b>			
Use of goods and services	12	54,832,527	35,737,585
Staff costs	13	-	-
Board expenses	14	-	1,679,300
Finance costs	15	-	-
Depreciation and amortization	16	-	-
Repairs and maintenance	17	212,624	-
<b>Total expenses</b>		55,045,151	37,416,885
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	18	-	-
<b>Surplus/(deficit) for the period</b>		19,627,454	-

The notes set out on pages 7 to 42 form an integral part of these Financial Statements. The entity financial statements were approved on 8/12/2023 and signed by:

  
 Name: Tukei Benjamin Lar  
 Municipality Manager



  
 Name: Joyce Asibitan  
 Head of Finance  
 ICPAK M/No

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

Description	Note	FY2022/2023	FY2021/2022
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	19	-	77,704,310
Receivables from exchange transactions	20	-	-
Receivables from Non- exchange transactions	21	-	-
Prepayments	22	-	-
Inventories	23	-	-
<b>Total current assets</b>		-	77,704,310
<b>Non-current assets</b>			
Property, plant, and equipment	24	19,627,454	-
Intangible assets	25	-	-
<b>Total Non-current Assets</b>		19,627,454	-
<b>Total assets</b>		<b>19,627,454</b>	<b>77,704,310</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	25	-	-
Refundable deposits from customers	26	-	-
Provisions	27	-	-
Borrowings	28	-	-
Employee benefit obligations	29	-	-
Deferred Income	30	-	-
Social Benefits	31	-	-
<b>Total current liabilities</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>		-	-

Description	Note	FY2022/2023	FY2021/2022
		Kshs.	Kshs.
Net assets		19,627,454	77,704,310
Capital/Development Grants/Fund		19,627,454	77,704,310
Reserves		-	-
Accumulated surplus		-	-
<b>Total net assets and liabilities</b>		<b>19,627,454</b>	<b>77,704,310</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 8/12/2023 2023 and signed by:

*[Signature]*

Name: Tukei Benjamin Lora  
Municipality Manager

Date: 8/12/2023

*[Signature]*

Name: Joyce Asibitor  
Head of Finance

ICPAK M/No

Date: 8/12/2023



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

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
<b>Bal as at 1 July 2021</b> (previous year)	52,323,392	-	-	52,323,392
Surplus/(deficit) for the year	-	-	-	-
Funds received during the year	25,380,918	-	-	25,380,918
Revaluation gain	-	-	-	-
<b>Bal as at 30 Jun 2022</b>	<b>77,704,310</b>	-	-	<b>77,704,310</b>
<b>Bal as at 1 July 2022</b> (current year)	<b>77,704,310</b>	-	-	<b>77,704,310</b>
Surplus/(deficit) for the year	-	-	-	-
UDG Funds reported by the County Executive	(77,704,310)	-	-	(77,704,310)
Funds received during the year	19,627,454	-	-	19,627,454
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2023</b>	<b>19,627,454</b>	-	-	<b>19,627,454</b>

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

Description	Note	FY2022/2023	FY2021/2022
		Kshs.	Kshs.
<b>Cashflows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		74,672,604.7	37,416,885
Public contributions and donations		-	-
Interest received		-	-
Miscellaneous receipts ( <i>Specify</i> )		-	-
<b>Total Receipts</b>		<b>74,672,604.7</b>	<b>37,416,885</b>
<b>Payments</b>			
Use of goods and services		54,832,527	37,416,885
Staff costs		-	-
Board expenses		-	-
Finance costs		-	-
Repairs and maintenance		212,624	-
<b>Total Payments</b>		<b>55,045,151</b>	<b>37,416,885</b>
<b>Net cashflows from operating activities</b>	33	19,627,454	-
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets		-	-
Proceeds from sale of PPE		-	-
<b>Net cashflows used in investing activities</b>		-	-
<b>Cashflows from financing activities</b>			
Receipts from Capital grants		-	25,380,918
Proceeds from borrowings		-	-
UDG Funds reported by the County Executive		(77,704,310)	-
<b>Net cashflows used in financing activities</b>		-	-
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		-	<b>25,380,918</b>
Cash And Cash Equivalents At 1 July	19	77,704,310	52,323,392
<b>Cash And Cash Equivalents At 30 June</b>	19	-	<b>77,704,310</b>

**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. a	Kshs. b	Kshs. c=(a+b)	Kshs. d	Kshs. e=(c-d)	f=d/c
<b>Revenue</b>						
Transfers from the County Government	238,609,678	(37,936,971)	200,672,707	74,672,604.70	126,000,102.3	37.2%
Public contributions and donations	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous income ( <i>specify</i> )	-	-	-	-	-	-
<b>Total Revenue</b>	<b>238,609,678</b>	<b>(37,936,971)</b>	<b>200,672,707</b>	<b>74,672,604.70</b>	<b>126,000,102.3</b>	<b>37.2%</b>
<b>Expenses</b>						
Use of goods and services	105,097,022	3,200,000	108,297,022	74,672,604.70	33,624,417.3	50.83%
Board expenses	-	-	-	-	-	-
Staff Costs	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>105,097,022</b>	<b>3,200,000</b>	<b>108,297,022</b>	<b>74,672,604.70</b>	<b>33,624,417.3</b>	<b>50.83%</b>
<b>Surplus for the period</b>	<b>133,512,656</b>	<b>34,736,971</b>	<b>92,375,685</b>	<b>-</b>	<b>92,375,685</b>	
<b>Capital Expenditure</b>	<b>133,512,656</b>	<b>34,736,971</b>	<b>92,375,685</b>	<b>19,627,454</b>	<b>72,748231</b>	<b>21.25%</b>

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

### **1. General Information**

Lodwar Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter on (5<sup>th</sup> December, 2018). The Lodwar Municipality is under the County Government of *Turkana* and is domiciled in Kenya.

The entity's principal activity is to be the Hallmark of Transformative Governance.

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

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

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

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

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

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

Standard	Effective date and impact:
<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><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p>

Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<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><i>(State the impact of the standard to the Entity if relevant)</i></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 (SNA2008).</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> <p><i>State the impact of the standard to the Entity if relevant</i></p>

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

Standard	Effective date and impact:
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</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> <p><b>State the expected impact of the standard to the Entity if relevant</b></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</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> <p><b>State the expected impact of the standard to the Entity if relevant</b></p>

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)*

*(Notes to financial statements continued)*

#### **4. Significant Accounting Policies**

##### **a) Revenue recognition**

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

###### ***Transfers from other government entities***

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

##### **ii) Revenue from exchange transactions**

###### ***Interest income***

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

##### **b) Budget information**

The original budget for FY 2022/2023 was approved by the County Assembly on 15<sup>th</sup> June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality recorded additional appropriations of Kshs 0 (Amount) on 15<sup>th</sup> June 2022 following the governing body's approval.

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

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

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

*(Significant accounting policies continued)*

**g) Provisions**

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

**h) Social Benefits**

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

**i) Contingent liabilities**

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

*(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.  
*Municipality to state the reserves maintained and appropriate policies adopted*

**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**

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

*(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 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 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*).

The Municipality should indicate whether there are 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.

State all judgements, estimates and assumptions made.

### **Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	74,672,604.7	-
Payments by County on behalf of the entity – Lodwar Municipality	-	37,416,885
Unconditional development grants	-	-
<b>Total</b>	74,672,604.7	37,416,885

(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	Insert Comparative FY
			Kshs	Kshs	Kshs
xx State Department	-	-	-	-	-
XX Ministry	-	-	-	-	-
	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

*(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the sending County office. An acknowledgement note/receipt should be raised in favour of the sending County office.) \*Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached. Total of column 1 should tie to note 6 The details of the reconciliation have been included under appendix xxx*

7. Public Contributions and Donations

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	-	-

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**8. Levies, Fines and penalties**

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.

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

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others ( <i>indicate and specify</i> )	-	-
<b>Total</b>	-	-

(Provide a brief explanation for this revenue)

**10. Interest income**

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Interest income from investments	-	-
Interest income on bank deposits	-	-
Others ( <i>Specify</i> )	-	-
<b>Total interest income</b>	-	-

(Provide brief explanation for this revenue)

**11. Miscellaneous income**

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Income from sale of tender documents	-	-
Others ( <i>specify</i> )	-	-
<b>Total other income</b>	-	-

## Notes to the Financial Statements

## 12. Use of Goods and Services

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Utilities, supplies and services	7,655,060	189,864
Communication, supplies and services	75,000	-
Domestic travel and subsistence	9,395,374	3,671,435
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	374,328	522,945
Rent and rates	-	-
Training expenses	916,980	-
Hospitality supplies and services	2,278,362	956,224
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	3,200,057	5,790,139
Fuel, oil and lubricants	4,024,138	3,007,251
Other operating expenses ( <i>Specify</i> )	21,073,190	-
Routine maintenance – vehicles and other equipment	-	430,409
Routine maintenance – other assets	2,971,688	6,080,307
Contracted Professional Services	2,843,350	13,909,700
Audit fees	-	-
Hire of Transport, equipment etc	-	1,179,311
Bank Charges	-	-
Social Benefit expenses*	-	-
<b>Total</b>	<b>54,832,527</b>	<b>35,737,585</b>

## 13. Staff costs

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Salaries and wages	-	-
Staff gratuity	-	-
Social security contribution	-	-
Other staff costs ( <i>Specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*Notes to the Financial Statements*

**14. Board expenses**

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	-	-
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	1,679,300
Conference Costs	-	-
Other allowances ( <i>Specify</i> )	-	-
<b>Total</b>	-	1,679,300

**15. Finance costs**

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
<b>Total</b>	-	-

**16. Depreciation and amortization**

Description	FY2022/2023	FY2021/2022
	KShs	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	FY2022/2023	FY2021/2022
	KShs	KShs
Property- Buildings	-	-
Office equipment	-	-
Furniture and fittings	-	-
Motor vehicle expenses	-	-
Maintenance of civil works	212,624	-
<b>Total repairs and maintenance</b>	<b>212,624</b>	<b>-</b>

**18. Gain/(loss) on disposal of assets**

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**19. Cash and cash equivalents**

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account-Lodwar Municipality UDG	-	77,704,310
Others( <i>specify</i> )	-	-
<b>Total cash and cash equivalents</b>	<b>-</b>	<b>77,704,310</b>

*Notes to the Financial Statements*

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

Financial institution	Account number	FY2022/2023	FY2021/2022
		Kshs.	Kshs.
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>		-	-
Kenya Commercial bank		-	77,704,310
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		-	77,704,310

**20. Receivables from exchange transactions**

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
<b>Current Receivables</b>		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Current receivables (a)</b>	-	-
<b>Non-Current receivables</b>		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Non- current receivables (b)</b>	-	-
<b>Totalreceivables from exchange transactions</b>	-	-

**Ageing analysis for Receivables from exchange transactions**

Description	FY2022/2023		FY2021/2022	
	Kshs		Kshs	
	FY2023/2022	% of the total	FY2022/2021	% 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	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Transfer from County Executive	-	-
Transfer from XXXX Fund	-	-
<b>Totalreceivables from non-exchange transactions</b>	-	-

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

Description	FY2022/2023		FY2021/2022	
	Kshs		Kshs	
	FY2023/2022	% of the total	FY2022/2021	% of the total
Less than 1 year	-	-	-	-
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	-	-	-	-

**22. Prepayments**

Description	Insert Current FY	Insert Comparative FY
	Kshs.	Kshs.
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments( <i>specify</i> )	-	-
<b>Total</b>	-	-

**23. Inventories**

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Stationery	-	-
Consumables	-	-
Other inventories( <i>specify</i> )	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-

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*(Notes to the Financial Statements Continued)*

**24. Property, Plant and Equipment**

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers(Laptop and its accessories)	Other Assets (laying of Cabros)	Capital Work in progress	Total
	Shs							
As at 1 July 2021 (previous year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2022</b>	-	-	-	-	-	-	-	-
Additions for the year	-	4,628,545	6,840,000	585,724	661,397	6,911,788	-	19,627,454
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2023 (current year)</b>	-	4,628,545	6,840,000	585,724	661,397	6,911,788	-	19,627,454
Depreciation and impairment								
At 1 July 2022 (previous year)								

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Depreciation	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-
<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> (current year)	4,628,545	6,840,000	585,724	661,397	6,911,788	-	19,627,454	-	-	-
<b>NBV as at 30<sup>th</sup> Jun 2022</b> (previous year)	-	-	-	-	-	-	-	-	-	-
<b>NBV as at 30<sup>th</sup> Jun 2023</b> (current year)	4,628,545	6,840,000	585,724	661,397	6,911,788	-	19,627,454	-	-	-

(Notes to The Financial Statements Continued)

**24. Intangible assets**

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
	-	-
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
<b>NBV</b>	-	-

**25. Trade and other payables from exchange transactions**

Description	FY2022/2023		FY2021/2022	
	Kshs.		Kshs.	
Trade payables	-		-	
Retentions	-		-	
Accrued expenses	-		-	
Other payables( <i>Specify</i> )	-		-	
<b>Total trade and other payables</b>	-		-	
<b>Ageing analysis:</b>	<b>FY2022/2023</b>	<b>% of the Total</b>	<b>FY2021/2022</b>	<b>% of the Total</b>
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	-	-	-	-

*Notes to the Financial Statements*

**26. Refundable deposits from customers**

Description	FY2022/2023		FY2021/2022	
	KShs		KShs	
Rent deposits	-		-	
Others ( <i>specify</i> )	-		-	
<b>Total</b>	-		-	
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	-	-	-	-

**27. Provisions**

Description	FY2022/2023		FY2021/2022	
	Kshs.		Kshs.	
Balance at the beginning of the year	-		-	
Additional Provisions ( <i>Specify</i> )	-		-	
Provision utilised	-		-	
<b>Balance at the end of the year</b>	-		-	
Current Portion of provision	-		-	
Long term portion of provision	-		-	
<b>Total Provisions</b>	-		-	

**28. Borrowings**

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

Description	FY2022/2023		FY2021/2022	
	Kshs.		Kshs.	
Short term borrowings (current portion)	-		-	
Long term borrowings	-		-	
<b>Total</b>	-		-	

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(NB: the total of this statement should tie to note 29 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
<b>Balance at beginning of the period</b>	-	-
Borrowings during the year	-	-
Repayments of borrowings during the period	-	-
<b>Balance at end of the period</b>	-	-

The table below shows the Distribution of borrowings:

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
<b>Borrowings</b>		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	-	-

**29. 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>Totalemployee benefits obligation</b>	-	-	-	-

*Notes to the Financial Statements*

**30. Deferred Income**

Description	FY2022/2023	FY2021/2022
	Kshs	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	-	-	-	-

*Include columns as needed for the various sources of income deferred*

*Analysed as:*

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

*Notes to the Financial Statements*

**31. Social Benefit Liabilities**

Description	FY2022/2023	FY2021/2022
	Kshs	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>	-	-

**32. Cash generated from operations**

Description	FY2022/2023	FY2021/2022
	Kshs.	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**

**33. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Transfers from related parties'	-	-
Transfers to related parties	-	-

**c) Key management remuneration**

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Board Members	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

Description	FY2022/2023	FY2021/2022
	Kshs.	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	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Due to parent Ministry	-	-

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Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
<b>Total</b>	-	-

**34. Contingent liabilities**

Contingent liabilities	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Court case xxx against the entity	-	-
Bank guarantees	-	-
<b>Total</b>	-	-

**35. Contingent Assets**

Contingent liabilities	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Court case NIL against the entity	-	-
Others Specify	-	-
<b>Total</b>	-	-

**Notes to the Financial Statements**

**36. Financial risk management**

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

**I. Credit risk**

The Lodwar 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 Lodwar 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 Lodwar 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 2022 (current year)</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2021 (previous year)</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. The Municipality has significant concentration of credit risk on amounts due from *nil*.

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

**II. Liquidity risk management**

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

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

Description	Less than 1	Between 1-	Over 5	Total
	month	3 months	months	
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 Jun 2022 (current year)</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 Jun 2021 (previous year)</b>	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**Notes to the Financial Statements**

**III. Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Municipality's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Municipality's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

**IV. Foreign currency risk**

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

Description	Other currencies		Total
	Kshs.	Kshs.	Kshs.
<b>At 30 June 2022 (current year)</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
<b>Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

**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>2022 (current year)</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2021 (previous year)</b>			
Euro	10%	-	-
USD	10%	-	-

**V. Interest rate risk**

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

**Management of interest rate risk**

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

**Notes to the Financial Statements**

**VI. Capital risk management.**

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

Description	FY2022/2023	FY2021/2022
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital/Development Grants/City/Municipality	-	-
Accumulated surplus	-	-
<b>Total Funds</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	%	%

**20. Appendices**

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p><b>Management of Cash and Cash Equivalents -</b></p> <p>The Municipality does not maintain a separate cash book and bank account for its operations contrary to section 100 of the Public Finance Management (County Government) Regulations, 2015. Its finances are controlled by the County Executive except the funding from Kenya Urban Support Program for</p>		Not Resolved	30-06-2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>which no expenditure had been incurred.</p> <p>In the circumstances, it was not possible to ascertain the existence and effectiveness of the controls over cash and cash equivalents.</p>			
2.	<p><b>Lack of Internal Audit, Fraud Management and Risk Policy –</b></p> <p>No Audit has ever been undertaken of the Municipality contrary to Section 153(1) of the Public Finance Management (County Government Regulations), 2015 which provides that internal auditors should review and evaluate budgetary performance, and financials</p>		Not Resolved	30-06-2024

**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**



**Appendix 2: Inter Entity Transfers**

MUNICIPALITY NAME: LODWAR MUNICIPALITY				
Breakdown of Transfers from the County Executive of Turkana County				
	<b>FY 2022/2023</b>			
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>
			-	
			-	
		<b>Total</b>	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	

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

*Benson Lwoto*

*[Signature]*

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

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

Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

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

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

**Appendix 4: Disaster Expenditure Reporting Template**

Date:

Entity

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