

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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**REPORT**

**OF**

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**THE AUDITOR-GENERAL**

**ON**

**MUMIAS MUNICIPALITY**

**FOR THE YEAR ENDED**

**30 JUNE, 2023**





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# MUMIAS MUNICIPALITY

*County Government of Kakamega*

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30<sup>TH</sup> JUNE 2023

---

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



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# MUMIAS MUNICIPALITY

County Government of Nakuru

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 A-Stream Basis of Accounting Method under the International

Public Sector Accounting Standards (IPSAS)

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

**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

Mumias 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 dated 16th August 2019. The Municipality is under the County Government of Kakamega and is domiciled in Kenya.

### b) Principal Activities

#### Vision - Mumias Municipality

To be a leading Municipality in the provision of quality services to general public and its residents. A desired liveable, inclusive of enterprising Municipality providing model urban service.

#### Mission – Mumias Municipality

To promote socio-economic development to diverse publics through the promotion of an integrated sustainable planned infrastructure, clean natural environment, diverse recreational opportunities and superior services at affordable rates.

#### The principal activities of Mumias municipality are as follows:

- Overseeing the affairs of the Municipality or Town.
- Exercising executive authority as may be delegated by the Municipal Board/Town Committee.
- Developing and adopting policies, plans, strategies and programmes for efficient running of the municipality/township
- Formulating and implementing integrated development plans.
- Controlling land use, land sub-division for various development purposes as may be delegated.
- Promoting and undertaking infrastructural development and services within the Municipality or Town as may be delegated by the County Government.
- Developing and managing schemes, including site development in collaboration with the relevant National and County Agencies.
- Maintaining a comprehensive database and information system for the municipality or town.
- Enforcing the fees, levies and charges as may be authorized by the County Government for delivery of services.
- Ensuring provision of services to its residents.
- Initiating new laws or making recommendations for issues to be included in the laws.
- Implementing national policies and policies of the County Executive Committees as they affect the Municipality or Town.
- Enforcing compliance with Constitutional provisions on Consumer Rights, fair administrative action, Bill of Rights and Values and Principles of Public Service.

- Preparing the Annual Appropriation Bill and submitting it to the County Treasury for consideration and transmission to the County Assembly for approval.
- Coordinating and facilitating citizen participation in the development of policies and plans and delivery of services.
- Implementing policies for fire and disaster management.
- Promoting a safe and healthy environment.
- Performing such other functions as may be delegated from time to time.

c) Key Management

i. H.E The Governor



**H.E. HON. FCPA FERNANDES BARASA OGW,  
GOVERNOR KAKAMEGA COUNTY**

H.E. Hon. FCPA Fernandes Barasa, was elected in office in 2022 as the Second Governor of Kakamega County following promulgation of the Constitution of Kenya, 2010

**PROFESSIONAL SUMMARY**

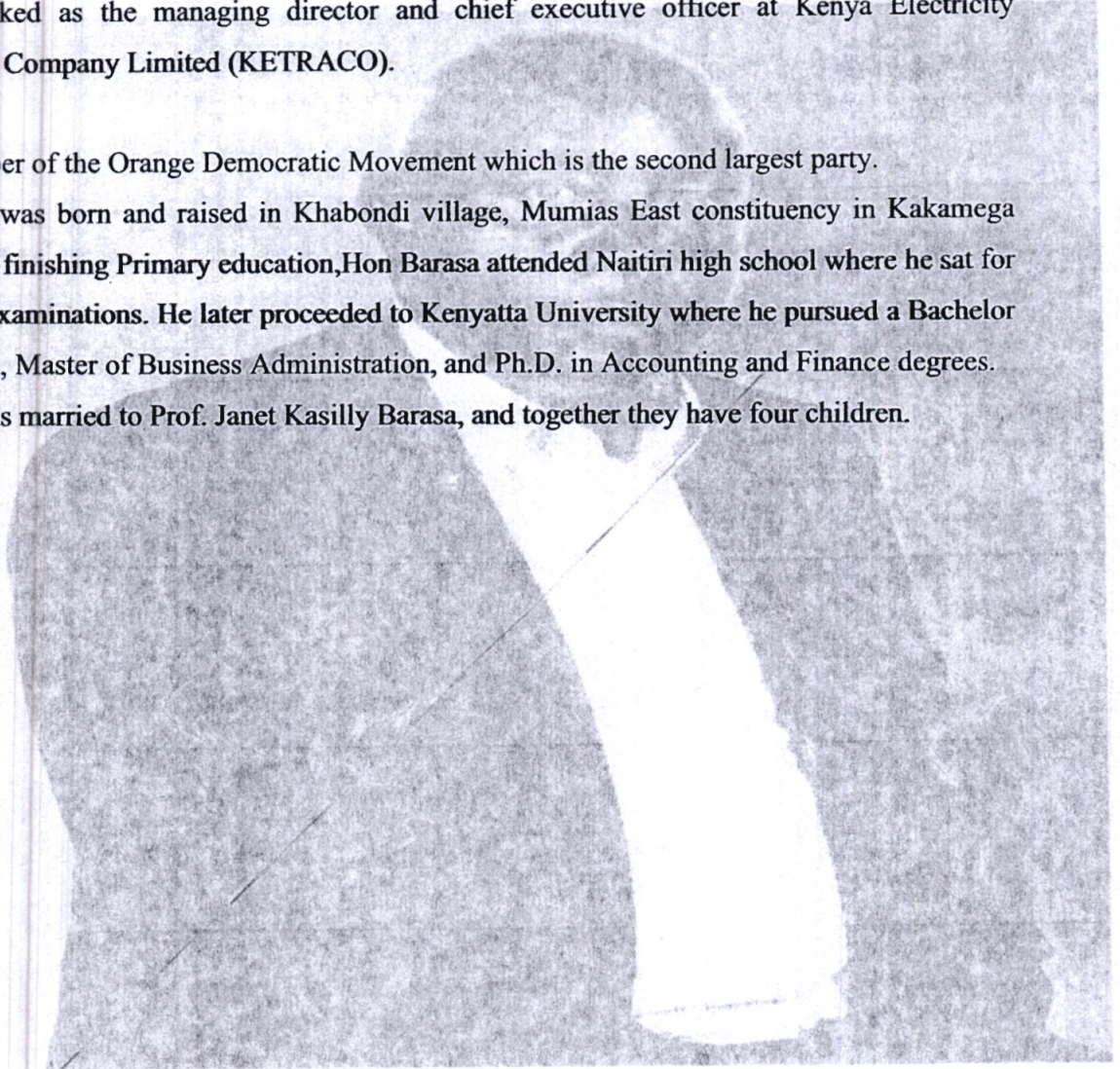
He served as a chairman of the prestigious Institute of Certified Public Accountants of Kenya.

He also worked as the managing director and chief executive officer at Kenya Electricity Transmission Company Limited (KETRACO).

He is a member of the Orange Democratic Movement which is the second largest party.

Hon. Barasa was born and raised in Khabondi village, Mumias East constituency in Kakamega county. After finishing Primary education, Hon Barasa attended Naitiri high school where he sat for his national examinations. He later proceeded to Kenyatta University where he pursued a Bachelor of Commerce, Master of Business Administration, and Ph.D. in Accounting and Finance degrees.

Hon. Barasa is married to Prof. Janet Kasilly Barasa, and together they have four children.

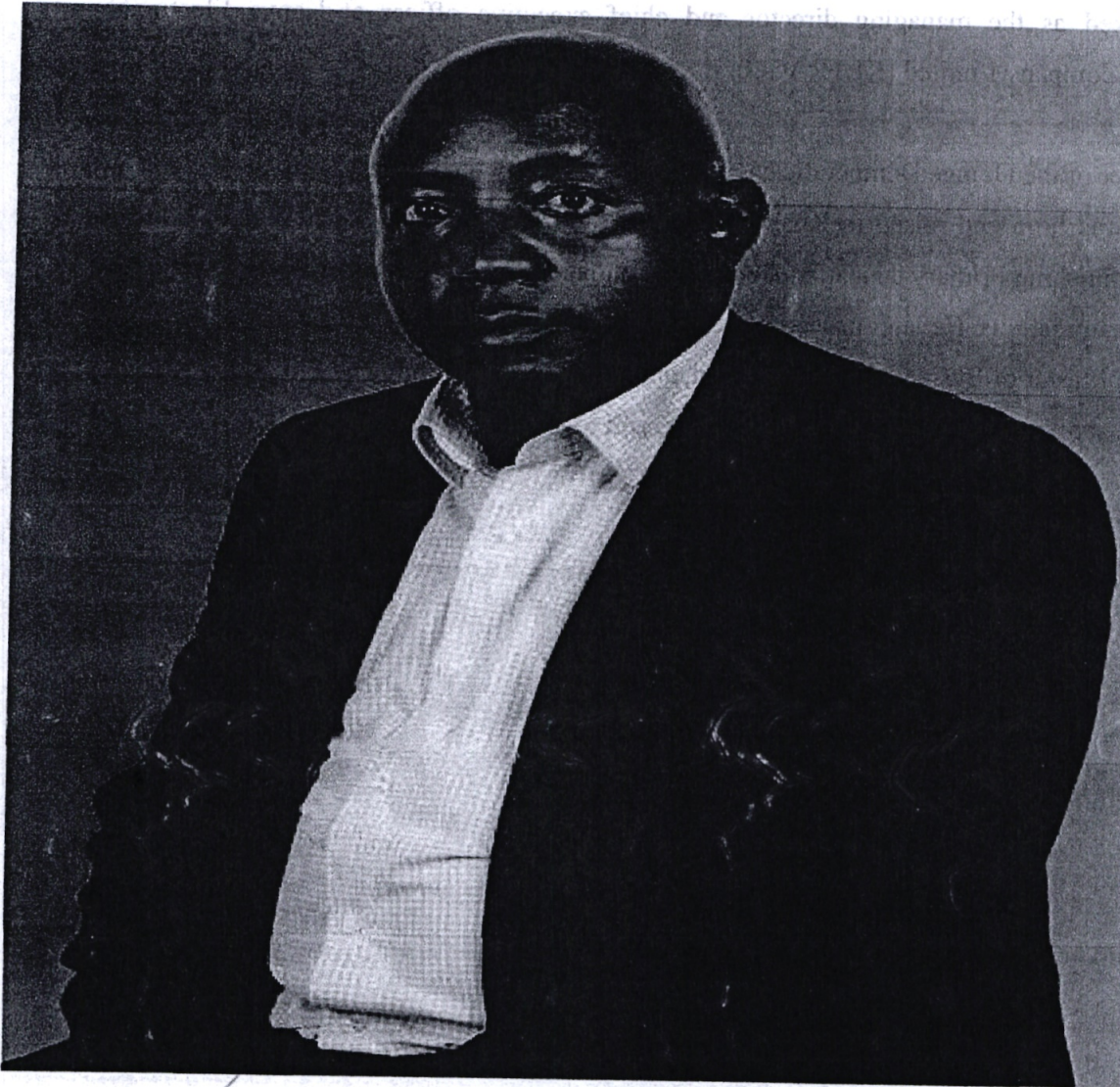


DEPUTY GOVERNOR KAKAMEGA COUNTY  
E. E. AYUB SAVULA ANGATA

PERSONAL INFORMATION

Hon. E. E. Ayub Savula Angata was born on March 2nd, 1977. He is a member of the Orange Democratic Movement (ODM) and has been elected as the Deputy Governor of Kakamega County. He is married to Hon. Gwini King'ara and they have four children.

ii. **H.E The Deputy Governor.**



**H.E. AYUB SAVULA ANGATIA  
DEPUTY GOVERNOR KAKAMEGA COUNTY**

**PERSONAL INFORMATION**

Hon .Savula Ayub Angatia was born on March 3rd, 1975 . Ayub Angatia has two wives Melody Gatwiri Ringera and Hellen Jepkor Kemboi and together they have children.

**PROFESSIONAL SUMMARY**

In 1998 till 2007 Ayub Angatia got a job at Standard Group Limited as an acting regional news editor. In 2007, he joined Cross Continental Venture Limited and Johnnewton Communication as a Managing Director and Director respectively. Since 2008 till now, Ayub Angatia works in Express Media Group as a Managing Director. In March 2013, he joined the Kenya National Assembly as a Member of Parliament for Lugari Constituency .He was elected as Deputy Governor for Kakamega County in 2022 General Elections.

**EDUCATION**

In 1989, Ayub Angatia attended Manyoni Primary School for his Kenya Certificate of Primary Education (KCPE). In 1990, Ayub Angatia went to Lumakanda Boys Secondary School before transferring to Vihiga High School for his Kenya Certificate of Secondary Education (KCSE). In 2001, Ayub Angatia joined Kenya Institute of Mass Communication to pursue a diploma in Journalism. In 2010, Ayub Angatia joined Moi University to take a Bachelor of science in Public Relations and Communication and still at the same university, he did the Master of Philosophy in Communication.

1	Chief officer Ministry of Lands Urban areas and physical planning	Ms. Faith Khamali Gitira
2	Municipality Manager	CS.Christopher Okumu Ombunya
3.	Finance Department	Ms.Annette Aseyo

**Municipality Board**

1.	Chairman of the Board	Mr. Sammy Joel Obingo
2.	County Executive Committee Member responsible for Cities and Urban areas.	Dr.Mariam Barasa
3.	Chief officer -Lands	Ms. Faith Khamali Gitira
4.	Board Member	Mrs. Grace Ong'ayoNamaithe

5.	Board Member	Mr. Bonface Makhandia
6.	Board Member	Mr. Joshua Aura
7.	Board Member	Mr. Iddi Mwaka
8.	Board Member	Mr. James Namatsi
9.	Board Member	Ms. Elvira .A. Wilunda
10.	Municipality Manager-Ex officio member	CS.Christopher Okumu Ombunya

**d) Fiduciary Management**

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

1	Municipality manager	CS.Christopher Okumu Ombunya
2	Head of Finance	Ms. Annette Aseyo
3	Administration Department	Ms. Florence Kweyu
4	Public Health	Ms. Violet Kasaba
5	Procurement Department	Mr. Moses Oduor
6	Audit Department	Mr. Benard Kongani
7	Social Work Department	Ms. Anne Andaye
8	Engineering/works department	Mr. Kennedy Wafula
9	Physical Planning	Mr. Brian Jumba
10	Market Administration	Ms. Vallary Okwara
11	Revenue Department	Ms. Jennifer Okutoyi
12	Enforcement Department	Mr. Habil Mutoka

**e) Fiduciary Oversight Arrangements**

No.	Entity	Role
1.	Audit and risk Management committee	Monitoring and reviewing risk, control and governance processes that have been established
2.	County Assembly Committees	Legislation Oversight Representation
3.	Committees of the senate	Oversight and advisory Accountability Express opinion on Books of account, Offer quality assurance on fiscal and monetary matters

**f) Registered Offices**

P.o.Box 277-50102  
Mumias Town  
Hass-Juakali Road  
Mumias, KENYA

**g) Contacts**

Telephone:056-31850/1852/31853  
Email:mumiastown@kakamega.go.ke  
Website:www.kakamega.go.ke  
P.o.Box 277-50102

**h) Bankers**

**1. Commercial Banks**

- i) KCB Group- Po Box 152 (50100) Kakamega
- ii) Co-operative Bank-PO Box 595 (50100) Kakamega.

**i) Independent Auditor**

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

**j) Principal Legal Adviser**

The Attorney General

State Law Office	
Harambee Avenue	
P.O. Box 40112	
City Square 00200	
Nairobi, Kenya	
<b>County Legal Adviser</b>	
County Attorney	

County Government of Kakamega

P.O Box 36-50100

Kakamega, Kenya

**3. Kakamega Municipality Board**

Name	Details of qualifications and experience
 <p><b>Mr. Sammy Joel Obingo</b></p>	<p><b>Mr. Sammy Joel Obingo(Chairman Mumias Municipal Board)</b> has a Bachelor's degree in Chemistry and Physics from University of Nairobi. He is also a holder of Advanced Diploma in Marketing from the Chattered Institute of Marketing United Kingdom.He worked for several years with Associated Companies of Multi-National Companies as Sales/Marketing Manager, Wasa Sports Administrator Nationally</p>
 <p><b>Mrs. Grace Ong'ayo Namaithe</b></p>	<p><b>Mrs. Grace Ong'ayo Namaithe Vice Chair Mumias Municipality Board</b> is a Bachelors degree in Education (Arts) from the University of Nairobi. She has extensive experience in teaching. Having been a school principal at Moi Girls Vokoli and Butere Girls High School her precious portfolio includes administration and management</p>
 <p><b>Mr. Bonface Makhandia</b></p>	<p><b>Mr. Bonface Makhandia</b> holds a Masters of Science degree in Agriculture Extension and a Bachelors of Science degree in Agricultural Engineering from Egerton University. He works at Mumias Sugar Company Ltd as Agro-development manager and a member of Kenya Society of Sugarcane Technologists. He is also former Chairman of Sukari Sacco Society.</p>



**Mr. Joshua Aura**

**Mr. Joshua Aura** Lutomia holds a Bachelors degree in Education (Arts) from Masinde Muliro University of Science and Technology. Currently undertaking MA in political science at Kenyatta University. He enjoys a long experience in primary education and cultural values in the society as the chairman of Wanga Mukulu Cultural shrine.



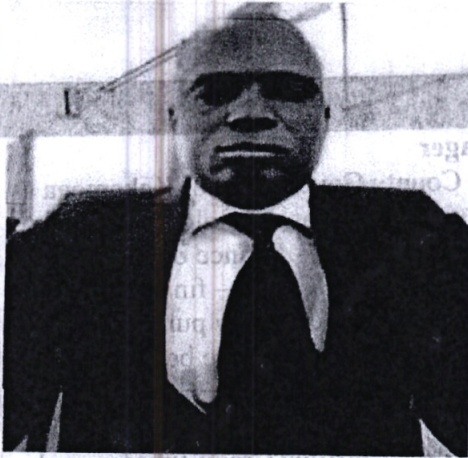
**Mr. Iddi Mwaka**

**Iddi Mwaka** is a holder of Diplomas in Business Management/Administration and Sales Management and Marketing from College of Professional Management Britain. He has a vast experience in Information and Communication Technology.



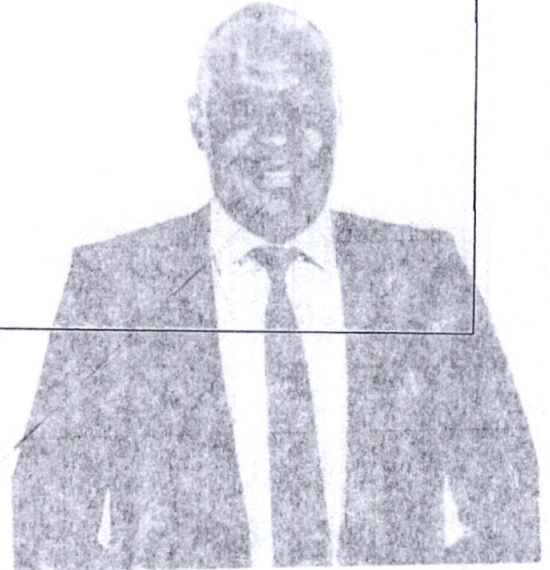
**Ms Faith Khamali Gitira**

**Ms Faith Khamali Gitira**  
Ongoing masters in Health systems management with Kenya Methodist University  
Holds a bachelor's degree in health systems management from Kenya Methodist University  
Diploma in Nursing from mukumu school of Nursing Speciality in Reproductive Health  
Training in financial management from Kenya school of Government Training in leadership management and Governance for Health systems strengthening from Amref Health Africa  
A member of Kenya National Union of Nurses, National Nurses association of Kenya, Kenya progressive Nurses association, and Midwives Association of Kenya



**CS. James Namatsi**

**CS. James Namatsi** holds a LLB (hons) from UoN and a Diploma from Kenya School of Law. He is an advocate of High Court of Kenya with 20 years standing experience. He is also a Certified Public Secretary CS(K). He is a commissioner for oaths and Notary Public



**CS. Christopher Oluom Ombonyi**

He is also a Certified Trustee - Trustee Development Program Kenya (TDPK), Corporate Governance Certified - Centre for Corporate Governance (CCG), Certified ISO Lead Auditor - Integrated Management System (IMS) Auditor - KEBBS, Certified Integrity Assurance Officer - ICAI, and an Accredited Governance Auditor. He is a member in good standing of ICPAK, TDPK, ICAI & CCG.

Annette Asyo Aiyem has a Bachelor's degree in Business Management (Finance and Banking) from Moi University and pursuing a Masters in Business Management (Finance) at Kenyatta University alongside. She currently serves as the Finance officer Mumias Municipality. Annette has gained experience working with both the private and public sectors, having worked with the County Government of Kakamega. She has worked with National Bank of Kenya, Public service commission (Probation and Alternative Services), Genesis Renovators (Painting and Plastering) Limited.



**Annette Asyo**

4. **Key Management Team**



**CS. Christopher Okumu Ombunya**

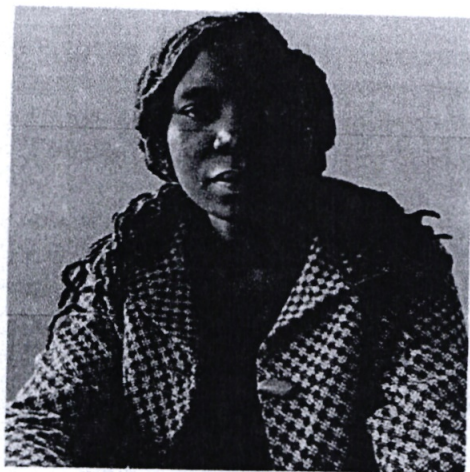
**Municipality Manager**

Currently serves the County Government of Kakamega as the Municipal Manager of Mumias. He holds a Masters of Business Administration (MBA) – finance option, Bachelor of commerce degree (BCOM) – finance option (Upper Second Class) and he is currently pursuing Doctorate of philosophy (PHD) in finance both from the University of Nairobi.

Professionally, he is a Certified Secretary (CS), Certified Public Accountant (CPA), Certified Credit Professional (CCP) and a Certified Investment and Financial Analyst (CIFA).

He is also a Certified Trustee - Trustee Development Program Kenya (TDPK), Corporate Governance Certified - Centre for Corporate Governance (CCG), Certified ISO Lead Auditor – Integrated Management System (IMS) Auditor- KEBS, Certified Integrity Assurance Officer –EACC and an Accredited governance Auditor.

He is a member in good standing of ICPAK, ICPSK, ICIFA & CCG.



**Ms. Annette Aseyo**

**Head of Finance**

**Annette Aseyo Alwena** has a Bachelor's degree in Business Management (Finance and Banking) from Moi University and pursuing a Masters in Business Management (Finance) at Kenyatta University alongside CPA.

She currently serves as the Finance officer Mumias Municipality. Annette has gained experience working with both the private and public sectors before joining the noble County Government of Kakamega. She has worked with National Bank of Kenya, Public service commission (Probation and aftercare Services), Genesis Renovators Enterprises and Afratech Limited.

## 5. Mumias Municipality Board Chairperson's Report

Mumias 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 dated 16<sup>th</sup> August 2019. The Municipality is under the County Government of Kakamega and is domiciled in Kenya. Mumias Municipality Vision is to provide quality services that is affordable, accessible, acceptable, sustainable, effective and equitably distributed to all transparently.

### *Successes made.*

Mumias Municipality has made several strides of successes among them;

- Enhanced solid waste management by purchasing a refuse truck and construction of a refuse chamber at Ekeru, Bus park and Mumias Town,
- Beautification and landscaping from Total Petrol Station to Mumias Level IV Hospital to facelift Municipality Status.
- The municipality has constructed a market close to New Modern Bus Park that can accommodate approximately 1500-2000 traders
- Constructed walkways to ease traffic congestion
- Upgraded and renovated a bus-park for ease of parking of public transport vehicles
- Fabrication of Market stalls
- Renovated slaughter house to modern standard including fencing and proper drainage system.

### **The Boards Performance**

The Board of the Mumias Municipality has been established and draws all its powers and perform all functions vested in boards of municipalities in accordance to the Urban Areas and Cities Act, 2011 as amended 2019, and the County Government Act and the Municipality By-laws.

The Board has ten members who meet on quarterly basis.

The Municipality Board has taken into consideration the provisions of the law other sectorial representation on its board.

The municipality board has demarcated and initiated gazettlement of Municipality boundaries

The Municipality board has also prepared and approved a strategic plan that runs to the year 2027

### Challenges faced by the Municipality

Mumias municipality despite the above sited achievements faces the following challenges;

- Late and delayed disbursements of funds from County Treasury.
- Under-staffing
- Inadequate budgetary provisions.
- The municipality has not yet achieved full autonomy
- Insufficient development partners.

### Changes in the Municipality Board during the year (in terms of the board or key management team)

During the year the term of the Old board expired and a new board was appointed complete with new secretariat.

### Future outlook of the Municipality Board

The Municipality board has raft of measures that has been included in County Intergrated Development Plan of turning the Municipality into a City status. The following have been proposed / implemented;

- De-congestion of the urban trader population from town center to Sichirai market
- Expansion of the boundaries from the current
- Upgrading and expanding existing sewer lines
- Expand revenue base
- Proposal of full autonomy.

In view of the foregoing, the Municipality should endeavour to create a bigger impact on enterprise development in order to play its rightful role in the County and/or nation's development by rethinking its Service delivery model to reach more businesses efficiently, effectively and in a sustainable manner. The Municipality must also be an attractive partner in youth and women economic empowerment to attract funding from all potential sources and win the confidence and

goodwill of all Kakamega Citizens and business people. The Municipality's capacity to deliver on this strategy is critical. Its legal, policy, instructional, technological and competence frameworks shall be adequately strengthened over time and an environment conducive to attract and retain requisite skills created.

To remain sustainable in the long run and reduce its dependence on government funding, the Municipality shall expand and restructure its Service portfolio, diversify its sources of funding and adopt a business approach in its overall operations.

In conclusion, I call upon all stakeholders to effectively play their part in supporting the Municipality to realize the prospects of its mandate. It will require a lot of dedication, success and hard-working on the part of all stakeholders to realise this big dream .

**CONCLUSION**

Mumias Municipality recorded good progress in implementation of their agendas and projects. On behalf of Mumias Municipality, I would like to thank H.E. The Governor, H.E. The Deputy Governor for the leadership and support they have provided during the period. Further, my sincere gratitude goes to the County Municipalities Board Members and staff for their continued efforts to realize the goals as set in the budget FY 2022/2023. I extend my gratitude to all other stake holders for pulling together and for their continued commitment, dedication and hard work to ensure service delivery to the people of Kakamega County. I would also like to thank the County Assembly under the leadership of the Speaker and the County Clerk for their co-operation and oversight role as well as donors who have continued to support us in implementing development of municipalities.

Finally, my sincere appreciation goes to all the citizens for their continuous engagement with the County Government which has contributed to efficient service delivery and citizen centric development.



**Mr Sammy Joel Obingo.**  
**Municipality Board Chairperson**

**6. Report Of the Municipality Manager**

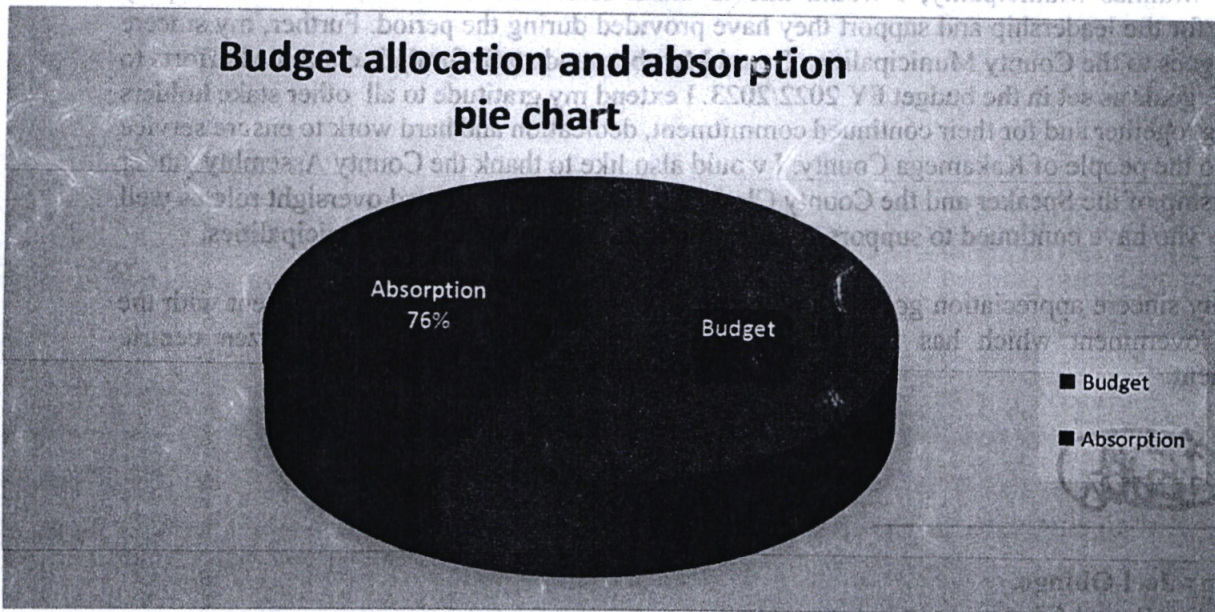
**BUDGET PERFORMANCE**

The Mumias Municipality had approved budget of Ksh 171,835,426 for Recurrent and Development. Respectively comprising a balance brought forward of Ksh 64,441,886 for (KUSP) Kenya Urban Support programme.

The Mumias Municipality finances its operations through funds disbursed from parent ministry of Lands and donor funded programs like Kenya Urban Support Program (KUSP) and Urban Development Program (UDG).

**Budget Absorption**

The Mumias Municipality's overall absorption was Kshs 130 for both recurrent and development expenditure respectively translating to 74% . From Ksh 130 Milion the parent ministry did spent Ksh.31,707,354 on Contracted cleaning services and utilities of Ksh.1,093,078, this as done through agency relationship. This expenditure did not pass through the Municipality's bank account.



On behalf of the Board members (BOM) of the Kakamega Municipality, I have the honour to forward the Annual Report and Financial Statements for the Financial year ended 30<sup>th</sup> June 2023.

The Board is fully alive to its mandate and the fact that Kakamega Municipality having been established, is still young and requires unequivocal support and guidance to lay a strong foundation for its future and sustainability through sound policies and strategies as well as full autonomy of its operations.

## PHYSICAL PROGRESS BASED ON OUTPUT

Mumias Municipality aspires to be the best Municipality in the Country through the adoption of best sound policies and strategic practices as well as the development and use of key instruments necessary for successful corporate governance in line with Urban Areas and Cities Act of 2011 and Article 184 of the Constitution of Kenya 2010.

During the year under review, the Board executed its functions well through its committees namely Finance, Adhoc, legal and full board which held meetings quarterly and annual as required by the law. The committees were vibrant throughout the year, followed by full board meetings. Under the Board's leadership, the Municipality developed a Strategic Plan. The strategic plan will enable the municipality work towards a common goal, while ensuring it to manage and reduce operations risks.

The Board conducted supervisory/oversight visits to all new projects. Arising from these supervisory visits, major repairs and additional works on the projects has been carried out. The projects that have been done to successful completion include construction and maintenance of dump-site, purchase of refuse track, construction to bitumen standard 15km road within the municipality among other projects that are still ongoing but nearing completion. The projects have impacted positively to residents and visitors of Mumias municipality as the environs are clean, acceptability is adequate and traders are happy because of upcoming new market.

In general the public is contented with the programs that have been undertaken by the Municipality and the goal congruence of achieving value for money enabled.

The Board is pleased with the operational and financial results delivered by management. However, being a young Municipality, Mumias has faced several challenges, key among them, inadequate funding and delayed disbursement of funds, under-staffing and not functioning with full powers of autonomy. The Board acknowledges the support it has received from H.E. the Governor and the County Executive Committee members in executing its mandate and functions. We are positive that this support will continue into successive years to enable the Municipality complete the construction and implementation of projects

The Board acknowledges the support and good working relationship with all Departments of County Executive and the county staff as a whole. We also acknowledge the immense support that the Municipality has and is receiving from donors.



.....  
CS.Christopher Okumu Ombunya  
Mumias Municipality Manager

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

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 Mumias Municipality .

Safe and healthy municipality	Security	Installing CCTV surveillance, streetlights
	Disaster Management	Providing fire & rescue services
	Public health	Improving health and well being by minimizing disease
	Traffic regulation	Recruitment of law enforcing officers
	Environment	Minimizing pollution
Infrastructure Lead Municipality	Solid waste and Liquid Waste Management	Collection and disposal of wastes Clean up exercises
	Urban transport and network	Designing Parking areas Clean up exercises
	Water Sanitation and sewerage systems	Providing clean and safe water Replacing dilapidated sewers
	Housing	Providing shelters
Social Municipality	Sports and culture	Improve use of municipality's assets
	Child care	Supporting interventions for vulnerable children
Sustainable Human Settlement	Spatial management planning	Buying land for building houses
		Zoning of development zoning areas
Transparent municipality	Management	<ul style="list-style-type: none"> <li>• Efficient and transparent governance</li> <li>• Increasing levels of service delivery</li> </ul> Staff capacity building
To provide decent living housing condition	Constructed Non-Motorized Roads	KMs of Non-Motorized roads constructed
	Tarmacked earth roads	KMs of earth roads tarmacked
	Landscaped urban Areas	SMs of area landscaped and beautified
	Tarmacked Earth	KMs of earth roads tarmacked

	<b>roads</b>	
	Non-Motorized Walkways constructed	KMs of Non-Motorized Walkways constructed
<b>To provide decent living housing condition</b>	<b>Constructed Non-Motorized Roads</b>	<b>KMs of Non-Motorized roads constructed</b>
	Tarmacked earth roads	KMs of earth roads tarmacked
	Land scaped urban Areas	SMs of area landscaped and beautified
	Tarmacked Earth roads	KMs of earth roads tarmacked

## 8. Corporate Governance Statement

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

The current Board was competitively recruited and sworn in, in the Financial Year 2022/2023. Unless a petition is brought against the board members, the duly constituted board will continue serving until the term expires.

### b. Roles and functions of the Municipality Board members,

- Overseeing the affairs of the Municipality .
- Exercising executive authority as may be delegated by the Municipal Board Committee.
- Developing and adopting policies, plans, strategies and programmes for efficient running of the municipality
- Formulating and implementing integrated development plans.
- Controlling land use, land sub-division for various development purposes as may be delegated.
- Promoting and undertaking infrastructural development and services within the Municipality as may be delegated by the County Government.
- Developing and managing schemes, including site development in collaboration with the relevant National and County Agencies.
- Maintaining a comprehensive database and information system for the municipality.
- Enforcing the fees, levies and charges as may be authorized by the County Government for delivery of services.
- Ensuring provision of services to its residents.
- Initiating new laws or making recommendations for issues to be included in the laws.
- Implementing national policies and policies of the County Executive Committees as they affect the Municipality .
- Enforcing compliance with Constitutional provisions on Consumer Rights, fair administrative action, Bill of Rights and Values and Principles of Public Service.
- Preparing the Annual Appropriation Bill and submitting it to the County Treasury for consideration and transmission to the County Assembly for approval.
- Coordinating and facilitating citizen participation in the development of policies and plans and delivery of services.

- Implementing policies for fire and disaster management.
- Promoting a safe and healthy environment.
- Performing such other functions as may be delegated from time to time.

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

Members are always inducted after engagement and are frequently trained on quarterly basis

**d. Number of Municipality Board meetings held and the attendance to those meetings by members,**

The current Board was competitively recruited and sworn in, on September 2023 hence committees have been formed and ready to hold meetings starting Financial Year 2023/2024.

**e. Succession plan,**

The Board of Directors are always competitively recruited and legally constituted after their term has ended.

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

Currently there is a service charter, mounted at the entrance of Municipality offices. It is written in English and Kiswahili for ease of understanding by the Municipality residents and visitors.

**g. Conflict of interest,**

At the beginning of every Board meeting members are requested to declare if they have any conflict of interest issues on the agenda at hand. No conflict of interests were raised during board meetings.

**h. Board remuneration,**

The Board Chairman is entitled to a monthly honorarium and airtime allowance . Board members are paid sitting allowances of between while attending Board meetings. Independent Board members are also reimbursed travel allowances.

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

Ethics and conduct as well as governance audit is conducted during recruitment process of the board members as per public officers ethics act.

**9. Management Discussion and Analysis**

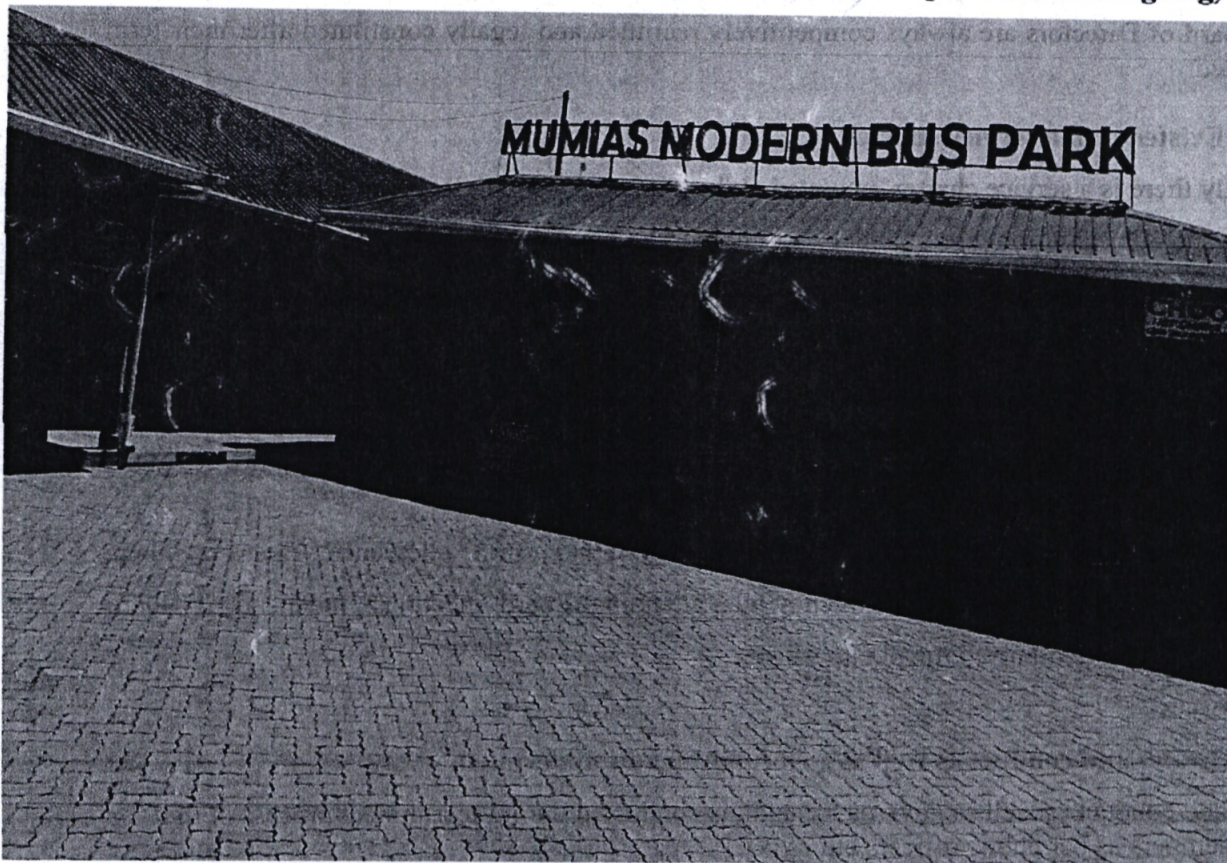
**a. On the operational and financial performance of the Municipality during the period,**

Mumias Municipality finances its operations through donor funded programs like Kenya Urban Support Program (KUSP) and Urban Development Program (UDG). Mumias Municipality had approved budget of Kshs 171,835,426 for Recurrent and Development respectively comprising a balance brought forward of Ksh 64,441,886 for (KUSP) Kenya Urban Support programme.

**Budget Absorption**

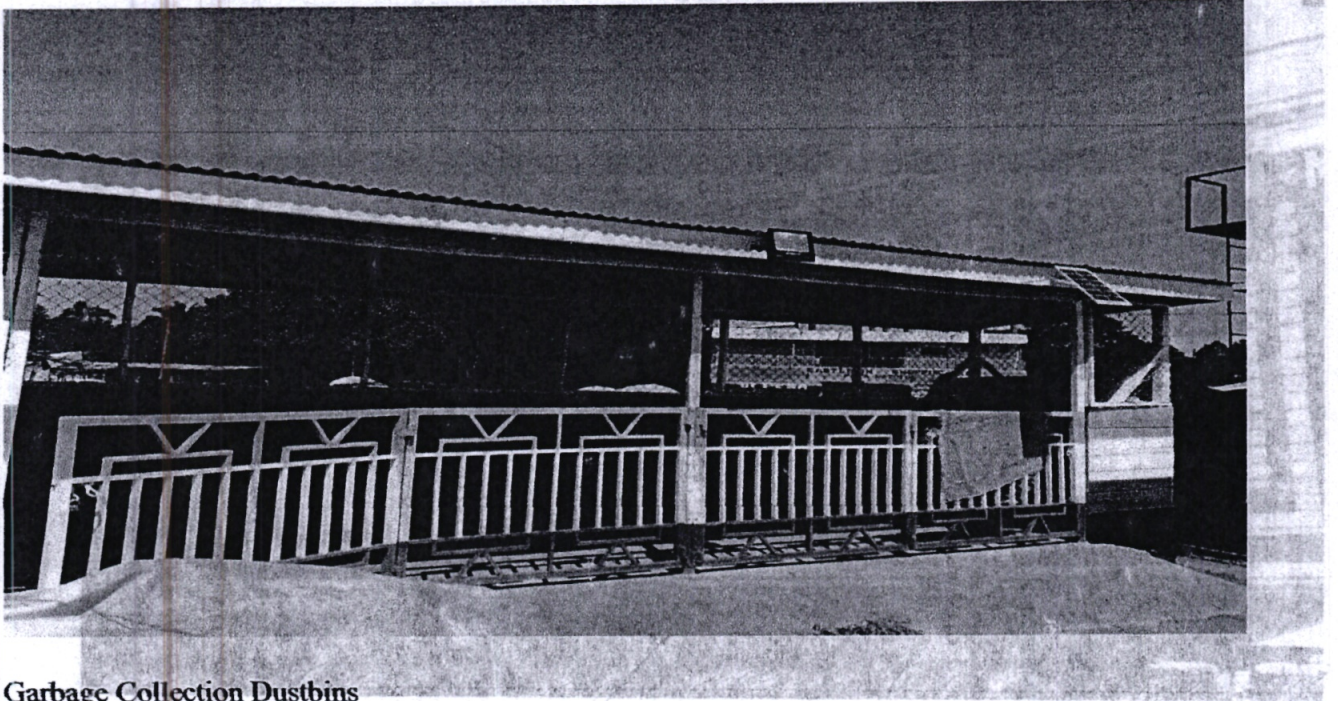
The Mumias Municipality's overall absorption was Kshs 130 for both recurrent and development expenditure respectively translating to 76% . From Ksh 130 Milion the parent ministry did spent Ksh.31,707,354 on Contracted cleaning services and utilities of Ksh 1,093,078, this as done through agency relationship. This expenditure did not pass through the Municipality's bank account.

**b. Mumias Municipality's key projects or investments decision implemented or on going,**



Refuse Chambers

Refuse Chambers

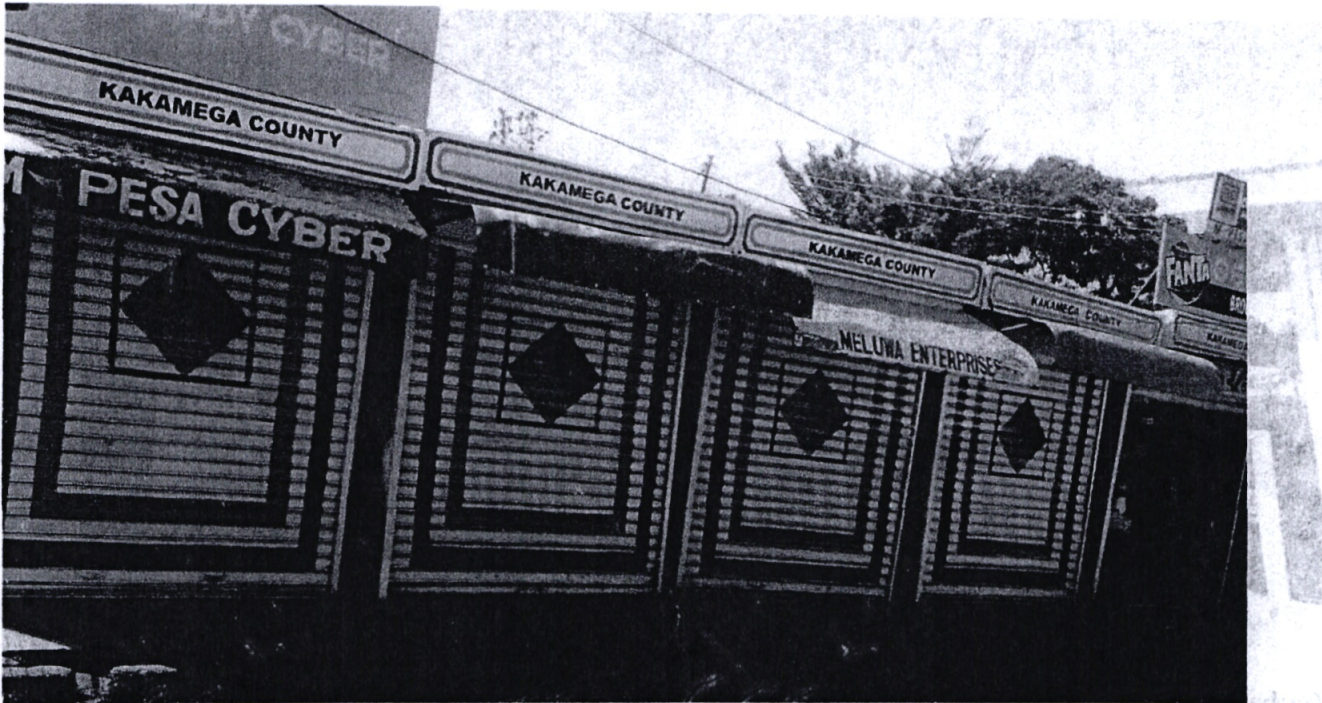


Garbage Collection Dustbins



Refurbishment and Fabrication of Kiosks

Refurbishment of kiosks



Street Naming



Drainage and Landscaping Works



### Renovation and Facelifting of Slaughter House



#### **c. Municipality's compliance with statutory requirements,**

The Municipality has complied with the required statutory requirements

Mumias Municipality complies with any rule, order, regulation, direction, form, tariff of costs or fees, letters patent, commission, warrant, proclamation, by-law, resolution, guideline or other statutory instrument issued, made or established in the execution of a power conferred by or under an Act of Parliament under which that statutory instrument or subsidiary legislation is expressly authorized to be issued.

The Board of the Mumias Municipality has been established and draw all their powers and perform all functions vested in boards of municipalities in accordance to the Urban Areas and Cities Act, the County Government Act and the Municipality By-laws.

Financial statements are prepared by the Accounting Officer of the Municipality in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board under the

guidance of Section 166 of the Public Finance Management Act, 2012 and Urban Areas and Cities Act No. 13 of 2011 at the end of each quarter.

The procurement planning, procurement processing, inventory and asset management, disposal of assets and contract management of Mumias Municipality comply with The Public Procurement and Disposal Act, 2015.

**d. Major risks facing the Municipality, material arrears in statutory and other financial obligations**

The Major risk affecting Mumias Municipality is delay and late disbursement in exchequer disbursements from the Treasury as it's the Main source of funding to the fund.

The delays in receiving of the funds slowed down Project implementation.

**e. Any other information considered relevant to the users of the financial statements.**

The Municipality is in operation and is still picking up gradually to reach its potential.

## 10. Environmental And Sustainability Reporting

### 1. Sustainability strategy and profile

Mumias 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 dated 16<sup>th</sup> August 2019. The Municipality is under the County Government of Kakamega and is domiciled in Kenya. The Municipality strives to provide quality services that is affordable, accessible, acceptable, sustainable, effective and equitably distributed to all transparently.

**The principal activities of Kakamega municipality are as follows:**

- Collection of Revenue
- Issuance of Rates Clearance Certificate
- Issuance of Single Business Permits
- Building Inspection
- Recommendation for approval of Building Plans
- Supervision of Infrastructure Development and Maintenance
- Issuance of Registration Certificate to Groups, CBOs
- Organization and coordination of public participation
- Policy Formulation and Governance

### 2. Environmental performance

This is the mother law of all environmental aspects in the Country. From it, there are regulations that have been developed including Wetlands Regulations, Environmental Regulations (EIA/EA), Water Quality Regulations, Controlled Substances, Biodiversity Regulations, Air Quality Regulations, Waste Management Regulations and Noise Regulations. These regulations regulate the various environmental aspects.

The act talks of having a County Environment Action Plan developed which should be adopted by the County Assembly. The purpose of environmental action plans is to co-ordinate and harmonize the environmental policies, plans, programmes and decisions of the national and county governments, as the case may be, in order to-

- i. minimize the duplication of procedures and functions; and promote consistency in the exercise of functions that may affect the environment;
- ii. secure the protection of the environment across the country; and
- iii. Prevent unreasonable actions by any person, state organ or public Municipality in respect of the environment that are prejudicial to the economic or health interests of other counties or the country.

In section 147A, EMCA gives counties the powers to make legislation in respect of all such matters as are necessary or desirable that are required or permitted under the Constitution and EMCA.

#### • National Environment Policy, 2013

This policy touches on various aspects including:

- Public participation

A coordinated and participatory approach to environmental protection and management will be enhanced to ensure that the relevant government agencies, county governments, private sector, civil society and communities are involved in planning, implementation and decision making processes:

- **Climate Change**

Strengthen capacity for national and county level institutions to support national climate resilience, low carbon development through integrating climate change into implementation strategies.

- **Environmental Monitoring and assessment**

Ensure periodic reporting on county and national status of environment.

- **Institutional Arrangement**

Streamline and strengthen the capacity of environmental institutions at the national and county levels so as to make them more effective and participatory.

The policy also requires that environmental concerns are integrated in all policy, planning and development processes, through strengthening the capacity of environmental institutions at the county levels so as to make them more effective in ensuring compliance and enforcement.

- **County Environmental Management Act, 2019**

It has a number provisions relating to air pollution, noise pollution, public nuisances and waste management. These are key aspects that environmental performance should look at:

- **Draft County Climate Change Policy, 2020**

Once enacted, this policy will be key in monitoring, evaluating and reporting climate change adaption and mitigation strategies.

The County's successes include development of a number of legislation to guide environmental performance such as Environmental Management Act, 2019 and County Water Act 2019. Through the Environmental Management Act, 2019, the County has been able to resolve a number of complaints ranging from noise pollution, solid waste pollution, and waste water management just to mention a few. Other draft legislation that are crucial include County Natural Resources Management Bill, Climate Change Bill and Climate Change Policy.

Some of the shortcomings include:

- Inadequate awareness of the public on the significance of complying with environmental and social safeguards in implementing development projects.
- Extra costs get incurred for stalled and delayed projects and resolving issues that could have been prevented when County projects comply with social and environmental safeguards.

There is a revised draft National Sustainable Waste Management Policy which is a waste management policy for the country. The national policy:

- aims at transitioning the waste sector in every county away from low collection rates, illegal dumping and uncontrolled dumpsites to affordable waste collection, recycling and composting, and minimize waste fractions that are finally disposed to a well-engineered and regulated landfill.
- supports the creation of the planning, finance, technical and governance capacities that county governments need to effectively deliver on their mandate under the Constitution of Kenya 2010, to be the lead actors in delivering sustainable waste management services, by

providing an enabling policy and regulatory environment to facilitate the counties to effectively deliver waste management services including, facilitating inter-county cooperation under the metropolis approach, financial incentives, research, Some of the efforts to reduce environmental impact of the county's products include:

- Provision of a dumpsite to dump the solid waste emerging from the municipal area of the County. The dumpsite is well maintained to ensure there is a conducive living environment for the surrounding community.
- Promotion of 3R principle (refuse, reduce and recycle) among the county residents to ensure minimum waste is generated.
- Plans to incorporate a private investor in developing a county landfill.

### 3. **Employee welfare**

The County Government of Kakamega is guided by the following policies on human capital management;

- i. Constitution of Kenya (2010).
- ii. County Human Resource Policy.
- iii. County Government Act (2012).

During recruitment, the County ensure that stakeholders/relevant departments are involved by providing their staff needs guided by their staff establishment/organization structure. These staff needs from all departments are consolidated by Public service and Administration department and forwarded as the County staff needs to the County Public Service Board (CPSB) for recruitment. The board ensures that it sticks not only to the gender rule during hiring process but also considers regional balance as required by law.

In order to improve the staff skills, manage careers, appraisal and reward systems, the County ensured that all the staff in the county fill PAS forms and all departments sign annual performance contracts. The best performing department is always awarded the 13<sup>th</sup> salary as motivation and this is done annually. The County also ensures continuous and systematic upgrading of county staff skills through training and capacity building based on identified gaps.

Considering the policy on safety and compliance with Occupational Safety and Health Act 2007 (OSHA), the County ensured that all offices have been installed with fire extinguishers, have fire assembly points, have indicative directions to all offices and adhere to Work Injury Benefits Act (WIBA) by compensating employees who get injured while on duty

### 4. **Market place practices**

#### a) **Responsible Supply chain and supplier relations-**

Using appropriate procurement methods that ensure equity and transparency.

- Use of standard tender documents as guided by Public Procurement Regulatory Authority.
- Supplier development program sensitization and training for special groups.
- Debriefing of unsuccessful bidders to enhance competitiveness and transparency.
- Reporting of contracts awards to relevant authorities and general public
- Procurement based on approved budget and procurement plan.

**(i) Treating Suppliers Responsibility by honoring Contract**

- Formation of **Contract Implementation teams** for complex projects to monitor projects.
- Consultations and negotiations with suppliers before contract signing especially for complex projects.

**(ii) Respecting Payment Practice**

- Formation of adhoc Inspection & acceptance Committee to expedite receiving of goods /accepting work to facilitate payment
- Ensuring supporting documents for payment are available on payment vouchers.
- Ensuring necessary approvals are done before payment.

- i. The County Government has undertaken public sensitization and awareness as a key pillar in promotion of fair competition. This has empowered the citizen in decision making as first line of consumer protection. The empowerment has promoted responsible political involvement in promotion of fair trade competition, it is winning political good will to reduce public outcry during enforcement of fair trade practices regulations
- ii. The County Advocates the use of approved, uniform and accurate weighing and measuring standards for trade transactions in order to eliminate unfair trade competition.
- iii. Traders in the County are encouraged to patent their intellectual rights in order to safe guard their innovation against unfair competition through counterfeiting.
- iv. The County Government has undertaken public sensitization and awareness as a key pillar in promotion of fair competition. This has empowered the citizen in decision making as first line of consumer protection. The empowerment has promoted responsible political involvement in promotion of fair trade competition, it is winning political good will to reduce public outcry during enforcement of fair trade practices regulations
- v. The County Advocates the use of approved, uniform and accurate weighing and measuring standards for trade transactions in order to eliminate unfair trade competition.
- vi. Traders in the County are encouraged to patent their intellectual rights in order to safe guard their innovation against unfair competition through counterfeiting.

**b) Responsible ethical practices-**

- i. Conducted an awareness programme to inform consumers on their rights and obligations. This safeguards them against exploitation by fraudulent traders.
- ii. Inspects and investigates consumer complaints with intention to promote fair trade competition
- iii. Instituted legal proceedings arising from consumer rights complaints to remedy the aggrieved parties.

- iv. Monitors trade description applied on goods and services to ensure they are accurate to enable consumers make informed decisions.
- v. Maintains a complaints registers, a suggestion boxes and a customer care desk where issues of anti-corruption are handled.
- vi. Put in place Anti-corruption posters and complies with procurement regulations in all its activities

**c) Stewardship of goods and services**

- vii. Conducted an awareness programme to inform consumers on their rights and obligations. This safeguards them against exploitation by fraudulent traders.
  - viii. Inspects and investigates consumer complaints with intention to promote fair trade competition
  - ix. Instituted legal proceedings arising from consumer rights complaints to remedy the aggrieved parties.
- Monitors trade description applied on goods and services to ensure they are accurate to enable consumers make informed decisions.

**5. Community Engagements**

The County Government of Kakamega engages with the community in a structured way through the administrative arm called Community Area Administrators' Office (CAA.s) This is a representation of the Governor's Office at the community level. There is collaboration between the two levels of Governments which helps the County to understand issues affecting its residents' livelihoods and discuss how well to address them. Further, the County ensures that all disaster/ emergency cases in the County have proper interventions.

The County also supports the vulnerable and its citizens through various programs like shelter improvement, donations during Governors christmas tree celebrations, public participation, sporting activities, music and cultural festivals and construction of gender based violence rescue centre

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

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

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

**Principal activities**

Principal activities of Mumias municipality are as follows:

- Overseeing the affairs of the Municipality.
- Exercising executive authority as may be delegated by the Municipal Board.
- Developing and adopting policies, plans, strategies and programmes for efficient running of the municipality.
- Formulating and implementing integrated development plans.
- Controlling land use, land sub-division for various development purposes as may be delegated.
- Promoting and undertaking infrastructural development and services within the Municipality as may be delegated by the County Government.
- Developing and managing schemes, including site development in collaboration with the relevant National and County Agencies.
- Maintaining a comprehensive database and information system for the municipality or town.
- Enforcing the fees, levies and charges as may be authorized by the County Government for delivery of services.
- Ensuring provision of services to its residents.
- Initiating new laws or making recommendations for issues to be included in the laws.
- Implementing national policies and policies of the County Executive Committees as they affect the Municipality .
- Enforcing compliance with Constitutional provisions on Consumer Rights, fair administrative action, Bill of Rights and Values and Principles of Public Service.
- Preparing the Annual Appropriation Bill and submitting it to the County Treasury for consideration and transmission to the County Assembly for approval.
- Coordinating and facilitating citizen participation in the development of policies and plans and delivery of services.
- Implementing policies for fire and disaster management.

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

- Promoting a safe and healthy environment.
- Performing such other functions as may be delegated from time to time.

**Performance**

The performance of Mumias Municipality for the year ended June 30, 2023 are set out on pages 1 to 5.

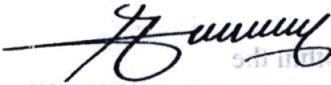
**Board Members**

The members of the Board who served during the year are shown 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:

Secretary of the Board

## 12. Statement of Management's Responsibilities

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

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

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

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

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

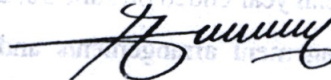
In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern and Nothing has come to the attention of the Municipality Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Municipality's financial statements were approved by the Board on 18<sup>th</sup> July 2023 and signed on its behalf by:



.....  
**Mr Sammy Joel Obingo**  
**Chairperson of the Board**



.....  
**Name: CS. Christopher Okumu Ombunya**  
**Accounting officer of the Board**

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON MUMIAS 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

#### Adverse Opinion

I have audited the accompanying financial statements of Mumias Municipality set out on pages 1 to 38 which comprise the statement of financial position as at 30 June, 2023 and

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Mumias 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 do not comply with the Public Finance Management Act, 2012 and the Urban Areas and Cities Act, 2011.

### **Basis for Adverse Opinion**

#### **1. Inaccuracies in the Financial Statements**

The financial statements submitted for review contained the following anomalies:

- i. The statement of changes in net assets reflects opening balances of Kshs.373,929,657 in respect to capital/development grants funds while the 2021/2022 audited financial statements reflects closing balance of zero on the same item resulting to an unexplained and unreconciled variance of Kshs.373,929,657.
- ii. The statement of changes in net assets reflects a debit balance of Kshs.51,565,292 on accumulated surplus while the 2021/2022 audited financial statements reflected a surplus of Kshs.12,896,458.50 resulting to an unexplained and unreconciled variance of Kshs.64,461,750
- iii. The statement of financial position reflects a comparative figure on reserves of Kshs.116,027,042 with a zero balance as at 30 June, 2023. The movement of this amount is not clear in the financial statements as the same has not been reflected as a movement in the statement of cash flows and statement of changes in net assets.

In the circumstances, the accuracy and completeness of the respective balances could not be confirmed.

#### **2. Unsupported Additions to Property, Plant and Equipment**

The statement of financial position and as disclosed in Note 18 to the financial statements reflects property, plant and equipment amount of Kshs.296,367,757 out of which an amount of Kshs.58,843,750 relates to additions during the year. However, the additional

assets amount could not be verified because Management did not provide relevant supporting documents such as payment vouchers, invoices, inspection and acceptance reports, handover reports and completion certificates.

In the circumstances, the accuracy and completeness of property plant and equipment additions amount of Kshs.58,843,750 could not be confirmed.

### **3. Inaccuracies of Cash and Cash Equivalents**

The statement of financial position reflects a balance of Kshs.692,435 in respect of cash and cash equivalents as disclosed in Note 16 to the financial statements. However, the balance differs from the balance of Kshs.1,077,403 shown in the cash book. The variance of Kshs.384,968 was not explained or reconciled.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.692,435 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mumias 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 adverse opinion.

### **Emphasis of Matter**

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

The statements of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Kshs.171,835,426 and Kshs.46,429,933 respectively, resulting to under-funding of Kshs.125,405,493 or 73% of the budget. Similarly, the statement reflects actual expenditure of Kshs.130,577,857 against approved budget of Kshs.171,835,426 resulting to under-performance of Kshs.41,257,569 or 24% of the budget.

The under-funding and under-performance affected the planned activities and may have 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.

## **Other Matter**

### **Unresolved Prior Year Matters**

In the audit of the previous year, several issues were reported under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or given reasons on the failure to resolve them in adherence with the Public Sector Accounting Standards Board templates.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that, public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Failure to Provide Approved Budget**

During the year under review, the Municipality operated without an approved budget. Consequently, the source and approval of the amounts reflected in the statement of comparison of budget and actual amounts, including total expenditure for the year of Kshs.127,617,088 could not be confirmed. This is contrary to Section 20(1)(l) of the Urban Areas and Cities Act, 2011 which requires a Board of a Municipality to prepare and submit an annual budget to the relevant County Treasury for consideration and submission to the County Assembly for approval.

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

#### **2. Lack of Operational Autonomy for Mumias Municipality**

During the audit, it was observed that only office operations were carried out by the Municipality Board while project implementation was carried out by the County Executive through the Department of Lands, Housing, Urban Areas Development and Physical Planning. This is contrary to Section 21(1)(a) of the Urban Areas and Cities Act, 2011 which gives Municipalities executive authority as delegated by County Executives.

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

### **3. Failure to Appoint a Municipality Administrator**

During the year under review, the Municipality operated without a Municipality Administrator. This is contrary to the provisions of Section 31B of the Urban Areas and Cities (Amendment) Act, 2019 which states that there shall be an administrator for every town established under this act who shall be appointed by the County Public Service Board established under Section 57 of the County Governments Act, 2012.

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

### **4. Lack of Fixed Assets Register**

During the year under review, the Management did not maintain a fixed asset register in a format prescribed with minimum requirements of identification or serial number, date of acquisition, description of asset, location, class, and cost of acquisition, accumulated depreciation, net book value and identification codes to support asset tagging in accordance with Regulation 136(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that an Accounting Officer shall be responsible for maintaining a register of assets under his or her possession as prescribed by the relevant laws.

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

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and overall governance were not effective.

### **Basis for conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were

operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

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

In preparing the financial statements, Management is responsible for assessing the Municipality's ability 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 to 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 the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

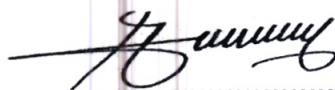
Nairobi

15 March, 2024


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

Statement of Financial Performance for The Year Ended 30 June 2023			
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government-Payments made on behalf	6	32,800,433	-
Transfers from County Treasury	7	13,629,500	75,086,020
Kenya Urban support programme	8	-	112,309,573
		<b>46,429,933</b>	<b>187,395,593</b>
<b>Revenue from exchange transactions</b>			
Interest income	9	-	-
<b>Total revenue</b>		<b>46,429,933</b>	<b>187,395,593</b>
<b>Expenditure</b>			
Use of goods and services	10	46,636,519	40,394,515
Staff costs	11	388,530	351,100
Board expenses	12	816,050	-
Finance costs-Bank charges	13	-	38,447
Depreciation and amortization	14	20,378,608	-
Transfer to other Government Entities	15	3,514,400	-
Acquisition of Assets			198,173,492
<b>Total expenses</b>		<b>71,734,107</b>	<b>238,960,884</b>
<b>Other gains/losses</b>		-	
Gain/loss on disposal of assets		-	
<b>Surplus/(deficit) for the year</b>		<b>(25,304,174)</b>	<b>(51,565,291)</b>

The notes set out on pages 21 to 33 form an integral part of these Financial Statements. The entity financial statements were approved on 18<sup>th</sup> JULY 2023 and signed by:

  
.....

Name: CS. Christopher Okumu Ombunya  
Municipality Manager

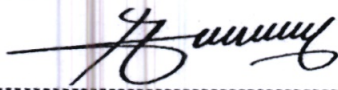
  
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Name: Ms. Annette Aseyo  
Head of Finance

15. Statement of Financial Position As At 30 June 2023

<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	692,435	64,461,751
Receivables from exchange transactions	17	-	-
<b>Total current assets</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	18	296,367,757	-
<b>Total Non-current Assets</b>			
<b>Total assets</b>		<b>297,060,192</b>	<b>64,461,751</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	-	-
<b>Non-current liabilities</b>			
Provisions	20	-	-
<b>Total liabilities</b>			
<b>Net assets</b>		<b>297,060,192</b>	<b>64,461,751</b>
Reserves		-	116,027,042
Accumulated surplus		297,060,192	(51,565,291)
<b>Total net assets and liabilities</b>		<b>297,060,192</b>	<b>64,461,751</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 15<sup>th</sup> JULY 2023 and signed by:



Name: CS. Christopher Okumu Ombunya  
Municipality Manager



Name: Ms. Annette Aseyo  
Head of Finance

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

<b>Bal as at 1 July 2021</b>	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Funds received during the year	116,027,042	-	(51,565,292)	(51,565,292)
<b>Capital</b>	257,902,615	-	-	257,902,615
<b>Bal as at 30 June 2022</b>	<b>373,929,657</b>	-	<b>(51,565,292)</b>	<b>206,337,323</b>
<b>Bal as at 1 July 2022</b>	<b>373,929,657</b>	-	<b>(51,565,292)</b>	<b>206,337,323</b>
Surplus/(deficit) for the year	-	-	(25,304,174)	(25,304,174)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2023</b>	<b>373,929,657</b>	-	<b>(76,869,466)</b>	<b>297,060,191</b>

The Capital of Ksh.257,902,615 relates to Property, Plant and Equipment for FY 2021/2022 that was inadvertently omitted in Books of Accounts and therefore restated to capture the right accumulated surplus.

257,902,615	257,902,615		
116,027,042	-		
(51,565,292)	257,902,615		
257,902,615	257,902,615		

The accompanying notes to these financial statements are an integral part of the financial statements. The entity financial statements were approved on 30/06/2023 and signed by the Municipal Manager.



\_\_\_\_\_  
Municipal Manager

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

<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the CGK-payments on behalf		32,800,433	63,735,770
Transfers from County Treasury		13,629,500	11,350,250
Kenya urban support programme		-	112,309,573
Balance brought forward		-	-
<b>Total Receipts</b>		<b>46,429,933</b>	<b>187,395,593</b>
<b>Payments</b>			
Use of goods and services		(46,636,519)	(40,394,515)
Staff costs		(388,530)	(351,100)
Board expenses		(816,050)	-
Transfer to Other Government Entities		(3,514,400)	-
Transfer to crf		-	(3,330)
Finance costs-Including Bank charges		-	(38,447)
<b>Total Payments</b>		<b>(51,355,499)</b>	<b>(40,787,392)</b>
<b>Net cash flows from operating activities</b>	33	<b>(4,925,566)</b>	-
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets		(58,843,750)	(198,173,492)
Proceeds from sale of PPE			
<b>Net cash flows used in investing activities</b>		<b>(58,843,750)</b>	<b>(198,173,492)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings			
<b>Net cash flows used in financing activities</b>			
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(63,769,316)</b>	<b>(51,565,292)</b>
Cash And Cash Equivalents At 1 July 2022	21	64,461,751	116,027,042
<b>Cash And Cash Equivalents At 30 June 2023</b>	21	<b>692,435</b>	<b>64,461,751</b>

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

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

	A	b	c=(a+b)	D	e=(c-d)	f=d/c
		Kshs.	Kshs.	Kshs.	Kshs.	
<b>Revenue</b>						
Transfers from the County Government	30,000,000		30,000,000	13,629,500	16,370,500	45%
UDG Bal b/f	64,441,886		64,441,886		64,441,886	0%
Payments on behalf of Municipality	77,393,540		77,393,540	32,800,433	44,593,107	42%
<b>Total Revenue</b>	<b>171,835,426</b>	-	<b>171,835,426</b>	<b>46,429,933</b>	<b>125,405,493</b>	<b>27%</b>
<b>Expenses</b>		-				0%
Use of goods and services	77,015,540	-	77,015,540	46,636,519	30,379,021	61%
Board expenses	2,130,000	-	2,130,000	816,050	1,313,950	38%
Staff Costs	400,000	-	400,000	388,530	11,470	97%
Transfer to other Government Entities	5,672,000		5,672,000	3,514,400	2,157,600	62%
Depreciation and Armotization	22,176,000		22,176,000	20,378,608	1,797,392	92%
Acquisition of assets	64,441,886	-	64,441,886	58,843,750	5,598,136	91%
<b>Total Expenditure</b>	<b>171,835,426</b>	-	<b>171,835,426</b>	<b>130,577,857</b>	<b>41,257,569</b>	<b>76%</b>
<b>Surplus for the period</b>		-		-	<b>(84,147,924)</b>	
<b>Capital Expenditure</b>	<b>64,441,886</b>	-	<b>64,441,886</b>	<b>58,843,750</b>	<b>5,598,136</b>	<b>91%</b>

**Budget notes**

1. The underperformance and Underabsorption was contributed greatly by delay and late disbursement in exchequer disbursements from the Treasury as it's the Main source of funding to the fund.
2. Ksh. 32,800,433 was spent by parent ministry of Lands hence did not pass through the Municipality Bank Account though budgeted under Municipality.
3. Budget appropriation statement does not agree with the statement of financial performance because of the differences in accounting.

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

A Reconciliation has been provided as follows,

**Reconciliation statement on the differences between the statement of financial performance and statement of comparison of budget and actuals.**

<b>Classification</b>	<b>Statement of Comparison of Budget and Actual Amounts</b>	<b>Statement of Financial Performance</b>	<b>Comments</b>
<b>Revenue</b>	<b>Kshs</b>		
Urban Development Grant			
Balance B/f	64,441,886	-	Bal b/f not recognized in the statement of financial performance
Transfers from the County Government	13,629,500	13,629,500	Balanced
Payments on behalf of Municipality	32,800,433	32,800,433	Balanced
<b>Expenses</b>			
Use of goods and services	46,636,519	46,636,519	Balanced
Board expenses	816,050	816,050	Balanced
Staff Costs	388,530	388,530	Balanced
Depreciation and Armotization	20,378,608	20,378,608	Balanced
Capital Expenditure-Acquisition of assets	58,843,750	-	Amounts used to purchase Assets were recognized in the statement of Cash flows and satement of Comparison of Budget and Actual Amounts

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

### **1. General Information**

Mumias Municipality is established by and derives its authority and accountability from Urban Areas and cities Act 2011. The Municipality is under the Kakamega County Government and is domiciled in Kenya.

The municipality's principal activity is Collection of Revenue ,Issuance of Rates Clearance Certificate ,Issuance of Single Business Permits ,Building Inspection , Recommendation for approval of Building Plans ,Supervision of Infrastructure Development and Maintenance ,Issuance of Registration Certificate to Groups, CBOs ,Organization and coordination of public participation and Policy Formulation and 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 Mumias Municipality'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 Mumias Municipality .

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
<b>IPSAS 41: Financial Instruments</b>	<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. 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>
<b>IPSAS 42: Social Benefits</b>	<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> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes;</li> </ol>

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

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

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

iii. *Early adoption of standards*

Mumias Municipality did not early – adopt any new or amended standards in the financial year

(Notes to financial statements continued)

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

*Transfers from other government entities*

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

ii) Revenue from exchange transactions

*Interest income*

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

b) Budget information

The original budget for FY 2022/23 was approved by the County Assembly on 30<sup>th</sup> June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Mumias Municipality recorded additional Budget appropriations following the County Assembly'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 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.

Mumias Municipality Depreciates and Armotizes its Assets at the Reccomended rates as follows,

- i. Buildings 5%,
- ii. Motor Vehicles 25%
- iii. Plant and Machinery 15%

Mumias Municipality Depreciates its assets on a reducing Balance method.

**d) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated

amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

**e) Financial instruments**

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.

#### **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.

### **Impairment**

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

### **Financial liabilities**

#### **Classification**

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

### **f) Inventories**

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

Raw materials: purchase cost using the weighted average cost method

Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Municipality.

**(Significant accounting policies continued)**

**g) Provisions**

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

**h) Social Benefits**

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

**i) Contingent liabilities**

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

**(Significant accounting policies continued)**

**j) Contingent assets**

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

**k) Nature and purpose of reserves**

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

**l) Changes in accounting policies and estimates**

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

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

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-Payments made on behalf

Payments by County on behalf of the entity	32,800,433	90,504,560
<b>Total</b>	<b>32,800,433</b>	<b>90,504,560</b>

7. Transfers from county Treasury

Transfers from County Government Treasury	13,629,500	11,350,250
<b>Total</b>	<b>13,629,500</b>	<b>11,350,250</b>

8. Kenya urban support programme

Kenya urban support programme (KUSP)	-	112,309,573
<b>Total</b>	<b>-</b>	<b>112,309,573</b>

9. Interest income

Interest income from investments	-	-
Interest income on bank deposits	-	-
<b>Total interest income</b>	<b>-</b>	<b>-</b>

**10. Use of Goods and Services**

Utilities, supplies and services	3,969,761	1,780,781
Communication, supplies and services	584,820	437,181
Domestic travel and subsistence	1,120,300	571,408
Printing, advertising, supplies & services	644,903	297,665
Hospitality supplies and services	5,944,220	6,075,759
Specialized materials and services	392,365	227,724
Office and general supplies and services	33,444,743	30,562,244
Other operating expenses	-	-
Routine maintenance – vehicles and other equipment's	141,270	33,120
Routine maintenance – other assets	342,605	172,600
Hire of Transport, equipment etc	-	236,034
Refined fuels	15,000	-
Bank Charges	36,532	-
<b>Total</b>	<b>46,636,519</b>	<b>40,394,515</b>

**11. Staff costs**

Salaries and wages	388,530	351,100
Staff gratuity	-	-
Social security contribution	-	-
<b>Total</b>	<b>388,530</b>	<b>351,100</b>

Notes to the Financial Statements

12. Board expenses

Chairman/Members' Honoraria	75,000	
Daily Subsistence Allowances	741,050	
<b>Total</b>	<b>816,050</b>	

13. Finance costs

Bank Charges	-	38,447
Interest on loans from banks	-	-
<b>Total</b>	<b>-</b>	<b>38,447</b>

14. Depreciation and amortization

Buildings	13,562,864	-
Furniture and fittings	57,259	-
computers	9,581	-
Road Construction	4,441,154	-
Plant and Machinery	2,307,750	-
<b>Total</b>	<b>20,378,608</b>	<b>-</b>

**Notes to the Financial Statements**

**15. Transfer to Ministry of Lands**

Transfer to Ministry of Lands		3,514,400	
<b>Total</b>		<b>3,514,400</b>	

**16. Cash and cash equivalents**

	Kshs.	Kshs.
Current account	692,435	64,461,751
<b>Total cash and cash equivalents</b>	<b>692,435</b>	<b>64,461,751</b>

Notes to the Financial Statements

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

Detailed analysis of the cash and cash equivalents are as follows:			
<b>a) Current account</b>			-
		-	-
Mumias Urban Development Grant Account KCB	120365204	692,148	64,441,886
Mumias Municipality	1176165240	287	19,865
<b>Total</b>		<b>692,435</b>	<b>64,461,751</b>

17. Receivables from exchange transactions

17. Receivables from exchange transactions			
<b>Current Receivables</b>			
Service, water and electricity debtors	-	-	-
Other exchange debtors	-	-	-
Less: impairment allowance	-	-	-
<b>Total receivables from exchange transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Notes to the Financial Statements Continued)

18. Property, Plant and Equipment

<b>At 1<sup>st</sup> July 2021</b>	<b>74,685,686.00</b>	<b>523,510</b>	<b>51,100</b>	<b>-</b>	<b>-</b>	<b>75,260,296</b>
Additions	180,073,492			18,100,000.00	-	198,173,492
Disposals	-	-		-	-	-
Transfers/Adjustments	-	-		-	-	-
<b>At 30<sup>th</sup> June 2022</b>	<b>254,759,178</b>	<b>523,510</b>	<b>51,100</b>	<b>18,100,000</b>	<b>-</b>	<b>273,433,788</b>
<b>At 1<sup>st</sup> July 2022</b>	<b>254,759,178</b>	<b>523,510</b>	<b>51,100</b>	<b>18,100,000</b>	<b>-</b>	<b>273,433,788</b>
Additions	29,236,056	-			29,607,693	58,843,750
Disposals	-	-		-	-	-
Transfer/Adjustments	-	-		-	-	-
<b>At 30<sup>th</sup> June 2023</b>	<b>283,995,234</b>	<b>523,510</b>	<b>51,100</b>	<b>18,100,000</b>	<b>29,607,693</b>	<b>332,277,538</b>
<b>Depreciation And Impairment</b>						<b>-</b>
At 1st July 2021	-	-		-	-	-
Depreciation	12,737,959	65,439	12,775	2,715,000	-	15,531,173
Impairment	-	-		-	-	-
<b>At 30<sup>th</sup> June 2022</b>	<b>12,737,959</b>	<b>65,439</b>	<b>12,775</b>	<b>2,715,000</b>	<b>-</b>	<b>15,531,173</b>
<b>At 1<sup>st</sup> July 2022</b>	<b>12,737,959</b>	<b>65,439</b>	<b>12,775</b>	<b>2,715,000</b>	<b>-</b>	<b>15,531,173</b>
Depreciation	13,562,864	57,259	9,581	2,307,750	4,441,154	20,378,608
Disposals	-	-		-	-	-
Impairment	-	-		-	-	-
Transfer/Adjustment	-	-		-	-	-
<b>At 30<sup>th</sup> June 2023</b>	<b>26,300,823</b>	<b>122,698</b>	<b>22,356</b>	<b>5,022,750</b>	<b>4,441,154</b>	<b>35,909,781</b>

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Net Book Values						
At 30th June 2022	242,021,219	458,071	38,325	15,385,000	-	257,902,615
At 30th June 2023	257,694,412	400,812	28,744	13,077,250	25,166,539	296,367,757

The Depreciation rates adopted by Mumias Municipality are 12.5% on Furniture and fittings, 25% on Computers 5% Annually on Land and Buildings, 25% Annually on Motorvehicles, 15% Annually on Plant and Machinery. The Municipality depreciates the assets on a reducing Balance Method.

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Notes to The Financial Statements Continued

19. Trade and other payables from exchange transactions

Trade payables	-	-
Retentions	-	-
Accrued expenses	-	-
<b>Total trade and other payables</b>	-	-

20. Provisions

Balance at the beginning of the year	-	-
Additional Provisions (Specify)	-	-
Provision utilised	-	-
<b>Balance at the end of the year</b>	-	-
Current Portion of provision	-	-
Long term portion of provision	-	-
<b>Total Provisions</b>	-	-

	816,058	
Board Members		
Key Management Compensation		
<b>Total</b>	816,058	

	16,370,200	
Due from parent Ministry		
<b>Total</b>	16,370,200	

Notes to the Financial Statements

21. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Transfers from related parties'	32,800,433	-
<b>Total</b>	<b>32,800,433</b>	

c) Key management remuneration

Board Members	816,050	-
Key Management Compensation	-	-
<b>Total</b>	<b>816,050</b>	

d) Due from related parties

Due from parent Ministry	16,370,500	-
<b>Total</b>	<b>16,370,500</b>	

**Notes to the Financial Statements**

**22. Financial risk management**

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

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

**I. Credit risk**

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

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

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

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

**II. Liquidity risk management**

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

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

### 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 transnational 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:

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.



**Notes to the Financial Statements**

**VI. Capital risk management.**

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

<b>Revaluation reserve</b>	<b>0</b>	<b>0</b>
Capital/Development Grants/Municipality	0	0
Accumulated surplus	0	0
<b>Total Funds</b>	<b>0</b>	<b>0</b>
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)	0	0
<b>Gearing</b>	<b>0</b>	<b>0</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.

Basis for Adverse Opinion				
1	<p>Accuracy and Presentation of the Financial Statements</p> <p>1.1 Variances Between Amounts in the Financial Statements and Supporting Schedules</p> <p>Variances were noted between amounts in the financial statements and those in supporting schedules as shown below:</p>	<p>1. The variance of ksh 8,350 was inadvertently omitted in the schedules but has since been corrected in the schedules, amended audit schedules is hereby availed for your audit review.</p> <p>2. The variance of ksh.(54,544) relating to Routine Maintenance other assets was as a result of journal adjustment. The amended Audit schedules is hereby availed for your audit review.</p> <p>3. The ksh.38,447 relates to bank charges for FY 2021/2022 ,Ksh 69,630 relates to 2 Financial years ,2020/2021 and 2021/2022. The schedule of Ksh.31,183 relating to Finance costs is hereby availed for your audit review.</p>	Not Resolved	N/A
1.2	<p>Reserves</p> <p>The statement of changes in net assets reflects a balance of Kshs.183,105,351 in respect of reserves as at 30 June, 2021. However, no documentary evidence and schedules were provided to support the balance.</p> <p>In the circumstances, the accuracy and completeness of the respective balances could not be confirmed.</p>	<p>The statement of financial position reflects balances, this is arising from a reconciled balances of cashbook and bank statements of 2 Bank Accounts Maintained at the Municipality as seen in Note 9 of the Financial Statements page 18.</p> <p>Ksh.116,026,054 (UDG....116,023,838 and Operations account.....2,216)relates to</p>	Not Resolved	N/A

		<p>closing balance of 2020/2021 Mumias Urban Development Grant Account KCBandMumias Municipalityoperations account..... Based on the advice given by your office(OAG) this was then the opening balance for 2021/2022 as reflected in the Financial statements 2020/2021.</p>		
2	<p>Cash and Cash Equivalents The statement of cash flows reflects a balance of Kshs.116,027,042 in respect of cash and cash equivalents as at 1 July. However, the source of the balance could not be confirmed since this is the first set of financial statements for audit.</p> <p>In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.64,461,751 as at 30 June, 2022 could not be confirmed.</p>	<p>Net increase/decrease in cash and cash is a net of cashflow from operating activities and amounts relating to property, plant and equipment.</p>	<p>Not Resolved</p>	<p>N/A</p>
3	<p>Property, Plant and Equipment The statement of financial position reflects a balance of Kshs.319,058,717 in respect of property, plant and equipment as at 30 June, 2022. However, the balance is at variance with the balance of Kshs.251,980,408 shown in Note 10 to the financial statements resulting to an unexplained difference of Kshs.67,078,309.</p> <p>In addition, Note 10 on property, plant and equipment reflects a balance of Kshs.319,058,717 as at 30 June, 2021, resulting to a further unexplained balance as there were no financial statements for the year 2021.</p> <p>In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.319,058,717 could not be confirmed.</p>	<p>The figure of of Kshs.251,980,408 was as a result of casting error. Financial report and statements have been corrected to reflect Ksh.319,058,717.The Vouchers relating to Property Plant and equipment is hereby availed for your audit Review.</p>	<p>Not Resolved</p>	<p>N/A</p>
4	<p>Failure to Disclose Reporting Period The Municipality Board prepared and presented financial statements for a period of twenty-two (22) months ending 30 June, 2022. However, no disclosure has been provided in the financial statements to this effect as required by paragraph 71 of International</p>	<p>The financial statements have since been amended to read report and financial statements for the twenty-two (22) months period ending 30 June, 2022</p>	<p>Not Resolved</p>	<p>N/A</p>

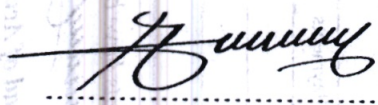
	<p>Public Sector Accounting Standards (IPSAS) 1, which provides that if an entity prepares financial statements for a period shorter or longer than one financial year, then a disclosure should be made giving reasons for the same. Further, the cover page of the financial statements indicates 'year ended' while the financial statements are for twenty-two (22) months.</p> <p>In the circumstances, the financial statements were not prepared in accordance with the requirements of International Public Sector Accounting Standards.</p>	<p>and is hereby availed for your audit review.</p>		
<p><b>Other Matter</b></p>				
	<p><b>Budgetary Control and Performance</b> The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.541,539,877 and Kshs.324,185,532 respectively, resulting to under-funding of Kshs.217,354,345 or 40% of the budget. Similarly, the Municipality Board incurred actual expenditure of Kshs.123,770,415 against approved budget of Kshs.541,539,877 resulting to under-performance of Kshs.417,769,462 or 77% of the budget. The underfunding and under-performance affected planned activities and may have impacted negatively on service delivery to the public.</p>	<p>The underfunding resulted because of delayed exchequer releases.</p>	<p>Not Resolved</p>	<p>N/A</p>
<p><b>Basis for Conclusion</b></p>				
<p>1</p>	<p><b>Construction of Walkways and Landscaping Works</b> The Municipality Board awarded a contract to a local contractor for construction of walkways and landscaping works at a contract sum of Kshs.51,038,454. Examination of tender documents submitted by bidders revealed that the bidders were required to submit to the IFMIS procurement portal, amongst other documents, serialized tender documents and a bid bond of Kshs.200,000. However, review of the IFMIS portal attachment by the bidders revealed that the winning bidder did not fill the tender document in its entirety and did not submit the bid bond in the portal as provided for in the tender document. No explanation was provided for awarding the tender to a bidder who did not meet the tender requirements. This is contrary to Section 80(1) of the Public Procurement and Asset</p>	<p>The Applications and documents were done and submitted through the Ifmis system. The tender opening was on 04/11/2021 and commencing on 16/11/2021. The management has since provided the tender documents and amended as appropriate. Annex I</p>	<p>Not Resolved</p>	<p>N/A</p>

<p>Disposal Act, 2015 which states that the Evaluation Committee shall evaluate and compare the responsive tenders other than tenders rejected under Section 82(3).</p> <p>Further, tender opening minutes revealed that tender opening was carried out on 16 November, 2021 while the Tender Opening Committee was constituted on 24 November, 2021. No explanation was provided on why the tenders were opened before constituting the Tender Opening Committee.</p> <p>In the circumstances, Management was in breach of the law.</p>			
<p>2</p> <p>Construction of Mumias Bus Park and Access Roads The Municipality Board awarded a contract to a local contractor for construction of Mumias Bus Park and access roads at a contract sum of Kshs.185,663,366. However, review of tender evaluation report revealed that the evaluation was conducted on 25 May, 2021, which was beyond the tender validity period of 120 days from the date of advertisement as provided for in the tender documents. Further, according to the tender documents, the successful bidder was required to submit a performance bond within 28 days upon receipt of award notification. The performance bond was, however, submitted on 4 May, 2021, being 30 days after receipt of award notification.</p> <p>In addition, the contractor was required to submit a performance security of 10% of the contract sum, being Kshs.18,566,337. However, the contractor submitted a performance security of 5% of the contract sum, being Kshs.9,283,168. No explanation was provided for the contravention of the contract agreement.</p> <p>Review of records available indicate that the project was handed over on 26 July, 2022 while the Inspection and Acceptance Committee carried out inspection of the project on 1 August, 2022. The inspection report indicated that as at the date of inspection, the project was 99% complete and the contractor had been paid the entire contract sum. No explanation was provided on why the project was handed over before being inspected by the Inspection and Acceptance Committee. Physical inspection of the project carried out on 1 December, 2022 revealed that although the project had been certified as complete and handed over and full payment made to the contractor, substantial works had not been</p>	<p>The Applications and documents were done and submitted through the Ifmis system. The Evaluation was on 25/5/2021 and performance bond on 4/5/2021. 25 May, 2021 is a print date of the evaluation matrix Minutes on ifmis which states the date of printing. Handing over 26/07/2022 and inspection was on 01/08/2022. The management has since provided the tender documents .Annex 2</p>	<p>Not Resolved</p>	<p>N/A</p>

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	<p>done. These included laying of manhole covers, landscaping and testing and commissioning of electric works. In addition, cabros at the main gate on the acceleration and deceleration lanes had sunk, leaving uneven sharp curves, an indication of poor workmanship and substandard works. It was also observed that although the project was certified as complete, the bus park has not been commissioned and put to use to date.</p> <p>In the circumstances, Management was in breach of the law, and the Municipality Board did not obtain value for money from the project.</p>			
3	<p>Tenders Awarded Without Tender Opening Committees During the period under review, the Municipality Board awarded four (4) contracts for works and services worth a total of Kshs.266,147,495. However, the tenders were awarded without being subjected to tender opening, contrary to Section 78(1) of the Public Procurement and Asset Disposal Act, 2015, which provides that an accounting officer is required to appoint a Tender Opening Committee for any procurement undertaking. In the circumstances, Management was in breach of the law.</p>	<p>The Applications and documents were done and submitted through the Ifmis system. The management has since provided the tender documents .Annex 3</p>	Not Resolved	N/A
4	<p>Operational Autonomy of Mumias Municipality During the audit, it was observed that only office operations were being carried out by the Municipality Board while project implementation was being done by the County Executive through the Department of Lands, Housing, Urban Areas Development and Physical Planning. This is contrary to Section 21(1)(a) of the Urban Areas and Cities Act, 2011 which gives Municipality Boards executive authority as delegated by County Executives. In the circumstances, Management was in breach of the law.</p>	<p>The county Executive has given Kakamega Municipality semi-Autonomous. The Municipality does operational programs as cited by auditor but plans are underway to make it autonomous.</p>	Not Resolved	N/A



Accounting officer of the Entity

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Appendix 2: Inter Entity Transfers

FY 2022/2023				
a.	Recurrent Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
		2/8/2022	1,500,000	2022/2023
		25/10/2022	1,500,000	2022/2023
		7/12/2022	1,500,000	2022/2023
		16.02.2023	1,500,000	2022/2023
		19/5/2023	1,500,000	2022/2023
		19/6/2023	1,500,000	2022/2023
		10/7/2023	1,500,000	2022/2023
		13/07/2023	1,500,000	2022/2023
		16/6/2023	1,629,500	2022/2023
		<b>Total</b>	<b>13,629,500</b>	
b.	Development Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
				2022/2023
		<b>Total</b>		
c.	Direct Payments	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
		2022/2023	32,800,433	2022/2023
		<b>Total</b>	<b>32,800,433</b>	

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

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

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**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) .....

								Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

**Appendix 4: Disaster Expenditure Reporting Template**

Date:

Entity

				Column VI Expenditure Item	Column VII Amount (KShs)	Column VIII Comments