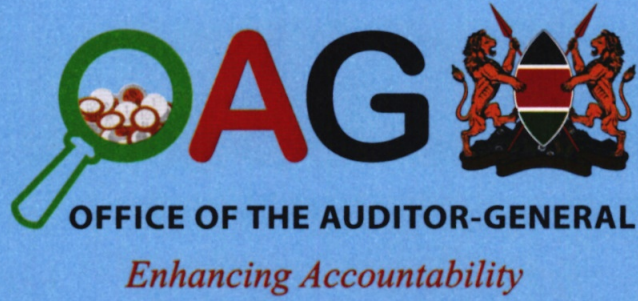


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

PARLIAMENT
OF KENYA
LIBRARY

MUNICIPALITY OF MURANG'A

FOR THE YEAR ENDED 30 JUNE, 2023

PAPERS LAID	
DATE	20/3/2024
TABLED BY	Sen. J. Kingua
COMMITTEE	_____
CLERK AT THE TABLE	Poly carp

Revised 30th June 2023



MUNICIPALITY OF MURANGA

County Government of Murang'a

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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



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1. Acronyms & Abbreviations

Insert acronyms and abbreviations used in the report e.g.

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
IFMIS	Integrated Financial Management Information System

2. Key Entity Information and Management

a) Background information

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

b) Principal Activities

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

1.1. Objectives of the Municipality

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

2. Functions of the Municipality

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

- (a) Promotion, regulation and provision of refuse collection and solid waste management services;
- (b) Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider);
- (c) Construction and maintenance of municipal roads and associated infrastructure;

- (d) Construction and maintenance of storm drainage and flood controls;
- (e) Construction and maintenance of walkways and other non-motorized transport infrastructure;
- (f) Construction and maintenance of recreational parks and green spaces;
- (g) Construction and maintenance of street lighting;
- (h) Construction, maintenance and regulation of traffic controls and parking facilities;
- (i) Construction and maintenance of bus stands and taxi stands;
- (j) Regulation of outdoor advertising;
- (k) Construction, maintenance and regulation of municipal markets and abattoirs;
- (l) Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- (m) Promotion, regulation and provision of municipal sports and cultural activities;
- (n) Promotion, regulation and provision of animal control and welfare;
- (o) Development and enforcement of municipal plans and development controls;

Municipal administration services (including construction and maintenance of administrative offices)

c) City/Municipality Board

Ref	Position	Name
1.	Chairman of the Board	Arch. Benson Githinji Mwangi
2.	County Executive Committee Member responsible for Cities and Urban areas.	
3.	Board Member 1	Mr. James Mwangi Waweru
4.	Board Member 2	Ms Judith Wambui Maina
5.	Board Member 3	Dr. Bernard Nthuku Muia
6.	Board Member.....	Mr. Habel Karanja Mwangi
7.	City/Municipality Manager	Ms Beatrice Wairimu Gicheha

d) Key Management

Ref	Position	Name
1	Municipality Manager	Ms Beatrice Wairimu Gicheha
2	Municipal Administrator	Peter Makara Ngure
3	Directorate of Finance, Administration, IT and Economic Planning	Stephen Maina kamiri
4	Legal, Education, Social Services and Partnerships	Edith Kingori
5	Municipal Engineer	Sebastian Bubiru

e) Fiduciary Oversight Arrangements

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

f) Registered Offices

P.O. Box 205
Municipal Offices
Murang'a Law Court Road
NAIROBI, KENYA

g) Contacts

Telephone: (+254) 060-2030271
Email: murangamunicipal@gmail.com
Website: murangamunicipal.go.ke

h) Bankers

Kenya Commercial Banks
Murang'a

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

i) Independent Auditor



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



j) Principal Legal Adviser


The Attorney General


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

3. Municipality Board


Serial No.	Name	Details of qualifications and experience
	Board Member	
1	 <p>Arch Benson Githinji Board chairman</p>	<p>HOLDER of Bachelor's Degree in Architecture from UON 1995, Corporate, governance training course, 10years as member of AAK Governing council, 20years experience in professional architectural practise, representative of professional body. He was nominated to represent Professional Associates .He was was born on 27th July,1970.</p>
2	 <p>Judith Maina Deputy chairperson</p>	<p>Holds diploma in secretarial from Kianda college, certificate in management and basic selling skills from Mayka management training centre, has initially worked with orbit chemicals and Hoechst E.A LTD. She was nominated to represent Associate of Informal Sector. She was born on 1972.</p>



<p>3</p>	 <p>Bernard Muia Nthuku Board member</p>	<p>Holder of international Master in Public Health from Hebrew University Jerusalem ,Is rael.Bachelor of Medicine and Surgery from UON 1985. He holds several international professional certifications . He was formerly CECM Health Nairobi City County year 2015 to 2017. He was head of several divisions at the ministry of health and long serving Muranga District Medical officer of health . He has served at several Boards. He leads in sensitization and creating awareness as far as health issues are concerned globally He is registered in kenya as medical specialist. He was nominated to represent Governor Appointee. He was born on 29th May 1959.</p>
<p>4</p>	 <p>Habel k Ngugi Board member</p>	<p>Attained bachelor degree in law from university of South Africa 2007, diploma from Kenya school of law 2011, experience currently working with H.K Ngugi and Company Advocates, Africa Foundation for Human Right and tolerance (project officer), KTDA (Payroll attendant). He was nominated to represent Governor Appointee. He was born on 2nd December 1981.</p>



5	 <p data-bbox="295 873 510 963">James Waweru Board member</p>	<p data-bbox="933 224 1484 1187">Holds a Bachelor's Degree (BED) Arts-Business studies from Mt. Kenya University. Certificate in County Governance from Jomo Kenyatta University. He started working with Murang'a Farmers Union from year 1986-1994. He served as a Councillor in Murang'a County Council from 1996-2012 and was a long serving Chairman of Murang'a County. He was one of the representatives from the County to Bomas devolution conference. Currently he is the Chairman of Finance and Administration committee in the Board. He was nominated to represent Registered Neighbourhood Associates. He was born on 1965.</p>
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6	<p>Manager</p>  <p>Beatrice Gicheha</p>	<p>Municipality manager</p> <p>Has bachelor of education –arts from Egerton university. Currently pursuing masters of arts in public policy and administration from Kenyatta university. Has also undertaken quite a number of short courses in leadership, governance and management locally in KSG, KIMS, ESAMIS and Internationally in Malaysia, Dubai and Ethiopia.</p> <p>She has over 13 years of work experience ,5 as a banker with co-operative bank and 8 as sub-county administrator within Murang'a county.</p>
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4. Management Team

Serial No	Name	Details of qualifications and experience
1.	<p>Manager</p>  <p>Beatrice Gicheha</p>	<p>Municipality manager</p> <p>Has bachelor of education –arts from Egerton university. Currently pursuing masters of arts in public policy and administration from Kenyatta university. Has also undertaken quite a number of short courses in leadership, governance and management locally in KSG, KIMS, ESAMIS and Internationally in Malaysia, Dubai and Ethiopia.</p> <p>She has over 13 years of work experience ,5 as a banker with co-operative bank and 8 as sub-county administrator within Murang'a county.</p>

2	 <p>Peter Makara Ngure</p>	Deputy Manager
3	 <p>Stephen Maina kamiri</p>	Head of Directorate of Finance, Administration, IT and Economic Planning

4	 Sabastian bubiru	Head of directorate of Transport, Infrastructure, Public Works, Housing and Urban Planning
5	 Edith kingori	Head of Legal, Education, Social Services and Partnerships

5. Municipality Board Chairperson's Report

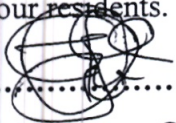
The Municipality have achieved tremendous achievement in areas of infrastructure development especially on road improvement to Bitumen Standards, laying of Cabros on the street parking in our (CBD), street lighting in town and stormy water drainage.

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

The financial year 202/2023 we have faced more problem because the Municipality was recovering from the challenges posed by covid-19 pandemic. However, we registered resilience from this challenge to normal development programmes, besides this our officers had not been mapped in the IFMIS system to enable the board to commit and access budgetary allocation a case we have kept on follow up.

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

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

.....


Name: Arch. Benson Githinji
Chairperson of the Board



6. Report Of the Municipality Manager

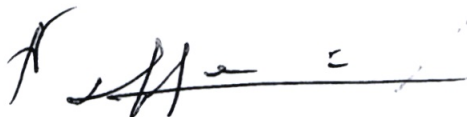
The budget's Revenue performance report shows that in year 2022/2023 registered impressive result that earned the county government kifaru award in just conclude devolution conference. This can be attributed to revenue innovation strategy, revenue automation of cashiering system to adopt cashless transaction to seal loopholes that were stumbling block on broadening revenue base and fund embezzlement at collection point

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

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

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

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



.....
Name: Beatrice Gicheha.
Municipality Manager.

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

Guidance

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives. The key development objective of the Murang'a Municipality during the 2022/2023 strategic plan period as derived from the Integrated Development Plan (IDeP 2018-2022) and Annual Strategic Plan 2022/2023 are to;

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

The priorities were identified through an intensive and active public participatory process that reviewed the development priorities of the community, the Governor's Manifesto, the

National Governments agenda as well as the national and international policy documents, among other plans.

Below we provide the progress on attaining the stated objectives:

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

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives: ANNUAL STRATEGIC PLAN 2022 -2023

Programme 1: General administration, planning and support services Programme				
Objective: Enhance administration, coordination and management of Municipal functions				
Outcome: Enhanced administration, coordination and service delivery within the Municipality				
Sub Programme	Key Outputs	Key Performance Indicators	Targets	
			Planned	Achieved
Administration and support	Fully renovated and furnished offices	No. of offices renovated	4	4
	Trained personnel	No. of staff trained/capacity built	160	160
Programme 2: Urban Development Programme				
Objective: Enhance service infrastructure provision within the Municipality				
Outcome: Well managed urban settlements				
Urban management	Delineated and conferred new municipalities	No. of new municipalities delineated and gazetted	2	0
	Well-equipped Municipal administration centres	No. of equipped municipal administration centres	1	1
Community health services	Functional community units	No. of functional community units	2	2
Programme Name: Public Works & Infrastructure Maintenance				
Objective: Improve, maintain and sustain municipal infrastructure				
Outcome: Enhanced mobility, accessibility and maintained service infrastructure				

8. Corporate Governance Statement

a) Process of appointment and removal of Board Members

Appointment

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

- i. Four (4) members shall be appointed through a competitive process by the County Executive Committee and approved by the County Assembly.
- ii. Three (3) members shall be nominated by the following umbrella bodies
 - An umbrella body representing professional associations in the area;
 - An association representing the private sector in the area;
 - A cluster representing registered associations of the informal sector in the area;
 - A cluster representing registered neighbourhood associations in the area;
 - An association of the Municipality;

And appointed by the County Executive committee with the approval of the County Assembly;

- The County Executive Member for the time being responsible for cities and urban areas or his/her representative;
 - The chief officer responsible for urban development;
- iii. Two (2) members; the executive responsible for finance and the municipal manager who shall be ex- officio members. The municipal manager shall be the Secretary of the Board.

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

Each member should have the following qualifications: -

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

Removal

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

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

b) Roles and functions of the Municipality Board Members

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

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

The board has been trained on strategic leadership to enhance their leadership skills. More so, the board members have participated in benchmarking with other board members from various Municipalities eg. Nakuru Municipality, so as to borrow new ideas on how to improve Murang'a Municipality. Recently July this year the board had retreat at kasarani sports on consultative meeting on by –law and strategic planning

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

We have established 4 Committees as follows:-

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

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

e) Succession Plan

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

f) Existence of a Service Charter

The Municipality of Murang'a has gazetted a Municipality charter that details the functions and objectives of Murang'a Municipality the charter was gazetted on 20th December 2020. Key among them include;

- i. To provide for efficient and accountable management of the affairs of the Municipality.
- ii. Provide for services, regulations and other matters for Municipality's benefit
- iii. Fostering the economic, social and environmental well- being of its community.
- iv. Pursue the development developmental opportunities which are available in the Municipality and institute such measures as are necessary for achieving public order and the provisions of civic amenities, so as to enhance the quality of life of the inhabitants of the Municipality.

g) Conflict of interest

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

h) Board Remunerations

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

- All payment to board members are prepared in total adherence to laid down guidance as salary and remuneration commission directives.
- Board members are paid sitting allowance, transport reimbursement when they attend committee meetings.
- The board members are not salaried and therefore do not qualify for salaries because they are not full time director.

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

Before entering upon the duties of their offices, the members of the board must take and subscribe to the oath or affirmation as stipulated in the Urban Areas and Cities Act sec.52 We have also established an attendance register where every member signs the register. This is also used to tabulate the remuneration.

- The board members were vetted by the county assembly before taking the prescribed oath.

- Every committee meeting maintains attendance register from which board remuneration are computed from.

9. Management Discussion and Analysis

10. During the year 2022/223 Murang'a Municipality achieved tremendous result in areas of revenue collection. This has been occasioned by automation of revenue collection by adoption of cashless transaction that is meant to seal all loopholes in revenue collection.
11. On project implementation we undertook key programs on Road Infrastructure development by upgrading roads to bitumen standards. We also did drainages tunnels for storm water drain. The essence was to make the Municipality a 24hour economy.
12. We are in total compliance with the statutory requirements like statutory payment to the Kenya Revenue Authority, carry out Environmental Impact Assessment (EIA) before the start of every project and ensuring strict adherence to the Public Finance Management Act that govern smoothness on the use of Public Funds.
13. On ICT we have confined in confidentiality and followed all the regulations provided in the Kenya Communication Authority. This ensured that financial data is secure and can only be accessed by the relevant officials.
14. Key risk facing the Municipality is non remittance of statutory deductions for employees like NHIF, SACCO deductions etc. Payment of staff salaries has also been in arrears.
15. The Municipality is facing risk from lack of sustainable funding from the County Government in order to carry out its mandate. There is also health hazard posed by poor solid waste disposal due to lack of financial facilitation to collect refuse on daily basis from all the garbage pits

16. Environmental and Sustainability Reporting

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

1. Sustainability Strategy and Profile

- a) Polluter Pays Principle (PPP)
- b) User Pays Principle (UPP)
- c) Precautionary Principle (PP)
- d) Principle of Responsibility.
- e) Principle of Effectiveness and Efficiency.
- f) Principle of Proportionality.
- g) Principle of Participation.

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

Efforts to manage biodiversity:

- a) Support local farms.
- b) Save the bees.
- c) Plant local flowers, fruits and vegetables.
- d) Take shorter showers.

- e) Respect local habitats.
- f) Know the source.

2. Environmental Performance

Success and Shortcoming efforts to manage Solid waste

Success:

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

Shortcoming

- Limited environmental awareness combined with low motivation has inhibited innovation and the adoption of new technologies that could transform waste management.
- Lack of timely allocation of funds for consistent collection of garbage.
- Blocked drainages when it rains.
- Insufficient casual labourers.
- Inadequate financing.
- Poor infrastructure and technology.
- Lack of public awareness on good sanitary practices.

- Inadequate legal and regulatory.

Efforts to manage solid Waste.

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

Reduce Environmental Impacts of the organization's product

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

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

3. Employees Welfare

Community Engagements

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

1. Mukuyu social hall.
2. Mukuyu ECDE centre.

At the end of every day the vulnerable children, the aged and widows are identified and given assistance in form Christmas gift like foodstuff. The municipality has also identified:
youths and sports .

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

Education

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

17. Report of the Municipality Board Members

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

It is the principal requirement for the Municipality to assist it's residents to participate in all decision making at the grass root through public forums. it is in these forums that they can verify with assurance whether their resources are utilized with fairness to meet their satisfaction.

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


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

The performance of the Municipality for the year ended 30th June 2023 are set on Page....

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

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

The Kenya National Audit office representatives from the regional office were allowed to carry out the audit for the year ended 30th June 2023, in accordance to section 23 of the Public Audit Act 2015, which empowers the Auditor General to appoint an Auditor on his/her behalf.


.....

Name: Beatrice Gicheha.

Board Secretary.



18. 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 City/Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

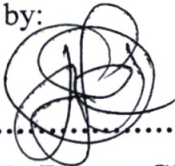
The Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required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

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

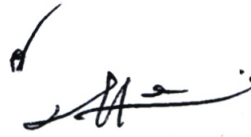
Nothing has come to the attention of the Municipality Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Municipal financial statements were approved by the Board on 20th September 2023 and signed on its behalf by:



.....
Name: Arch. Benson Githinji
Chairperson of the Board



.....
Name: Beatrice Gicheha
Accounting officer of the Board

13 SEP 2023

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF MURANG'A FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Municipality of Murang'a set out on pages 1 to 45, which comprise the statement of financial position as at 30 June, 2023 statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in

accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Municipality of Murang'a as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Municipal Charter of Murang'a, 2019, Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Board Expenses

The statement of financial performance reflects board expenses of Kshs.2,206,500. As disclosed in Note 14 to the financial statements the amount comprised of sitting allowances paid to Board Members. However, attendance registers for the Board meetings were not provided for audit review. Further, review of the board meeting minutes revealed that the Board held eight (8) full and special full Board meetings on different dates. However, minutes of the meetings were not signed by Board Members to confirm occurrence and deliberations therein.

In the circumstances, the accuracy, completeness and validity regularity of board expenses totaling Kshs.2,206,500 could not be confirmed.

2. Inaccuracies in the Financial Statements

2.1 Statement of Financial Position

The statement of financial position reflects net assets balance of Kshs.148,597,336 and total net assets and liabilities balance of Kshs.151,749,441 resulting in an unexplained and unreconciled variance of Kshs.3,152,105. Further, a re-computation of total net assets and liabilities resulted in a total of Kshs.148,597,336.

In addition, the statement reflects total net assets and liabilities of Kshs.151,749,441. However, the statement of changes in net assets reflects Kshs.106,416,725 resulting in unreconciled and unexplained variance of Kshs.45,332,716.

Similarly, the statement reflects property, plant and equipment comparative balance of Kshs.35,512,994 while Note 24 to the financial statements reflects a Nil balance resulting in an unexplained variance of Kshs. 35,512,994.

In the circumstances, the accuracy of the financial statements could not be confirmed.

2.2 Statement of Changes in Net Assets

The statement of changes in net assets reflects Nil reserves balance which differs with Kshs.148,494,576 reserves balance reflected in the statement of financial position, resulting to unexplained variance of Kshs.148,494,576. Further, transfers from the County Government amount of Kshs.6,120,388 reflected in the statement of financial performance was erroneously included in the statement of changes in net assets.

In addition, the statement of changes in net assets reflects a balance of Kshs.106,416,725. However, re-computation of the balance resulted in Kshs.106,406,722, hence a variance of Kshs.10,003 which was not explained or reconciled.

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

3. Unsupported Work In Progress (WIP)

The statement of financial position reflects property, plant and equipment balance of Kshs.151,615,219. As disclosed in Note 24 to the financial statements, the balance includes work in progress valued at Kshs 141,682,088 as at 30, June 2023. However, the work in progress balance was not supported by of certified works certificates.

In the circumstances, the accuracy and completeness of work in progress balance of Kshs.141,682,088 could not be confirmed.

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

Emphasis of matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.64,270,000 and Kshs.6,120,388 respectively resulting in an underfunding of Kshs.58,149,612 or 91% of the budget. Similarly, the Municipality incurred expenditure of Kshs.6,017,628 against a budget of Kshs.64,270,000 resulting to an under-expenditure of Kshs 58,252,372 or 90.6% of the budget.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit of the previous year, several matters were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public

Resources. However, the progress made in resolving the issues was not disclosed in Annex 1 to the financial statements on progress on follow up of prior year auditor's recommendations as required by the reporting template issued by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Un-procedurally Convened Special Full Board Meetings

Review of the Board minutes provided for audit revealed that the Municipality held three (3) special full Board meetings on 28 November, 2022, 20 December, 2022 and 6 March, 2023. However, no written request of at least one-third of the members of the Board to convene the special full Board meetings were provided in support of the meetings, contrary to Section 23(2) of the Urban Areas and Cities Act, 2011 which provides that notwithstanding subsection (1), the chairperson may, and upon request in writing by at least one-third of the members of the board shall, convene a special meeting to transact any urgent business of the Board.

In addition,, the Municipality held two (2) full board meetings consecutively in the months of August, 2022 and September, 2022 contravening Section 18(1) of the Murang'a Municipal Charter, 2019 which states that the board of the municipality shall hold its sittings to transact the business of the board once every three months.

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

2. Irregular Facilitation of Members of County Assembly

The statement of financial performance reflects expenditure of Kshs.3,801,125 on use of goods and services. As disclosed in Note 12 to the financial statements, the amount includes training expenses of Kshs.1,971,000, out of which Kshs.1,388,800 was paid to Members of the County Assembly (MCAs) as subsistence allowances while reviewing the Municipality by- laws at a hotel in Nairobi. However, no plausible explanation was provided on why the MCAs were facilitated by the Municipality despite having their own budget and resources for such activities at the county assembly. Further, minutes or reports on the reviewed by-laws were not provided for audit review.

In addition, the meeting was held outside the precincts of the County offices contrary to part (vi) of The National Treasury Circular No. 20/2015 which requires the Accounting Officers to ensure that all workshops and retreats with majority of participants drawn from one duty station, be held within the precincts of the duty station to curtail expenditures which may pose as intended to earn officers' unjustifiable allowances.

In the circumstances, regularity, and value for money in respect to the expenditure amounting to Kshs.1,388,800, charged to training, could not be confirmed.

3. Failure to Maintain Updated Asset Register

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

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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Failure to Maintain a Valuation Roll for Property

During the year under review, the Municipality did not maintain a valuation roll for its property contrary to Section 36 (1) (d) (ii) of the Urban Areas and Cities Act, 2011 which provides that every city and municipality established under the Act shall operate within the framework of integrated development planning which shall be the basis for the preparation of valuation rolls for property taxation.

In the circumstances, the basis for the County's property taxation could not be confirmed.

Further, Management was in breach of the law.

2. Lack of an Environmental Management Plan

During the year under review, Management did not have in place plans for environmental management contrary to Section 36(1)(d)(i) of the Urban Areas and Cities Act, 2011 which provides that every city and municipality established under this Act shall operate within the framework of integrated development planning which shall be the basis for the preparation of environmental management plans.

In the circumstances, the existence and effectiveness of rational and practical environmental mitigation measures against environmental harm that may arise from Municipality activities could not be confirmed.

3. Ineffective Solid Waste Management

The statement of financial performance reflects use of goods and services expenditure of Kshs. 3,801,125. As disclosed in Note 12 to the financial statements, the amount includes Kshs.655,000 incurred on routine maintenance – solid waste management. Review of solid waste management activities revealed that most of Murang'a town's domestic waste was disposed off at Karii dumpsite. The waste disposal operations were characterized by excessive solid waste dumping and continuous burning. Physical inspection of the dumpsite in November, 2023 revealed existence of pools of contaminated storm waters and leachate occasioned by poor drainage and lack of fumigation at the site. The by-products of solid waste deposited in the dumpsite have adverse effects on the surrounding environment and the residents living close to the dumpsite.

Further, there was no segregation of waste at source, as it was collectively disposed off in the dumpsite in contravention of Section 20(1)(a) of the Sustainable Waste Management Act, 2021.

In addition, there was no register of waste service providers operating within Murang'a Municipality boundaries as required by Section (9) 9 of Sustainable Waste Management Act, 2021. Also, there were no adequate solid waste management facilities within the Murang'a Town Central Business District (CBD) apart from the open chambers, some of which had been demolished, and there were limited waste bins within the CBD.

In the circumstances, the effectiveness of solid waste management could not be confirmed. Further, the ineffective solid waste management poses a health risk to the residents of Murang'a Municipality.

4. Lack of Risk Management and Fraud Policies

During the year under review, the Municipality did not have in place fraud and risk management policies, contrary to Regulation 158(1)(a) and (b) of the Public Finance Management Act (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal control that builds robust business operations.

In the absence of a risk management and fraud policy, the existence and effectiveness of internal controls for financial and operational activities could not be confirmed.

5. Lack of Approved Information Communication Technology Security Policy

Review of the Municipality's Information Communication Technology (ICT) systems revealed lack of an approved ICT policy for governance and management of its ICT resources. In addition, there was no ICT steering committee in place to guide in development of ICT policy framework to enable the Municipality to realize long-term ICT strategic goals. Therefore, there was no clear and documented direction regarding maintenance of information security across the organization and safeguarding the Municipality's ICT assets.

In the circumstances, existence of effective ICT controls could not be confirmed.

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

Responsibilities of Management and the Municipality Board

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Municipality to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Municipality to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

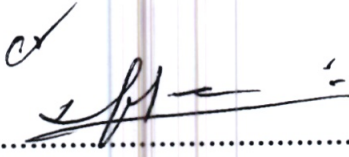
09 February, 2024

County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30 2023

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

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	6,120,388	3,200,000
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues (<i>Specify</i>)	9	-	-
Revenue from exchange transactions			
Interest income	10	-	-
Other Income	11	-	-
Total revenue		6,120,388	3,200,000
Expenditure			
Use of goods and services	12	3,801,125	3,272,824
Staff costs	13	-	-
Board expenses	14	2,206,500	2,739,700
Bank charges	15	10,003	-
Depreciation and amortization	16	-	-
Repair and maintenance	17	-	-
Total expenses		6,017,628	6,012,524
Other gains/losses			
Gain/loss on disposal of assets	18	-	-
Surplus/(deficit) for the period		102,760	(2,812,524)

The notes set out on pages 22 to 43 form an integral part of these Financial Statements. The entity financial statements were approved on 30th September 2023 and signed by:



.....
Name: Beatrice Gicheha
City/Municipality Manager



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

County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30 2023

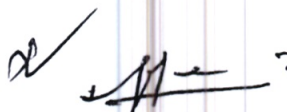
21. Statement of Financial Position as at 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	19	134,222	29,997,429
Receivables from exchange transactions	20	-	-
Receivables from Non- exchange transactions	21	-	-
Prepayments	22	-	-
Inventories	23	-	-
Total current assets		134,222	29,997,429
Non-current assets			
Property, plant, and equipment	24	151,615,219	35,512,994
Intangible assets	25		
Total Non-current Assets			
Total assets		151,749,441	65,510,423
Liabilities			
Current liabilities			
Trade and other payables	26	3,152,105	29,882,515
Refundable deposits from customers	27	-	-
Provisions	28	-	-
Borrowings	29	-	-
Employee benefit obligations	30	-	-
Deferred Income	31	-	-
Social Benefits	32	-	-
Total current liabilities		3,152,105	29,882,515
Non-current liabilities			
Provisions	28	-	-
Borrowings	29	-	-
Non-current employee benefit obligation	30	-	-
Deferred Income	31	-	-


**County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30 2023**

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Social Benefits	32	-	-
Total liabilities		3,152,105	29,882,515
Net assets		148,597,336	35,627,908
Capital/Development Grants/Fund		-	34,719,394
Reserves		148,494,576	
Accumulated surplus		102,760	908,514
Total net assets and liabilities		151,749,441	65,510,423

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28th September 2023 and signed by:


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Name: Beatrice Gicheha
City/Municipality Manager
Date:


.....

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

22. Statement of Changes in Net Assets as at 30 June 2023

Description	Capital/	Revaluation	Accumulated	Total
	Development/	Reserve	surplus	
	Grants Fund			
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2021 (previous year)	68,278,704	-	-	68,278,704
Surplus/(deficit) for the year	(2,812,524)	-	-	(2,812,524)
Funds received during the year	34,717,394	-	-	34,717,394
Revaluation gain				
Bal as at 30 Jun 2022	100,183,574	-	-	100,183,574
Bal as at 1 July 2022 (current year)	100,183,574	-	-	100,183,574
Surplus/(deficit) for the year	102,760	-	-	102,760
Funds received during the year	6,120,388	-	-	6,120,388
Revaluation gain	-	-	-	-
Balance as at 30 June 2023	106,416,725	-	-	106,416,725

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

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		6,120,388	37,919,394
Public contributions and donations		-	-
Interest received		-	-
Other receipts (<i>Specify</i>)		-	-
Total Receipts		6,120,388	37,919,394
Payments			
Use of goods and services		3,801,125	3,133,124
Staff costs			471,832
Board expenses		2,206,500	2,739,700
Bank charges		10,003	-
Total Payments		6,017,628	6,344,656
Net cash flows from operating activities	33	102,760	31,564,026
Cash flows from investing activities			
Payment for construction of roads		29,967,471	5,699,308
Proceeds from sale of PPE			
Net cash flows used in investing activities		29,967,471	5,699,308
Cash flows from financing activities			
Receipts from Capital grants			
Proceeds from borrowings			
Repayment of borrowings			
Net cash flows used in financing activities			
Net increase/(decrease) in cash & cash equivalents		(29,864,711)	25,864,718
Cash And Cash Equivalents At 1 July	17	29,997,429	
Cash And Cash Equivalents At 30 June	17	134,222	29,997,429

(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	64,270,000	-	64,270,000	6,120,388	58,149,612	0.10%
Public contributions and donations	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Other income (UIG Funds)	-	-	-	-	-	-
Total Revenue	64,270,000	-	64,270,000	6,120,388	58,149,612	0.10%
Expenses						
Use of goods and services	11,270,000	-	11,270,000	3,801,125	7,468,875	33.73%
Board expenses	3,000,000	-	3,000,000	2,206,500	793,500	73.55%
Staff Costs	50,000,000	-	50,000,000	0	-	0.00%
Finance cost (Bank Charges)	0	-	0	10,003	10,003	0
Total Expenditure	64,270,000	-	64,270,000	6,017,628	58,262,375	9.35%
Surplus for the period	-	-	0	102,760	-112,763	

Budget notes

1. Transfer from the county government - It had been envisaged that the municipality will be getting a constant amount of donation Per annum for the five years term from the donor hence the over budgeting.

2. use of goods and services -there was a challenge on mapping of municipal budget on IFMIS , as a result the municipality did not get its share of budget allocation from county treasury.

**County Government of Murang'a
Municipality of Murang'a
Annual Report and Financial Statements for the year ended June 30 2023**

25. Notes to the Financial Statements

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Application of New and revised standards (IPSAS)

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

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

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Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <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). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

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

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

iii. Early adoption of standards

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

(Notes to financial statements continued)

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2022/2023 was approved by the County Assembly on 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 City/Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality recorded additional appropriations of nil Amount following the governing body's approval.

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

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

c) Property, plant and equipment

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

d) Intangible assets

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

(Significant accounting policies continued)

e) Financial instruments

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

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

Financial assets

Classification of financial assets

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

(Significant accounting policies continued)

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

(Significant accounting policies continued)

Impairment

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

Financial liabilities

Classification

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

f) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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

(Significant accounting policies continued)

g) Provisions

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

h) Social Benefits

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

i) Contingent liabilities

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

(Significant accounting policies continued)

j) Contingent assets

The City/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 City/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 City/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 City/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 City/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 City/Municipality, or vice versa. Members of key management are regarded as related parties and comprise the Board members, the City/Municipality Managers and City/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 City/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.).

5. Significant judgments and sources of estimation uncertainty

The preparation of the City/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 City/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 City/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 City/Municipality.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of funds to replace the asset.
- v) Changes in the market in relation to the asset.

Notes to the Financial Statements

6. Transfers from the County Government

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	6,120,388	3,200,000
Payments by County on behalf of the entity	-	-
Unconditional development grants	-	-
Total	6,120,388	3,200,000

(Provide brief explanation for this revenue)

(a) Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund	Total grant income during the year	2021/2022
	Kshs	Kshs	Kshs	Kshs	Kshs
xx State Department					
XX Ministry					
Total					

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

7. Public Contributions and Donations

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

Notes to the Financial Statements

8. Levies, Fines and penalties

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Levies		
Fines		
Penalties		
Others (<i>indicate and specify</i>)		
Total		

9. Other Revenues from Non-Exchange Transactions

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from other government entities		
Others (<i>indicate and specify</i>)		
Total		

(Provide a brief explanation for this revenue)

10. Interest income

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Interest income from investments		
Interest income on bank deposits		
Others (<i>Specify</i>)		
Total interest income		

(Provide brief explanation for this revenue)

11. Other income

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Income from sale of tender documents		
Others (<i>specify</i>)		
Total other income		

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified Any writebacks or recoveries from write offs).

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Notes to the Financial Statements

12. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Utilities, supplies and services		
Communication, supplies and services		
Domestic travel and subsistence		2,709,644
Foreign travel and subsistence		
Printing, advertising, supplies & services	145,000	
Public participation	316,750	86,000
Training expenses	1,971,000	
Hospitality supplies and services	83,000	
Insurance costs		
Specialized materials and services		
Office and general supplies and services	630,375	
Fuel, oil and lubricants		
Other operating expenses (solid waste management)	655,000	471,824
Routine maintenance – vehicles and other equipment		
Routine maintenance – other assets		
Contracted Professional Services		
Audit fees		
Hire of Transport, equipment etc		
Bank Charges		5,356
Social Benefit expenses*		
Total	3,801,125	3,272,824

*Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.

13. Staff costs

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Salaries and wages		

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Staff gratuity		
Social security contribution		
Other staff costs (<i>Specify</i>)		
Total		

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Notes to the Financial Statements

14. Board expenses

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Chairman/Members' Honoraria		
Sitting allowances	2,206,500	2,739,700
Medical Insurance		
Induction and Training		
Travel and accommodation		
Conference Costs		
Other allowances (<i>Specify</i>)		
Total	2,206,500	2,739,700

15. Finance costs

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Interest on Bank overdrafts(Bank charges		

16. Depreciation and amortization

Description	2022/2023	2021/2022
	KShs	KShs
Property, plant and equipment		
Intangible assets		
Investment property carried at cost		
Total depreciation and amortization		

Notes to the Financial Statements

17. Repairs and Maintenance

Description	2022/2023	2021/2022
	KShs	KShs
Property- Buildings		
Office equipment		
Furniture and fittings		
ICT equipment		
Machinery and equipment		
Motor vehicle expenses		
Maintenance of civil works		
Total repairs and maintenance		

18. Gain/(loss) on disposal of assets

Description	2022/2023	2021/2022
	Kshs	Kshs
Property, plant and equipment		
Intangible assets		
Total		

19. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs	Kshs
Fixed deposits account		
On – call deposits		
Current account		
KENYA COMMERCIAL BANK	134,222	29,997,429
Total cash and cash equivalents	134,222	29,997,429

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

Notes to the Financial Statements

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

Financial institution	Account number	2022/2023	2021/2022
		Kshs.	Kshs.
a) Fixed deposits account			
Kenya Commercial bank			
Equity Bank, etc			
Sub- total			
b) On - call deposits			
Kenya Commercial bank			
Equity Bank - etc			
Sub- total			
c) Current account			
Kenya Commercial bank	UDG-129263975	10,604	29,980,931
	UIG-1263560784	13,642	16,024
	OPERATIONS- 1259505336	109,976	474
Sub- total		134,222	29,997,429
d) Others(specify)			
Cash in transit			
Cash in hand			
Mobile Money			
Sub- total			
Grand total			

20. Receivables from exchange transactions

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Current Receivables		
Service, water and electricity debtors		
Other exchange debtors		
Less: impairment allowance		
Total Current receivables (a)		
Non-Current receivables		
Service, water and electricity debtors		
Other exchange debtors		
Less: impairment allowance		
Total Non- current receivables (b)		
Total receivables from exchange transactions		

Notes to the Financial Statements

21. Receivables from Non-Exchange transaction

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfer from County Executive		
Transfer from XXXX Fund		
Total receivables from non-exchange transactions		

22. Prepayments

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Prepaid rent		
Prepaid insurance		
Prepaid electricity costs		
Other prepayments(<i>specify</i>)		
Total		

23. Inventories

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Stationery		
Consumables		
Other inventories(<i>specify</i>)		
Total inventories at the lower of cost and net realizable value		

(Notes to the Financial Statements Continued)

24. Property, Plant and Equipment

Description	Land	Building	Transport equipment motor vehicle	Furniture and fittings	Computers	Machinery and equipment	Capital Works in progress (Roads)	Total
	Shs		Shs	Shs	Shs	Shs	Shs	
							-	
As at 1 July 2022(previous year)	-	9,933,131.22					0.00	9,933,131.22
Additions	-	-					-	
Disposals	-	-					-	
Transfers/adjustments	-	-					-	
As at 30th June 2022	-	9,933,131.22					141,682,087.78	141,682,087.78
Additions for the year		-						
Disposals for the year		-						
Transfer/adjustments		-						
As at 30th June 2023 (current year)		9,933,131.22					141,682,087.78	151,615,219
Depreciation and impairment		-						
At 1 July 2022 (previous year)								
Depreciation								
Impairment								

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Description	Land	Buildings	Transportation equipment	Furniture and fixtures	Computers	Machinery and equipment	Capital Work in progress (roads)	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
					/		-	
Transfers/ Adjustments								
As at 30 June 2022								
Depreciation for the year								
Disposals for the year								
Impairment for the year								
Transfer/adjustment								
As at 30th June 2023 (current year)								
NBV as at 30th Jun 2022 (previous year)								
NBV as at 30th Jun 2023 (current year)								

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(Notes to The Financial Statements Continued)

25. Intangible assets

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Cost		
At beginning of the year		
Additions		
At end of the year		
Amortization and impairment		
At beginning of the year		
Amortization		
At end of the year		
Impairment loss		
At end of the year		
NBV		

26. Trade and other payables from exchange transactions

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Trade payables	334,000	-
Retentions	-	-
Accrued expenses (staff claims)	2,304,805	3,343,769
Other payables 2021/22(unpaid contract) 2022/23(KRA)	513,300	26,538,746
Total trade and other payables	3,152,105	29,882,515
Ageing analysis:		
Under one year	2,347,300	-
1-2 years	804,805	-
2-3 years	-	-
Over 3 years	-	-
Total	3,152,105	-

Notes to the Financial Statements

27. Refundable deposits from customers

Description	2023/2023	2021/2022
	KShs.	KShs.
Rent deposits		
Others (specify)		
Total		
Ageing analysis:		
Under one year		
1-2 years		
2-3 years		
Over 3 years		
Total		

28. Provisions

Description	2023/2023	2021/2022
	KShs.	KShs.
Balance at the beginning of the year		
Additional Provisions (Specify)		
Provision utilised		
Balance at the end of the year		
Current Portion of provision		
Long term portion of provision		
Total Provisions		

29. Borrowings

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

Description	2023/2023	2021/2022
	KShs.	KShs.
Short term borrowings (current portion)		
Long term borrowings		
Total		

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

Notes to the Financial Statements

**County Government of Murang'a
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Description	2022/2023	2021/2022
	Kshs.	Kshs.
Balance at beginning of the period		
Borrowings during the year		
Repayments of borrowings during the period		
Balance at end of the period		

The table below shows the Distribution of borrowings:

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Borrowings		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
Borrowings from other government institutions		
Total balance at end of the year		

30. Employee Benefit Obligations

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

Notes to the Financial Statements

31. Deferred Income

	2023/2023	2021/2022
	Kshs	Kshs
National/County Government		
International Funding Bodies		
Public Contributions and Donations		
Total Deferred Income		

The deferred income movement is as follows:

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

Include columns as needed for the various sources of income deferred

Analysed as:

Description	Amount
	Kshs
Current	
Non- Current	
Total	

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Notes to the Financial Statements

32. Social Benefit Liabilities

Description	2022/2023	10567 (previous FY)
	Kshs	Kshs
Health social benefit scheme		
Unemployment social benefit scheme		
Orphaned and vulnerable benefit scheme		
Elderly social benefit scheme		
Bursary social benefits		
Total		
Current social benefits		
Non- current social benefits		
Total (tie to totals above)		

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g poverty, age, unemployment among others.

33. Cash generated from operations

Description	2022/2023	2021/2022
	Kshs	Kshs
Surplus/ (deficit) for the year before tax		
Adjusted for:		
Depreciation		
Amortisation		
Gains/ losses on disposal of assets		
Working Capital adjustments		
Increase in inventory		
Increase in receivables	102,035	
Increase in payables		31,564,026
Net cash flow from operating activities	102,035	

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

Notes to the Financial Statements

34. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from related parties'		
Transfers to related parties		

c) Key management remuneration

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Board of Board Members	2,206,500	2,739,700
Key Management Compensation		
Total	2,206,500	2,739,700

d) Due from related parties

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Due from parent Ministry		
Due from County Government		
Due from County Assembly		
Total		

Notes to the Financial Statements

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e) Due to related parties

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Due to parent Ministry		
Due to County Government		
Due to Key management personnel		
Due to County Assembly		
Total		

35. Contingent liabilities

Contingent liabilities	2022/2023	2021/2022
	Kshs.	Kshs.
Court case xxx against the entity		
Bank guarantees		
Total		

(Give details)

36. Contingent Assets

Contingent liabilities	2022/2023	2021/2022
	Kshs.	Kshs.
Court case xxx against the entity		
Others Specify		
Total		

Notes to the Financial Statements

37. Financial risk management

The City/Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The City/Municipality's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The City/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 City/Municipality's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2023 (current year)				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				
At 30 June 2022 (previous year)				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				

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

Notes to the Financial Statements

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

II. Liquidity risk management

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

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

Description	Less than 1 month Kshs.	Between 1-3 months Kshs.	Over 3 months Kshs.	Total Kshs.
At 30 Jun 2023 (current year)				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				
At 30 Jun 2022(previous year)				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				

Notes to the Financial Statements

III. Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Municipality 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 City/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 City/Municipality's exposure to market risks or the manner in which it manages and measures the risk.

IV. Foreign currency risk

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

Description	Other currencies		Total
	Kshs.	Kshs.	Kshs.
At 30 June 20XX (current year)			
Financial assets			
Investments			
Cash			
Debtors/ receivables			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

Notes to the Financial Statements

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
2023 (current year)			
Euro	10%		
USD	10%		
2022 (previous year)			
Euro	10%		
USD	10%		

V. Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements

VI. Capital risk management.

The objective of the 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:

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Revaluation reserve		
Capital/Development Grants/City/Municipality		34,719,394
Accumulated surplus	102,760	31,906,870
Total Funds	102,760	66,626,264
Total borrowings		
Less: cash and bank balances	134,222	(29,997,429)
Net debt/(excess cash and cash equivalents)	(31,462)	36,628,835
Gearing	0.23	%

26. Appendices

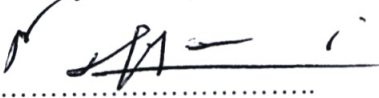
Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	Failure to maintain updated asset Register	We have initiated the process of revaluation of all municipal assets	On the process. Not yet resolved	By 31 st December 2023
A				

Guidance Notes:

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


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To be Signed by the Accounting officer of the Entity

County Government of Murang'a
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Appendix 2: Inter Entity Transfers

CITY/MUNICIPALITY NAME				
Brief description of transfers from the County Executive of xxx County				
	FY 20xx/20xx			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	UIG A/cC1263560784		NIL	2022/2023
		Total		
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	UDG A/C 1259263975		Nil	2022/23
		Total		
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	OPERATIONS			2022/2023
	A/c 1259504336	04/07/2022	1,709,000	2022/2023
		14/12/2022	86,888	2022/2023
		19/01/2023	175,000	2022/2023
		15/02/2023	160,000	2022/2023
		13/03/2023	500,000	2022/2023
		13/3/2023	1,388,800	2022/2023

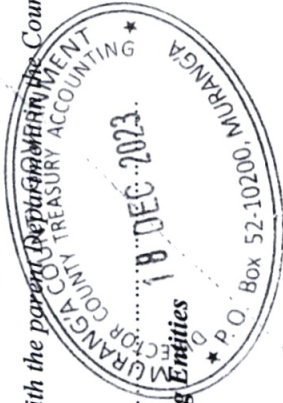
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CITY/MUNICIPALITY NAME			
	04/05/2023	602,500	2022/2023
	16/05/2023	145,000	2022/2023
	22/5/2023	500,000	2022/2023
	22/5/2023	582,200	2022/2023
	22/5/2023	271,000	2022/2023
	Total	6,120,388	

(The above amounts have been communicated to and reconciled with the parent (Department of Murang'a County.)

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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)

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

Appendix 4: Disaster Expenditure Reporting Template

Date:

Entity MURANGA FIRE DEPARTMENT

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
Fire			Firefighting, water hydrates, fire extinguishers,	-	-	
Traffic accident			First aid equipment, extrication equipment	-	-	
Collapsed building			Extrication equipment	-	-	
Pit latrine /bore rescue			Rescue rope and 3 equipment	-	-	
Drowning/Water rescue			Floaters and speed boats	-	-	
Collapsed Quarries			Auxiliary caps, Jembes, fork, Muttocks and spades	-	-	