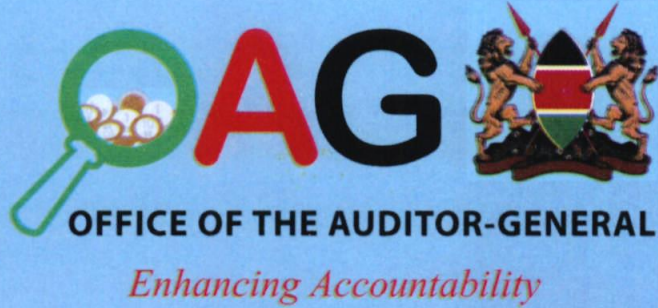
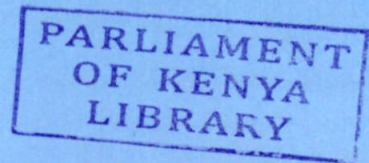


REPUBLIC OF KENYA



REPORT

OF



THE AUDITOR-GENERAL

ON

KAKAMEGA MUNICIPALITY

**FOR THE YEAR ENDED
30 JUNE, 2024**

PAPERS LAID	
DATE	6/3/2025
TABLED BY	Dep Majority Whip
COMMITTEE	
CLERK AT THE TABLE	Maelim



**KAKAMEGA
MUNICIPALITY**
Quality Service Delivery, Our Commitment

KAKAMEGA MUNICIPALITY
County Government of Kakamega

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2024**

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

County Government of Kakamega
Kakamega Municipality
Annual Report and Financial Statements for the year ended June 30, 2024

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1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

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i. **H.E The Governor**



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

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

PROFESSIONAL SUMMARY

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

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

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

Hon. Barasa was born and raised in Khabondi village, Mumias East constituency in Kakamega county.

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

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

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



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

PERSONAL INFORMATION

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

PROFESSIONAL SUMMARY

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

EDUCATION

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

County Government of Kakamega
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Ref	Position	Name
1	ChairPerson of the Board	Elvira A Wilunda
2	County Executive Committee Member responsible for Cities and Urban areas.	Dr.Mariam Barasa
3	Chief officer -Lands	Mr.Shakir Dahir Adan
4	Board Member	Mrs. Catherine wandabwa bulinda
5	Board Member	Ms dorcas a. Mwindu
6	Board Member	Mrs. Fatuma mary manyonge
7	Board Member	Isaiah akola shikunzi
8	Board Member	Mr.timothy mudome
9	Board Member	Johnson wycliffe ambani
10	Municipality Manager-ex-officio Member	Luke Shikanga Otipo

e) Fiduciary Oversight Arrangements

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

f) Registered Offices

P.O. Box 277-50102
Mwanda Building/House/Plaza
Kakamega, KENYA

County Government of Kakamega
Kakamega Municipality
Annual Report and Financial Statements for the year ended June 30, 2024

g) Contacts

Telephone:056-030-222
Email:kakamegamunicipality@kakamega.go.ke
Website:www.kakamega.go.ke
P.o.Box 277-50102

h) Bankers

1. Commercial Banks

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

i) Independent Auditor

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

j) Principal Legal Adviser

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

County Legal Adviser

County Attorney
County Government of Kakamega
P.O Box 36-50100
Kakamega, Kenya

County Government of Kakamega
Kakamega Municipality
Annual Report and Financial Statements for the year ended June 30, 2024

2. Key Entity Information and Management

a) Background information

Kakamega Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter dated 16th August 2019. The Municipality is under the County Government of Kakamega and is domiciled in Kenya.

b) Principal Activities

Vision - Kakamega Municipality

To be a leading Municipality in the Country through provision of quality services to general public and its residents.

Mission - Kakamega Municipality

To provide quality services that is affordable, accessible, acceptable, sustainable, effective and equitably distributed to all transparently.

The principal activities of Kakamega municipality are as follows:

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

Whereas the core values for Kakamega municipality are: Seamless service, ,accountability and transparency ,timeliness ,efficiency ,goal oriented, Integrity and customer focus

County Government of Kakamega
Kakamega Municipality
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c) Key Management

Ref	Position	Name
1	Chief officer Ministry of Lands Urban areas and physical planning	Mr.Shakir Dahir Adan
2	Municipality Manager	Mr.Luke Shikanga Otipa
3.	Finance Department	Mr Obondo S I Angii

Municipality Board



Ref	Position	Name
1.	Chairman of the Board	Elvira A Wilunda
2.	County Executive Committee Member responsible for Cities and Urban areas.	Dr.Mariam Barasa
3.	Chief officer -Lands	Mr.Shakir Dahir Adan
4.	Board Member	Mrs. Catherine wandabwa bulinda
5.	Board Member	Ms dorcas a. Mwindi
6.	Board Member	Mrs. Fatuma mary manyonge
7.	Board Member	Isaiah akola shikunzi
8.	Board Member	Mr.timothy mudome
9.	Board Member	Johnson wycliffe ambani
10.	Municipality Manager-ex-officio Member	Luke Shikanga Otipa

d) Fiduciary Management




The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

County Government of Kakamega
Kakamega Municipality
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3. Municipality Board

Name	Details of qualifications and experience
 <p>ChairPerson-Elvira Wilunda</p>	<p>Elvira A Wilunda is an Advocate of the High Court of Kenya and the Managing Partner at EA Wilunda & Co. Advocates, a Law Firm based within Kakamega County in the Republic of Kenya.</p> <p>Ms. Wilunda has a strong foundation in corporate field having worked with Private and Public Corporations. She also offers Strategy and policy advice to various entities in line with Corporate Governance as well as advising on Constitutional and legal compliance for organizations. At her Law Firm, she offers services in Civil Litigation, Conveyancing, Criminal Litigation, Family Law, Succession law, Environment and land Law as well as Labour law.</p> <p>Ms. Wilunda has a keen eye for details, she is self-motivated and believes in servant leadership.</p> <p>Academically, Ms. Wilunda holds Bachelor of Laws LLB (Hons) from Moi University, Eldoret, has a Post Graduate Diploma in Law (PGD Law) from Kenya School of Law and is currently studying for Certified Public Secretary (CPS). She has obtained thorough and extremely relevant trainings and Certification in Corporate Governance as well as Digital Forensics vis a vis the Law.</p>
 <p>Vice Chair-Isaiah Akola Shikunzi</p>	<p>Mr. Isiaah Akola Shikunzi holds a Diploma in Bible Correspondence and a certificate in building a culture of peace and non-violence, Certificate in management course for social development workers and course leader, supervisory management, crime prevention, Disaster and conflict management course, Chiefs' security and Administrative and management skills among others</p>

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 <p>Mr. Shakir Dahir Adan</p>	<p>Chief Officer, Housing and Urban planning BSc Hons Financial mathematics Worked as customer assistant at nespreso central london UK Senior fiscal analyst Mardera County Government.</p>
 <p>Mr. Luke Shikanga Otipa</p>	<p>Luke Shikanga Otipa holds a Bachelor's Degree in Education (English/Literature) from Moi Univeristy, and is currently pursuing an MA in Public Policy and Administration at Kenyatta University. Otipa has a wide experience in teaching, Educational Administration and Public Service Administration. Besides teaching, he published several books used by high school teachers and students. He is among pioneer Sub County Administrators in County Government of Kakamega where he has served in various sub counties, together with the Office of the Deputy Governor as Deputy Director of Administration and Advisor.</p> <p>Otipa is a self motivated, result oriented individual with keeness to detail. He is a good negotiator, networker and a team player who believes in gathering all but scattering none. Through his networking skills, he was able to bring the United Nations Development (UNDP) Program on board to provide catalytic funding that jump started the fencing of Kakamega Forest which has now become a flagship project with many partners plugging in.</p> <p>Otipa has attended several courses aimed at horning his skills as an Administrator and Manager. He is a member of the Kenya Association of Public Management and Administration (KAPAM) and African Association of Public Administration and Management (AAPAM)</p>
 <p>Mrs Catherine Wandabwa</p>	<p>Mrs Catherine Wandabwa is currently the Vice chairperson Was nominated by the Kakamega County Residents Association (KARA). She holds a Bachelors of Education degree from MMUST, Diploma in Technical Education from Kenya Teachers College, Diploma in Agriculture from Egerton University and Certificate in Monitoring and Evaluation from Kenya Institute of Management.</p> <p>Ms. Wandabwa is currently the county election Manager, Nandi County.</p>

County Government of Kakamega
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Annual Report and Financial Statements for the year ended June 30, 2024



Mrs Dorcas.A.Mwinda

Dorcas is a client oriented and a highly driven HR Professional with over 19 years' experience, passionate about personal development, total overall wellbeing of clients, assisting clients be self-aware enabling growth as a person and motivated while performing their tasks and duties

She holds a Masters of Art in Counselling Studies from Manchester University (United Kingdom,) Bachelor of Science degree in Human Resource Management from Moi University, Higher Diploma in Counselling Psychology and a Diploma in Human Resource from Nairobi University.

Dorcas is currently the CEO and HR Manager of Pambazuko Promotions Limited. Has worked with the Good Life Orphanage as a Psychological Therapist, SGS Kenya as a Human Resource Officer and Kenya Association of Professional Counsellors as a Counsellor.



Mrs Mary Fatuma Manyonge

Mrs. Fatuma Mary Manyonge was nominated by the Business Community to the Kakamega. Ms. Manyonge has a certificate in Strategic Leadership from Kenya Institute of Management

(KIM), a Diploma in Management from KEMI, a Bachelor Arts from Kenyatta University (1984-1987) and went to Mukumu Girls High School for her; A&O level Certificates.

In relation, she has a vast experience as a teacher having served as a principal at Makunga S.A Bungoma (2019-2024), Principal Matunda S.A Kakamega (1999-2018), Deputy principal St. Anne's Nzoia(1995-1998), Deputy Principal Arch Bishop Njenga(1990-1994), Guiding and Counseling Mistress Kivaywa Boys High School (1987-1989) among other achievements. She also served as Board of Director, KACWASCO (2016-2022) and runs businesses within Kakamega.



Johnson Wycliffe Ambani

Mr. Johnson Wycliffe Ambani is a Clinician (Pediatrics) by profession and a member Kenya Clinical Officers Association. He has served in Mumias Sugar Company medical center for 19 years, served on the board of Kenya Union of Savings and Credit Cooperatives (Kuscco) where he was chairperson of Western Kenya region.

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Mr. Timothy Mudome

Mr. Timothy Mudome is a nominee to Kakamega Municipality Board nominated by APSEA Architectural Association of Kenya. He is Registered Architect with Board of Registration of Architects & Quality Surveyors and a Member of Architectural Association of Kenya. Mr. Mudome holds a Bachelor Degree of Architecture from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and is currently pursuing a Master degree in Environmental Planning Management at Kenyatta University. He has worked as a Lecturer at Nairobi Institute of Technology and Jomo Kenyatta University of Agriculture and Technology (JKUAT)

County Government of Kakamega
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Annual Report and Financial Statements for the year ended June 30, 2024

4. Key Management Team

Name	Details of qualifications and experience
 <p data-bbox="124 1182 430 1218">Mr. Luke Shikanga Otipa</p>	<p data-bbox="715 450 1404 573">Luke Shikanga Otipa holds a Bachelor's Degree in Education (English/Literature) from Moi Univeristy, and is currently pursuing an MA in Public Policy and Administration at Kenyatta University.</p> <p data-bbox="715 577 1428 824">Otipa has a wide experience in teaching, Educational Administration and Public Service Administration. Besides teaching, he published several books used by high school teachers and students. He is among pioneer Sub County Administrators in County Government of Kakamega where he has served in various sub counties, together with the Office of the Deputy Governor as Deputy Director of Administration and Advisor.</p> <p data-bbox="715 828 1412 1075">Otipa is a self motivated, result oriented individual with keenness to detail. He is a good negotiator, networker and a team player who believes in gathering all but scattering none. Through his networking skills, he was able to bring the United Nations Development (UNDP) Program on board to provide catalytic funding that jump started the fencing of Kakamega Forest which has now become a flagship project with many partners plugging in.</p> <p data-bbox="715 1079 1433 1238">Otipa has attended several courses aimed at honing his skills as an Administrator and Manager. He is a member of the Kenya Association of Public Management and Administration (KAPAM) and African Association of Public Administration and Management (AAPAM)</p>
 <p data-bbox="124 1749 414 1785">Mr. Sylvance Obondo.</p>	<p data-bbox="715 1279 1412 1357">Mr Obondo S I ANGII is the current Head of Finance for Kakamega Municipality,</p> <p data-bbox="715 1373 1428 1507">Holds BBA from Westminster university ,Certified public Accountant,Certificate in procurement and revenue collection.</p>

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Kakamega Municipality
Annual Report and Financial Statements for the year ended June 30, 2024

5. Municipality Board Chairperson's Report

Kakamega Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter dated 16th August 2019. The Municipality is under the County Government of Kakamega and is domiciled in Kenya. Kakamega Municipality Vision is to provide quality services that is affordable, accessible, acceptable, sustainable, effective and equitably distributed to all its citizens transparently.

Successes made.

Kakamega municipality has made several strides of successes among them;

- Enhanced solid waste management by purchasing a refuse truck and construction of a refuse chamber at Shirere and Rosterman,
- Beautification and landscaping of the town to attract investors
- The municipality has constructed a market at Sichirai center that can accommodate approximately 2000 traders
- Constructed walkways to ease traffic congestion
- Upgraded and renovated a bus-park for ease of packing of public transport vehicles
- Constructed market stalls at Masingo market to ease on pressure to other main markets
- Constructed to bitumen standards roads approximately 15km within municipality
- Renovated and fabricated slaughter house to modern standard including solar heater system, fencing and proper drainage systems ie lagoons.

The Boards Performance

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

The Board has members who meet on quarterly basis.

The Municipality Board has taken into consideration the provisions of the law relating to appointment of PWDs and other sectorial representation on its board.

The municipality board has demarcated and gazzetted Municipality boundaries

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

County Government of Kakamega
Kakamega Municipality
Annual Report and Financial Statements for the year ended June 30, 2024

Challenges faced by the Municipality

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

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

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

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

Future outlook of the Municipality Board

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

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

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

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

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

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

CONCLUSION

Kakamega Municipality recorded good progress in implementation of their agendas and projects. On behalf of Kakamega Municipality, I would like to thank H.E. The Governor, H.E. The Deputy Governor for the leadership and support they have provided during the period. Further, my sincere gratitude goes to the County Municipalities Board Members and staff for their continued efforts to realize the goals as set in the budget FY 2023/2024. I extend my gratitude to all other stake holders for pulling together and for their continued commitment, dedication and hard work to ensure service delivery to the people of Kakamega County. I would also like to thank the County Assembly under the leadership of the Speaker and the County Clerk for their co-operation and oversight role as well as donors who have continued to support us in implementing development of municipalities.

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

FOR



Elvira A Witunda
Municipality Board Chairperson

County Government of Kakamega
Kakamega Municipality
Annual Report and Financial Statements for the year ended June 30, 2024

6. Report Of the Municipality Manager

BUDGET PERFORMANCE

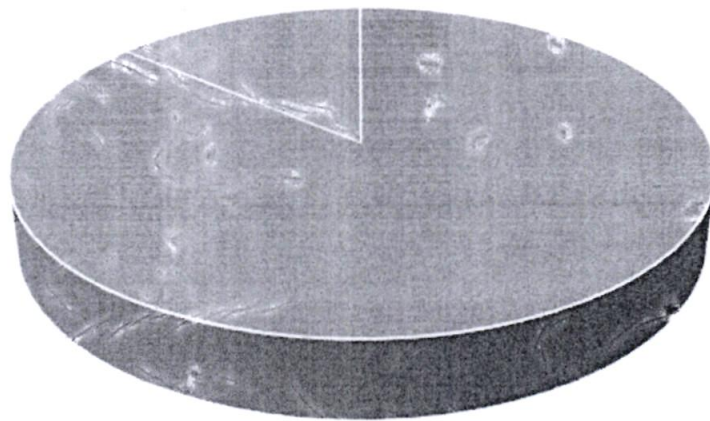
The Kakamega Municipality had approved budget of Ksh 140,802,460 for Recurrent and Development. Respectively comprising a balance brought forward of Ksh 14,680,983 for (KUSP) Kenya Urban Support programme.

The Kakamega Municipality finances its operations through funds disbursed from parent ministry of Lands and donor funded programs like Kenya Urban Support Program (KUSP) and Urban Development Program (UDG) totalling to kshs 155,483,443.

Budget Absorption

The Kakamega Municipality's overall absorption was Kshs 122,660,500 Million for both recurrent and development expenditure respectively translating to 79%

KAKAMEGA MUNICIPALITY BUDGET AND
ABSORPTION



■ absorption ■ unutilized

On behalf of the Board members (BOM) of the Kakamega Municipality, I have the honour to forward the Annual Report and Financial Statements for the Financial year ended 30th June 2024.

County Government of Kakamega
Kakamega Municipality
Annual Report and Financial Statements for the year ended June 30, 2024

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

PHYSICAL PROGRESS BASED ON OUTPUT

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

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

The Board conducted supervisory/oversight visits to all new projects. Arising from these supervisory visits, major repairs and additional works on the projects has been carried out.

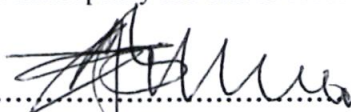
The projects that have been done to successful completion include construction and maintenance of dump-site, purchase of refuse track, construction to bitumen standard 15km road within the municipality among other projects that are still ongoing but nearing completion.

The projects have impacted positively to residents and visitors of Kakamega municipality as the environs are clean. Accessibility is adequate and traders are happy because of upcoming new Sichirai market.

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

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

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



.....
Luke Shikanga Otipu .
Municipality Manager

County Government of Kakamega
Kakamega Municipality
Annual Report and Financial Statements for the year ended June 30, 2024

7. Statement of Performance Against Predetermined Objectives for the FY

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

The key development objectives of the Kakamega Municipality .

Program	Objective	Outcome	Indicator	Performance
Lands, Physical Planning, Urban Areas and Housing	To efficiently plan and provide land for development	Physical development plans	No Of physical development plans Prepared (0)	Target not achieved due to budget constraints
		Development land	Acres of land bought for development	Achieved 15 acres of land out of targeted 100 acres
		Complete valuation roll	% completion levels (0%)	Target not achieved due to budget constraints
		A county Spatial Plan	% completion levels (0%)	Target not achieved due to budget constraints
	To efficiently plan and provide land for development	Fenced County Government Land	Acres of county government land fenced	Fenced 15 acres of land out of targeted 100 acres
		Survey equipment	No of Survey Equipment purchased	Achieved 1 out of targeted 2 houses due to in adequate budget
		Surveyed Public land	Acres of public Land parcels surveyed	Achieved 15 out of targeted 100 acres due to in adequate budget
		Digitized survey records	No of Survey records Digitized	Digitized 3,000 out of targeted 5,000 survey records due to in adequate budget
	To provide decent living housing condition	Renovated Houses	No of houses renovated	Achieved 5 out of targeted 10 houses due to in adequate budget
		Constructed Non-Motorized Roads	KMs of Non-Motorized roads constructed	Achieved 1 km out of targeted 3 km due to in adequate budget

County Government of Kakamega
Kakamega Municipality
Annual Report and Financial Statements for the year ended June 30, 2024

Program	Objective	Outcome	Indicator	Performance
		Tarmacked earth roads	KMs of earth roads tarmacked	Achieved 4.45 km out of targeted 5 km due to in adequate budget
		Land scaped urban Areas	SMs of area landscaped and beautified	Achieved 2,000 SMs out of targeted 10,000 SMs due to in adequate budget
	To improve and provide efficient and modern urban services	Complete Peoples Recreational Park- Muliro	% Completion of Peoples Recreational Park- Muliro	90% of target achieved due to delays caused by the COVID-19 Pandemic
		Complete Kambi Somali Open Air Market	% completion levels	100 % complete but not yet functional, final payment not done
		Tarmacked Earth roads	KMs of earth roads tarmacked	Achieved 2.13 km out of targeted 5 km due to in adequate budget
		Non-Motorized Walkways constructed	KMs of Non-Motorized Walkways constructed	Achieved 1.6km out of targeted 2km due to in adequate budget

8. Corporate Governance Statement

a. Process of appointment and removal of Board members

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

b. Roles and functions of the Municipality Board members,

- Overseeing the affairs of the Municipality .
- Exercising executive authority as may be delegated by the Municipal Board Committee.
- Developing and adopting policies, plans, strategies and programmes for the efficient running of the municipality
- Formulating and implementing integrated development plans.
- Controlling land use, land sub-division for various development purposes as may be delegated.
- Promoting and undertaking infrastructural development and services within the Municipality or Town as may be delegated by the County Government.
- Developing and managing schemes, including site development in collaboration with the relevant National and County Agencies.
- Maintaining a comprehensive database and information system for the municipality or town.
- Enforcing the fees, levies and charges as may be authorized by the County Government for delivery of services.
- Ensuring the provision of services to its residents.

- Initiating new laws or making recommendations for issues to be included in the laws.
- Implementing national policies and policies of the County Executive Committees as they affect the Municipality.
- Enforcing compliance with Constitutional provisions on Consumer Rights, fair administrative action, Bill of Rights and Values and Principles of Public Service.
- Preparing the Annual Appropriation Bill and submitting it to the County Treasury for consideration and transmission to the County Assembly for approval.
- Coordinating and facilitating citizen participation in the development of policies and plans and delivery of services.
- Implementing policies for fire and disaster management.
- Promoting a safe and healthy environment.
- Performing such other functions as may be delegated from time to time.

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

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

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

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

e. Succession plan

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

f. Existence of a service charter,

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

g. Conflict of interest,

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

h. Board remuneration,

The Board Chairman is entitled to a monthly honorarium and airtime allowance . Board members are paid sitting allowances of between while attending Board meetings. Independent Board members are also reimbursed travel allowances. This is done in line with Salaries and Remuneration Commission.

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

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

County Government of Kakamega
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Annual Report and Financial Statements for the year ended June 30, 2024

Management Discussion and Analysis

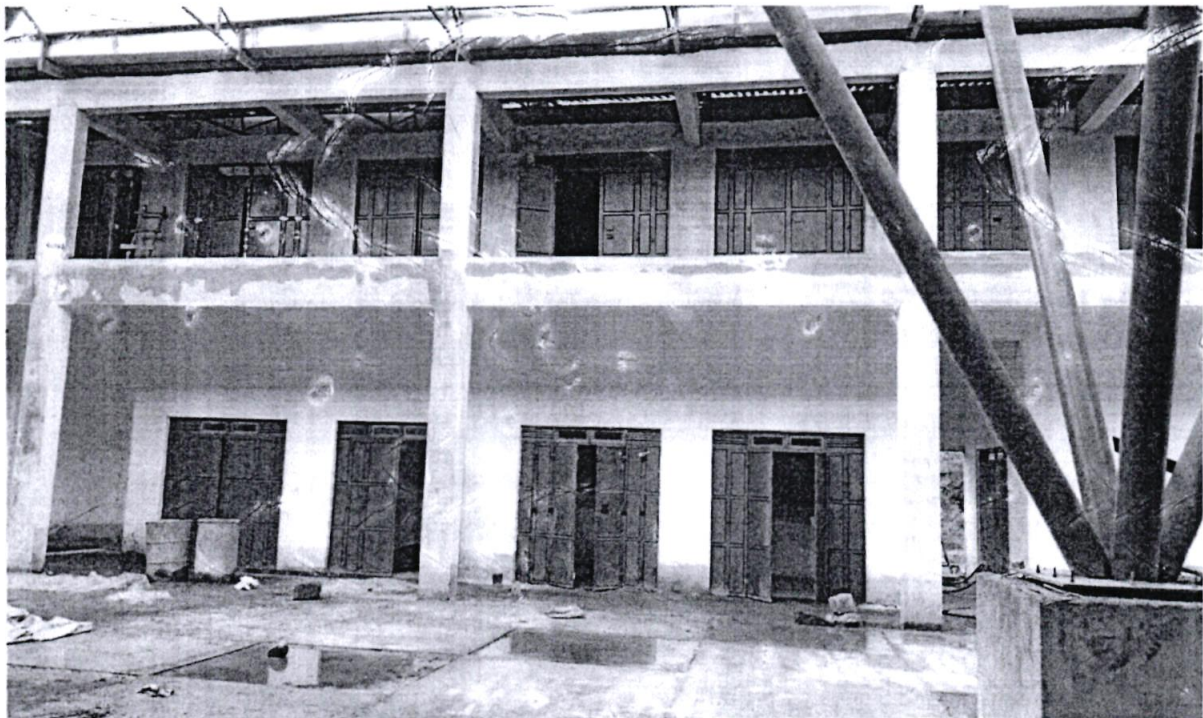
a. On the operational and financial performance the Municipality during the period, The Kakamega Municipality had approved budget of Ksh ,140,802,460 for Recnt and Development Respectively comprising a balance brought forward of Ksh 14,680,983 for (KUSP) Kenya Urban Support programme.

Budget Absorption

The Kakamega Municipality's overall absorption was Kshs 122,660,500 Million for both recurrent and development expenditure respectively translating to 79%

b. Entity's key projects or investments decision implemented or on going, Kakamega Municipality has achieved key projects in the betterment of service delivery to the citizens as highlighted below.

Ongoing Construction of Sichirai Market





c. Municipality's compliance with statutory requirements

The Municipality has complied with the required statutory laws and rules that govern it.

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

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

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Financial statements are prepared by the Accounting Officer of the Municipality in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board under the guidance of Section 166 of the Public Finance Management Act, 2012 and Urban Areas and Cities Act No. 13 of 2011 at the end of each quarter.

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

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

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

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

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

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

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9. Environmental And Sustainability Reporting

1. Sustainability strategy and profile

Kakamega Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter dated 16th August 2019. The Municipality is under the County Government of Kakamega and is domiciled in Kenya. The Municipality strives to provide quality services that is affordable, accessible, acceptable, sustainable, effective and equitably distributed to all transparently.

The principal activities of Kakamega municipality are as follows:

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

2. Environmental performance

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

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

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

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

- **National Environment Policy, 2013**

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This policy touches on various aspects including:

- **Public participation**

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

- **Climate Change**

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

- **Environmental Monitoring and assessment**

Ensure periodic reporting on county and national status of environment.

- **Institutional Arrangement**

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

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

- **County Environmental Management Act, 2019**

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

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

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

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

Some of the **shortcomings** include:

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

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

- aims at transitioning the waste sector in every county away from low collection rates, illegal dumping and uncontrolled dumpsites to affordable waste collection, recycling and composting, and minimize waste fractions that are finally disposed to a well-engineered and regulated landfill.

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- supports the creation of the planning, finance, technical and governance capacities that county governments need to effectively deliver on their mandate under the Constitution of Kenya 2010, to be the lead actors in delivering sustainable waste management services, by providing an enabling policy and regulatory environment to facilitate the counties to effectively deliver waste management services including, facilitating inter-county cooperation under the metropolis approach, financial incentives, research, Some of the **efforts to reduce environmental impact of the county's products** include:
- Provision of a dumpsite to dump the solid waste emerging from the municipal area of the County. The dumpsite is well maintained to ensure there is a conducive living environment for the surrounding community.
- Promotion of 3R principle (refuse, reduce and recycle) among the county residents to ensure minimum waste is generated.
- Plans to incorporate a private investor in developing a county landfill.

3. *Employee welfare*

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

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

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

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

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

4. **Market place practices**

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

Using appropriate procurement methods that ensure equity and transparency.

- Use of standard tender documents as guided by Public Procurement Regulatory Authority.
- Supplier development program sensitization and training for special groups.

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- Debriefing of unsuccessful bidders to enhance competitiveness and transparency.
- Reporting of contracts awards to relevant authorities and general public
- Procurement based on approved budget and procurement plan.

(i) Treating Suppliers Responsibility by honoring Contract

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

(ii) Respecting Payment Practice

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

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

b) Responsible ethical practices-

- i. Conducted an awareness programme to inform consumers on their rights and obligations. This safeguards them against exploitation by fraudulent traders.

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- ii. Inspects and investigates consumer complaints with intention to promote fair trade competition
- iii. Instituted legal proceedings arising from consumer rights complaints to remedy the aggrieved parties.
- iv. Monitors trade description applied on goods and services to ensure they are accurate to enable consumers make informed decisions.
- v. Maintains a complaints registers, a suggestion boxes and a customer care desk where issues of anti-corruption are handled.
- vi. Put in place Anti-corruption posters and complies with procurement regulations in all its activities

c) Stewardship of goods and services

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

5. Community Engagements

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

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

County Government of Kakamega
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Annual Report and Financial Statements for the year ended June 30, 2024

10. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Municipality affairs.

Principal activities of Kakamega municipality are as follows:

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

Performance

The performance of the Municipality for the year ended June 30, 2024 are set out on page 1-5.

Board Members

The members of the Board who served during the year are shown on page xi. There were no changes in the Board during the financial year under review.

Auditors

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

By Order of the Board


.....

Name:

Secretary of the Board

County Government of Kakamega
Kakamega Municipality
Annual Report and Financial Statements for the year ended June 30, 2024

11. Statement of Management's Responsibilities

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

The Municipality manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30, 2024, and the financial position as at that date.

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

County Government of Kakamega
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Annual Report and Financial Statements for the year ended June 30, 2024

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

Approval of the financial statements

The Municipality's financial statements were approved by the Board on 19th 2024 and signed on its behalf by:

FOR 

Elvira A Wilunda
Municipality Board Chairperson



Name: Luke Shikanga Otipu .
Accounting officer of the Board

REPUBLIC OF KENYA



Enhancing Accountability

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

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

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2024

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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report 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 Kakamega Municipality set out on pages 1 to 39, which comprise of the statement of financial position as at

Report of the Auditor-General on Kakamega Municipality for the year ended 30 June, 2024

30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kakamega Municipality as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2011 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Property, Plant and Equipment Balance

The statement of financial position and Note 17 to the financial statements reflect property, plant and equipment balance of Kshs.305,624,744, after providing for depreciation and amortization amount of Kshs.16,548,682. However, Management has applied the depreciation rate of 5% on road construction yet no depreciation policy has been put in place in relation to roads construction. Further, the Municipality had constructed a market at Sichirai center on a parcel of land whose ownership documents were not provided for audit review.

In the circumstances, the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs.305,624,744 as at 30 June, 2024 could not be confirmed.

2. Unconfirmed Depreciation charge for the year and Depreciation Policy

The statement of financial performance and Note 12 to the financial statements reflect depreciation and amortization expenses amounting of Kshs.7,666,850. However, Management has indicated that Municipality applies reducing balance method for depreciating its assets. However, the Management used straight line depreciation method for depreciating buildings, and plant and machinery at Kshs.1,301,649 and Kshs.2,520,000 respectively for the current and previous financial years. Further, the depreciation method used to determine the depreciation charge for the roads construction of Kshs.3,845,201 could not be ascertained.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.305,624,744 as at 30 June, 2024 could not be confirmed.

3. Inaccuracy in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects actual receipts from the County Government of Kshs.113,014,201 while the statement of financial performance shows transfers from County Government balance of Kshs.90,819,642

resulting to unexplained variance of Kshs.22,194,559. Further, the budget statement indicates actual receipts from public contributions (Kenya Urban Support Programme) balance brought forward of Kshs.14,680,983. However, the financial statements for the year ended 30 June 2023 did not show any receipts or balance carried forward the from Kenya Urban Support Programme.

In addition, the budget statement reflects surplus for the year amount of Kshs.29,185,988 while the statement of financial performance shows a deficit of Kshs.7,689,554 resulting to unexplained and unreconciled variance of Kshs.36,875,542.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

4. Unconfirmed Transfers from County Government

The statement of financial performance reflects transfers from the County Government amounting to Kshs.90,819,642 as disclosed in Note 6 to the financial statements, being Kshs.12,000,000 in respect of transfers from County Government and Kshs.78,819,642 for payments by County on behalf of the entity. However, the financial statements of the County Executive reflect a transfer of Kshs.34,194,559. The resulting variance of Kshs.22,194,559 which has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the transfers from the County Government amounting to Kshs.90,819,642 could not be confirmed.

5. Anomalies in the Annual Report and Financial Statements

Review of the annual report and financial statements of the Kakamega Municipality revealed inaccuracies and non-compliance with the revised International Public Sector Accounting Standards (IPSAS) financial reporting template for 2023/2024 financial year, as detailed here below.

- i. The Management discussion and analysis report on page xxiii has not been numbered resulting to inconsistencies of numbering subsequent headings.
- ii. The statement of financial position reflects capital/development grant/fund balance of Kshs.22,194,559 which has not been explained or analyzed by way of a Note to the financial statements.

In the circumstances, the financial statements are not prepared according to the requirements of the Public Sector Accounting Standards Board templates.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.145,676,023 and Kshs.127,695,184 respectively, resulting to under-funding of Kshs.17,980,839 or 12% of the budget. Similarly, the Municipality expended Kshs.122,660,500 against a budget of Kshs.145,676,023 resulting to under-performance of Kshs.23,015,523 or 16% of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

2. Non-Collection of Own Generated Revenue

The statement of financial performance indicates that the Municipality was financed solely through revenue allocated by the County Government. Section 9 (3)(c) of the Urban Areas and Cities Act, 2011 requires that Municipality status be conferred after satisfying criteria which include demonstrable revenue collection or revenue collection potential. However, it is probable that the conferment of Municipal status may have been made to Kakamega Municipality without satisfying criterion of demonstrable revenue collection or revenue collection potential.

In the circumstances, the Municipality may not achieve its objectives and goals as outlined in the Charter.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit of the previous year, several issues were reported under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or given reasons for the delay in resolving the issues.

Other Information

Management is responsible for the other information set out on page iv to xxxviii which comprise of Key Entity Information and Management, Municipal Board Chairperson's Report, Report of the Municipality Manager, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion

and Analysis, Environmental and Sustainability Reporting, Report of the Municipality Board Members and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

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 effect of 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. Lack of Operational Autonomy of Kakamega Municipality

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

In the circumstances, Management was in breach of the law

2. Operating Municipality without an Approved Budget

During the year under review, the Municipality operated without an approved budget. Consequently, the source and approval of the amounts reflected in the statement of comparison of budget and actual amounts, including total expenditure for the year of Kshs.122,660,500 could not be ascertained. This was contrary to Section 20(1)(l) of the Urban Areas and Cities Act, 2011 which requires a Board of a Municipality to prepare and submit an annual budget to the relevant County Treasury for consideration and submission to the County Assembly for approval.

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

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

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter 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

Lack of Risk Management Policy Framework

During the year under review, the Municipality operated without a documented risk management policy framework that would provide the guidelines on how to identify and mitigate operational and other risks the Municipality faces contrary to Regulation 158 (1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which state that the Accounting Officer shall ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the failure to develop a risk management policy exposes the Municipality to risk and in the event of occurrence, there may not be strategies to counter the risks.

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

Responsibilities of Management and Municipality Board

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 December, 2024

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13. Statement of Financial Performance for The Year Ended 30 June 2024.

Description	Note	FY 2023-2024	FY 2022-2023
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	90,819,642	75,906,785
		90,819,642	75,906,785
Revenue from exchange transactions			
Miscellaneous Income	7	0	0
		0	0
Total revenue		90,819,642	75,906,785
Expenditure			
Use of goods and services	8	85,427,322	65,072,645
Staff costs	9	28,500	49,500
Board expenses	10	2,038,781	777,900
Finance costs	11	0	0
Depreciation and amortization	12	7,666,850	4,197,816
Repairs and maintenance	13	3,327,629	0
Transfer to CRF	14	20,114	340
Total expenses		98,509,196	70,098,201
Other gains/losses			
Gain/loss on disposal of assets	15	0	0
Surplus/(deficit) for the period		(7,689,554)	5,808,584

The notes set out on pages 21 to 28 form an integral part of these Financial Statements. The entity financial statements were approved on 19/9/2024 2024 and signed by:

.....


Name: Luke Shikanga Otipu .

Municipality Manager

.....


Name: Mr OBONDO S I ANGHII

Head of Finance

ICPAK M/No 17361

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14. Statement of Financial Position As At 30 June 2024

Description	Note	FY 2023-2024	FY 2022-2023
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	16	12,721,888	14,701,337
Total current assets		12,721,888	14,701,337
Non-current assets			
Property, plant, and equipment	17	305,624,744	289,140,289
Total Non-current Assets		305,624,744	289,140,289
Total assets (A)		318,346,632	303,841,626
Liabilities			
Current liabilities			
Social Benefit Liabilities	18	0	0
		0	0
Non-current liabilities			
Creditors for cleaning services	19	(13,994,856.40)	0
Total liabilities (B)		(13,994,856.40)	0
Net Assets (A-B)		304,351,775.6	303,841,626
Represented by:			
Capital/Development Grants/Fund		22,194,559	-
Reserves		0	-
Accumulated surplus		282,157,216.6	303,841,626
Net Assets/Equity		304,351,775.6	303,841,626

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 19/9/2024 and signed by:

.....


Name: Luke Shikanga Otipo .
Municipality Manager

.....


Name: Mr OBONDO S I ANGII
Head of Finance
ICPAK M/No 17361

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15. Statement of Changes in Net Assets For the Year Ended 30 June 2024

	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2022	0	0	298,033,043	298,033,043
Surplus/(deficit) for the year	0	0	5,808,584	5,808,584
Funds received during the year	0	0	0	0
Revaluation gain	0	0	0	0
Balance as at 30 June 2023	0	0	303,841,627	303,841,627
Bal as at 1 July 2023	0	0	303,841,627	303,841,627
Surplus/(deficit) for the year	0	0	(7,689,554)	(7,689,554)
Funds received during the year	22,194,559	0	0	22,194,559
Creditors for cleaning services			(13,994,856.40)	(13,994,856.40)
Revaluation gain	0	0	0	0
Balance as at 30 June 2024	22,194,559	0	282,157,216.6	304,351,775.6

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16. Statement Of Cash Flows for The Year Ended 30 June 2024

Description	Note	FY 2023-2024	FY 2022-2023
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from County Treasury	6	90,819,642	75,906,785
Miscellaneous Income	7	0	0
Total Receipts		90,819,642	75,906,785
Payments			
Use of goods and services	8	(85,427,322)	(65,072,645)
Staff costs	9	(28,500)	(49,500)
Board expenses	10	(2,038,781)	(777,900)
Finance costs	11	0	0
Repairs and maintenance	13	(3,327,629)	0
Transfer to CRF	14	(20,114)	(340)
Total Payments		(90,842,346)	(65,900,385)
Net cash flows from operating activities	20	(22,704)	10,006,400
Cash flows from investing activities			
Purchase of PPE & intangible assets	16	(24,151,304)	(100,512,077)
Net cash flows used in investing activities		(24,151,304)	(90,505,677)
Cash flows from financing activities			
Receipts from Capital grants		22,194,559	0
Net cash flows used in financing activities		22,194,559	0
Net increase/(decrease) in cash & cash equivalents		(1,979,449)	(90,505,677)
Cash And Cash Equivalents At 1 July 2023	15	14,701,337	105,207,014
Cash And Cash Equivalents At 30 June 2024	15	12,721,888	14,701,337

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17. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2024

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	140,802,460	(9,807,420)	130,995,040	113,014,201	17,980,839	86
Public contributions and donations-Donor funding-Bal b/f	14,680,983	0	14,680,983	14,680,983	0	100
Total Revenue	155,483,443	(9,807,420)	145,676,023	127,695,184	17,980,839	88
Expenses						
Use of goods and services	99,933,329	5,898,021	105,831,350	85,427,322	20,404,028	81
Staff costs	30,000	0	30,000	28,500	1,500	95
Board expenses	2,100,000	0	2,100,000	2,038,781	61,219	97
Depreciation and amortization	0	0	0	7,666,850	(7,666,850)	
Repairs and maintenance	3,400,000	0	3,400,000	3,327,629	72,371	98
Transfer to CRF	20,114	0	20,114	20,114	0	100
Total Expenditure	105,483,443	5,898,021	111,381,464	98,509,196	12,872,268	88
Surplus for the period				29,185,988		
Capital Expenditure	50,000,000	(15,705,441)	34,294,559	24,151,304	10,143,255	70

Budget notes

1. The underperformance and Under absorption was contributed greatly by delay and late disbursement in exchequer disbursements from the Treasury as it's the Main source of funding to the fund.
2. Budget appropriation statement does not agree with the statement of financial performance because of the differences in accounting. Reconciliation has been provided as follows,

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

Classification	Statement of Comparison of Budget and Actual Amounts	Statement of Financial Performance	Comments
Public contributions and donations-Donor funding-Bal b/f	14,680,983	0	Bal b/f not recognized in the statement of financial performance
Transfers from the County Government	113,014,201	90,819,642	The difference of Kshs.22,194,559 was recorded under the statement of Net changes in Assets since it was capitalized hence not reported in the statement of financial performance
Surplus/Deficit for the period	29,185,988	(7,689,554)	The difference is due to recognizing the income of Kshs. 22,194,559 in the statement of comparison of budget which was capitalized and was not recognized in the statement of financial performance
Capital Expenditure	0	24,151,304	This amount was reported under the statement of net changes in assets thus bringing the difference

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18. Notes to the Financial Statements

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

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

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

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

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3. Application of New and revised standards (IPSAS)

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.

There are no new standards effective in the financial year ended 30th June 2024.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, 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: 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.
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by:

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	<ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

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iii. Early adoption of standards

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

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 have 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 2023/2024 was approved by the County Assembly on 30th June 2023). Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality recorded additional appropriations following the County Assembly's approval.

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

c) Property, plant and equipment

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

Kakamega Municipality Depreciates and Amortizes its Assets at the Recommended rates as follows,

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

The Kakamega Municipality Depreciates its assets on a reducing Balance method.

d) Intangible assets

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

e) Financial instruments

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

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

Financial assets

Classification of financial assets

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

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cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

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Trade and other receivables

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

Impairment

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

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

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nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Municipality.

g) Provisions

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

j) Contingent assets

The Municipality does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain

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future events not wholly within the control of the Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

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

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

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reported in the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

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

p) Related parties

The Municipality regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Municipality, or vice versa. Members of key management are regarded as related parties and comprise the Board members, the Municipality Managers and Municipality Accountant.

q) Cash and cash equivalents

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

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

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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. The Municipality should indicate whether there are material adjusting and non-adjusting events after the reporting period.

t) Currency

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

5. Significant judgments and sources of estimation uncertainty

The preparation of the Municipality's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Municipality based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Municipality. Such changes are reflected in the assumptions when they occur.

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Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- I) The condition of the asset based on the assessment of experts employed by the Municipality.
- II)The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- III)The nature of the processes in which the asset is deployed.
- IV)Availability of funds to replace the asset.
- V)Changes in the market in relation to the asset.

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Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	12,000,000	16,000,000
Payments by County on behalf of the entity	78,819,642	59,906,785
Total	90,819,642	75,906,785

7. Miscellaneous income

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Income from sale of tender documents	0	0
Total other income	0	0

8. Use of Goods and Services

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Utilities, supplies and services	1,443,810	3,066,157
Communication, supplies and services	488,580	567,567
Domestic travel and subsistence	4,220,500	3,478,980
Printing, advertising, supplies & services	648,800	939,472
Hospitality supplies and services	999,531	2,895,245
Specialized materials and services	277,800	812,450
Office and general supplies and services	1,303,608	51,858,815
Insurance	58,500	0
Other operating expenses	0	135,810
Routine maintenance – vehicles and other equipment's	0	631,335
Routine maintenance – other assets	645,670	487,280
Bank charges	13,730	39,634
Contracted Professional Services-Cleaning services	75,264,793	0
Refined fuels	62,000	159,900
Total	85,427,322	65,072,645

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9. Staff costs

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Salaries and wages-Casuals	28,500	49,500
Staff gratuity	0	0
Total	28,500	49,500

10. Board expenses

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Chairman/Members' Honoraria	280,000	279,000
Sitting allowances	1,758,781	190,200
Daily Subsistence Allowances	0	308,700
Total	2,038,781	777,900

11. Finance costs

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Interest on Bank overdrafts	0	0
Interest on loans from banks	0	0
Total	0	0

12. Depreciation and amortization

Description	FY 2023-2024	FY 2022-2023
	Kshs.	KShs
Buildings	1,301,649	1,236,567
Road Construction	3,845,201	819,249
Plant and Machinery -Refuse track	2,520,000	2,142,000
Total	7,666,850	4,197,816

13. Repairs and Maintenance

Description	FY 2023-2024	FY 2022-2023
	Kshs.	KShs
Maintenance of civil works	3,327,629	0
Total repairs and maintenance	3,327,629	0

14. Transfer to County Revenue Fund

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Description	FY 2023-2024	FY 2022-2023
	KShs	KShs
Transfer to County Revenue Fund (CRF)	20,114	340
Total	20,114	340

15. Gain/(loss) on disposal of assets

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Property, plant and equipment	0	0
Intangible assets	0	0
Total	0	0

16. Cash and cash equivalents

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Current account	12,721,888	14,701,337
Others(<i>specify</i>)	0	0
Total cash and cash equivalents	12,721,888	14,701,337

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

Financial institution	Account number	FY 2023-2024	FY 2022-2023
		Kshs.	Kshs.
a) Current account			
Kakamega Urban Development Grant Account KCB	1260365743	12,718,228	14,680,983
Kakamega Municipality	01141632089800	3,660	20,354
Total		12,721,888	14,701,337

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17. Property, Plant and Equipment

	LAND	Buildings	Road Construction	Plant and Machinery	WIP	Motor - vehicles	Furniture and fittings	Computers	TOTAL
Cost		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Ksh
As at 1 July 2022 (previous year)	-	26,032,983	17,247,347	16,800,000	137,429,714	-	-	-	197,510,044
Additions	-	-	58,475,675	-	42,036,402	-	-	-	100,512,077
Disposals	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-
As at 30 th June 2023	-	26,032,983	75,723,022	16,800,000	179,466,116	-	-	-	298,022,121
Additions for the year	-	-	1,181,000	-	22,970,304	-	-	-	24,151,304
Disposals for the year	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-
As at 30 th June 2024 (current year)	-	26,032,983	76,904,022	16,800,000	202,436,420	-	-	-	322,173,425
Depreciation and impairment	-	-	-	-	-	-	-	-	-
At 1 July 2022 (previous year)	-	1,301,649	862,367	2,520,000	-	-	-	-	4,684,016
Depreciation	-	1,236,567	819,249	2,142,000	-	-	-	-	4,197,816
Impairment	-	-	-	-	-	-	-	-	-

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Transfers/ Adjustments	-	-	-	-	-	-	-	-
As at 30 June 2023		2,538,216	1,681,616	4,662,000	-	-	-	8,881,832
Depreciation for the year		1,301,649	3,845,201	2,520,000	-	-	-	7,666,850
Disposals for the year	-	-	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-
Transfer/adjustme nt	-	-	-	-	-	-	-	-
As at 30th June 2024(current year)		3,839,865	5,526,817	7,182,000	-	-	-	16,548,682
NBV as at 30 th Jun 2023 (previous year)		23,494,767	74,041,406	12,138,000	179,466,116	-	-	289,140,289
NBV as at 30 th Jun 2024 (current year)		22,193,118	71,377,205	9,618,000	202,436,420			305,624,743

The Depreciation rates adopted by Kakamega Municipality are 5% Annually on Land and Buildings, 25% Annually on Motor vehicles ,15% Annually on Plant and Machinery. The Municipality depreciates the assets on a reducing Balance Method.

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18. Social Benefit Liabilities

Description	FY 2023-2024	FY 2022-2023
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
PWD benefit scheme		
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

19. Creditors for cleaning services

Supplier/Contractor's Name	Month	Amount
Poljos General supplies	22/4/2024	1,507,333.00
Raphemi cleaning services	23/5/2024	561,000.00
Raphemi cleaning services	20/6/2024	561,000.00
Western cross express	23/6/2024	1,512,106.40
Western cross express	28/6/2024	1,767,376.00
Hill holdings	20/6/2024	1,649,612.80
Hill holdings	28/6/2024	1,649,612.80
Western cross express	28/6/2024	1,512,106.40
supplies	28/6/2024	1,507,333.00
Western cross express company	28/6/2024	1,767,376.00
Total		13,994,856.40

20. Borrowings

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

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Short term borrowings (current portion)	0	0
Long term borrowings	0	0
Total	0	0

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21. Cash generated from operations

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	(7,689,554)	0
Adjusted for:		
Depreciation	7,666,850	0
Amortisation	0	0
Gains/ losses on disposal of assets	0	
Working Capital adjustments		
Increase in inventory	0	0
Increase in receivables	0	0
Increase in payables	0	0
Net cash flow from operating activities	(22,704)	0

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22. Related party balances

a) Nature of related party relationships

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

- a) The County Government of Kakamega
- b) Ministry of Lands, Housing, Urban areas and Physical Planning
- c) County Assembly of Kakamega.
- d) Key management.
- e) Municipality Board.

b) Related party transactions

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Transfers from related parties'	90,819,642	75,906,785
Transfers to related parties	0	0

c) Key management remuneration

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Board Members	2,038,781	777,900
Key Management Compensation	0	0
Total	2,038,781	777,900

d) Due from related parties

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Due from parent Ministry	0	0
Due from County Government	0	0
Due from County Assembly	0	0
Total	0	0

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23. Financial risk management

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

I. Credit risk

The Municipality has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Municipality's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2024				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2023				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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

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19. 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)												
<i>Basis for Qualified Opinion</i>																
1.	<p>Inaccuracies in Comparative BalancesThe financial statements reflect three components with comparative balances that are at variance with the corresponding closing balances shown in the audited financial statements for the year ended 30 June, 2022 as shown In the circumstances, the accuracy and completeness of the respective comparative balances could not be confirmed.</p>	<p>The comparative accumulated variance on the three items listed above was as a result of applying higher depreciation rates on Property, Plant and Equipment items than the standard depreciation rates as summarized in the table below. This error of principle led to overstatement of the depreciation charge. This was adjusted in the PPE schedule for the current FY2022/2023 and subsequently in the Statement of Financial Performance and Statement of Financial Position.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Class</th> <th style="text-align: center;">Higher Rate</th> <th style="text-align: center;">Depreciation at higher rates</th> <th style="text-align: center;">Standard Rate</th> <th style="text-align: center;">Actual Depreciation</th> <th style="text-align: center;">Overcharge / Variance</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Class	Higher Rate	Depreciation at higher rates	Standard Rate	Actual Depreciation	Overcharge / Variance							<p>Management has provided explanation and awaiting for auditors resolution</p>	31/10/2024
Class	Higher Rate	Depreciation at higher rates	Standard Rate	Actual Depreciation	Overcharge / Variance											

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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)
		Civil Works	26%	6,768,575	5%	1,301,649	5,466,926		
		Road Construction	10%	1,724,609	5%	862,367	862,242		
		Plant-refuse truck	30%	5,040,000	15%	2,520,000	2,520,000		
		TOTAL		13,533,184		4,684,016	8,849,168		
		Net Book Values		183,976,860		192,826,028	(8,849,168)		
		Accumulated Surplus-statement of financial position.		167,537,842		176,387,010	8,849,168		

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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)
		The resulting amendments have now cured the initial error caused in the financial statements.		
2	<p>Unsupported Additions to Property, Plant and EquipmentThe statement of financial position reflects a balance of Kshs.289,140,289 in respect of property, plant and equipment which, as disclosed in Note 18 to the financial statements, includes additions during the year of Kshs.100,512,077. However, supporting documents including payment vouchers and underlying documentation were not provided to support the amount of kshs. 100,512,077. In the circumstances, the accuracy</p>	<p>The Kshs.100,512,077 comprised of Kshs.58, 475,675 for construction of roads in Kakamega municipality and Kshs.42,036,402 for construction of Sichirai Market. During Audit period, management provided payments vouchers which had attachments of invoices inspection and acceptance reports, handover reports and completion certificates. The same have been availed again for a further audit review.</p>	<p>Management has provided explanation and awaiting for auditors resolution</p>	<p>31/10/2024</p>

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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)										
	and completeness of property, plant and equipment amount of Kshs.289,140,289 could not be confirmed.													
Emphasis of Matter														
	<p>Budgetary Control and PerformanceThe statement of comparison of budget and actual amounts reflects receipts budget and actual on comparable basis amounts of Kshs.274,435,621 and Kshs.75,906,785 respectively, resulting to under-funding of Kshs.198,528,836 or 72% of the budget.</p>	<p>Underfunding of Kshs.198,528,836 or 72% of the budget.</p> <p>The underfunding figure of Kshs.198,528,836 is broken down as below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">No</th> <th style="text-align: center;">Source of Funds</th> <th style="text-align: center;">Budget</th> <th style="text-align: center;">Actual</th> <th style="text-align: center;">Variance</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>Transfer from the County Government</td> <td style="text-align: right;">24,000,000</td> <td style="text-align: right;">16,000,000</td> <td style="text-align: right;">8,000,000</td> </tr> </tbody> </table>	No	Source of Funds	Budget	Actual	Variance	1	Transfer from the County Government	24,000,000	16,000,000	8,000,000	<p>Management has provided explanation and awaiting for auditors resolution</p>	31/10/2024
No	Source of Funds	Budget	Actual	Variance										
1	Transfer from the County Government	24,000,000	16,000,000	8,000,000										

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments				Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)	
	<p>Similarly, the statement reflects actual expenditure of Kshs.170,610,278 against approved budget of Kshs.274,435,621 resulting to under-performance of Kshs.103,825,343 or 38% of the budget.</p> <p>The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.</p>	2	UDG Balance b/f	105,000,000	0	105,000,000		
3		Payments on behalf of Municipality	145,435,621	59,906,785	85,528,836			
		Total	274,435,621	75,906,785	198,528,836			
		<p>The County Treasury did not Transfer Kshs.8,000,000 to Kakamega Municipality during the year under review due to delays in exchequer releases by the National Treasury.</p> <p>The amount of Kshs.105,000,000 was Kenya Urban Support Programme-Urban Development Grant balance brought forward. The balance brought forward is not reflected in the statement of financial performance hence the statement of</p>						

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>comparison of budget and actual amounts as per the reporting template causing the variance.</p> <p>The County Treasury was expected to finance development expenditure to the tune of Kshs.145,435,621 on behalf of the Kakamega Municipality in the year under review. However, due to delays in exchequer releases by the National Treasury, the County Treasury only managed to fund the activities of the municipality to the tune of Kshs.59,906,785 leaving an under-funding of Kshs.85,528,836.</p> <p>Underperformance of Kshs.103,825,343 or 38% of the budget</p> <p>The underperformance above was as a result of late exchequer disbursements by the National Treasury.</p>		

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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)
Other Matter				
	<p>unresolved Prior Year Matters In the audit of the previous year, several issues were reported under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has indicated in the Progress on Follow-up of Auditor's Recommendations section that only two issues have been resolved. No explanation has been provided on why all the issues have not been resolved in adherence to the requirement of the Public Sector</p>	<p>Management has implemented most of the recommendations given by the auditor in prior year audit and are awaiting county assembly and senate clearance.</p>	<p>Management has provided explanation and awaiting for auditors resolution</p>	<p>31/10/2024</p>

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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)
	Accounting Standards Board templates.			
Basis for Conclusion				
1	<p>Failure to Provide Approved Budget</p> <p>During the year under review, the Municipality operated without an approved budget. Consequently, the source and approval of the amounts reflected in the statement of comparison of budget and actual amounts, including total expenditure for the year of Kshs.170,610,278 could not be ascertained. This is contrary to Section 20(1)(l) of the Urban Areas and Cities Act, 2011 which requires a Board of a Municipality to prepare and submit an annual budget to the relevant County Treasury for consideration and</p>	<p>Kakamega Municipality's budget was prepared by the Board which in turn submitted the same to the County Treasury for consolidation through the parent ministry of Lands, Housing, Physical Planning and Urban Development. The budget was then approved by the cabinet and the County Assembly as part of the annual county appropriation bill in line with section 20(1)(i) of the Urban Areas and Cities Act, 2011. Therefore, the management was not in breach of the law.</p>	<p>Management has provided explanation and awaiting for auditors resolution</p>	31/10/2024

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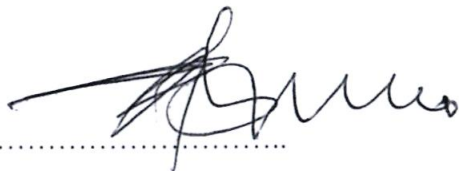
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>submission to the County Assembly for approval.</p> <p>In the circumstances, Management was in breach of the law.</p>			
2	<p>Lack of Operational Autonomy of Kakamega Municipality</p> <p>During the audit, it was observed that only office operations were carried out by the Municipality Board while project implementation was being carried out by the County Executive through the Department of Lands, Housing, Urban Areas Development and Physical Planning. This is contrary to Section 21(1)(a) of the Urban Areas and Cities Act, 2011 which gives Municipality Boards executive authority as delegated by County Executives.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>Most municipalities across the 47 county governments are still facing a share of challenges to attain full autonomy. Some of the major challenges include: (i) staff capacity, (ii) un-constituted municipal boards; (iii) inadequate technical staff; (iv) incomplete delineation of boundaries; (v) lack of autonomy in raising own source revenues; (vi) lack of autonomy in human resource management; (vii) lack of Municipality Managers; (viii) un-gazetted municipality functions among others. However, the Kakamega Municipality is making progress towards autonomy by: (i) Appointing municipality boards vide gazette notice number 10370 dated 2/8/2023, (ii) Gazetting proposed devolved functions through gazette notice no.6225 of 12/5/2023, (iii) Appointing municipal managers and designating them as accounting officers for the municipalities. This has now ensured partial</p>	<p>Management has provided explanation and awaiting for auditors resolution</p>	<p>30/10/2024</p>

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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)
		autonomy of the municipalities as we strive towards complying fully with Section 21(1)(a) of the Urban Areas and Cities Act, 2011, amended 2019.		
3	<p>Failure to Appoint a Municipality Administrator During the year under review, the Municipality operated without a Municipality Manager. This is contrary to the provisions of Section 28 of the Urban Areas and Cities Act, 2011 which requires that there shall be a Municipality Manager for every Municipality who shall implement the decisions and functions of the Board.</p>	<p>Section 31B of the Urban Areas and Cities (Amendment) Act of 2019 requires appointment of a town administrator and not a Municipality administrator as opined by the auditor. Kakamega was conferred the Municipality charter and is legally managed by a Municipal Manager appointed by the County Public Service Board in line with Section 28 and 29 of the Urban Areas and Cities Act of 2011. Therefore the management is not in breach of the law as far as this query is concerned.</p>	<p>Management has provided explanation and awaiting for auditors resolution</p>	<p>30/10/2024</p>

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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)
	In the circumstances, Management was in breach of the law.			
4	Lack Of A Fixed Asset Register The statement of financial position reflects a balance of Kshs.289,140,289 in respect of Property, plant and equipment as disclosed in Note 18 to the financial statements. However, Management did not maintain a fixed assets register with details relating to: date of purchase, cost, supplier, location, accumulated depreciation, unique identification number and net book values.	The Management has noted the Auditor's observation. During the audit period management had not prepared an updated asset register with the above minimum requirements. However, management has updated the Assets Register conforming to the above parameters and is hereby availed for your review.		



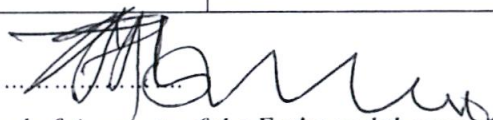
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To be Signed by the Accounting officer of the Entity

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Appendix 2: Inter-Entity Transfers

KAKAMEGA MUNICIPALITY			
Breakdown of Transfers from the County Executive of Kakamega 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>
		9/11/2023	2,000,000
		12/4/2023	2,000,000
		2/9/2024	2,000,000
		3/15/2024	2,000,000
		8/5/2024	2,000,000
		7/12/2023	2,000,000
		Total	12,000,000
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>
			<u>Indicate the FY to which the amounts relate</u>
		9/21/2023	1,194,559
		10/06/2024	11,000,000
		10/06/2024	10,000,000
		Total	22,194,559
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>
			<u>Indicate the FY to which the amounts relate</u>
		FY 2023/2024	78,819,579
		Total	113,014,138



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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		



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Appendix 4: Disaster Expenditure Reporting Template

Date:

Entity

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

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