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OFFICE OF THE AUDITOR-GENERAL
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REPORT

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ON

ITEN TAMBACH MUNICIPALITY

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF ELGEYO MARAKWET

PAPERS LAID
DATE 04.12.2025
TABLED BY J.M.L
COMMITTEE -
CLERK AT THE TABLE Abdirahman

ITEN TAMBACH MUNICIPALITY

County Government of Elgeyo Marakwet

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2025

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

OFFICE OF THE AUDITOR GENERAL
ELDORET REGIONAL OFFICE
07 OCT 2025
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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 & Heath Act
CPAK	Certified public Accountant of Kenya
PFM act	Public finance management act
CBD	Central business district
EACC	Ethics and anti-corruption commission
OAG	Office of auditor general
UIG	Urban institutional grant
UDG	Urban development grant
KUSP	Kenya urban support program
EMC	Elgeyo Marakwet county
PWD	Persons with disability
CEC	County Executive committee
CO	Chief officer

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

Related party-A party or a person that has ability to exercise control or influence over the municipality.

Financial instruments-Contracts that gives rise to financial assets

2. Key Entity Information and Management

a) Background information

Iten Tambach Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 28th December 2018. The Iten Municipality is under the County Government of Elgeyo Marakwet and is domiciled in Kenya.

b) Principal Activities

The principal activity of the Iten Municipality is to enhance and transform service delivery and promote infrastructural development within the Municipality.

VISION

A town of choice for sports, tourism and investment

MISSION

To transform the delivery of services by ensuring equitable access, development and excellence at all levels and harness the socio-economic contributions that can create a livable environment for all residents.

c) Key Management

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

- County department of Lands, housing and urban development.
- Board of Management
- Municipality Manager
- Management

d) Fiduciary Management

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

Ref	Position	Name
1	Municipality Manager	Felix Kirongo
2	Directors Accounting services	John Keen Murkeu
3	Town Administrator	Josphat Kerich
4	Municipal Accountant	Hillary Chelal

Fiduciary Oversight Arrangements

The key fiduciary oversight arrangements of the municipal include:

i) The County internal audit department is responsible for ensuring appropriate internal controls are adhered to and proper recording of all books of accounts.

ii) The County Assembly committee in charge of urban areas provide an oversight role

iii) The audit and finance committee of the municipal board perform an oversight role

e) Registered Offices

P.O. Box 220,30700

Municipality offices,

Kapsowar Road,

Iten, Kenya

f) Contacts

Telephone: (+254) 0721802399

E-mail: iten.municipality@gmail.com

Website: www.elgeyomarakwet.go.ke

g) Bankers

1)Commercial Banks

Account name: EMC KUSP UIG FUND ACCT.

Account no.1260823156

2)Central bank of Kenya:

Account name: Elgeyo Marakwet county ke urb ins(kes)

Account no.1000413905

Account name: Iten municipality urban dev grant(kes)

Account no.1000372238

Account name: ELGEYO MARAKWET URBAN INFR GRA PH2-KES

Account no.1000743107

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 County Attorney,

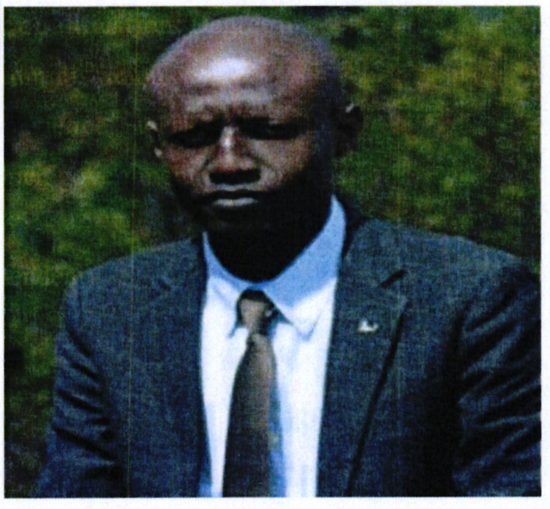
Office of the Governor,

P.O. Box 220,

Iten, Kenya

3. Iten Municipality Board

Serial No.	Name	Details of qualifications and experience
1	Eng. Hillary Cherop 	Age:42 years Academic qualification: Bachelor of technology in Civil and Structural Engineering Work experience: Currently working as superintending Engineer, ministry of transport Infrastructure, Urban Development and public works
2	Laura Kandie 	Age:44 years Academic qualification: Bachelor of Arts (Economics and statistics) Work experience: CEO Agcon Capital Limited
3	Regina Kimweno 	Age:51 years Academic qualification: Bachelor Arts Economics Work experience: Coordinator Elgeyo Marakwet CSO Network

4	Evans Kipruto 	Age:31 years Academic qualification: Master of arts in Environmental planning and management Work experience: Technical assistant as food and Agricultural Organization-Council of Governors.
5	Festus Kirop 	Age:60years Academic qualification: Bachelor of architecture Work experience:29 years working with Telcom Kenya as architect
6	Kimutai Chemitei 	Age:41 year Academic qualification: Degree in business administration Work Experience: Steering committee member open government partnerships since 2016 (Independent)

7	Beatrice Korir 	Age:34Years Academic qualification: Diploma in technical Trainer Education Experience:5 years of Tutoring/lecturing in TVET

4.Key Management Team

S/ No	Name	Details of qualifications and experience
1.	Felix Kirongo	Date of birth: 22-08-1982 Academic qualification: Bachelor of Education Work experience: 10 years teaching, Acting deputy headteacher for three years
2.	John keen Murkeu	Date of birth:12-02-1969 Academic qualification: MBA Finance, CPA(K) Working experience:30 years in public service
3.	Josphat Kerich	Date of birth:29-06-1980 Academic qualification: Postgraduate diploma in procurement, Bachelor of Education Arts Work experience:9 years in public service
4.	Hillary Chelal	Date of birth:12-10-1977 Academic qualification (Accounting), CPA(K) Work experience:15 years in public service

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

Foreword:
The enactment of urban areas and cities act 2011, gave way to the establishment of Iten Municipality. Iten Tambach.Municipality was granted its charter on December 2028, and therefore a board was established.

In furtherance of the principles of giving powers of self-governance to the people and recognizing the rights of communities to manage their own affairs. The county government of E.M.C has decentralized her functions and provision of services to wards and urban areas.

Iten Municipality is the headquarters of the Elgeyo Marakwet county and its headed by the municipality board as stipulated in the urban areas and cities ac 2011. As a municipality, we are committed to achieving our own vision-A TOWN OF CHOICE FOR SPORTS, TOURISM AND INVESTMENT.

SUCCESS MADE IN ITEN MUNICIPALITY
The board has organised and planned for the municipality and developed an integrated development plan for Iten municipality with the help of SUED we did also development and Economic investment Guide for municipality with aim of attracting investors into the municipality.

As a municipality board, with the support of the World Bank(KUSP) we have managed to roll out the following projects:
i) Cabro works for car parks
ii) Construction of 4km road to bitumen standards within the CBD
iii) Construction of green park
v) Construction of footpaths
vi) Building of fire station and disaster centre
vii) Purchase of garbage collection truck(compacter)

MUNICIPALITY BOARDS PERFORMANCE
Iten municipality board members meet quarterly, and our management, coordination and supervision of services and projects is satisfactory.

CHALLENGES
The municipality is not yet autonomous. Majority of her chattered functions are still being controlled from the executive departments.

CHANGES IN MUNICIPALITY BOARD DURING THE YEAR
The new board has been constituted, taking into consideration the gender equity, youth and people with disability.
FUTURE OUTLOOK OF ITEN MUNICIPALITY
Iten municipality subscribers to the vision 2030 development strategy. Thus, we need to put in place plans and policies that shall accelerate sustainable socio-economic growth, reduce inequality and manage resource scarcity.



.....

Name: Eng. Hillary Cherop

Chairperson of the Board

6. Report Of the Municipality Manager

Iten Municipality was granted Municipality status 6 years ago. The Municipality has seven Board Members.
Iten municipality has received development funds (UDG) from KUSP for the last two years amounting to kshs 204,827,146 and recurrent funds (UIG) amounting to kshs 51,145,356. UIG funds utilized in capacity building, office operationalization, public participation and renovation of municipal offices,
The UDG funds have been utilized in the following eligible projects:

			Budget Execution				
s/no	Name of contractor	Activity	Budget (Kshs)	Contract amount (Kshs)	Expenditure to date (Kshs)	Budget execution (%)	comments
1	Patrego Invest.Ltd	Construction of parking lots and Cabros	20,000,000	19,577,720	19,577,720	97.9%	complete
2	Hardcore builders Ltd	Improvement of roads in Iten to Municipality to Bitumen Standards	40,000,000	39,979,122	39,979,121	99.9%	complete
3	Lydro construction Ltd	Recreation Parks and Greenery of Urban Spaces	19,402,100	18,743.277	18,743,277	99.6%	complete
4	Environ Kenya Ltd	Pre-feasibility, feasibility and Appraisal Studies	10,400,000	3,970,000	3,970,000	38.17%	complete
5	Oilken Ltd	construction of and walkways - establishment of fire station -supply of garbage truck, bins and skips	93,298,101	84,924,410	84,298,101	100%	complete

6	Road Network Ltd	Improvement of public toilets and construction of collection point and skip containers	4,107,280	4,035,000	4,035,000	98%	complete

Most of the above projects are fully functional and benefit the community and therefore there is value for money.

Main challenges are.

1. Delay in disbursement of funds and failure by the county government to allocate funds to the municipal.
2. Adverse weather conditions thus hindering timely implementation of our projects
3. Public encroachment to public land and road reserve

The Key Risk Management Strategies are as follows: -

- Operational risk- this is where the functions have not been transferred to Municipality. The municipality has few staff and works with the seconded staff, which hinders its functionality. The Municipality board members are working for the municipality to be autonomous and deliver its mandate as per Urban Areas and Cities Act, 2011.
- Compliance and Regulatory Risk- resource allocation to the municipality is minimal and still controlled by the executive thus making it hard to discharge its mandate as required by the regulatory bodies such as National Environment Management Authority on waste management regulation 2006, the Municipality intends to be compliant on waste management.

MANAGER
ITEN MUNICIPALITY
ELGEYO - MARAKWET COUNTY
07 OCT 2025
P. O. Box 220-30700,
ITEN

.....

Name: Felix Kirongo
Iten Municipality Manager

7. Statement of Performance Against Predetermined Objectives for the FY 2024/2025

The key development objectives of the Iten Municipality (state the period of the strategic document/plan) plan are to:

a) Provide quality physical infrastructure.

b) Urban planning.

c) Urban governance and administration

Below we provide the progress on attaining the stated objectives:

Roads and drainages	To improve transport systems within the municipality	Improved accessibility within the municipality	Kilometers of the roads Tarmacked, and drainage improved within the municipality	No roads done in the financial year due to lack of funding
Public parks and Green urban space rehabilitation	To develop social facilities within the municipal	Availability of social facilities within the municipal	Number of public parks and green spaces constructed and rehabilitated	No funding for construction of public parks and urban space in F/Y 2024/2025
Disaster management center	To improve disaster preparedness, response and mitigation measures	Effective and efficient delivery emergency services	Number of disaster centers constructed	Construction of disaster center complete and in operation
Non-motorized transport facility(parking)	To improve transport system within the municipality	Improved accessibility system within the municipality	Number of parking lots constructed	No non-motorized transport facility done in the financial year due to funding challenges

Non-motorized transport facility (walkways)	To improve transport system within the municipality	Reduced congestion	Number of kilometers of walkways	

8. Corporate Governance Statement

In appointing members of the municipality, the County Executive Committee shall ensure gender equity, representation of persons with disability, youth and marginalized groups. The removal of a board member of the Municipality shall cease to hold office if the member: -

- Is unable to perform the functions because of mental or physical infirmity
- Is declared or becomes bankrupt or insolvent.
- Is convicted of criminal offence and sentenced to a term of imprisonment of six months or more.
- Engage in any gross misconduct.
- Fails to declare his/her interest in any matter being considered or to be considered by the board or board committee.
- Is disqualified from holding a public office under constitution.
- Is found guilty of professional misconduct by a professional body.
- Without reasonable cause, the member os absent from three consecutive meetings of the board or committee of the board of the municipality within one financial year.
- Resign in writing to the county Governor

a) Roles and functions of the municipality board members are as follows:

a) Oversee the affairs of the municipality

b) Develop or adopt policies, plans, strategies and programs and set targets for service delivery

c)Formulate and implement an integrated development plan

d) Control land sub-division, land development and zoning by public and private sectors for any purpose

Induction and training municipality board members was undertaken-The municipal undertook induction and training of its board to acquaint them of their functions and responsibilities.

a) This financial year the board were able to have three quarterly sitting and one special meeting. In all these meetings, quorum was attained.
b) Currently the municipality has no documented succession plan.

As a municipality there is existence of service charter

9. Management Discussion and Analysis

Iten municipality has received funding from World Bank under the Kenya urban support program (KUSP). The amount received under urban development grant (UDG) and urban institutional grant (UIG) amounted to Kshs 204,827,146 and Kshs 51,145,356 respectively.

Projects undertaken in the financial year 2018/19 under UDG include construction of parking lots and cabro improvement of urban roads in Iten Municipality to bitumen standards and construction of recreational park greenery of urban space. These projects are complete and operational.

In the financial year 2019/2020 the municipality utilized UDG funds to undertake construction of disaster management centre, construction of storm water drainage system along 2 km tarmac, construction of walkways and supply and delivery of compactor truck, skip loaders and litter pins. Implementation of these projects are ongoing.

The municipality utilized urban institutional grant (UIG) mainly on capacity building, office operationalization, renovation of municipal offices and public participation meetings within the municipal.

10. Environmental And Sustainability Reporting

1. Sustainability strategy and profile

The urgency of climate change continues to shape global political and macroeconomic priorities. Rising global temperatures, erratic weather patterns, and biodiversity loss have placed sustainability at the center of international development. Geopolitical dynamics such as climate finance negotiations, carbon markets, and green investment policies are reshaping how countries and counties prioritize development. Economic shocks from global crises, including fluctuating fuel prices and food insecurity, further highlight the need for climate-resilient systems at the local level.

Iten Tambach Municipality aligns its operations with global and national sustainability frameworks with particular focus on SDG 13 (Climate Action), SDG 6 (Clean Water and Sanitation), SDG 7 (Clean Energy), SDG 15 (Life on Land) and SDG 5 (Gender Equality) and the following frameworks;

2. Environmental performance

Iten Tambach municipal is guided by the Elgeyo Marakwet County Sustainable Tree Growing and Management Policy (2020), which emphasizes sustainable resource use, biodiversity conservation, renewable energy adoption and climate resilience.

3. Employee welfare

Capacity Building: Continuous staff training in climate science, environmental governance, and project management. Career progression is supported through appraisals, mentorship, and recognition of excellence.

4. Market place practices

a) Responsible competition practice.

The municipality upholds open and transparent procurement through competitive tendering, strict anti- corruption measures, and adherence to county and national procurement laws Public Procurement and Asset Disposal Act

(2015).

b) Responsible Supply chain and supplier relations

Contracts are honoured on time, with fair treatment of suppliers, respect for payment timelines, and promotion of competitive procurement to ensure value for money.

c) Responsible for marketing and advertising

Outreach and citizen engagement are conducted through consultative forums, media updates, public participation in planning, and climate awareness campaigns. False or exaggerated promises are avoided, and diversity is respected in all messaging.

d) Product stewardship

- Providing information on access to climate funds and resilience programs.
- Ensuring community representation in project selection and implementation.

5. Community Engagements

The municipality's CSR activities align with its mandate of climate resilience and environmental management:

- Tree Planting and Conservation
- Awareness Creation: Climate change sensitization forums held within the municipal
- Youth Empowerment.
- Public Participation: Before the commencement of projects every financial year the community within the municipality is consulted.

11. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Municipality affairs.

Principal activities

The principal activities of the Municipality are to enhance service delivery and improve infrastructural development within the municipality.

Performance

The performance of the Municipality for the year ended June 30, 2025, are set out on page x

Board Members

The members of the Board who served during the year are shown on pages vii and viii. There was no change in composition of the board during the year.

Auditors

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

By Order of the Board

MANAGER
ITEN MUNICIPALITY
ELGEYO - MARAKWET COUNTY
07 OCT 2025
P. O. Box 220-30700,
ITEN

.....

Name: Felix Kirongo
Secretary of the Board

12. Statement of **Management's** Responsibilities

Section 180 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the Iten Tambach 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, (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 Iten 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.

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

Approval of the financial statements

The Municipal's financial statements were approved by the Board on 15/07 2025 and signed on its behalf by:

MANAGER
ITEN MUNICIPALITY
ELGEYO - MARAKWET COUNTY
07 OCT 2025
P. O. Box 220-30700,
ITEN

.....	.....
Name: Eng Hillary Cherop	Name: Felix Kirongo
Chairperson of the Board	Accounting officer of the Board

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ITEN TAMBACH MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF ELGEYO MARAKWET

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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 Iten Tambach Municipality – County Government of Elgeyo Marakwet set out on pages 1 to 46, which comprise of the

statement of financial position as at 30 June, 2025, 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 Iten Tambach Municipality as at 30 June, 2025 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 Public Finance Management Act, 2012 and the County Governments Act, 2012.

Basis for Qualified Opinion

1. Non-Disclosure of Staff Costs

The statement of financial performance reflects staff costs of Nil amount as disclosed in Note 13 to the financial statements. However, the Municipality had two (2) staff of its own and unknown number of seconded staff from the County Executive whose salaries were paid by the Executive but not quantified and recognized as in-kind income and expended as employee costs.

In the circumstances, the accuracy and completeness of the Nil amount for staff costs could not be confirmed.

2. Misstatement of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.142,844,602 as disclosed in Note 24 to the financial statements. However, the costs of Work in Progress (WIP) of Kshs.29,130,470 was not included in property, plant and equipment balance of Kshs.142.844.602. In addition, the expenditure on WIP was not recognized in the financial statements as either an expense or capital expenditure.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.142,844,602 could not be confirmed.

3. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.33,810,748 as disclosed in Note 19 to the financial statements. However, review of bank statements and bank certificates revealed that the bank accounts are in the name of Elgeyo Marakwet County Executive thus curtailing the independence in operation of the Municipality.

In the circumstances, the right, obligation and ownership of cash and cash equivalents of Kshs.33,810,748 could not be confirmed.

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

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 effect of 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 Audit Matters

Review of the progress on follow up of the prior year auditor's recommendations on Iten Tambach Municipality revealed that several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the issues remained unresolved as at 30 June, 2025. See Appendix I.

Other Information

The Management is responsible for the Other Information set out on page iii to xxiv which comprise of Key Entity Information and Management, Iten Tambach Municipality Board, Key Management Team, Iten Tambach Municipality Board Chairperson's Report, Report of the Municipality Manager, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Municipality Board Members and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Iten Tambach 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 THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Operational and Financial Independence of the Municipality

As reported in the previous year, review of documents presented for audit revealed that Iten Tambach Municipality was granted a Municipal Charter on 28 December, 2018, which was supposed to grant operational independence from the County Government of Elgeyo Marakwet. However, review of the Municipality's operations revealed lack of autonomy because the budget was prepared and controlled by the County Executive via funding through the Kenya Urban Support Program II (KUSP II) between the National Government of the Republic of Kenya and County Government of Elgeyo Markwet an agreement under (Grant No. E208-KE) funded by the World Bank. The Municipality's expenditure was controlled by the County Treasury and did not have independent operations account.

This was contrary to Section 9(1) of the Urban Areas and Cities Act, 2011 which states that the County Governor may on the resolution of the County Assembly, confer the status of a Municipality on a town that meets the Criteria set out in Sub Section 3 by grant of a Charter in the prescribed form. In addition, it contravenes Section (12)(1) of the Urban Areas and Cities Act, 2011 which states that the Management of a City and Municipality shall be vested in the County Government and administered on its behalf by a Board, a manager appointed pursuant to Section 28 and such other staff or officers as the County Public Service may determine.

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

2. Failure to Develop Integrated Development Plan

The Municipality developed and published the Iten Tambach Municipality Integrated Development Plan covering the period 2019-2023. The objective of the report was to guide and inform all planning and development decision-making, ensuring comprehensive inclusion of functions as required by Section 36(2) of the Urban and Cities

Act, 2011. However, as previously reported, this plan expired in 2023 and the Municipality may not have achieved the strategic objectives outlined in the plan.
In addition, an evaluation had not been conducted to determine the extent to which the Municipality achieved its objectives, including a record of lessons learned and challenges faced in implementing the Plan. Further, as at the time of the audit in September, 2025, Management had not developed a subsequent Integrated Development Plan for the Municipality after the expiry of the previous one, leaving the Municipality without a framework to guide and inform all planning for development, the implementation of strategies, and decision-making towards achieving the Municipality's development goals.

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

3. Failure to Observe Safety Requirements at the Workplace

As previously reported, review of the Municipality's records revealed that Management did not conduct risk assessments related to the safety and health of its employees. Further, the Municipality did not register its premises with the Director of Occupational Safety and Health Services. Management had also not prepared a written statement of its General Policy with respect to the safety and arrangements or guidelines in force for carrying out that Policy. This was contrary to Section 6(3) of the Occupational Safety and Health Act, 2007 which states that every occupier shall carry out appropriate risk assessments in relation to the safety and health of persons employed and, on the basis of these results, adopt preventive and protective measures to ensure that under all conditions of their intended use, all chemicals, machinery, equipment, tools and process under the control of the occupier are safe and without risk to health and comply with the requirements of safety and health provisions in this Act (6) It is the duty of every occupier to register his workplace unless such workplace is excepted from registration under this Act.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance

section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Establish an Institutional Risk Management Policy Framework

The Municipality did not have a Risk Management Policy contrary to Regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal controls that builds robust business operations.

In the circumstances, it was not possible to confirm whether the internal controls in the financial and operational environment were adequate.

2. Non-Disclosure of Remuneration of Board Members for the Municipality

During the year under review, the Board of the Municipality held two meetings. However, the financial statements did not disclose costs related to the Municipality Board allowances, Committees, conferences and seminars..

In the circumstances, non-disclosure of Board Members remuneration may have resulted to lack of transparency in the reported expenses.

3. Human Resource and Staffing

In the year under review, Management operated with an undisclosed number of staff seconded from the Elgeyo Marakwet County Executive. However, it was not clear whether the secondment was formal because supporting documents were not provided for review. In addition, the Municipality had two (2) full-time employees, against an establishment of one hundred and fifty-four (154), leading to severe understaffing. Further, the financial statements did not disclose employee costs and it was not clear whether the staff working within the Municipality enjoy benefits from the Executive.

In the circumstances, the Municipality lacked clarity on Human Resource Management.

4. Weak Governance and Ineffective Oversight by the Municipal Board

Review of the Board records revealed that the Municipal Board convened two meetings during the year. This was contrary to governance requirements for effective oversight.

In the circumstances, the Board did not adequately discharge its statutory responsibilities relating to approval of projects, monitoring of budget implementation, and facilitation of community participation.

5. Failure to Meet the Objectives of the Municipality

The Municipality did not have a current Integrated Urban Development Plan after the 2019–2023 plan expired. In addition, the 2024/2025 Annual Investment Plan, with an estimated budget of Kshs.89,802,100, was not implemented. Further, the Environmental and Social Impact Report, published in April, 2023 remained unimplemented at the time of the audit. In addition, the Municipality did not report any ongoing or completed projects undertaken during the year. Therefore, the Municipality may not have engaged in development and operational activities aimed at achieving its strategic objectives or fulfilling its functions as outlined in the Municipal Charter and the Urban Areas and Cities (Amendment) Act, 2019.

In the circumstances, the Municipality was not able to achieve the objectives for which it was set.

6. Non-Implementation of Annual Investment Plan

The Municipality published its Annual Investment Plan for the Financial Year 2024/2025 which envisaged infrastructural development within the Municipality, mainly the construction of roads, drainage, and the purchase of a solid waste management truck, with an estimated budget of Kshs.89,802,100. The expected outcome of this plan, upon implementation was to mitigate landslides, reduce damage to paved roads, improve pedestrian safety, reduce disease burden, decrease environmental pollution, air purification/mitigation of climate change, and an attractive urban centre. However, as at the time of audit in the month September, 2025, the plan remained unimplemented, casting doubts as to whether the outcomes of this plan would materialize.

In the circumstances, implementation of annual investment plan could not be confirmed.

7. Non-Implementation of Environmental and Social Impact Assessment and Management Report of April, 2023

The Municipality published a report on Environmental and Social Impact Assessment and Management Report in the month of April, 2023 which outlined prevailing environmental and natural resource challenges and specific strategies to mitigate them. Implementation of the report could improve the preservation and wellbeing of the Community served by the Municipality. However, as at the time of audit in the month of September, 2025, this report had not been implemented, casting doubt as to whether the intended benefits would accrue to the Community.

In the circumstances, implementation of environmental and social impact assessment findings could not be confirmed.

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

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

Responsibilities of the Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards 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

25 November, 2025

Appendix I: Unresolved Prior Year Audit Matters 2023/2024

No.	Issue	
1.	Inaccuracies in Cash and Cash Equivalents Balances.	Report on financial Statement
2.	Lack of Operational Independence of the Municipality.	Report on Lawfulness and Effectiveness in Use of Public Resources
3.	Failure to Observe Equity on Board Composition.	Report on Lawfulness and Effectiveness in Use of Public Resources
4.	Lack of Approved Integrated Development Plan.	Report on Lawfulness and Effectiveness in Use of Public Resources
5.	Failure to Observe Safety Requirements at Work Place.	Report on Lawfulness and Effectiveness in Use of Public Resources
	Lack of Approved Staff Establishment.	Report on Effectiveness of Internal Controls, Risk Management and Governance

14. Statement of Financial Performance for The Year Ended 30 June 2025.

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	40,259,300	-
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues (KUSP Grants)	9	-	-
		-	-
Revenue from exchange transactions			
Interest income	10	-	-
Miscellaneous Income	11	-	-
		-	-
Total revenue			
Expenditure			
Use of goods and services	12	6,493,226	1,108,231
Staff costs	13	-	-
Board expenses	14	-	-
Finance costs	15	-	-
Depreciation and amortization	16	12,825,145	12,825,145
Repairs and maintenance	17	-	-
Total expenses		19,318,371	13,933,376
Other gains/losses			
Gain/loss on disposal of assets	18	-	-
Surplus/(deficit) for the period		20,940,929	(13,933,376)

The notes set out on pages 8 to 47 form an integral part of these Financial Statements. The entity financial statements were approved on 15/07 2025 and signed by:

.....

Name: Felix Kirongo

Municipality Manager

.....

Name: John keen Jairo

Head of Finance

ICPAK M/No:8112

COUNTY GOVERNMENT OF ELGEYO MARAKWET
COUNTY TREASURY
CHIEF FINANCE OFFICER
07 OCT 2025
P. O. Box 220 - 30700, ITEN

15. Statement of Financial Position As At 30 June 2025

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	19	33,810,748	448,174
Receivables from exchange transactions	20	-	-
Receivables from non-exchange transactions	21	-	-
Prepayments	22	-	-
Inventories	23	-	-
Total current assets		33,810,748	448,174
Non-current assets			
Property, plant, and equipment	24	142,844,602	155,669,747
Intangible assets	25		
Total Non-current Assets		142,844,602	155,669,747
Total assets (A)		176,655,350	156,117,921
Liabilities			
Current liabilities			
Trade and other payables	26	-	403,500
Refundable deposits from customers	27	-	-
Provisions	28	-	-
Borrowings	29	-	-
Employee benefit obligations	30	-	-
Deferred Income	31	-	-
Social Benefits	32	-	-
Total current liabilities		-	403,500
Non-current liabilities			
Provisions	28	-	-
Borrowings	29	-	-
Non-current employee benefit obligation	30	-	-
Deferred Income	31	-	-
Social Benefits	32	-	-
Total liabilities (B)		-	403,500
Net Assets (A-B)		176,655,350	155,714,421

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Represented by:		-	-
Capital/Development Grants/Fund			
Reserves		-	-
Accumulated surplus		176,655,350	155,714,421
Net Assets/Equity		176,655,350	155,714,421

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 15/07 2025 and signed by:

MANAGER
ITEN MUNICIPALITY
ELGEYO - MARAKWET COUNTY
07 OCT 2025
P. O. Box 220-30700, ITEN

.....
Name: Felix Kirongo
Municipality Manager
Date:

.....
Name: John keen Jairo
Head of Finance
ICPAK M/No:8112
Date:

COUNTY GOVERNMENT OF ELGEYO MARAKWET
COUNTY TREASURY
CHIEF FINANCE OFFICER
07 OCT 2025
Sign:.....
P. O. Box 220 - 30700, ITEN

16. Statement of Changes in Net Assets for the Year Ended 30 June 2025

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2022 (previous year)			169,647,797	169,647,797
Surplus/(deficit) for the year			(13,933,376)	(13,933,376)
Funds received during the year			-	-
Revaluation gain/loss			-	-
Bal as at 30 Jun 2023			155,714,421	155,714,421
Bal as at 1 July 2023 (current year)			155,714,421	155,714,421
Surplus/(deficit) for the year			20,940,929	20,940,929
Funds received during the year			-	-
Revaluation gain/loss			-	-
Balance as at 30 June 2024			176,655,350	176,655,350

(Provide details on the nature and purpose of reserves)

17. Statement Of Cash Flows for The Year Ended 30 June 2025

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		40,259,300	-
Public contributions and donations		-	-
Interest received		-	-
Total Receipts		-	-
Payments			
Use of goods and services		6,493,226	1,108,231
Staff costs		-	-
Board expenses		-	-
Finance costs		-	-
Total Payments		(6,493,226)	(1,108,231)
decrease in deposits and retentions			
Adjusted for:			
decrease in deposits and retentions		(403,500)	(2,797,892)
Net cash flows from operating activities	33	33,362,574	(3,406,123)
Cash flows from investing activities			
Purchase of PPE & intangible assets		-	(6,095,900)
Proceeds from sale of PPE		-	
Net cash flows used in investing activities		-	(6,095,900)
Cash flows from financing activities			
Receipts from Capital grants			
Proceeds from borrowings			
Repayment of borrowings			
Net cash flows used in financing activities			
Net increase/(decrease) in cash & cash equivalents		33,362,574	(9,502,023)
Cash And Cash Equivalents At 1 July	19	448,174	9,950,197
Cash And Cash Equivalents At 30 June	19	33,810,748	448,174

18. 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	42,950,000	-	42,950,000	40,259,300	2,690,700	94%
Public contributions and donations	-	-	-	-	-	%
Interest income	-	-	-	-	-	%
Miscellaneous income (specify)	-	-	-	-	-	%
Total Revenue	-	-	-	-	-	%
Expenses						
Use of goods and services	42,950,000	-	42,950,000	6,493,226	36,456,774	15%
Board expenses	-	-	-	-	-	%
Staff Costs	-	-	-	-	-	%
Finance costs	-	-	-	-	-	%
Total Expenditure	-	-	-	6,493,226	-	%
Surplus for the period	-	-	-	33,766,074	-	
Capital Expenditure	-	-	-	-	-	%

Budget notes

[Provide an explanation of differences between actual and budgeted amounts (any over-utilization and underutilization of below 90%)]
(Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocation or other causes. Where the total of actual on a comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.)

19. Notes to the Financial Statements

1. General Information

Iten Tambach Municipality is established by and derives its authority and accountability from Urban areas and cities Act. The Municipality is under the Elgeyo Marakwet County Government and is domiciled in Kenya.

The principal activity is to provide services to the residents of Iten Municipality.

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Application of New and revised standards (IPSAS)

i. New and amended standards and interpretations in issue effective in the year ended 30 June 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 2025.

Standard	Effective date and impact:
IPSAS 43: Leases	Applicable 1st January 2025 The standard sets out the principles for 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 recognize, measure and present information on right of use assets and lease liabilities. There is no impact of the standard to Iten Tambach municipality if adopted
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	Applicable 1st January 2025 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. There is no impact of the standard to Iten Tambach municipality if adopted
IPSAS 45: Property Plant and Equipment	Applicable 1st January 2025 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. There is no impact of the standard to Iten Tambach municipality if adopted
IPSAS 46:	Applicable 1st January 2025

Measurement	The objective of this standard was to improve measurement guidance across IPSAS by: 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. The standard also introduces a public sector specific measurement bases called the current operational value. There is no impact of the standard to Iten Tambach municipality if adopted
IPSAS 47: Revenue	Applicable 1st January 2026 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. There is no impact of the standard to Iten Tambach municipality if adopted
IPSAS 48: Transfer Expenses	Applicable 1st January 2026 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. There is no impact of the standard to Iten Tambach municipality if adopted
IPSAS 49: Retirement Benefit Plans	Applicable 1st January 2026 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. There is no impact of the standard to Iten Tambach municipality if adopted

iii. Early adoption of standards

Iten Tambach 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 realized 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 2024/2025 was approved by the County Assembly on (Date). Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality recorded additional appropriations of (Amount) on (Date) following the governing body's approval.

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

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

c) Property, plant and equipment

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

Depreciation of property, plant is computed on straight line basis The rates applied per class of asset are as follows:

Motor vehicle	12.5% (8 years)
Furniture	12.5% (8 years)
Computers and printers	33.3% (3 years)
Building	2.5% (40 years)
Civil works	10% (10 years

d) Intangible assets

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

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

e) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new *hedge accounting rules have no impact on the Company's financial st*atements. (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 amortized cost, fair value through net assets/equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/equity unless an entity has made irrevocable election at initial recognition for 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.

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 in Note xx.

Financial Liabilities

Classification

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

f) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

g) Provisions

Provisions are recognized when the Municipality has a present obligation (legal or constructive) because 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 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. The entity recognizes a social benefit as an expense for the social benefits scheme at the same time that it recognizes 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 future events not wholly within the control of the Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured

reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

k) Nature and purpose of reserves

The Municipality creates and maintains reserves in terms of specific requirements. Municipality to state the reserves maintained and appropriate policies adopted

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

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

n) Foreign currency transactions

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

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is 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

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

(a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

(b) Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

t) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made.

Estimates and assumptions.

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

Useful lives and residual values

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

i) The condition of the asset based on the assessment of experts employed by the Municipality.
ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
iii) The nature of the processes in which the asset is deployed.
iv) Availability of funds to replace the asset.
v) Changes in the market in relation to the asset.

Notes to the Financial Statements

6. Transfers from the County Government

Description	2024/2025	20223/2024
	Kshs.	Kshs.
Transfers from County Govt-Counterpart funding (UIG)	7,950,000	-
Payments by County on behalf of the entity	-	-
Unconditional development grants (UIG)	32,309,300	-
Total	40,259,300	-

(Provide brief explanation for this revenue)

(a)Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance* Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	Insert Comparative FY
			Kshs	Ks-hs	Kshs
xx State Department	-	-	-	-	-
XX Ministry	--	--	-	-	-
Total	-	-	-	-	--

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

The details of the reconciliation have been included under appendix xxx

7. Public Contributions and Donations

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

8. Levies, Fines and penalties

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Levies	-	-
Fines	-	-
Penalties	-	-
Others	-	-
Total	-	-

9. Other Revenues from Non-Exchange Transactions

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others (KUSP Grants)	-	-
Total	-	-

(Provide a brief explanation for this revenue)

10. Interest income

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Interest income from investments	-	-
Interest income on bank deposits	-	-
Others (Specify)	-	-
Total interest income	-	-

(Provide brief explanation for this revenue)

11. Miscellaneous income

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Income from sale of tender documents	-	-
Others (specify)	-	-
Total other income	-	-

12. Use of Goods and Services

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	6,450,000	814,800
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	-	-
Rent and rates	-	-
Training expenses	-	-
Hospitality supplies and services	37,000	230,000
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	3,970	60,000
Fuel, oil and lubricants	-	-
Other operating expenses (Specify)	-	-
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	-	-
Audit fees	-	-
Hire of Transport, equipment etc	-	-
Bank Charges	2,256	3,431
Social Benefit expenses*	-	-
Total	6,493,226	1,108,231

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

13. Staff costs

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Salaries and wages	-	-
Staff gratuity	-	-
Social security contribution	-	-
Other staff costs (Specify)	-	-
Total	-	-

14. Board expenses

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	-	-
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	-
Conference Costs	-	-
Other allowances (Specify)	-	-
Total	-	-

15. Finance costs

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

16. Depreciation and amortization

Description	2024/2025	2023/2024
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	-	-

17. Repairs and Maintenance

Description	2024/2025	2023/2024
	KShs	KShs
Property- Buildings	-	-
Office equipment	-	-
Furniture and fittings	-	-
Motor vehicle expenses	-	-
Maintenance of civil works	-	-
Total repairs and maintenance	-	-

18. Gain/(loss) on disposal of assets

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

19. Cash and cash equivalents

Description	2024/2025	2023/2024	
	Kshs.	Kshs.	
Fixed deposits account	-	-	
On – call deposits	-	403,500	
Current account	-	-	
Others(specify)	33,810,748	44,674	
Total cash and cash equivalents	33,810,748	448,174	

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

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

Financial institution	Account number	2024/2025	2023/2024
		Kshs.	Kshs.
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
EMC deposit account	1000240571	-	403,500
Equity Bank - etc			
Sub- total			
c) Current account			
Kenya Commercial bank			
Equity Bank - etc			
Sub- total			
d) Others(specify)			
CBK(SPA)-UDG	1000372238	1,185	1,185
CBK(SPA)-UIG	1000413905	-	3,970
CBK(SPA)-UIG	1000743107	33,809,300	-
KCB	1260823156	263	39,519
Sub- total		33,810,748	44,674
Grand total		33,810,748	448,174

20. Receivables from exchange transactions

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Current Receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	--	-
Total Current receivables (a)	-	-
Non-Current receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	--	-
Less: impairment allowance	-	-
Total Non- current receivables (b)	-	-
Total	-	--

Ageing analysis for Receivables from exchange transactions

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

21. Receivables from Non-Exchange transaction

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Transfer from County Executive	-	-
Transfer from XXXX Fund	-	-
Total	-	-

Ageing analysis for Receivables from non-exchange transactions

Description	2023/2024		2022/2023	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

22. Prepayments

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
Total	-	-

23. Inventories

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Stationery	-	-
Consumables	-	-
Other inventories(specify)	-	-
Total inventories at the lower of cost and net realizable value	-	-

24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 July 2023	-	104,966,156	10,200,040	3,296,500	1,516,820	82,546,153	29,130,470	204,586,569
Additions	-	5,031,160	1,064,740	-	-	-	-	6,095,900
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
As at 30th June 2024	-	109,997,316	11,264,780	3,296,500	1,516,820	82,546,153	-	208,621,569
Additions for the year	-	-	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
As at 30th June 2025	-	109,997,316	11,264,780	3,296,500	1,516,820	82,546,153	-	208,621,569
Depreciation and impairment	-							
At 1July 2023	-	4,830,556	1,275,005	1,648,689	1,516,820	30,855,607	-	40,126,677
Depreciation	-	2,749,933	1,408,098	412,500	-	8,254,615	-	12,825,146
Impairment	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-
As at 30 June 2024	-	7,580,489	2,683,103	2,061,189	1,516,820	39,110,222	-	52,951,823

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation for the year	-	2,749,933	1,408,098	412,500	-	8,254,615	-	12,825,145
Disposals for the year	-	-	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
As at 30th June 2025	-	10,330,422	4,091,201	2,473,689	1,516,820	47,364,837	-	65,776,969
NBV as at 30th Jun 2024	-	102,416,829	8,581,677	1,235,311	-	43,435,931		155,669,747
NBV as at 30th Jun 2025	-	99,666,896	7,173,579	822,811	-	35,181,316		142,844,602

(Include a brief description of WIP as a footer.)

25. Intangible assets

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment	-	-
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

26. Trade and other payables from exchange transactions

Description	2024/2025		2023/2024	
	Kshs.		Kshs.	
Trade payables	-		-	
Retentions	-		403,500	
Accrued expenses	-		-	
Other payables (Specify)	-		-	
Total trade and other payables	-		403,500	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

27. Refundable deposits from customers

Description	2024/2025		2023/2024	
	KShs		KShs	
Rent deposits	-		-	
Others (specify)	-		-	
Total	-		-	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

28. Provisions

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Balance at the beginning of the year	-	-
Additional Provisions (Specify)	-	-
Provision utilised	-	--
Balance at the end of the year	-	-
		-
Current Portion of provision	-	-
Long term portion of provision	-	-
Total Provisions	-	-

29. Borrowings

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

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	--

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

Description	2024/2025	2023/2024
	Kshs.	Kshs.

Balance at beginning of the period	-	-
Borrowings during the year	-	-
Repayments of borrowings during the period	-	-
Balance at end of the period	-	-

The table below shows the Distribution of borrowings:

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

30. Employee Benefit Obligations

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

31. Deferred Income

Description	2024/2025	2023/2024
	Kshs	Kshs
National/County Government	-	-
International Funding Bodies	-	-
Public Contributions and Donations	-	-
Total Deferred Income	-	-

The deferred income movement is as follows:

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

Include columns as needed for the various sources of income deferred

Analysed as:

Description	Amount
	Kshs
Current	-
Non- Current	-
Total	-

32. Social Benefit Liabilities

Description	2024/2025	2023/2024
	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)	-	-

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

33. Cash generated from operations

Description	Insert Current FY	Insert Comparative FY
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	20,940,929	(13,933,376)
Adjusted for:		
Depreciation	12,825,146	12,825,146
Amortisation		
Gains/ losses on disposal of assets		
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Decrease in payables	(403,500)	(2,297,892)
Net cash flow from operating activities	33,362,574	(3,406,122)

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

34. Related party balances

a) Nature of related party relationships

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

a) The County Government.

b) The Parent County Government Ministry.

c) County Assembly.

d) Key management.

e) Municipality Board; etc.

b) Related party transactions

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Board Members	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
Total	-	-

e) Due to related parties

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
Total	-	-

35. Contingent liabilities

Contingent liabilities	2024/2025	2023/2024
	Kshs.	Kshs.
Court case xxx against the entity	-	-
Bank guarantees	-	-
Total	-	-

(Give details)

36. Contingent Assets

Contingent liabilities	2024/2025	2023/2024
	Kshs.	Kshs.
Court case xxx against the entity	-	-
Others Specify	-	-
Total	-	-

37. Financial risk management

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

I. Credit risk

The Municipality has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external 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 (current year)				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2023 (previous year)				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	--

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for

uncollectible amounts that the Municipality has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality has significant concentration of credit risk on amounts due from

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

II. Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 Jun 2024 (current year)				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	--	-	-
Total	-	-	-	-
At 30 Jun 2023 (previous year)				
Trade payables	--	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	

III. Market risk

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

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

IV. Foreign currency risk

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

Description		Other currencies	Total
	Kshs.	Kshs.	Kshs.
At 30 June 2024 (current year)			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
2024(current year)			
Euro	10%	-	-
USD	10%	-	-
2023(previous year)		-	-
Euro	10%	-	-
USD	10%	-	-

V. Interest rate risk

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

Management of interest rate risk

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

VI. Capital risk management.

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

Description	Insert Current FY	Insert Comparative FY
	Kshs.	Kshs.
Revaluation reserve		-
Capital/Development Grants/Municipality		-
Accumulated surplus	176,655,350	155,714,420.75
Total Funds	176,655,350	155,714,421
Total borrowings		
Less: cash and bank balances	33,810,784	448,175
Net debt/(excess cash and cash equivalents)	-	-
Gearing	0%	0%

38. Program for Results (PforR) Disclosure

This disclosure note is for entities that are implementing Programs for Results (PforR). Implementing entities are required to make disclosures in accordance with their respective financing agreements. The disclosure should capture the program's goal and expenditures designated in the expenditure framework.

Name of the PforR: KUSP

Financing Partners: World bank

Purpose of the PforR: Urban infrastructure development and institutional support

Expenditure Details	Amount in Kshs
Cumulative actual expenditures for the previous years	255,927,829
Actual expenditure in the current financial year.	
1. Employee Cost	-
2. Use of goods and Services	6,493,226
3. Grants and Subsidies	-
4. Building of ECDE facilities	-
5. Others (infrastructure development)	-
Sub-total	6,493,226
Cumulative Actual Expenditures to date	262,421,055

20.Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracy of Cash and Cash Equivalents	The cash and cash equivalents of Kshs 448,174 consisted of cash at bank and retention monies of Kshs 403,500	Resolved	
2	Budgetary Control and Performance	The expenditure of Kshs 1,151,718 and 6,095,085 related to UIG and UDG respectively,Copy of approved workplan was availed	Resolved	

3	Failure to Observe Equity on Board Composition	The board has been re-constituted to ensure that there is gender equity and Youth and marginalized groups are represented	Resolved	

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)
4	Lack of Approved staff establishment	The Municipality has staff establishment approved by county public service board.Copy was availed.	Resolved	1 year

Guidance Notes:

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

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To be Signed by the Accounting officer of the Entity

Appendix 2: Inter-Entity Transfers

	MUNICIPALITY NAME: Iten Tambach Municipality			
	Breakdown of Transfers from the County Executive of xxx County			
	FY 2023/2024			
a.	Recurrent Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
			-	
			-	
		Total	-	
b.	Development Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
			--	
			-	
			-	
		Total	-	
c.	Direct Payments	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
			-	
			-	
		Total	-	

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

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

Appendix 3: Reporting of Climate Relevant Expenditures

Name of the Organization
Telephone Number
Email Address
Name of CEO/MD/Head

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

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

Appendix 4: Disaster Expenditure Reporting Template

Date:

Entity

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
0413024360		Fire	Preparedness	Construction of fire station	2,352,000	