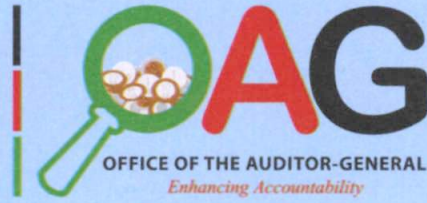


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CLERK AT THE TABLE	Mwangi

THE AUDITOR-GENERAL

ON

MUNICIPALITY OF KEHANCHA

FOR THE YEAR ENDED  
30 JUNE, 2024

COUNTY GOVERNMENT OF MIGORI





08 OCT 2025



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# MUNICIPALITY OF KEHANCHA

County Government of Migori

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30<sup>TH</sup> JUNE 2024

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

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## **1. Acronyms and Definition of Key Terms**

### **A. Acronyms**

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
FAO	Food Agricultural Organization
PFM	Public Finance Management
CSR	Community Social Responsibility
IPSAS	International Public Sector Accounting Standards
ECL	Expected Credited Loss
NGO	Non-Governmental Organizations
IDeP.	Integrated Development Plan

### **B. Definition of Key Terms**

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

**Comparative Year**- Means the prior period.

**2. Key Entity Information and Management**

**a) Background Information**

The Municipality of Kehancha is the newest municipality in Migori County, established in accordance with the Urban Areas and Cities Act, 2011, with the aim of improving service delivery and ensuring equitable distribution of county resources to residents. After fulfilling the necessary criteria for municipal classification, and in exercising the powers conferred under Section 9(1) of the Urban Areas and Cities Act, 2011, as well as Section 72 of the Interpretations and General Provisions Act (Chapter 2), along with all other relevant legal provisions, His Excellency Hon. Dr. Ochilo Ayacko, Governor of Migori County, officially granted the municipality its charter on 15th February 2023.

The Municipality of Kehancha is governed by a board, duly constituted as per the Act, and supported by the Municipal Manager for operational purposes. The board, a corporate body with perpetual succession and a common seal, had its members gazetted on 6th April 2023 and inaugurated on 19<sup>th</sup> May 2023.

**b) Principal Activities**

**i. Solid Waste Management**

Promotion, regulation, and provision of refuse collection and solid waste management services.

**ii. Urban Roads and Infrastructure Development**

Construction and maintenance of urban roads and associated infrastructure.

Construction and maintenance of walkways and other non-motorized transport infrastructure.

**iii. Storm Drainage and Flood Control**

Construction and maintenance of storm drainage and flood control systems.

**iv. Public Spaces and Recreational Facilities**

Construction and maintenance of recreational parks and green spaces.

v. **Street Lighting**

Construction and maintenance of street lighting.

vi. **Traffic and Parking Management**

Construction, maintenance, and regulation of traffic controls and parking facilities.

Construction and maintenance of bus stands and taxi stands.

vii. **Outdoor Advertising Regulation**

Regulation of outdoor advertising.

viii. **Markets and Abattoirs**

Construction, maintenance, and regulation of municipal markets and abattoirs.

ix. **Sports and Cultural Promotion**

Promotion, regulation, and provision of municipal sports and cultural activities.

x. **Animal Control and Welfare**

Promotion, regulation, and provision of animal control and welfare services.

ix. **Urban Planning and Development Control**

Development and enforcement of municipal plans and development controls.

xii. **Municipal Administration Services**

Provision of municipal administration services, including the construction and maintenance of administrative offices.

xiii. **Infrastructural Development**

Promoting and undertaking infrastructural development and services within the municipality.

xiv **Delegated Functions**

Any other functions as may be delegated by the County Executive Committee.

These activities represent the core areas of service delivery and responsibilities for the municipality, aligned with the overall objective of enhancing urban management and service provision.

**c) Key Management**

The Municipality management is under the following key organs:

- i. **Municipal Manager:** The head of the municipality responsible for overall administration, implementing municipal board decisions, and managing municipal staff.
- ii. **Municipal Accountant:** Manages the municipality’s finances, including budgeting, accounting and financial reporting.
- iii. **Municipal Engineering:** Oversees infrastructure development, maintenance of roads, water supply, sewage, and other public works.
- iv. **Municipal Physical Planning and Development officer:** Responsible for urban planning, land use management, economic development, and ensuring compliance with zoning laws.
- v. **Municipal Social Services Officer:** Manages community services like welfare programs..
- vi. **Environmental Management services:** Focuses on waste management, environmental conservation, and sustainability initiatives.

These key management roles ensure the smooth functioning and delivery of services within a municipality.

**d) Fiduciary Management**

Fiduciary management in Municipality of Kehancha involves overseeing and managing public funds, assets, and resources to ensure they are used responsibly, transparently, and in the best interest of the community. Here are key aspects of fiduciary management in the municipality:

**i. Key Fiduciary Management Personnel**

The municipal Manager who is the AIE holder is accountable to the Municipal board. The Municipal Board is then accountable to the County Executive Committee and County Assembly of Migori.

Ref	Positions	Names	Remark
1	Municipality Manager	Maroa Simon Nokwi	Signatory
2	Chief Officer-Physical Planning and Urban Development	Mr.Mwera Andrew	Signatory
2	Accountant	CPA Benson Mosero	Signatory
3	Municipal Engineer	Mr.Charles Wambura	Signatory (KUSP II)
4	Physical Planner	Mr. Ezekiel Mogere	Implementer

- ii. **Financial Oversight and Budgeting:** Ensuring that the municipality's budget is prepared, approved, and managed effectively, aligning with the community’s needs and legal requirements.

iii. **Asset Management:** Maintaining and managing municipal assets, such as infrastructure land, to maximize their value and ensure proper use.

iv) **Procurement and Contract Management:** Ensuring that the procurement of goods, services, and works is conducted in a fair, transparent, and cost-effective manner, following established rules and regulations.

v) **Compliance with Laws and Regulations:** Adhering to local, state, and national laws governing the use of public funds and assets, ensuring transparency and accountability in all financial dealings.

vi) **Financial Reporting:** Preparing accurate and timely financial reports to provide stakeholders with insights into the municipality's financial status and performance.

Fiduciary management is crucial in maintaining public trust and ensuring that Municipality of Kehancha operates efficiently and sustainably.

#### **e) Fiduciary Oversight Arrangements**

Municipality of Kehancha operate under a framework of fiduciary oversight arrangements to ensure accountability, transparency, and proper management of public funds. These arrangements include the following:

##### **i. Public Finance Management (PFM) Act, 2012**

The **Public Finance Management (PFM) Act** provides a legal framework for financial oversight at both national and county levels, including municipalities. It establishes structures for: Planning and budgeting, expenditure management and auditing and reporting

**Municipal Boards** are required to prepare budgets, which are aligned with county and national government plans, and submit them for approval by the County Assembly.

##### **ii. County Governments Act, 2012**

The **County Governments Act** guides the establishment and governance of urban areas, including municipalities. It provides for:

- Creation of **Municipal Boards** to oversee the management of municipalities.
- Annual reporting on financial management.
- Public participation in budget-making processes to ensure that spending aligns with community priorities.

##### **iii Controller of Budget**

The **Controller of Budget** oversees the implementation of budgets across counties, including municipal budgets. Before funds are released to a municipality, the Controller must approve the withdrawals from the county's budget to ensure funds are used for their intended purpose.

#### **iv. County Assembly Oversight**

County assemblies play a key role in overseeing municipal finances. They:

- Approve municipal budgets as part of the overall Migori county budget.
- Review audit reports from the **Auditor-General**.
- Summon municipal officials to explain financial management issues.

#### **v Auditor-General**

The **Auditor-General** audits the financial statements of municipalities. The audit process includes:

- Reviewing whether funds were spent as per the approved budgets.
- Ensuring compliance with procurement regulations.
- Reporting any cases of mismanagement or fraud.

#### **vi. Internal Audits and Control Systems**

County **internal audit department** provides continuous oversight of financial activities. They evaluate financial records and ensure compliance with policies and procedures. These audits are crucial for early detection of anomalies before external audits.

#### **vii. Public Participation and Transparency Mechanisms**

Municipality of Kehancha holds public participation forums for discussing key financial decisions such as: annual budgets, development projects and service delivery performance. These forums ensure that the community has a say in how funds are allocated and spent.

#### **Viii Committee of Senate**

Municipal financial matters that have not been addressed conclusively by the County Assembly are forwarded to the Public Accounts Committee for clarification.

These fiduciary arrangements are designed to prevent misuse of resources, promote efficient service delivery, and uphold transparency in municipal financial management.

#### **f) Registered Offices**

P.O. Box 158-40413  
Municipal Offices Building  
Migori Ntimaru Road

Kehancha, Kenya

**g) Contacts**

Telephone: (+254720340628)

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

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

**h) Bankers**

Commercial Banks

Kenya Commercial Bank, Kehancha Branch

Account Number-1315961830

**i) Independent Auditor**

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**j) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

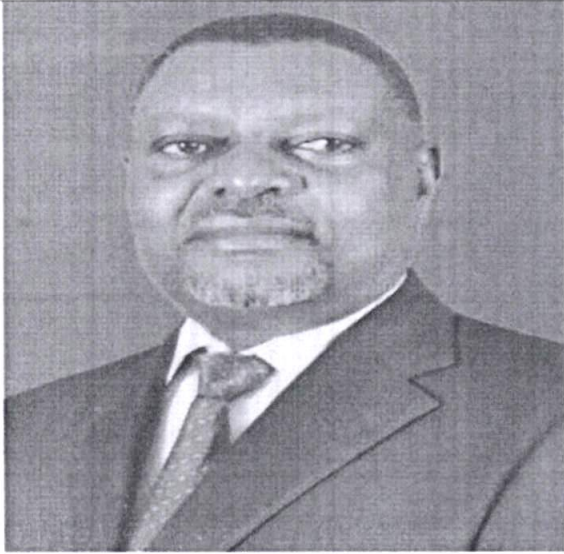
Nairobi, Kenya


**k) Office of the County Attorney**


Address: 195-40400 Migori

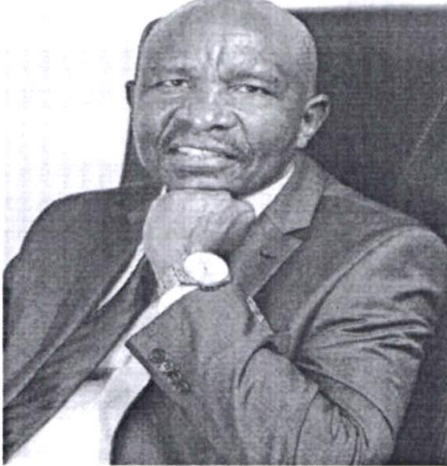

Email: [County044attorneyoffice@gmail.com](mailto:County044attorneyoffice@gmail.com)

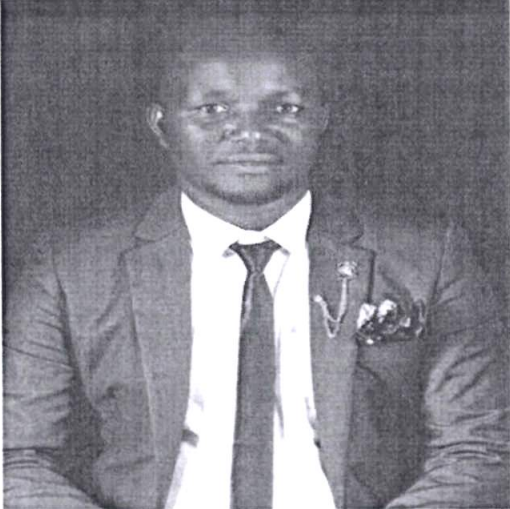
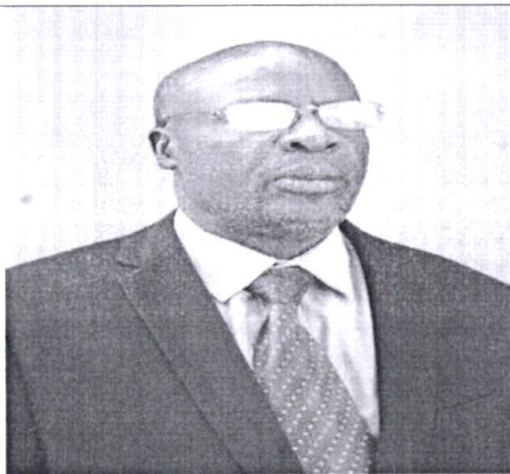
3. Municipality Board


Serial No.	Name	Details of qualifications and experience
1	 <p>I.Chairman  Mr.Samson Matiko Bohoko</p>	<p>AGE;62Yrs</p> <ul style="list-style-type: none"> <li>• Bachelor Degree in Arts-Mass Communication and Journalism(Fairland University)</li> <li>• Diploma in Mass Communication (Kenya Institute of Mass Communication)</li> </ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• 2023-Date –Municipal Board Chairman</li> <li>• 2017-2023:Media Consultant Migori County Government</li> <li>• 2013-2017:Communication Director Migori County Government</li> <li>• 2009-2012:Volunteer Peace Monitor Kuria District</li> <li>• 2007-2006:Editor with Interamac Communication/Global Vilege Publisher</li> <li>• 2003-2006:Public Officer Municipal Council of Kehancha</li> <li>• 2000-2003:Economic Editor, Agence France Presse (AFP)</li> </ul> <p><b>Area of Responsibility</b></p> <p>Municipal Board Chairman</p>

<p>2</p>	 <p>2. Manager  Mr. Nokwi Simon Maroa</p>	<p>AGE;41 Yrs</p> <ul style="list-style-type: none"> <li>• MA In Economics -University of Nairobi</li> <li>• Bachelor Degree (Mathematics and Economics)-University of Nairobi</li> <li>• Certificate In Strategic Leadership Development Program (Kenya School of Government)</li> <li>• Certificate in Senior Management (Kenya School of Government)</li> <li>• Certificate in Computer Applications(Kenya School Of Professional Studies)</li> </ul> <p><b>Work Experience</b></p> <p>Municipal Manager  Municipality of Kehancha  April 2023 – Present</p> <ul style="list-style-type: none"> <li>• - Responsible for overseeing municipal operations, implementing policies, and ensuring efficient service delivery in Municipality of Kehancha.</li> </ul> <p>County Economic Planner  Migori County Government  2013 – 2023</p> <ul style="list-style-type: none"> <li>• - Led economic planning initiatives, supported development projects, developed and advised the county government on economic strategies.</li> </ul> <p>District Development Officer  Ministry of Planning and National Development and Vision 2030  September 2010 – 2013</p> <ul style="list-style-type: none"> <li>• - Coordinated and supervised</li> </ul>
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		<p>district-level development projects, fostering local economic growth and resource allocation.</p> <p><b>Area of Responsibility</b></p> <p>Municipal Manager</p>
3	 <p>3.Vice Chairperson Mrs.Otaigo A Magoko</p>	<p>AGE:50Yrs</p> <ul style="list-style-type: none"> <li>• Bachelor Degree In Education Art(Kampala University)</li> <li>• Higher Diploma In Theology(University of Engineering Excellence)</li> <li>• Diploma In Theology(Bukuria Bible College)</li> <li>• Certificate in Education(Migori TTC)</li> </ul>

<p>4</p>	 <p>4. Brig (Rtd) James Magige Gitiba</p>	<p>AGE:62Yrs</p> <ul style="list-style-type: none"> <li>• Diploma in International Studies (University of Nairobi)</li> </ul>
<p>5</p>	 <p>5. Mrs. Mary Awino Mwita</p>	<p>AGE:62Yrs</p> <ul style="list-style-type: none"> <li>• Diploma in Early Childhood education (Shanzu Teachers Training College)</li> </ul>



6	 <p>6.Mr.Makuri Pius Marwa</p>	AGE:35Yrs <ul style="list-style-type: none"><li>• Bachelor degree in Science in Communication and Public Relations(Rongo University)</li><li>• Computer Applications</li></ul>
7	 <p>7.Mr.Thomas Mwita Omahe</p>	AGE:50Yrs <ul style="list-style-type: none"><li>• in Community Development (Rongo University College)</li></ul>



8	 <p>8.Mr.Mwita Peter Maroa</p>	AGE;38Yrs <ul style="list-style-type: none"><li>• Diploma in Occupational Health and Safety (Institute of Commercial Management)</li></ul>
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4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	 <p>Manager: Mr. Maroa Simon Nokwi</p>	<p>AGE:41Yrs</p> <ul style="list-style-type: none"> <li>• MA in Economics Degree -University of Nairobi</li> <li>• BED Degree (Mathematics and Economics) -University of Nairobi</li> <li>• Certificate In Strategic Leadership Development Program (Kenya School of Government)</li> <li>• Certificate in Senior Management (Kenya School of Government)</li> <li>• Certificate in Computer Applications(Kenya School Of Professional Studies)</li> <li>• Member of Economist Society of Kenya</li> </ul> <p><b>Work Experience</b></p> <p>Municipal Manager  Municipality of Kehancha  April 2023 – Present</p> <ul style="list-style-type: none"> <li>• - Responsible for overseeing municipal operations, implementing policies, and ensuring efficient service delivery in Municipality of Kehancha.</li> </ul> <p>County Economic Planner  Migori County Government  2013 – 2023</p> <ul style="list-style-type: none"> <li>• - Led economic planning initiatives, supported development projects, and advised the county government on economic strategies.</li> </ul> <p>District Development Officer</p>

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

		<p>Ministry of Planning and National Development September 2010 – 2013</p> <ul style="list-style-type: none"> <li>- Coordinated and supervised district-level development projects, fostering local economic growth and resource allocation.</li> </ul> <p><b>Area of Responsibility</b> Municipal Manager</p>
2.	 <p>Accountant CPA Benson Masero</p>	<p>AGE:40Yrs</p> <ul style="list-style-type: none"> <li>• Certified Public Accountant(CPAK)</li> <li>• Kenya Accountants Certificate Course-Certificate</li> <li>• Certificate in Advanced Excel-Institute Of Advanced Technology</li> <li>• Financial Management Certificate-KSG</li> <li>• Senior Management Course-KSG</li> </ul> <p><b>Area of Responsibility</b> Accountant</p>
3.	 <p>Municipal Physical Planner Mr. Ezekiel Mogere</p>	<p>AGE:26Yrs</p> <ul style="list-style-type: none"> <li>• Bachelor’s Degree in regional urban planning (University of Nairobi)</li> <li>• Certificate of computer packages (Tramtell Computer College-Nyahururu)</li> </ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• 2021-Date –Physical Planner</li> </ul> <p><b>Area of Responsibility</b> Physical Planning</p>

<p>4.</p>	 <p>Municipal Social Safeguards Officer  Kephias Owinga</p>	<p>AGE:50Yrs</p> <ul style="list-style-type: none"> <li>• Bachelor’s Degree in Arts and Anthropology</li> </ul> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• 1998-Date –Social Safeguards Officer</li> </ul> <p><b>Area of Responsibility</b></p> <p>Social Safeguards Officer</p>
	 <p>Municipal Engineer  Charles Sirincha Wambura</p>	<p>AGE:58</p> <ul style="list-style-type: none"> <li>• Degree Bphil Technology (Civil Eng)</li> <li>• Senior management course - KSG</li> <li>• Labour based roadworks - Kisii training Centre</li> <li>• Diploma in Civil Engineering</li> <li>• Higher National Diploma in construction (Structures)</li> </ul> <p><b>Work Experience</b></p> <p>Experience 25 years</p> <p><b>Area of Responsibility</b></p> <ul style="list-style-type: none"> <li>● Municipal Engineer</li> </ul>

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

### **Forward by the Chairperson of the Municipality of Kehancha Board**

As the Chairperson of the Municipality of Kehancha Board, I am pleased to present the Annual Report for the Fiscal Year 2023/2024. This year has been one of both progress and challenges for the municipality. Despite the financial and operational hurdles, we have made notable strides in several key areas that will enhance the quality of life for the residents of Kehancha.

One of our greatest successes has been the continued collaboration with development partners, such as the Africa Development Bank and the Lake Victoria South Water Development Agency. Together, we have secured crucial funding for a new water supply system for the municipality, a project that is currently in progress and will benefit thousands of residents. Additionally, our partnership with the Food and Agriculture Organization (FAO) provided vital training for our board members on land digital governance, which will improve our capacity to manage land resources in an efficient and transparent manner.

From an infrastructure standpoint, we initiated the construction of a parking facility for heavy commercial vehicles to ease congestion within the town. Although payment for this project has been delayed due to financial disbursement issues, we remain committed to seeing it through. Moreover, the launch of the Municipality of Kehancha website and social media platforms has greatly improved our communication and accountability to our stakeholders.

That said, we did face significant challenges. The delayed disbursement of funds from the exchequer impacted our ability to carry out planned projects within the desired timeliness. Staffing shortages further strained our ability to respond swiftly to operational demands, and delays in the procurement process hindered the timely execution of essential initiatives. These are lessons that we will carry forward into future planning and execution.

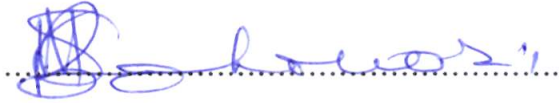
In the past year, there were no changes to the composition of the board or key management personnel. However, the board has been actively involved in policy reforms, notably contributing to the Kehancha Municipal Solid Waste Management Plan and the broader Migori County Solid Waste Management Policy. These reforms will ensure that our municipality is equipped with robust structures for sustainable development.

Looking ahead, our focus remains on addressing the challenges we encountered. We are prioritizing high-impact, low-cost projects, improving our procurement processes, and seeking additional partnerships with international bodies to support our long-term goals. I am confident that with these measures in place, we will overcome our current challenges and continue to build a stronger, more resilient municipality.

On behalf of the Municipality of Kehancha Board, I thank our staff, partners, and the residents for their continued support and trust. Together, we will achieve our vision for a prosperous and sustainable Municipality of Kehancha.

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

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**Name: Matiko Samson Bohoko**  
**Chairperson of the Board, Municipality of**  
**Kehancha**

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

### **Annual Report for Municipality of Kehancha for the Fiscal Year 2023/2024**

#### **Introduction**

In the fiscal year under review, the Municipality of Kehancha aimed to achieve significant development goals within its financial and operational constraints. The municipality had a projected total expenditure of KES 23,904,624, allocated as follows: KES 18,504,624 for recurrent expenditures and KES 5,400,000 for development expenditures. However, due to several challenges, the municipality faced delays in implementation and financial disbursements. This report highlights both the financial and non-financial performance, key achievements, challenges, and the risk mitigation measures put in place to ensure sustainable development.

#### **Financial Performance**

##### *Projected and Actual Expenditures*

The municipality had projected recurrent procurable expenditures amounting to KES 4,240,000, intended for the purchase of refined fuel and lubricants, computer and IT equipment, office renovations, staff uniforms, and catering services. However, by 30th June 2024, the actual performance of procurable recurrent expenditure stood at zero, due to delayed disbursement from the exchequer.

For non-procurable recurrent expenditures, the municipality had a projected budget of KES 14,264,624. Actual expenditure on non-procurable items as of 30th June 2024 was KES 14,169,337, representing 99.3% performance.

#### **Non-Financial Performance**

##### *Policy and Institutional Reforms*

To enhance governance and streamline municipal operations, the management developed several guiding documents, including the Private Sector and Non-State Engagement Framework and the Kehancha Municipal Grievance Redress Mechanisms, both of which were approved by the Migori County Assembly. Additionally, the municipality contributed to the development of the Kehancha Municipal Solid Waste Management Plan and the Migori County Solid Waste Management Policy, ensuring a structured approach to environmental management.

##### *Stakeholder Engagement and Partnerships*

Municipality of Kehancha continued its efforts to engage stakeholders effectively. A significant milestone was the municipality's collaboration with the **Africa Development Bank** and the **Lake Victoria South Water Development Agency** to organize stakeholder meetings for the new water supply system in Kehancha. The necessary funds for the project have since been secured, and implementation is ongoing.

Furthermore, the municipality partnered with the **Food and Agriculture Organization (FAO)** to train municipal board members on land digital governance, which is expected to enhance the municipality's capacity in land management.

#### *Infrastructure Development*

The municipality identified the need for increased space for heavy commercial vehicle parking and began constructing a dedicated parking facility. However, by 30th June 2024, payment for this project had not been made due to funding delays.

#### *Digital Communication*

To improve transparency and stakeholder engagement, the municipality launched a website and a Face-book page for Municipality of Kehancha. This low-cost digital initiative has enhanced communication, allowing stakeholders and the public to stay informed and engaged with the municipality's activities. It also serves as a platform for greater accountability.

#### **Key Challenges**

The municipality encountered several challenges during the year, including:

1. **Limited Budgetary Allocations:** The budget constraints made it difficult to execute planned projects effectively.
2. **Late Disbursement of Funds:** Delays in funds from the exchequer negatively impacted project timelines, especially for procurable expenditures.
3. **Inadequate Staff:** The municipality faced staffing shortages, hindering the timely implementation of decisions made by the municipal board.
4. **Delayed Procurement Process:** The procurement process, which should have been initiated in the first quarter, was delayed to the second quarter, further hampering project execution.

#### **Risk Mitigation Measures**

To address these challenges, the municipality has put forward the following risk management strategies:

- i. **Mitigating Limited Budgetary Allocations:**The municipality will focus on high-impact, low-cost initiatives that create long-term benefits, such as policy reforms and stakeholder engagement frameworks. It will also leverage on partnerships with external entities such as the **Africa Development Bank, FAO, and World Bank** to secure additional funding for critical infrastructure projects like water supply and sewerage systems.
- ii. **Addressing Late Disbursement of Funds:**The municipality will enhance its cash flow forecasting and develop phased project implementation schedules to align with expected disbursements from the exchequer, thereby reducing the risk of delays.
- iii. **Dealing with Inadequate Staff:**

**Capacity Building and Outsourcing:** The municipality will explore outsourcing services and utilizing consultants for short-term projects to address staffing shortages until the situation improves.

**Collaborative Efforts:** The municipality will strengthen partnerships with regional and international agencies to bring in technical expertise and resources.

**iv. Improving the Procurement Process:**

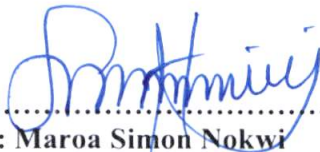
**Early Initiation of Procurement:** The municipality will aim to start the procurement process earlier by improving the planning cycle, preventing delays in the execution of projects.

**v. Stakeholder Communication:** The municipality will continue enhancing communication with stakeholders through its digital platforms to maintain transparency and foster trust, allowing the public to hold the municipality accountable for any delays or risks.

**vi) Sustainable Development** The municipality will ensure that the projects chosen, such as infrastructure development and public amenities, provide long-term benefits to the community. By prioritizing sustainable projects, the municipality aims to reduce the need for frequent maintenance, thereby mitigating financial risk.

**Conclusion**

Despite the challenges faced during the year, Municipality of Kehancha made significant progress in infrastructure development, policy reforms, and stakeholder engagement. The municipality's efforts to improve urban infrastructure, enhance governance, and foster collaboration will contribute to long-term sustainable development. By implementing the risk mitigation strategies outlined above, the municipality aims to overcome the challenges and deliver on its mandate effectively.



.....  
**Name: Maroa Simon Nokwi**  
**Municipal Manager, Municipality of Kehancha**

**7. Statement of Performance Against Predetermined Objectives for the FY 2023/2024**

**Introduction**

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

**a) Enhance Urban Governance and Administration**

Urban governance encompasses the management of city resources, with a focus on:

- Ensuring accountability, transparency, and citizen participation
- Managing municipal finances and budgets effectively
- Overseeing municipal employees and services
- Developing and enforcing local policies, laws, and regulations
- Encouraging public engagement and partnerships with stakeholders' good governance ensures that the municipality runs efficiently and meets its social and economic obligations.

**b) Provide quality physical infrastructure**

This involves the development and maintenance of infrastructure within the municipality, such as:

- Roads and transport networks
- Water and sanitation systems
- Street lighting
- Public buildings and recreational facilities
- Drainage systems

- Waste management facilities Ensuring that these infrastructures are of high quality and meet the community's needs is essential for fostering economic growth and improving residents' quality of life.

**c) Promote environmental management and conservation**

Environmental sustainability is crucial for urban areas. This includes:

- Managing waste, including recycling and reduction strategies
- Preserving natural resources such as parks, wetlands, and rivers
- Controlling pollution (air, water, soil)
- Promoting green spaces and tree planting
- Implementing sustainable urban development policies The goal is to balance development with environmental stewardship.

**d) promote municipal planning services**

Municipal planning is vital for organized growth and development, covering areas like:

- Land use and zoning regulations
- Urban design and development control
- Housing policies and affordable housing initiatives
- Public transportation planning
- Spatial planning to anticipate future needs Effective planning services ensure sustainable urban growth and prevent problems like overcrowding or unplanned settlements.
- Economic planning

Below we provide the progress on attaining the stated objectives:

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Administrative and support services						
Programme Name						
Objective	To improve the work environment, administration and governance					
Outcome	Improved service delivery					
Sub-Programme	Key Outputs	Key Performance Indicators	Targets			Remarks
			Baseline	Planned	Achieved	
Planning, administration and governance services	Board Meeting Minutes	No. of Board Meetings	4	4	4	Target met
	Board Committee Meeting minutes	No. of Board Committee Meetings	8	8	8	Target met
	Citizen Fora Reports	No. of Citizen Fora meetings	4	4	4	Target met
	Trained Municipal Staff and Board Members	No. of Municipal Staff and Board Member trained	2	4	8	The Municipal manager was trained on Senior Management at Kenya School of Government. The municipal

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						board members were trained on municipal governance
	Pear learning Event Reports	No. of Bench marking activities undertaken	0	2	1	Held a bench marking activity at Kisumu City on Urban management

<b>Programme Name</b>	<b>Infrastructure development</b>					
<b>Objective</b>	To improve basic services within the municipality					
<b>Outcome</b>	Enhanced basic service within the municipality					
<b>Sub-Programme</b>	<b>Key Outputs</b>	<b>Key Performance Indicators</b>	<b>Targets</b>			<b>Remarks</b>
			<b>Baseline</b>	<b>Planned</b>	<b>Achieved</b>	
Infrastructural Development services	Constructed Heavy commercial vehicle park phase 1	Percentage of work done	0	100	100	The works were completed but the contractor was not paid

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	Heavy commercial vehicle park feasibility study	Percentage of work done	0	100	100	The works were completed but the consultant was not paid
	Opened, Murrammed and Culvert installed road	-Number of Kilometres done.	4.7	5	0	The target was not met because of no budgetary allocation

<b>PROGRAMME NAME</b>	<b>Environmental Management and Conservation</b>					
<b>OBJECTIVE</b>	To improve cleanliness, preserve and conserve the environment					
<b>Outcome</b>	Enhanced Safety and Healthier Environment					
<b>Sub-Programme</b>	<b>Key Outputs</b>	<b>Key Performance Indicators</b>	<b>Targets</b>			<b>Remarks</b>
			<b>Baseline</b>	<b>Planned</b>	<b>Achieved</b>	
Environmental Preservation, Cleaning and Conservation Services	Tree seedlings planted	No. of Tree seedlings planted	0	200	0	The target was not met because of no budgetary

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						allocation
	Installed waste bins	No. of waste bins installed	0	50	0	The target was not met because of no budgetary allocation
	Clean streets and open public spaces	Area coverage per day in square metres	2,704,000 sq metres	2,704,000 sq metres	2,704,000 sq metres	Target met

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<b>Programme Name</b>	<b>Municipal Planning Services</b>					
<b>Objective</b>	To enhance land use planning, economic development and integrated planning					
<b>Outcome</b>	Properly guided and formalized development					
<b>Sub-Programme</b>	<b>Key Outputs</b>	<b>Key Performance Indicators</b>	<b>Targets</b>			<b>Remarks</b>
			<b>Baseline</b>	<b>Planned</b>	<b>Achieved</b>	
Policies, plans and bi-laws review and development	Prepared Kehancha Integrated Development Plan (IDeP)	Percentage of works done	0	100	100	The IDeP was prepared and approved by the county assembly
	Prepared Annual Urban Investment Plan(AUIP)	Percentage of works done	0	100	100	The AUIP was prepared and adopted by the Board

a) **Sub-sector Challenges**

- **Inadequate physical infrastructure;** Most Municipal Infrastructure has not been adequately maintained. Roads, storm water drainage, and other social amenities, require proper rehabilitation to keep them at desirable state.
- **Development control;** There is a weak enforcement of building regulations, resulting in poor housing and estate development.

- **Traffic Management and Control;** There is a rapid increase in number of lorries and tractors within the major municipal towns such as Kehancha that causes congestion and accidents, inadequate parking space and low adherence to traffic regulations by motorists.
- **Inadequate capacity for Waste Management:** With respect to solid and liquid waste management there is lack of sewerage system, lack of liquid waste treatment system, inadequate management of waste collection and disposal due to lack of garbage collection vehicles.

b) Emerging Issues

- **Urbanization Pressure:** Rapid population growth increasing demand for housing, infrastructure, and services.
- **Technology Integration:** The need to incorporate smart technologies in urban management and service delivery.
- **Climate Change Impact:** Increased frequency of extreme weather events affecting infrastructure and livelihoods.
- **Public Health:** Rising concerns about public health due to poor sanitation and lack of clean water.
- **Youth Unemployment:** Growing unemployment rates among the youth, leading to social and economic challenges.
- **Community Participation:** Increasing demand for greater public involvement in decision-making processes.

c) Lessons Learnt

- **Community Engagement is Key:** Successful implementation of development projects requires active community participation.
- **Sustainable Planning:** Long-term, sustainable urban planning is essential to manage growth and environmental challenges effectively.
- **Collaboration with Stakeholders:** Working closely with government agencies, Non Governmental Organizations (NGOs), and private sector partners enhances project success.
- **Adapting to Change:** Flexibility in planning and project execution is crucial to address emerging challenges effectively.
- **Capacity Building:** Continuous training and capacity building of municipal staff improve service delivery and project management.

d) **Recommendations**

- **Increase Budget Allocation:** Advocate for increased financial resources to support infrastructure development and maintenance.
- **Enhance Urban Planning:** Implement stricter zoning regulations and enforce urban planning guidelines to manage urban growth.
- **Strengthen Waste Management:** Invest in waste management infrastructure and promote community awareness on waste disposal.
- **Promote Environmental Conservation:** Develop and implement policies focused on environmental sustainability and climate change adaptation.
- **Leverage Technology:** Integrate technology in public service delivery and urban management to improve efficiency.
- **Boost Public Service Delivery:** Streamline processes, reduce bureaucracy, and improve responsiveness to public needs.
- **Youth Empowerment Programs:** Develop programs aimed at reducing youth unemployment through skills training and entrepreneurship support.
- **Improve Community Involvement:** Enhance mechanisms for public participation in planning and decision-making processes.

### **Risk Management Strategies**

The Municipality identified and undertook an assessment of impending risks to effective and efficient operations. These risks are environmental, political, organizational, operational, financial and technological in nature and affect implementation of programmes and its outcomes. The foregoing risks call for accountability, monitoring and reporting on mitigation factors so as to ensure a prosperous Municipality. Using the Low, Medium and High risk ranking on the basis of Likelihood and impact, the significant risks are highlighted as follows:

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Key Risks	Likelihood (H/M/L)	Impact (H/M/L)	Contingency Plan/ Steps to Mitigate Risk	Person(s) Responsible
Political instability and Insecurity (e.g. election unrest, terrorism etc.)	Low	High	<ul style="list-style-type: none"> <li>Utilizing already existing county government structures, national government and other key actors</li> </ul>	Office of the Governor
Limited Financial Resources	Medium	High	<ul style="list-style-type: none"> <li>Development of sustainable income generating programmes</li> </ul>	CEC and Chief Officer
Insufficient collaboration, cooperation and strategic partnerships with relevant stakeholders (PPP)	Medium	High	<ul style="list-style-type: none"> <li>Enhancing partnerships with various stakeholders</li> </ul>	Municipality Board/ CEC
Few technical staff	Medium	High	<ul style="list-style-type: none"> <li>Identifying, developing and retaining the requisite human resources to support the strategy implementation</li> <li>Provide a competitive remuneration and benefits policy</li> </ul>	Public Service Board
Rapid technological advancement	Medium	High	<ul style="list-style-type: none"> <li>Integrating information and communication technologies in the processes of services provision</li> </ul>	Directors

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Resistance to change	Medium	High	<ul style="list-style-type: none"> <li>• Employee engagement; highly directed, engaged, mobilized county officers</li> <li>• Team building for staff and the Board</li> <li>• Communicating the vision and strategy to all effectively</li> </ul>	Municipal Manager
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## **8. Corporate Governance Statement**

### **I.Process of Appointment of Board Members and Removal of Directors**

The members of the Kehancha Municipal Board were appointed in accordance with Section 11 of the Urban Areas and Cities (Amendment) Act, 2019. Following their nomination, the names of the nominees were submitted to the Migori County Assembly for vetting and subsequent approval. The names were finally gazetted on 6<sup>th</sup> April 2023.

The procedure for the removal of Board Members is governed by Section 18 of the Urban Areas and Cities Act, 2011, which outlines the specific criteria and process for such actions.(1) A person may be removed from the office of chairperson, vice chairperson or a member of the board on any of the grounds provided under section 16 (a),

(b), (c), (e), (f), (g), (h), (i) and (j)—

(a) A person may be removed under subsection (1);

(b) by the county governor;

(c) by the board, supported by the vote of at least two-thirds of the members of the board; or

(d) upon petition by the residents of a city or municipality.

(3) A resident of a city or municipality may file a writing petition with a board for the removal of a chairperson or vice chairperson.

(4) The procedure for the removal or petition for removal of a chairperson or vice chairperson under subsections (1) and (2) shall be provided by regulations.

### **ii. Roles And Functions Of Kehancha Board Members**

Pursuant to Article 184 of the Constitution of Kenya, section 48 (1) (a) of the County Governments Act, 2012, sections 9 (1) and Section 20 of the Urban Areas and Cities Act, 2011 and section 6 of the Kehancha Municipal Charter, the Governor, Migori County transferred the under listed functions to Kehancha Municipal Board—

Oversee the affairs of Municipality of Kehancha;

Develop and adopt policies, plans, strategies and programmes, and set targets for delivery of services;

Formulate and implement integrated development plan;

Maintain a comprehensive database and information system of the administration and provide public access thereto upon payment of a nominal fee to be determined by the board;

Administer and regulate its internal affairs;

Implement applicable national and county legislation;

Enter into such contracts, partnerships or joint ventures as it may consider necessary for the discharge of its functions as required under the law;

(h) monitor and, where appropriate, regulate municipal services where those services are provided by service providers other than the board of the municipality; (i) prepare its budget for approval by the county executive committee and administer the budget as approved;

(j) monitor the impact and effectiveness of any services, policies, programmes or plans;

(k) establish, implement and monitor performance management systems;

(l) facilitate and regulate public transport;

(m) promote a safe and healthy environment; and

(n) perform such other functions as may be delegated by the county government or as may be provided for by any written law. The transfer of the above functions took effect immediately.

### **iii. Induction and Training of Municipality Board Members and Member's Performance**

As at the time of establishment of the board the County government of Migori through the department of Physical Planning and urban development conducted induction exercises to board members. The induction focused on the following areas:

- Roles/functions of the Municipal Board
- Relationship between the Municipal Board and County government departments/other devolve units
- Structure of Kenya Urban Support Program

In the financial year under review board members were taken through two trainings which focused on formulation of By-laws and preparation of various municipal plans.

### **iv. Number of Municipality Board Meetings Held and The Attendance to Those Meetings By Members**

In the 2023/2024 financial year, the Kehancha Municipal Board held a total of 4 board meetings. Additionally, the Board operates through four committees: the Finance and General-Purpose Committee, Planning and Implementation Committee, Human Resource and Gender Committee, and Environment Committee. The committees held a total of 8 committee meetings. The attendance is on average is a hundred percent.

### **v. Succession Plan**

As per the applicable law the board of municipality shall be body corporate with perpetual succession and common seal. Each member of the board shall hold office for a term of five years, on part time basis. However, the appointing authority considers staggering of the contracts to preserve institutional memory.

### **vi. Existence of A Service Charter**

Municipality of Kehancha's service charter, gazetted on 15th February 2023, serves as the foundation for the town's designation as a municipality. The charter outlines the framework for how

the municipality's operations are conducted, providing clear guidelines for service delivery and governance.

**vii. Board Remuneration**

As per the law the Board Members are not entitled to salaries since they work on part-time basis. However, the individual members are being paid sitting and lunch allowances as per the circular from Salaries & Remuneration Commission dated 27<sup>th</sup> February, 2019 Ref: SRC/TS/CG/3/61/19 (38)

## 9. Management Discussion and Analysis

This report provides an overview of the operational and financial performance of Municipality of Kehancha for the financial year ended 30th June 2024, covering key projects, statutory compliance, risks, material arrears, and other relevant information.

### a) Operational and Financial Performance

#### Operational Performance:

During the year, Municipality of Kehancha undertook significant projects that enhanced infrastructure, governance, and community engagement. Key operational achievements include:

- **Construction of a heavy commercial park:**  
The construction was meant to provide parking space to heavy commercial vehicles rapid thereby reducing congestion and accidents at Kehancha Central Business District.
- **Carried out feasibility on the construction of a heavy commercial vehicle:**  
This was meant to minimize risks and ensure successful project outcome.
- **Waste Management and Environmental Initiatives:**  
The clean-up campaigns and activities contributed to improved public sanitation.
- **Community Engagement:**  
Through regular citizen fora, the Municipality engaged residents in decision-making processes, enhancing transparency and accountability.
- **Governance and Planning:**  
The Municipality prepared and adopted several key documents, including the **Integrated Development Plans (IDePs)** and **Draft By-laws** aimed at improving urban management and regulation.

#### Financial Performance:

Despite these achievements, the Municipality faced financial challenges due to delayed disbursements from the national government, affecting project timelines.

### b) Key Projects or Investment Decisions Implemented or Ongoing

1. **Development of Integrated Development Plans (IDeP):**  
Comprehensive planning documents were developed to guide the long-term urban development. These plans outline priority areas, such as infrastructure, housing, and environmental sustainability.
2. **Draft By-laws:**  
The Municipality developed draft by-laws aimed at improving urban governance in terms of

regulating business activities, public conduct and municipal services. These by-laws are pending approval.

**3. Funding Proposal to the World Bank:**

The Municipality submitted a proposal to the World Bank seeking funding for infrastructure development and waste management projects. This proposal is a key step in securing external support for critical initiatives.

**4. Ongoing Construction and Waste Management Initiatives:**

Phase two of the of Kehancha Heavy Commercial Vehicle Park is in the planning stages, and the Municipality continues to prioritize waste management improvements through public-private partnerships.

**c) Compliance With Statutory Requirements**

Municipality of Kehancha adhered to statutory requirements, including financial reporting, environmental regulations, and procurement laws. The development of Integrated Development Plans (IDeP) and by-laws was aligned with national urban planning standards, and annual financial audits were conducted to ensure transparency and accountability. However, challenges like delayed fund disbursements impacted the timely fulfilment of statutory obligations.

**d) Major Risks Facing the Municipality and Material Arrears**

Major Risks:

**1. Financial Strain and Accumulation of Pending Bills:**

The accumulation of pending bills has resulted in operational delays and strained relationships with contractors. Resolving these arrears is a priority to maintain service delivery.

**2. Urbanization Pressure:**

Rapid urbanization is exerting pressure on the Municipality's infrastructure and services, highlighting the need for comprehensive planning and resource mobilization.

**3. Waste Management:**

Waste management remains a challenge, with inconsistent disposal practices and insufficient public awareness posing environmental and health risks.

Material Arrears:

As of 30th June 2024, the Municipality's outstanding bills totalled KES 9,620,020, including payments for recurrent procurable and development expenditure.

**e) Other Relevant Information**

- **External Funding Efforts:**

The funding proposal submitted to the World Bank marks a significant effort to secure international funding for key projects. This external support is critical for addressing the Municipality's financial shortfalls.

- **Public-Private Partnerships:**

The Municipality is exploring public-private partnerships (PPPs) to improve service delivery, particularly in waste management and infrastructure development.

- **Urban Sustainability Initiatives:**

Plans to enhance waste recycling efforts and promote eco-friendly practices on solid waste management are ongoing.

**Conclusion**

Municipality of Kehancha made significant progress in infrastructure, governance, and community engagement during the 2023/2024 financial year. However, financial constraints, pending bills, and rapid urbanization pose ongoing challenges. Moving forward, the Municipality will focus on resolving financial obligations, diversifying revenue sources, and strengthening urban planning to ensure sustainable growth.

## **10. Environmental and Sustainability Reporting**

### **i. Sustainability strategy and profile**

The Municipality of Kehancha core mandate is to provide essential public services, including infrastructure development, waste management, urban planning, and environmental conservation. The Municipality's sustainability strategy is built on the principle of delivering long-term services while conserving resources for future generations. This includes reducing the environmental impact of operations, promoting public health, and engaging the community in sustainable development initiatives.

Sustainability in this context is about maintaining the capacity of Kehancha Municipality to continue delivering public services efficiently over the long term while adapting to emerging political, economic, and environmental challenges. The Municipality's leadership, particularly the Accounting Officer, is committed to ensuring that sustainability considerations are embedded in strategic decision-making processes. This commitment aligns with international best practices such as the United Nations Sustainable Development Goals and Kenya's Vision 2030, with a focus on reducing inequality, promoting environmental conservation, and ensuring economic stability.

During the 2023/2024 financial year, the Municipality made significant strides in improving public infrastructure and environmental management, although financial constraints and the rapid pace of urbanization presented challenges. Moving forward, the focus will be on enhancing community engagement, improving waste management systems, and expanding partnerships with development stakeholders to promote sustainable urban growth.

### **ii. Environmental Performance**

#### **Environmental Policy and Practices:**

Municipality of Kehancha's environmental policy focuses on sustainable urban development, waste management, conservation of natural resources, and pollution control. The policy is anchored on principles of reducing the environmental footprint of municipal operations and promoting eco-friendly practices across the community. This year, the Municipality implemented initiatives to promote recycling, reduce plastic waste, and increase green spaces in urban areas.

#### **Success:**

Regular clean-up campaigns were conducted in collaboration with local communities, reducing littering and illegal dumping.

**Shortcomings:**

- Waste management remains a challenge, particularly in informal settlements where waste disposal practices are inconsistent.
- The Municipality still lacks garbage collection vehicles, an efficient recycling system, and efforts to reduce reliance on single-use plastics are ongoing but need to be scaled up.

**Efforts to Manage Biodiversity:**

The Municipality is actively working on maintaining the available trees and is planning to plant more including plans for providing a Public Recreational Park at Kehancha Central Business District. Tree planting programs and the preservation of existing natural habitats are part of ongoing efforts to promote biodiversity.

**Waste Management Policy:**

The municipality has a waste management policy focused on reducing landfill waste, promoting recycling, and improving waste collection systems. The Municipality is exploring partnerships with private waste management companies to improve efficiency and expand recycling programs.

**iii. Employee Welfare**

**Hiring and Gender Ratio:**

The Municipality's hiring policy emphasizes inclusivity, with a focus on achieving gender balance across all departments. Currently, the Municipality aims for at least 30% female representation in its workforce, in line with Kenya's public sector guidelines. Stakeholder engagement is key in the recruitment process, ensuring that local community needs and employment equity are considered.

**Skills Development and Career Management:**

Efforts have been made to improve employee skills through regular training sessions and workshops. These initiatives focus on building capacity in urban planning, waste management, and environmental conservation. The Municipality's career development policy includes regular appraisals, which inform promotions and reward systems.

**Occupational Safety and Health:**

The Municipality complies with the **Occupational Safety and Health Act of 2007 (OSHA)**, providing a safe working environment for all employees. Regular safety audits are conducted, and employees receive training on workplace safety practices. The Municipality has established protocols for managing occupational hazards, ensuring the health and well-being of staff.

**iv) Market Place Practices**

**a) Responsible Competition Practices:**

Municipality of Kehancha operates with a strong commitment to transparency and integrity in its business dealings. Anti-corruption policies are strictly enforced, with regular audits conducted to ensure accountability. The Municipality also avoids involvement in political activities and promotes fair competition in public tenders and procurement processes.

**b) Responsible Supply Chain and Supplier Relations:**

The Municipality maintains strong relations with its suppliers by adhering to contractual agreements and ensuring timely payment for services rendered. However, delayed national government disbursements have caused some payment delays, which the Municipality is addressing through structured payment plans. Ensuring good business practices with all stakeholders remains a priority.

**c) Responsible Marketing and Advertisement:**

The Municipality adheres to ethical standards in all its communications and marketing, ensuring that information provided to the public is accurate, fair, and transparent. Public notices and tender announcements follow ethical guidelines, ensuring fairness and clarity in messaging.

**d) Product Stewardship:**

The Municipality is committed to safeguarding the rights of its residents by ensuring that public services are delivered efficiently and that consumer feedback is incorporated into service improvements. This stewardship includes maintaining public infrastructure, promoting environmental sustainability, and ensuring the well-being of the community.

**v) Community Engagements**

**Community Social Responsibility (CSR):**

The Municipality has actively engaged the community through various CSR initiatives aimed at promoting social welfare and environmental sustainability. Key CSR activities include:

- **Clean-up campaigns:**

The Municipality organized several clean-up exercises in collaboration with local youth groups and community organizations, contributing to cleaner streets and public spaces.

- **Education and Training Programs:**

The Municipality partnered with local educational institutions to offer training on environmental conservation, waste management, and sustainable urban development.

- **Healthcare and Sanitation Initiatives:**

In collaboration with local health centres, the Municipality ran public health campaigns focusing on sanitation and disease prevention, improving community health outcomes.

**Sports and Youth Empowerment:**

The municipality supports local sports events as part of its commitment to youth empowerment and community well-being such as football competition. These initiatives foster community spirit and provide platforms for young people to engage in productive activities.

**Water and Sanitation:**

Efforts to improve water access and sanitation in informal settlements are ongoing, with the Municipality collaborating with Lake Victoria South Water Works to secure funds from Africa Development Bank for water infrastructure development to improve access to clean water and adequate sanitation facilities for all residents.

**Conclusion**

The Municipality remains committed to sustainable development, environmental stewardship, and community engagement. Although challenges such as financial constraints and waste management persist, the Municipality is making steady progress in delivering services that promote long-term sustainability. By aligning its efforts with national and international best practices, Municipality of Kehancha aims to enhance the quality of life for all its residents while ensuring a sustainable urban future.

## **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, 2024 which show the state of the Municipality affairs.

### **Principal activities**

The principal activities of the Municipality are as contained in the section 20 of Urban areas and Cities Act, 2011 and Kehancha Municipal Charter

### **Performance**

The performances of the Municipality for the year ended June 30, 2024 are set out under the report of the Municipal Manager.

### **Board Members**

The members of the Board who served during the year under review are shown under the key entity information and management page. The changes in the Board during the financial year are as shown below:

#### **Board Members**

1. Matiko Bohoko Samson - Chair person
2. Anne Otaigo Magoko - Vice Chairperson
3. Omahe Thomas Mwita -Member
4. Brig (Rtd) James Magige Gitiba, EBS - Member
5. Mary Mwita Awino - Member
6. Peter Mwita Maroa -Member
7. Pius Makuri Mwita - Member
8. Maroa Simon Nokwi- Municipal Manager

### **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.

OR By Order of the Board

.....

**Maroa Simon Nokwi**

**Municipal Manager, Municipality of Kehancha**

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

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

The Municipality of Kehancha 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 Municipality of Kehancha Manager has assessed the Municipality of Kehancha's ability to continue as a going

concern and 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 of Kehancha Manager to indicate that the Municipality of Kehancha will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Municipality of Kehancha financial statements were approved by the Board and signed on its behalf by:



**Name: Mr. Samson Matiko Bohoko**  
**Chairperson of the Board**



**Name: Maroa Simon Nokwi**  
**Municipality Accounting officer**

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF KEHANCHA FOR THE YEAR ENDED 30 JUNE, 2024 – COUNTY GOVERNMENT OF MIGORI**

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### 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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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 aim to address the Auditor-General's statutory roles and responsibilities 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

#### **Opinion**

I have audited the accompanying financial statements of Municipality of Kehancha set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2024, and the statement of financial performance, statement of changes in net

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*Report of the Auditor-General on Municipality of Kehancha for the year ended 30 June, 2024 – County Government of Migori*

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, the financial statements present fairly, in all material respects, the financial position of Municipality of Kehancha as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Emphasis of Matter**

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

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.23,904,624 and Kshs.14,169,373 respectively, resulting in underfunding of Kshs.9,735,251 or 41% of the budget. Further, the statement reflects development expenditure budget of Kshs.5,400,000 which was not utilized.

The underfunding affected planned activities and may have adversely affected delivery of services to the residents of Kehancha Municipality.

My opinion is not modified in respect of this matter.

### **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. There were no key audit matters to report in the year under review.

### **Other Information**

The Management is responsible for the Other Information set out on pages iii to xlii which comprises Key Entity Information and Management, Municipality Board, Key Management Team, Municipality Board Chairperson's Report, Report of the Municipal

Manager, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environment 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 Municipality of Kehancha 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 and 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. Non-Collection of Own Generated Revenue**

The statement of financial performance indicates that the Municipality was financed solely through revenue allocated by the County Government, contrary to Section 172(a) of Public Finance Management Act, 2012, which states that an urban area or city may also be funded through revenue arising from rates, fees, levies, charges and other revenue raising measures which is retained by the urban area'. Further, conferment of municipal status may have been made without satisfying the criterion of demonstrable revenue collection or revenue collection potential, contrary to Section 9(3)(c) of the Urban Areas and Cities Act, 2011. As a result, the Municipality may not achieve its set objectives.

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

#### **2. Failure by the County Government of Migori to Transfer Functions to Kehancha Municipality**

The Municipality of Kehancha was given a charter on 15 February, 2023 and consequently a board was formed. However, review of the functions of the Municipality vis-à-vis the functions of the Board as per Gazette Notice No. 15640 of

17 November, 2023, which transferred the functions of overseeing the affairs of the Municipality of Kehancha from the County Executive to the Municipality, revealed that these functions were being performed by the County Executive of Migori. The functions include managing refuse collection, solid waste management services, provision of water and sanitation infrastructure, Municipal infrastructure, enforcing municipal plans, provision of administrative services, and collection of revenue.

In the circumstances, the County Executive of Migori 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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. Lack of Internal Audit Function**

Management did not provide evidence of existence of internal audit functions such as internal audit reports, internal audit charter and internal audit work plan. As a result, there was no review of governance structures, value for money and risk-based audits. There was also no verification of internal controls and assets of the Municipality.

In the circumstances, the effectiveness of internal controls and risk management in the Municipality could not be confirmed.

#### **2. Lack of Risk Management Policy**

Management had not developed a risk management policy or documented strategies for identifying risks that may have potential effects on the operations of the Municipality. Therefore, the Municipality may have challenges in identifying and mitigating instances of fraud, theft cases and lapses in internal processes during operations.

In the circumstances, the effectiveness of risk management in the Municipality 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 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**

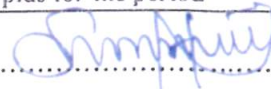
**03 December, 2025**

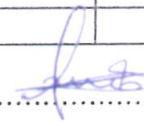
*Municipality of Kehancha  
County Government of Migori  
Annual Report and Financial Statements for the year ended June 30, 2024*

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

The notes set out on pages 16 to 21 form an integral part of these Financial Statements. The entity financial statements were approved on 27<sup>th</sup> September 2024 and signed by:

	Notes	2023/24	2022/23
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from County Government	6.	14,169,373	-
<b>Total revenue</b>		<b>14,169,373</b>	<b>-</b>
Expenses			
Use of Goods & Services	7	11,381,337	-
Board Expenses	8	2,788,000	-
<b>Total expenses</b>		<b>14,169,337</b>	<b>-</b>
<b>Surplus for the period</b>		<b>36</b>	<b>-</b>

.....  
  
 Name: Maroa Simon Nokwi  
 Municipality Manager

.....  
  
 Name: Benson Masero  
 Head of Finance  
 ICPAK M/No 26677  
 Date:

County Government of Migori  
Municipality of Kehancha  
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15. Statement of Financial Position As At 30 June 2024

	Note	2023/24	2022/23
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	36	-
<b>Non-Current Assets</b>			
<b>TOTAL ASSETS</b>		<b>36</b>	<b>-</b>
<b>Net Assets</b>			
Capital /Development Grants/Fund		-	-
Accumulated Surplus		36	-
<b>Total net assets and liabilities</b>		<b>36</b>	<b>-</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27<sup>th</sup> September 2024 and signed by:



Name: Maroa Simon Nokwi

Municipality Manager

Date:



Name: Benson Masero

Head of Finance

ICPAK M/No 26677

Date:

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

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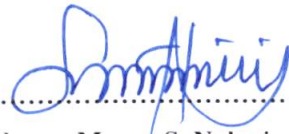
16. Statement of Changes in Net Assets For the Year Ended 30 June 2024

DETAILS	CAPITAL/DEVELOPMENT GRANTS/FUND	ACCUMULATED SURPLUS	TOTAL
		Kshs.	Kshs.
Balance as at 01 July 2023	-	-	-
Surplus/(deficit) for the period	-	36	36
Balance as at 30 June 2024	-	36	36

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

		2023/24	2022/23
		Kshs.	Kshs.
<b>Receipts</b>			
Transfers from County Government		14,169,373	-
<b>Total Receipts</b>		<b>14,169,373</b>	<b>-</b>
<b>Payments</b>			
Use of Goods & Services		11,381,337	-
Board Expenses		2,788,000	-
<b>Total Payments</b>		<b>14,169,337</b>	<b>-</b>
<b>Net Cash flows from operating activities</b>	10	<b>36</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Property Plant and Equipment		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>36</b>	<b>-</b>
Cash and cash equivalents at 1 July 2023	9	-	-
<b>Cash and cash equivalents at 30 June 2024</b>	<b>9</b>	<b>36</b>	<b>-</b>



Name: Maroa S. Nokwi  
Municipality Manager  
Date:



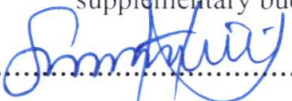
Name: Benson Masero  
Head of Finance  
ICPAK M/No 26677  
Date:

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

	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	KShs	
Transfers from County Government	19,694,624	4,210,000	23,904,624	14,169,373	9,735,251	59%
<b>Total income</b>	<b>19,694,624</b>	<b>4,210,000</b>	<b>23,904,624</b>	<b>14,169,373</b>	<b>9,735,251</b>	<b>59%</b>
Expenses						
Use of Goods & Services	14,294,624	-2,090,000	12,204,624	11,381,337	823,287	93%
Board Expenses	-	6,300,000	6,300,000	2,788,000	3,512,000	44%
<b>Total expenditure</b>	<b>14,294,624</b>	<b>4,210,000</b>	<b>18,504,624</b>	<b>14,169,337</b>	<b>4,335,287</b>	<b>77%</b>
Capital Expenditure	-	-	5,400,000	-	5,400,000	-
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36</b>	<b>(36)</b>	<b>-</b>

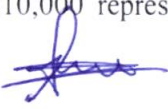
**Budget notes**

- i. Reasons for percentage (%) utilization of 59% for transfers from the County Government; Major reason is non and late disbursements of funds from national treasury making it difficult to execute the activities as planned.
- ii. The non-receipt of the budgeted development expenditure was occasioned by delayed exchequer releases.
- iii. The underutilization of Board expenses by 56% was as a result of delayed disbursement of funds from the exchequer.
- iv. The changes between the original and final budget of Kshs 4,210,000 represent increase in the budget obtained through supplementary budget process.



Name: Marqa S. Nokwi

Municipality Manager



Name: Benson Masero

Head of Finance

ICPAK M/No 26677

*County Government of Migori  
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Date:

**Budget Reconciliation**

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	36
Closing Cash and Cash Equivalent as per the statement of Cash flows	36

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

### **1. General Information**

#### **Overview**

Municipality of Kehancha, located in Migori County, is the newest municipality established in accordance with the Urban Areas and Cities Act, 2011. The creation of Municipality of Kehancha aims to improve service delivery and ensure equitable distribution of county resources to the residents. This is a significant step toward enhancing urban management and development in the region.

#### **Establishment**

The Municipality of Kehancha met the criteria outlined in the Urban Areas and Cities Act, qualifying it for municipal status. On February 15, 2023, His Excellency Hon. Dr. Ochilo Ayacko, the Governor of Migori County, officially granted the Municipal Charter to Municipality of Kehancha. The charter empowers the municipality to function as a legally recognized entity, exercising local governance responsibilities to better serve the community.

#### **Legal Framework**

The Municipality operates under the authority of Section 9(1) of the Urban Areas and Cities Act, 2011, supported by Section 72 of the Interpretations and General Provisions Act (Chapter 2). This legal framework provides for the establishment of urban areas that meet the necessary population thresholds and criteria, ensuring effective urban governance.

#### **Governance Structure**

Municipality of Kehancha is managed by a Board, which was duly constituted as per the provisions of the Urban Areas and Cities Act. The Board functions as a corporate entity with perpetual succession and a common seal, enabling it to manage its affairs effectively. The Board members were officially gazetted on April 6, 2023.

The Board is responsible for setting policies, overseeing the implementation of projects, and ensuring that services are efficiently delivered to the residents. Additionally, the Municipality has a Municipal Manager tasked with operationalizing activities and overseeing the day-to-day management of the municipality.

#### **Key Objectives**

- Provide better public services to the residents of Kehancha.
- Promote planned urban development, infrastructure, and social services.
- Distribute county resources equitably.
- Encourage sustainable economic growth within the municipality.
- Foster community participation in local governance.

#### **Development Plans**

With its new status, Municipality of Kehancha is poised to benefit from enhanced investment in infrastructure, such as roads, markets, water, and sanitation services. It will also focus on improving healthcare, education, and other essential public services for its rapidly growing population.

## **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 Municipality of Kehancha 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 Municipality of Kehancha.

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

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

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

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43: Leases	<b>Applicable 1<sup>st</sup> January 2025</b> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b>Applicable 1<sup>st</sup> January 2025</b> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	<b>Applicable 1<sup>st</sup> January 2025</b> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	<b>Applicable 1<sup>st</sup> January 2025</b> The objective of this standard was to improve measurement guidance across IPSAS by:

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

**iii. Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year.

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

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

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

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

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

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

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

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

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

The original budget for FY 2023/2024 was approved by the County Assembly on 21<sup>st</sup> June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality recorded additional appropriations of Ksh.4,210,000 in the first supplementary estimate following the governing body's approval on 3<sup>rd</sup> Oct 2023.

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 14 of these financial statements.

**c) Property, plant and equipment**

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

**d) Intangible assets**

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

**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.

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

**Financial assets**

**Classification of financial assets**

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

### **Subsequent measurement**

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

### **Amortized cost**

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

### **Fair value through net assets**

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 labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

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

**g) Provisions**

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

**h) Social Benefits**

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

**i) Contingent liabilities**

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

**j) Contingent assets**

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

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

**k) Nature and purpose of reserves**

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

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

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

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

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

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

**p) Related parties**

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

**q) Cash and cash equivalents**

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

**r) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**s) Events after the reporting period**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue.

Two types of events can be identified:

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

(b) Those that are indicative of conditions that arose after the reporting date

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

**t) Currency**

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

## **5. Significant judgments and sources of estimation uncertainty**

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

State all judgements, estimates and assumptions made.

### **Estimates and assumptions.**

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

### **Useful lives and residual values**

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

The condition of the asset based on the assessment of experts employed by the Municipality.

(i)The nature of the asset, its susceptibility and adaptability to changes in technology and processes.

(ii)The nature of the processes in which the asset is deployed.

(iii)Availability of funds to replace the asset.

(iv)Changes in the market in relation to the asset.

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Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2023-2024	FY 2023-2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	14,169,373	-
<b>Total</b>	<b>14,169,373</b>	<b>-</b>

(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	FY 2022-2023
			Kshs	Kshs	Kshs
County Government of Migori	14,169,373	-	-	14,169,373	-
<b>Total</b>	<b>14,169,373</b>	<b>-</b>	<b>-</b>	<b>14,169,373</b>	<b>-</b>

7. Use of Goods and Services

Description	2023/24	2022/23
	Kshs.	Kshs.
Utilities, supplies and services	678,599	-
Communication, supplies and services	175,500	-
Domestic travel and subsistence	9,790,409	-
Printing, advertising, supplies & services	411,220	-
Hospitality supplies and services	156,844	-
Specialized materials and services	154,250	-
Routine maintenance – other assets	9,600	-
Bank Charges	4,915	-
<b>Total</b>	<b>11,381,337</b>	<b>-</b>

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**8. Board expenses**

Description	2023/24	2022/23
	Kshs.	Kshs.
Sitting allowances	1,908,000	-
Induction and Training	840,000	-
Travel and accommodation	40,000	-
<b>Total</b>	<b>2,788,000</b>	<b>-</b>

**9. Cash and cash equivalents**

Description	2023/24	2022/23
	Kshs.	Kshs.
Current account	36	-
<b>Total cash and cash equivalents</b>	<b>36</b>	<b>-</b>

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

Financial institution	Account number	2023/2024FY	2022/2023 FY
		Kshs.	Kshs.
<b>Current account</b>			
Kenya Commercial bank	1315961830	36	-
<b>Sub- total</b>		<b>36</b>	<b>-</b>
<b>Grand total</b>		<b>36</b>	<b>-</b>

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**10. Cash generated from operations**

Description	2023/2024 FY	2022/2023 FY
	Kshs.	Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	<b>36</b>	-
<b>Adjusted for:</b>		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	<b>36</b>	-

**11. 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	2023/2024 FY	2022/2023 FY
	Kshs.	Kshs.
Transfers from County Government	14,169,373	-

**c) Key management remuneration**

Description	2023/2024 FY	2022/2023 FY
	Kshs.	Kshs.
Board Members	2,788,000	-
<b>Total</b>	<b>2,788,000</b>	-

## 12. Financial risk management

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

### I. Credit risk

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

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

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June 2024</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	36	-	-	-
<b>Total</b>	<b>36</b>	-	-	-
<b>At 30 June 2023</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

## **II. Liquidity risk management**

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

### **III. Market risk**

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

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

### **IV. Foreign currency risk**

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

**V. Interest rate risk**

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

**Management of interest rate risk**

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

**VI. Capital risk management.**

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

**20. Appendices**

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

The Municipality of Kehancha is being audited for the first time and therefore there are no prior audit issues raised by the external auditor, and management has nothing to comment on.