

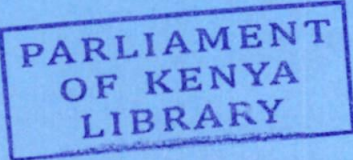
REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**



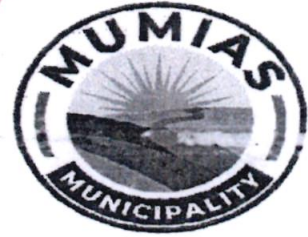
**THE AUDITOR-GENERAL**

**ON**

**MUMIAS MUNICIPALITY**

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

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



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**MUMIAS MUNICIPALITY**  
**County Government of Kakamega**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**30<sup>TH</sup> JUNE 2024**

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

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

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1.	<i>Acronyms and Definition of Key Terms</i> .....	iv
2.	<i>Key Entity Information and Management</i> .....	v
3.	<i>Municipality Board</i> .....	ix
4.	<i>Key Management Team</i> .....	xiii
5.	<i>Municipality Board Chairperson's Report</i> .....	xiv
6.	<i>Report Of the Municipality Manager</i> .....	xvi
7.	<i>Statement of Performance against Predetermined Objectives for the FY 2023/2024</i> .....	xix
8.	<i>Corporate Governance Statement</i> .....	xx
9.	<i>Management Discussion and Analysis</i> .....	xxii
10.	<i>Environmental And Sustainability Reporting</i> .....	xxv
11.	<i>Report of the Municipality Board Members</i> .....	xxx
12.	<i>Statement of Management's Responsibilities</i> .....	xxxii
13.	<i>Report of the Auditor General on the financial statements of Kakamega County Mumias Municipality</i> .....	xxxiii
14.	<i>Statement of Financial Performance for The Year Ended 30 June 2024</i> .....	1
15.	<i>Statement of Financial Position As At 30 June 2024</i> .....	2
16.	<i>Statement of Changes in Net Assets For the Year Ended 30 June 2024</i> .....	3
17.	<i>Statement of Cash Flows for The Year Ended 30 June 2024</i> .....	4
18.	<i>Statement of Comparison of Budget &amp; Actual Amounts for the Year ended 30 June 2024</i> .....	5
19.	<i>Notes to the Financial Statements</i> .....	6
20.	<i>Appendices</i> .....	32

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

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

**A. Acronyms**

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

**B. Definition of Key Terms**

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

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

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

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**2. Key Entity Information and Management**

**a) Background information**

Mumias Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 16<sup>th</sup> August 2019. The Municipality is under the County Government of Kakamega and is domiciled in Kenya.

**b) Principal Activities**

The principal activity/mission/ mandate of the City/ Municipality

**Vision - Mumias Municipality**

A desired liveable, inclusive and enterprising Municipality providing model urban service.

**Mission – Mumias Municipality**

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

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

- **Overseeing the affairs of the Municipality.**
- **Developing and adopting policies, plans, strategies and programmes for efficient running of the municipality.**
- **Formulating and implementing integrated development plans.**
- **Controlling land use, land sub-division for various development purposes as may be delegated.**
- **Promoting and undertaking infrastructural development and services within the Municipality.**
- **Developing and managing schemes, including site development in collaboration with the relevant National and County Agencies.**
- **Maintaining a comprehensive database and information system for the municipality.**
- **Enforcing the fees, levies and charges as may be authorized by the County Government for delivery of services.**
- **Facilitate and regulate public transport within the Municipality.**
- **Initiating new laws or making recommendations for issues to be included in the laws.**
- **Implementing national policies and policies of the County Executive Committees as they affect the Municipality.**

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

- Enter into such contracts, partnerships or joint ventures as it may be considered necessary for the discharge of its functions under the Urban Areas & Cities Act 2011.
- Preparing the Annual Appropriation Bill and submitting it to the County Treasury for consideration and transmission to the County Assembly for approval.
- Coordinating and facilitating citizen participation in the development of policies and plans and delivery of services.
- Establish, implement and monitor performance management systems.
- Promoting a safe and healthy environment.
- Exercising executive authority as may be delegated by the Municipal Board.

**c) Key Management**

The Mumias /Municipality's management is under the following key organs:

- Ministry of Lands, Physical Planning and Urban Development
- Board of Management
- Accounting Officer-Municipality Manager
- Heads of Departments

**d) Fiduciary Management**

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

Ref	Position	Name
1	Municipality Manager	Ms. Violet Ofisi
2	Head of Finance	Ms. Annette Aseyo

**e) Fiduciary Oversight Arrangements**

S/N	Entity	Role
1.	Audit and risk Management committee	<ul style="list-style-type: none"> <li>• Monitoring and reviewing risk, control and governance processes that have been established</li> </ul>
2.	County Assembly Committees	<ul style="list-style-type: none"> <li>• Legislation</li> <li>• Oversight</li> </ul>

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

		<ul style="list-style-type: none"> <li>• Representation</li> </ul>
3.	Committees of the senate	<ul style="list-style-type: none"> <li>• Oversight and advisory</li> <li>• Accountability</li> <li>• Express opinion on Books of account.</li> <li>• Offer quality assurance on fiscal and monetary matters</li> </ul>

**f) Registered Offices**

Mumias Municipality  
P.O. Box 277,  
Mumias Municipality Building  
Hass-Juakali Road.  
Mumias, KENYA

**g) Contacts**

Telephone: 056-31850/1852/31853  
Email: [mumiastown@kakamega.go.ke](mailto:mumiastown@kakamega.go.ke)  
Website: [www.kakamega.go.ke](http://www.kakamega.go.ke)

**h) Bankers**

Commercial Banks  
KCB Group Mumias Branch - Po Box 152 (50100) Kakamega

**i) Independent Auditor**

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

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

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**j) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

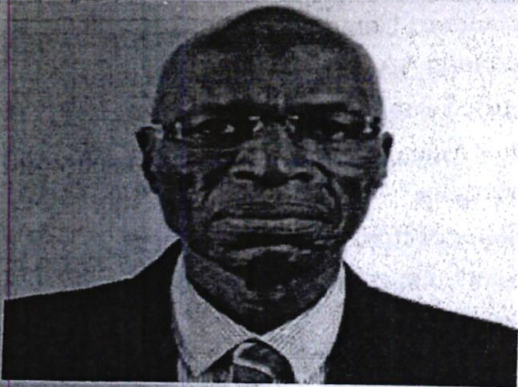

City Square 00200

Nairobi, Kenya

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

**3. Municipality Board**

The following board members held office during the financial year 2023/2024

Details of qualifications and experience	
 <p><b>Eng. Mohamed Mukwana</b></p>	<p><b>Chairman Mumias Municipal Board</b></p> <ul style="list-style-type: none"> <li>• Appointed by H.E the governor</li> <li>• Master's degree, Airport Planning and Management MSc Loughbrough University (UK)</li> <li>• Bachelor's degree, Civil Engineering Makerere University</li> <li>• Consultant Civil Engineer</li> <li>• Corporate member of The Institute of Engineers of Kenya</li> <li>• Is an Independent Director</li> </ul>
 <p><b>Dr. Lucy Mandila</b></p>	<p><b>Vice Chair Mumias Municipality Board</b></p> <ul style="list-style-type: none"> <li>• Registered associations (Kenya National Chamber of Commerce)</li> <li>• Senior lecturer and researcher at Masinde Muliro University of Science &amp; Technology (MMUST).</li> <li>• Holds a doctorate degree in English Language and Applied Linguistics</li> <li>• Masters of Arts in English &amp; Linguistics from Kenyatta University.</li> <li>• Post-doctoral research fellowship experience from the University of Venda, South Africa.</li> <li>• Is an Independent Director</li> </ul>

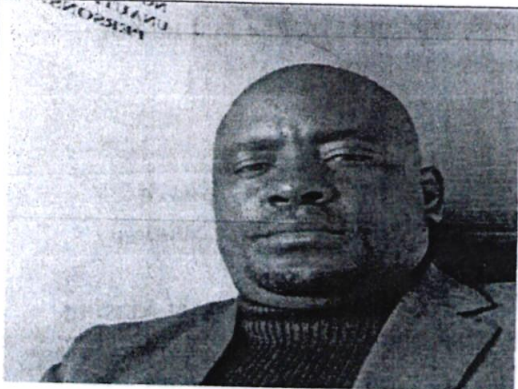
**County Government of Kakamega  
Mumias Municipality  
Annual Report and Financial Statements for the year ended June 30, 2024**



**CPA Christine Nanzala Nyamoma**

**Chairperson Audit Committee**

- Represents Neighbourhood Association
- Master's degree, Accounting and Finance, KCA University
- Bachelor of Commerce (B.Com.), Accounting, Mount Kenya University
- Certified Public Accountant
- Senior Management course Kenya school of Government
- Member of ICPAK
- 16 years' experience in Finance and Accounting
- Is an Independent Director



**Mr. Patrick Shikuku Orembe**

**Chairperson planning committee**

- Represents the private sector (Mumias Business Community)
- Degree in Environmental Health
- Diploma in Pharmaceutical technologist
- Computer Skills
- Head of the Pharmacy Department at Kibabii University.
- Former pharmaceutical procurement and order processing at St. Mary's Mission Hospital
- Is an Independent Director



**Mr. Billington Shiundu Odongo**

**Member**

- Appointed by H.E the Governor
- Diploma in Project Management,
- Certificate in Electronics and Instrumentation from Kenya Polytechnic
- Certificate in ICT
- Former Transmission Technician Kenya Television Network and Stella Vision
- Former Digital Bill Board installer at Creative Space and Crone Tech Limited
- Is an Independent Director

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



**Mr. Ramadhan Omana Nyangweso**

**Chairperson Finance and Administration**

- Appointed by H.E the Governor
- Diploma in Social Work and Community Development
- Member of Land Control Board Mumias West Sub County.
- P.T.A chairman at St. Elizabeth Lureko Girls Secondary School
- Former Councillor Mumias Municipal Council
- Former Chair of Town Planning committee and a large scale farmer.
- Is an Independent Director



**Dr. Beatrice Barasa**

**CECM Lands, Housing, Urban areas and physical planning**

- PhD. in Disaster Management and Humanitarian Assistance in climate change
- MSc. in Environmental science education
- Bachelor's degree in the Sciences, specifically Chemistry and Biology,
- Played a pivotal role in community's sustainable development projects
- Former registrar at Masinde Muliro University of Science and Technology
- Lecturer in the Biological Sciences
- Lead Internal Quality Auditor, ISO 2008
- Is an Executive Director



**Mr. Shakir Adan**

**Chief officer Urban areas and physical planning**

BSc Hons Financial mathematics  
 Worked as customer assistant at nespreso central london UK  
 Senior fiscal analyst mandera county Government.  
 Is an Executive Director

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





**Ms. Violet Ofisi**

**Secretary to the Board**

- **Ms. Violet Ofisi** is the current Municipal Manager Mumias Municipality.
- Violet holds a PhD (ongoing) in Project Planning and Management and a Master's degree in Project Planning and Management from the University of Nairobi. She also holds a Bachelor of Education degree from Egerton University.
- Prior to her appointment as Mumias Municipal Manager, she was the Municipal Manager Kakamega Municipality. She has worked as a Part-time Lecturer University of Nairobi, Kenya Institute of Management (KIM) and Mt. Kenya University (from 2010 to 2017)
- Municipal Manager

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

**4. Key Management Team**

	Details of qualifications and experience
 <p data-bbox="153 994 363 1030"><b>Ms. Violet Ofisi</b></p>	<p data-bbox="715 465 1358 501"><b>Municipal manager and Secretary to the Board</b></p> <p data-bbox="715 517 1522 943">Is the current Municipal Manager Mumias Municipality. Violet holds a PhD (ongoing) in Project Planning and Management and a Master's degree in Project Planning and Management from the University of Nairobi. She also holds a Bachelor of Education degree from Egerton University. Prior to her appointment as Kakamega Municipal Manager, she was the Municipal Manager Mumias Municipality. She has worked as a Part-time Lecturer University of Nairobi, Kenya Institute of Management (KIM) and Mt. Kenya University (from 2010 to 2017)</p>
 <p data-bbox="172 1585 427 1621"><b>Ms. Annette Aseyo</b></p>	<p data-bbox="708 1061 932 1093"><b>Head of Finance</b></p> <p data-bbox="708 1115 1517 1249">has a Bachelor's degree in Business Management (Finance and Banking) from Moi University and pursuing a Master's in Business Management (Finance) at Kenyatta University alongside CPA.</p> <p data-bbox="708 1256 1517 1496">She currently serves as the Finance officer Mumias Municipality. Annette has gained experience working with both the private and public sectors before joining the noble County Government of Kakamega. She has worked with National Bank of Kenya, Public service commission (Probation and aftercare Services), Genesis Renovators Enterprises and Afratech Limited.</p>

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

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

It is my pleasure to present the Mumias Municipality Financial Reports and Statements for the year ended 30<sup>th</sup> June 2024. The statements present the financial performance of the municipality for the year ended 30<sup>th</sup> June 2024.

The Financial Statements have been prepared in line with the Public Finance Management (PFM) Act 2012 and are in line with the format prescribed by the Public Sector Accounting Standards Board. The Urban areas and Cities Act section 46 (2) and PFM Act requires that these statements be submitted to the Office of Auditor General and copied to the National Treasury, The Controller of Budget, The Commission of Revenue Allocation after end of the year.

The Financial Statements present the recent actual fiscal performance for the year and make comparisons to the budget appropriations for the same period. They further provide a comprehensive financial review with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper 2023/2024.

The link between policy, planning and budgeting is critical as provided for in the Constitution and County Government Act. The financial statements play a critical role in the preparation of budget and management of public resources. To strengthen the budget preparation process the County Government will continue to embrace programme based budgeting and deepen public sector financial reforms e.g. incorporating feasibility study, use of the Kakamega County statistical abstract which is prepared annually as part of budget preparation, project management and establishment of a Financial Reporting Unit, Sub County Treasuries and use of Vote Book Management System to increase efficiency and effectiveness in service delivery is committed to upholding the trend of stable macroeconomic performance and ensures transparency by relaying performance indicators to the public. This will be realized through publishing and publicizing as required by the Constitution and the PFM Act, 2012.

During the financial year 2023/2024, Mumias Municipality delivered on the following projects:

- i) Construction of drainage and walkways along Total to Mumias Level IV hospital
- ii) Renovation of Slaughter house in Mumias town
- iii) Renovation of County Kiosks in Mumias central business district
- iv) Construction of refuse chambers at Nawal Center, Economic Stimulus Market and Ekero

Mumias Municipality had a budget of Kshs. 108,266,070 the actual revenue received was Kshs. 78,177,563 and the actual expenditure was Kshs. 78,147,658 translating to 72% of the budget.

The underperformance of 28% was due to non-disbursement of Kshs. 30,088,507 by the County Government of Kakamega.

In the Financial Year 2023/2024, a new board was appointed and gazetted as the previous boards tenure had ended. The board intends to meet both Minimum conditions and performance standards in order to qualify for the second phase of Kenya Urban Support program.

**County Government of Kakamega  
Mumias Municipality**

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

Pursuant to Sec 149 of the PFM Act, 2012, I confirm that there was accountability to the County Assembly in ensuring that the resources of the Mumias Municipality were authorized and lawfully utilized in an effective, efficient, economical and transparent manner.

**MUMIAS MUNICIPALITY FINANCING**

Article 202 of the Constitution of Kenya 2010 provides that revenue raised nationally shall be shared equitably among the National Government and County Governments. Each County Government's equitable share of revenue raised nationally is determined annually before the preparation of budget estimates through the Division of Revenue Act as required by articles 218 and 224 of the Constitution. The revenue sharing formula is developed by the Commission on Revenue Allocation and approved by Parliament in accordance with article 217 of the Constitution.

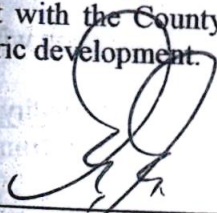
Mumias Municipality also finances its operations through donor funded programs like Kenya Urban Support Program (KUSP) and Urban Development Program (UDG).

Some of the Challenges we face as a municipality is delays in disbursement of funds by the County Treasury due to late disbursements of equitable share from the National Treasury thus affecting adversely the planning and implementation of County operation.

**CONCLUSION**

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

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



**ENG. MOHAMMED MUKHWANA.**  
Municipality Board Chairperson

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

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**6. Report Of the Municipality Manager**

First and foremost, I acknowledge the valuable leadership and support of H.E The Governor and The Deputy Governor. I further wish to appreciate the County Executive Committee Member for Finance, Economic Planning & ICT for setting of the budget cycle by providing leadership to the process. His guidance enabled the process to be completed in good time.

I wish to thank the Finance team who worked tirelessly to make the financial report and statements preparation and consolidation succeed.

I may not mention everybody, but do acknowledge all those individuals who directly or indirectly put their efforts and contributed to the success of preparation and consolidation of the Annual Financial Report and Statements for the year ended 30<sup>th</sup> June 2024.

On behalf of the Board Members of the Mumias Municipality, I have the honour to forward the Annual Reports and Financial Statement for the financial period ended 30<sup>th</sup> June 2024.

Municipality's mandate is drawn from the Urban Areas and Cities Act of 2011 and Article 184 of the Constitution of Kenya 2010 providing the following services.

**Principal activities of Mumias municipality are as follows:**

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

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

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- Coordinating and facilitating citizen participation in the development of policies and plans and delivery of services.
- Implementing policies for fire and disaster management.
- Promoting a safe and healthy environment.
- Performing such other functions as may be delegated from time to time.

The Board is fully alive to its mandate and requires unequivocal support and guidance to lay a strong foundation for its future and sustainability through sound policies and strategies.

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

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

The Board worked with the management to develop and approve the municipality's Annual Budgets, Procurement Plans, Work Plans and Board Calendars for FY 2023-24. The board also supported the Municipality to review the Organizational Structure in line with the municipality's mandate and corporate governance principles.

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

The Board is pleased with the operational and financial results delivered by management. However, Mumias Municipality has faced several challenges, key among them being inadequate funding and delayed disbursement of funds. The Board acknowledges the support it has received from H.E. the Governor and the County Executive Committee members in executing its mandate and functions. We are positive that this support will continue to enable the Municipality complete the construction and implementation of projects.

The Board acknowledges the support and good working relationship with the Departments of Transport, Infrastructure and roads, Finance Economic Planning and Information Technology as well as other ministries and the county staff as a whole.

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

**Projects done during financial year 2023/20024**

S/NO	Project Name	Cost	Implementation Status
1	Construction drainage and walkways	4,948,213.00	Complete
2.	Construction of Refuse Chambers	10,434,332.24	Complete
3.	Renovation of slaughter house	19,649,884	Incomplete at 41%
4	Renovation of County Kiosks	1,458,194.24	Complete
5.	Completion of ESP market	6,966,220	Complete

**Key Risk Management Strategy**

Risk Factor	Extent	Strategy
<b>Cultural Change</b>	High	Develop and execute a rollout plan and increase staff involvement and alignment
In adequate finances	Very High	<ul style="list-style-type: none"> <li>• Strengthen advocacy for the national treasury to provide enough and timely money disbursement</li> <li>• Foster Public Private collaboration</li> </ul>
The fast-changing pace of technology	High	Support recruitment and succession planning
In adequate fulfilment of assigned duties	Medium	<ul style="list-style-type: none"> <li>• Capacity building</li> <li>• Strengthen coordination, monitoring and evaluation mechanism</li> </ul>



.....  
**Ms. Violet Ofisi**  
**Mumias Municipality Manager**

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

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

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 following are key development objectives of the Mumias Municipality.

<b>Objective</b>	<b>Indicator</b>	<b>Activity</b>	<b>Status</b>
Safe and healthy municipality	Security	Enhancement of streetlights	Continuous
	Disaster Management	Providing fire extinguisher & sensitizations	Continuous
	Public health	Improving health and well-being b minimizing disease	Continuous
	Traffic regulation	Development of bylaws Recruitment of law enforcing offic	Complete Continuous
Solid Waste Management	Solid waste and Liquid Waste Management	Collection and disposal of wastes Clean up exercises	Continuous
	Urban transport and network	Designing Parking areas	Ongoing
Social Municipality	Street Children	Reuniting with parents	
Sustainable Human Settlement	Spatial management planning	Zoning of development zoning areas	
Transparent municipality	Management	Efficient and transparent governance Increasing levels of service delivery Staff capacity building	Continuous
Infrastructure development	Constructed Non- Motorized Roads	KMs of non-motorized roads constructed	Complete
	Tarmacked earth roads	KMs of earth roads tarmacked	Complete
	Land scaped urban Areas	SMs of area landscaped and beautified	Complete

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

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**8. Corporate Governance Statement**

**a) Process of appointment and removal of Board members.**

The board was appointed through a competitive process by the county executive committee, with the approval of the county assembly. The removal 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) of the Urban Areas and Cities Act (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

**b) Roles and functions of the Municipality Board members,**

- i) Oversee the affairs of the municipality;
- ii) Develop and adopt policies, plans, strategies and programmes, and may set targets for delivery of services;
- iii) Formulate and implement an integrated development plan;
- iv) control land use, land sub-division, land development and zoning by public and private sectors for any purpose, including industry, commerce, markets, shopping and other employment centres,
- v) residential areas, recreational areas, parks, entertainment, passenger transport, agriculture, and freight and transit stations within the framework of the spatial and master plans for the municipality as may be delegated by the county government;
- vi) As may be delegated by the county government, promote and Undertake infrastructural development and services within the Municipality;
- vii) Develop and manage schemes, including site development in collaboration with the relevant national and county agencies;
- viii) 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;
- ix) Administer and regulate its internal affairs;
- x) Implement applicable national and county legislation;

**County Government of Kakamega  
Mumias Municipality**

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

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**c) Induction and training, Municipality Board members and member's performance,**  
Mumias Municipality conducted induction process for board members because, starting a new role in a new organization can be an anxious time and an effective induction programme alleviates anxiety. Induction enables them to understand more about the organization, their role and ways of working, as well as to meet new colleagues. Mumias Municipality has conducted a number of board meetings to deliberate on issues affecting the municipality and bring long term solutions to the problems.

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

The Mumias municipality board holds a full board meeting and a committee meeting for each committee once per every quarter. The board members are committed to attending the meetings.

**e) Succession plan,**

Mumias municipality Board meetings, plans, strategies and achievements are well documented to ensure smooth transition in the event that the current board exits office.

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

Mumias Township was handed over a charter on 16<sup>th</sup> August 2019 upgrading it to a Municipality.

**g) Conflict of interest,**

The board members declare conflict of interest in case of any during board meetings.

**h) Board remuneration,**

Mumias Municipality board remuneration is as guided by the Salaries and remuneration Commission

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

the Mumias Municipality board is well guided and adheres to laid down rules in the urban areas and cities act 2011 amended 2019 as well as the Mwingozo Code of Governance.

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

**9. Management Discussion and Analysis**

**a. The Entity's Operational and Financial Performance**

Objectives	Target	Indicator	Performance
Collection of revenue	KES 43,200,028	Amount of revenue collected	KES 38,043,322
Issuance of rates clearance certificate	All applied rates clearance certificate	Number of certificate issued	14 clearance certificate
Issuance of single business permits	All applied single business permits	Number of certificate issued	1263 single business permits
Building inspection	All approval of building plans	Number of building inspected	8 building inspection
Recommendation for approval of building plans	All presented building plans	Number of recommendation made	38 building plans
Supervision of infrastructure development and maintenance	All Budgeted and awarded Proposed works	Total supervision of infrastructure development and maintenance made	Street naming works
Issuance of registration certificate	All applied and qualified registration certificate	Number of certificate issued	No registration certificate issued
Guiding and counselling	All people enrolled for guiding and counselling	Number of people guided and counselled	12 people guided and counselled
Organization and coordination of public participation	All budgeted, scheduled and approved public participation	Number of Public participation done	4 public participations done
Policy formulation and governance	Quarterly Municipality Board meeting	Policy formulation and governance	All Meetings of Municipality Board carried out

**b Key projects and investment decisions the entity is planning/implementing.**

Projects	Objective	Financed by
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**County Government of Kakamega  
Mumias Municipality  
Annual Report and Financial Statements for the year ended June 30, 2024**

Renovation of Mumias slaughter house	Guarantee the safety of meat in which meat inspection represent an essential tool to control animal diseases and guarantee the public health.	County Government of Kakamega
Street Naming and Signage	To enable people to locate addresses readily.	County Government of Kakamega
Fencing of economic stimulus market	Deterrent of intruders and trespassers and to improve the security of the structure they surround.	County Government of Kakamega
Fabrication of burned kiosks	They offer a wide range of customization options to suit your specific needs	County Government of Kakamega
Drainage works	Reduces soil and nutrient loss from runoff and helps avoid soil erosion	County Government of Kakamega
Completion of ESP Market	To improve security for both seller and buyers	County Government of Kakamega
Refuse Chambers and litter bins	Helps in waste management, contributing to the overall cleanliness and aesthetics of the town	County Government of Kakamega
Refurbishment of Kiosks	They offer a wide range of customization options to suit your specific needs	County Government of Kakamega

**c. Entity's compliance with statutory requirements**

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

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

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

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

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

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

**Liquidity risks**

The municipality faces liquidity risk due to delayed disbursement of funds from exchequer which makes it difficult to meet the financial obligations when they fall due resulting to pending bills.

**Pending bills**

<b>Project</b>	<b>Contractor</b>	<b>Amount</b>
Completion of ESP market	Dream Tech Enterprise Ltd	6,966,220
Cyma logistics	Construction of waste bins and refuse chambers	426,474
Uptime	Cleaning services for June 2024	1,380,922
Kakamega County Polytechnic	Supply of staff uniforms	179,100
<b>Total</b>		<b>8,952,716</b>

Mumias Municipality commits to clear the pending bills in the financial year 2024/2025

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

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**10. Environmental And Sustainability Reporting**

**1. Sustainability strategy and profile**

Mumias Municipality derives its mandate and accountability from article 184 of the Constitution of Kenya 2010 and Urban Areas and Cities Act No. 13 of 2011. The Municipality is under the County Government of Kakamega and is domiciled in Kenya. The Municipality strives to a desired, liveable, inclusive and enterprising Municipality providing model urban services.

**The principal activities of Mumias Municipality are as follows:**

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

**2. Environmental performance**

Environmental Management and Coordination Act (EMCA) (CAP 87) provides a framework for environmental management in Kenya. From it, there are regulations that have been developed including Wetlands Regulations, Environmental Regulations (EIA/EA), Water Quality Regulations, Controlled Substances, Biodiversity Regulations, Air Quality Regulations, Waste Management Regulations and Noise Regulations. These regulations regulate the various environmental aspects.

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

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

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

• **National Environment Policy, 2013**

This policy touches on various aspects including:

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

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**- Public participation**

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

**- Climate Change**

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

**- Environmental Monitoring and assessment**

Ensure periodic reporting on county and national status of environment.

**- Institutional Arrangement**

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

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

**• County Environmental Management Act, 2019**

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

**• County Climate Change Policy, 2020**

The Kakamega County Climate Change Policy, 2020 is key in monitoring, evaluating and reporting climate change adaption and mitigation strategies.

The County's successes include development of a number of legislation to guide environmental performance such as Environmental Management Act, 2019 and County Water Act 2019, Kakamega County Climate Change Act 2020, Kakamega County Climate Change Regulations 2021. Through the Environmental Management Act, 2019, the County has been able to resolve a number of complaints ranging from noise pollution, solid waste pollution, and waste water management just to mention a few.

Some of the shortcomings include:

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

The national policy:

**County Government of Kakamega  
Mumias Municipality**

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

- aims at transitioning the waste sector in every county away from low collection rates, illegal dumping and uncontrolled dumpsites to affordable waste collection, recycling and composting, and minimize waste fractions that are finally disposed to a well-engineered and regulated landfill.
- supports the creation of the planning, finance, technical and governance capacities that county governments need to effectively deliver on their mandate under the Constitution of Kenya 2010, to be the lead actors in delivering sustainable waste management services, by providing an enabling policy and regulatory environment to facilitate the counties to effectively deliver waste management services including, facilitating inter-county cooperation under the metropolis approach, financial incentives, research, Some of the efforts to reduce environmental impact of the county's products include:
  - Provision of a dumpsite to dump the solid waste emerging from the municipality. The dumpsite is well maintained to ensure there is a conducive living environment for the surrounding community.
  - Promotion of 3R principle (refuse, reduce and recycle) among the county residents to ensure minimum waste is generated.
  - Plans to incorporate a private investor in developing a county landfill.

**3. Employee welfare**

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

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

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

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

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

**4. Market place practices**

**a) Responsible competition practice**

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

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The Board ensures responsible competition practices, with issues like anticorruption, responsible political involvement, fair competition and respect for competitors By:

- Using appropriate procurement methods that ensure equity and transparency
- Use of standard tender documents as guided by Public Procurement Regulatory Authority.
- Supplier development program sensitization and training for special groups.

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

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

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

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

**(ii) Respecting Payment Practice**

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

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

**County Government of Kakamega  
Mumias Municipality**

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

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**first line of consumer protection. The empowerment has promoted responsible political involvement in promotion of fair-trade competition, it is winning political good will to reduce public outcry during enforcement of fair trade practices regulations**

- v. **The County Advocates the use of approved, uniform and accurate weighing and measuring standards for trade transactions in order to eliminate unfair trade competition.**
- vi. **Traders in the County are encouraged to patent their intellectual rights in order to safe guard their innovation against unfair competition through counterfeiting.**

**c) Responsible ethical practices-**

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

**d) Stewardship of goods and services**

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

**5. Community Engagements**

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

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

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

**Performance**

The performance of the Municipality for the year ended June 30, 2024 are set out on page 1-7

**Board Members**

The members of the Board who served during the year are shown on pages VII, VIII and IX. The changes in the Board during the financial year have also been explained on page XII

**Auditors**

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

By Order of the Board



.....  
Name: **OFISI VIOLET**

Secretary of the Board

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

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

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

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

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

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

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Municipality Manager to indicate that the


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


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Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

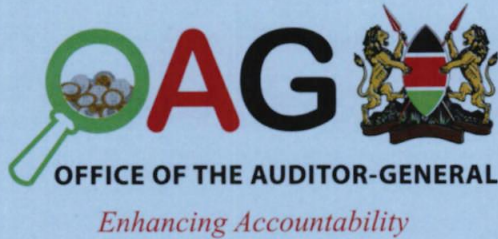
**Approval of the financial statements**

The Municipal's financial statements were approved by the Board on 19<sup>th</sup> Nov 2024 and signed on its behalf by:

  
.....  
Name: Eng. Mukhwarra Mohamed  
Chairperson of the Board

  
.....  
Name: OFISI VIOLET  
Accounting officer of the Board

# REPUBLIC OF KENYA



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**HEADQUARTERS**  
Anniversary Towers  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON MUMIAS MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2024**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Mumias Municipality set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2024,

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

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

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

### **Basis for Qualified Opinion**

#### **1. Inaccuracy of Current Assets Balance**

The statement of financial performance and Note 11 to the financial statements reflect Nil amount and Kshs.3,514,400 in respect of transfers to other Government entities for the current and comparative financial years respectively. The comparative amount relates to a transfer to the Ministry of Lands. During the year under review, the Ministry made a partial refund of Kshs.1,194,559 leaving a balance of Kshs.2,319,841 as outstanding. However, Management has not recognized the outstanding balance of Kshs.2,319,841 as a receivable in the financial statements.

In the circumstances, the accuracy and completeness of the current assets balance of Kshs.1,425,411 could not be confirmed.

#### **2. Unconfirmed Cash Flow Generated from Operating Activities**

The statement of cash flows reflects net cash flows from operating activities amounting to Kshs.21,176,147 and as disclosed in Note 15 to the financial statements. The disclosure Note reflects an increase in payables from exchange transacts by an amount of Kshs.1,560,021 which differs with Note 14 to the financial statements which indicates an increase in payables by Kshs.8,952,716. This results in a variance of Kshs.7,392,695 that has not been explained or reconciled.

In the circumstances, the accuracy and completeness of cash flow generated from operations amounting to Kshs.21,176,147 could not be confirmed.

#### **3. Unconfirmed Transfers from the County Government**

The statement of financial performance reflects transfers from the County Government amounting to Kshs.78,177,563 and as disclosed in Note 6 to the financial statements, which includes transfers from County Government-recurrent amounting to Kshs.11,942,300. However, the financial statements of County Executive of Kakamega reflects a corresponding transfer amounting to Kshs.13,136,859, resulting to unexplained variance of Kshs.1,194,559.

In the circumstances, the accuracy and completeness of transfers from County Government-recurrent amounting to Kshs.11,942,300 could not be confirmed.

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

## **Emphasis of Matter**

### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.108,266,070 and Kshs.78,177,563 respectively, resulting to under-funding of Kshs.30,088,507 or 28% of the budget. Similarly, the Municipality expended Kshs.100,927,289 against an unbalanced budget of Kshs.127,852,291 resulting to underperformance of Kshs.26,925,002 or 21% of the budget.

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

### **2. Non-Collection of Own Generated Revenue**

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

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

My opinion is not modified in respect of these matters.

## **Key Audit Matters**

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

## **Other Matter**

### **Unresolved Prior Year Matters**

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

### **Other Information**

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

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

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

During the year under review, it was observed that only office operations activities were carried out by the Municipality Board while project implementation was carried out by the County Executive through the Department of Lands, Housing, Urban Areas Development and Physical Planning. This was contrary to Section 21(1)(a) of the Urban Areas and

Cities Act, 2011 which gives Municipalities executive authority as delegated by County Executives.

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

## **2. Operating the Municipality without an Approved Budget**

During the year under review, the Municipality operated without an approved budget. Consequently, the source and approval of the amounts reflected in the statement of comparison of budget and actual amounts, including total expenditure for the year of Kshs.100,927,289 could not be confirmed. This was contrary to Section 20(1)(l) of the Urban Areas and Cities Act, 2011 which requires a Board of a Municipality to prepare and submit an annual budget to the relevant County Treasury for consideration and submission to the County Assembly for approval.

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

## **3. Unlawful Operation of Leased Premises**

The Municipality leased out premises to traders at Mumias modern bus park during the period under review. However, the lease agreements lapsed in February, 2024 and have not been renewed to date. No explanation was provided by Management on why the lease agreements to traders were not renewed.

In the circumstances, the traders were operating in the Municipality's premises unlawfully.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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

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

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

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

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

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

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

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

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**27 December, 2024**

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

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

Description	Note	FY 2023/2024	FY 2022/2023
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	78,177,563	46,429,933
		<b>78,177,563</b>	<b>46,429,933</b>
<b>Revenue from exchange transactions</b>			
		<b>0</b>	<b>0</b>
<b>Total revenue</b>		<b>78,177,563</b>	<b>46,429,933</b>
<b>Expenditure</b>			
Use of goods and services	7	56,955,567	46,636,519
Staff costs	8	262,800	388,530
Board expenses	9	1,343,070	816,050
Depreciation and amortization	10	19,586,221	20,378,608
Transfer to other Government Entities	11	0	3,514,400
<b>Total expenses</b>		<b>78,147,658</b>	<b>71,734,107</b>
<b>Surplus/(deficit) for the period</b>		<b>29,905</b>	<b>(25,304,174)</b>

The notes set out on pages 22 to 43 form an integral part of these Financial Statements. The entity financial statements were approved on 11<sup>th</sup> NOVEMBER 2024 and signed by:



.....  
Name: Ms. Violete Ofisi  
Municipality Manager



.....  
Name: Ms. Annete Aseyo  
Head of Finance  
ICPAK M/No

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

**15. Statement of Financial Position As At 30 June 2024**

Description	Note	FY 2023/2024	FY 2022/2023
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	1,425,411	692,435
<b>Total current assets</b>		<b>1,425,411</b>	<b>692,435</b>
<b>Non-current assets</b>			
Property, plant, and equipment	13	306,953,860	296,367,757
<b>Total Non-current Assets</b>		<b>306,953,860</b>	<b>296,367,757</b>
<b>Total assets (A)</b>		<b>308,379,271</b>	<b>297,060,192</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	8,952,716	0
<b>Non-current liabilities</b>			
<b>Total liabilities (B)</b>		<b>0</b>	<b>0</b>
<b>Net Assets (A-B)</b>		<b>299,426,555</b>	<b>297,060,192</b>
<b>Represented by:</b>			
Capital/Development Grants/Fund		376,266,116	0
Accumulated surplus		(76,839,561)	297,060,192
<b>Net Assets/Equity</b>		<b>299,426,555</b>	<b>297,060,192</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 19<sup>th</sup> November 2024 and signed by:

.....  


**Name: Ms. Violete Ofisi  
Municipality Manager**

.....  


**Name: Ms. Annete Aseyo  
Head of Finance  
ICPAK M/No**

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

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

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
<b>Bal as at 1 July 2022</b>	<b>373,929,657</b>	<b>-</b>	<b>(51,565,292)</b>	<b>322,364,365</b>
Surplus/(deficit) for the year		-	(25,304,174)	-25,304,174
<b>Bal as at 30 Jun 2023</b>	<b>373,929,657</b>	<b>0</b>	<b>(76,869,466)</b>	<b>297,060,191</b>
<b>Bal as at 1 July 2023</b>	<b>373,929,657</b>	<b>0</b>	<b>(76,869,466)</b>	<b>297,060,191</b>
Surplus/(deficit) for the year	0	-	29,905	29,905
Funds received during the year	2,336,459	-	-	2,336,459
<b>Balance as at 30 June 2024</b>	<b>376,266,116</b>	<b>0</b>	<b>(76,839,561)</b>	<b>299,426,555</b>

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

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

Description	Note	FY 2023/2024	FY 2022/2023
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	6	78,177,563	46,429,500
<b>Total Receipts</b>		<b>78,177,563</b>	<b>46,429,500</b>
<b>Payments</b>			
Use of goods and services		(55,395,546)	(46,636,519)
Staff costs	8	(262,800)	(388,530)
Board expenses	9	(1,343,070)	(816,050)
Transfer to other Government Entities	11	0	(3,514,400)
<b>Total Payments</b>		<b>(57,001,416)</b>	<b>(51,355,499)</b>
<b>Net cash flows from operating activities</b>	15	<b>21,176,147</b>	<b>(4,925,566)</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets		(22,779,631)	(58,843,750)
<b>Net cash flows used in investing activities</b>		<b>(22,779,631)</b>	<b>(58,843,750)</b>
<b>Cash flows from financing activities</b>			
Receipts from Capital grants		2,336,459	0
<b>Net cash flows used in financing activities</b>		<b>2,336,459</b>	<b>0</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>732,976</b>	<b>(63,769,316)</b>
Cash And Cash Equivalents At 1 July 2023	12	692,435	64,461,751
<b>Cash And Cash Equivalents At 30 June 2024</b>	12	<b>1,425,411</b>	<b>692,435</b>

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

The Schedule supporting the figure for use of Goods and services has been provided under appendix 5. The totals for use of Goods under statement of Cash flow is not tallying with the totals in the statement of Financial performance this is because the figure for pending bills worth Kshs 1,560,022 did not affect the expenses under use of goods in the cash flow statement since there was no movement of Cash.

Under note number 13 (PPE) total addition of Assets is Kshs.30, 172,325 which differs from the figure recorded in cash flow statement under PPE of Kshs 22,779,631 with Kshs. 7,392,693.990. This amount was appending bill which did not involve movement of cash thus not included in the figure of kshs.22, 779,631. The schedule supporting the figure of kshs.22, 779,631 is under appendix 6.

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

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
<b>Revenue</b>		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	
Transfers from the County Government	107,266,070	1,000,000	108,266,070	78,177,563	30,088,507	72%
Public contributions and donations	0	0	0	0	0	0%
<b>Total Revenue</b>	<b>107,266,070</b>	<b>1,000,000</b>	<b>108,266,070</b>	<b>78,177,563</b>	<b>30,088,507</b>	<b>72%</b>
<b>Expenses</b>						
Use of goods and services	58,174,070	0	58,174,070	56,955,567	1,218,503	98%
Board expenses	4,525,000	0	4,525,000	1,343,070	3,181,930	30%
Staff Costs	467,000	0	467,000	262,800	204,200	56%
Depreciation	19,586,221	-	19,586,221	19,586,221	0	100%
<b>Total Expenditure</b>	<b>82,752,291</b>	<b>0</b>	<b>82,752,291</b>	<b>78,147,658</b>	<b>4,604,633</b>	<b>94%</b>
<b>Acquisition of assets</b>	<b>45,100,000</b>		<b>45,100,000</b>	<b>22,779,631</b>	<b>23,038,004</b>	<b>51%</b>

**Budget notes**

Transfers from the County Government-The County Government of Kakamega was to disburse a total of Kshs.108,266.070 but only disbursed Kshs. 11,942,300 and made payments on behalf of the Municipality worth Kshs. 66,235,263,the balance of Kshs.30,088,507 was not disbursed due to delays in exchequer releases.

Under absorption -under absorption was caused by the un disbursed Kshs. 30,088,507

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

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**19. Notes to the Financial Statements**

**1. General Information**

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

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

**2. Statement of Compliance and Basis of Preparation**

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

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

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.

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

**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 cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<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: <i>i.</i> Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. <i>ii.</i> Clarifying transaction costs guidance to enhance consistency across IPSAS. <i>iii.</i> Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.

**County Government of Kakamega  
Mumias Municipality**

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

	The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47: Revenue	<b>Applicable 1<sup>st</sup> January 2026</b> 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.
IPSAS 48: Transfer Expenses	<b>Applicable 1<sup>st</sup> January 2026</b> 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.
IPSAS 49: Retirement Benefit Plans	<b>Applicable 1<sup>st</sup> January 2026</b> 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.

**iii. Early adoption of standards**

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

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

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**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 Mumias Municipality 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 28 June 2023 (Date). Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality did not record any additional appropriations

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

**County Government of Kakamega  
Mumias Municipality**

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

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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 18 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. The assets are treated in the year of acquisition.

The Depreciation rates adopted by Kakamega County Mumias Municipality on reducing balance methods are as follows, Buildings a rate of 5%, Motorvehicles 25%, Furniture and fittings 12.5%, Computers 33.3%, Plant and Machinery 15% and Road construction 5%

**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

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

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.

**County Government of Kakamega  
Mumias Municipality**

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

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**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.

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

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**Subsequent measurement**

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

**Amortized cost**

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

**County Government of Kakamega  
Mumias Municipality**

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

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**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.

**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.

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

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**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

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

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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 does not create and maintain reserves

**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.

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

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**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

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

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

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

**t) Currency**

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

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

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

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

State all judgements, estimates and assumptions made.

**Estimates and assumptions.**

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

**Useful lives and residual values**

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

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

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

**Notes to the Financial Statements**

**6. Transfers from the County Government**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	11,942,300	13,629,500
Payments by County on behalf of the entity	66,235,263	32,800,433
<b>Total</b>	<b>78,177,563</b>	<b>46,429,933</b>

Mumias municipality received Ksh .11, 942,300 from the County Government to take care of the recurrent activities while Ksh. 66,235,263 was payment for cleaning services, water and development projects which were procured at the parent ministry.

**(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	2022/2023
			Kshs	Kshs	Kshs
Ministry of Land, Housing Urban Development and Physical Planning	78,177,563	0	0	78,177,563	46,429,933
<b>Total</b>	<b>78,177,563</b>	<b>0</b>	<b>0</b>	<b>78,177,563</b>	<b>46,429,933</b>

**7. Use of Goods and Services**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Utilities, supplies and services	4,540,470	3,969,761
Communication, supplies and services	449,450	584,820
Domestic travel and subsistence	2,523,835	1,120,300
Printing, advertising, supplies & services	388,166	644,903
Hospitality supplies and services	1,486,171	5,944,220
Specialized materials and services	511,189	392,365

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

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Office and general supplies and services	608,320	33,444,743
Fuel, oil and lubricants	94,890	15,000
Other operating expenses -cleaning services	2,480,282	0
Routine maintenance – vehicles and other equipment	71,000	141,270
Routine maintenance – other assets	4,091,821	342,605
Contracted Professional Services	39,700,913	0
Bank Charges	9,060	36,532
<b>Total</b>	<b>56,955,567</b>	<b>46,636,519</b>

**8. Staff costs**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Salaries and wages	262,800	388,530
<b>Total</b>	<b>262,800</b>	<b>388,530</b>

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

**9. Board expenses**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Chairman/Members' Honoraria	372,000	75,000
Sitting allowances	656,200	0
Induction and Training	34,920	0
Travel and accommodation	169,000	741,050
Conference Costs	110,950	0
<b>Total</b>	<b>1,343,070</b>	<b>816,050</b>

**10. Depreciation and amortization**

Description	2023/2024	2022/2023
	KShs	KShs
<b>Property, plant and equipment</b>		
Buildings and Construction	15,061,806	13,562,864
Furniture and fittings	65,439	57,259
Computers and ICT Equipment's	17,016	9,581
Plant and Machinery	2,715,000	2,307,750
Road Construction	1,726,960	4,441,154
<b>Total depreciation and amortization</b>	<b>19,586,221</b>	<b>20,378,608</b>

**11. Transfer to other Government Entities**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Transfer to Ministry of Lands	0	3,514,400
<b>Total</b>	<b>0</b>	<b>3,514,400</b>

**12. Cash and cash equivalents**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Current account	1,425,411	692,435
<b>Total cash and cash equivalents</b>	<b>1,425,411</b>	<b>692,435</b>

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

Financial institution	Account number	2023/2024	2022/2023
		Kshs.	Kshs.
a) Current account			

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

Financial institution	Account number	2023/2024	2022/2023
		Kshs.	Kshs.
Kenya Commercial bank	120365204	1,420,813	692,148
Kenya Commercial bank	1176165240	4,598	287
<b>Total</b>		<b>1,425,411</b>	<b>692,435</b>

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

**13. Property, Plant and Equipment**

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Plant and Machinery	Road Construction	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 July 2022 (previous year)	-	254,759,178	-	523,510	51,100	18,100,000	-	-	273,433,788
Additions	-	29,236,057	-	-	-	-	29,607,693	-	58,843,750
As at 30 <sup>th</sup> June 2023	-	283,995,235	-	523,510	51,100	18,100,000	29,607,693	-	332,277,538
Additions for the year	-	17,240,889	-	-	-	-	4,931,508	7,999,928	30,172,325
As at 30 <sup>th</sup> June 2024 (current year)	-	301,236,123	-	523,510	51,100	18,100,000	34,539,201	7,999,928	362,449,862
Depreciation and impairment									
At 1 July 2022 (previous year)		12,737,959	-	65,439	12,775	2,715,000	-	-	15,531,173
Depreciation		13,562,864	-	57,259	9,581	2,307,750	4,441,154	-	20,378,608
As at 30 June 2023		26,300,823	-	122,698	22,356	5,022,750	4,441,154	-	35,909,781
Depreciation for the year		15,061,806	-	65,439	17,016	2,715,000	1,726,960	-	19,586,221
As at 30 <sup>th</sup> June 2024 (current year)		41,362,629	-	188,137	39,372	7,737,750	6,168,114	-	55,496,002

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

<b>NBV as at 30<sup>th</sup> Jun 2023 (previous year)</b>	-	257,694,412	-	400,812	28,744	13,077,250	25,166,539	-	296,367,757
<b>NBV as at 30<sup>th</sup> Jun 2024 (current year)</b>	-	259,873,494	-	335,373	11,728	10,362,250	28,371,087	7,999,928	306,953,860

Work in progress-The payment of Ksh .7, 999,928 under work in progress was renovation of Mumias Slaughter house which is yet to be completed.

The Depreciation rates adopted by Kakamega County Mumias Municipality on reducing balance methods are as follows, Buildings a rate of 5%,Motorvehichles 25%,Furniture and fittings 12.5%,Computers 33.3%,Plant and Machinery 15% and Road construction 5%

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

**14. Trade and other payables from exchange transactions**

Description	Insert Current FY		Insert Comparative FY	
	Kshs.		Kshs.	
Trade payables	8,952,716		0	
<b>Total trade and other payables</b>	<b>8,952,716</b>		<b>0</b>	
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	1,986,496	22%	0	%
1-2 years	6,966,220	78%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
<b>Total</b>	<b>8,952,716</b>	<b>100%</b>	<b>0</b>	<b>%</b>

**15. Cash generated from operations**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	29,905	0
<b>Adjusted for:</b>		
Depreciation	19,586,221	0
Increase in payables	1,560,021	0
<b>Net cash flow from operating activities</b>	<b>21,176,147</b>	<b>0</b>

**County Government of Kakamega  
Mumias Municipality**

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

**16. 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) Ministry of Lands Housing Urban Development and Physical Planning
- c) County Assembly.
- d) Key management.
- e) Municipality Board; etc.

**b) Related party transactions**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Transfers from related parties'	78,177,563	32,800,433

**c) Key management remuneration**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Board Members	1,343,070	816,050
<b>Total</b>	<b>1,343,070</b>	<b>816,050</b>

**d) Due from related parties**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Due from parent Ministry	0	16,370,500
<b>Total</b>	<b>0</b>	<b>16,370,500</b>

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

**17. 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.

**I. 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.

**II. 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 :

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Revaluation reserve	0	0
Capital/Development Grants/Municipality	376,266,116	0
Accumulated surplus	(76,839,561)	0
<b>Total Funds</b>	<b>299,426,555</b>	<b>0</b>
<b>Total borrowings</b>	<b>0</b>	<b>0</b>

County Government of Kakamega  
Mumias Municipality

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

Less: cash and bank balances	1,425,411	0
Net debt/(excess cash and cash equivalents)	( 1,425,411 )	0
Gearing		

**18. Program for Results (PforR) Disclosure**

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

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

**20. Appendices**

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

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

Refer ence No.	Issue / Observations from Auditor	Management comments	Statu s:	Timefra me: for resoluti on
1	<p><b>1. Inaccuracies in the Financial Statements</b>                      The financial statements submitted for review contained the following anomalies:</p> <p>I. The statement of changes in net assets reflects opening balances of Kshs.373,929,657 in respect to capital/development grants funds while the 2021/2022 audited financial statements reflects closing balance of zero on the same item resulting to an unexplained and unreconciled variance of Kshs.373,929,657.</p>	<p><b>Management Response</b></p> <p><b>D) Unexplained and unreconciled variance of Kshs.373,929,657 on capital/development grants</b>                      The amount of Kshs.373,929,657 comprised of Ksh.257,902,615 relating to Property, Plant and Equipment for FY 2021/2022 and Kshs.116,027,042 as opening balance of funds available during the reporting period of twenty-two (22) months ended 30 June, 2022.</p> <p>The above figure was omitted in the Statement of Changes in Net Assets for the period ended 30 June 2022 due to unfamiliarity with the reporting template for Municipalities by the reporting accountant as it was the first financial statements to be prepared.</p>	Resol ved	

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

Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe for resolution
	<p>II. The statement of changes in net asset reflects a debit balance of Kshs.51,565,292 on accumulated surplus while the 2021/2022 audited financial statements reflected a surplus of Kshs.12,896,458.50 resulting to an unexplained and unreconciled variance of Kshs.64,461,750.</p> <p>III. The statement of financial position reflects a comparative figure on reserves of Kshs.116, 027,042 with a zero balance as at 30th June 2023. The movement of this amount is not clear in the financial statement as the same has not been reflected as the movement in the statement of cash flows and the statement of changes in net assets.</p>	<p>The auditor recommended during the audit period of FY2022/2023 that this error of omission to be corrected and this was done in the current year under review.</p> <p><b>II) Unexplained and unreconciled variance of Kshs.64,461,750 on Accumulated Surplus</b></p> <p>The amount of Kshs.64,461,750 was net assets for FY 2021/2022. Kshs.51,565,292 was deficit on the Statement of Financial Performance for the 22 months period ended 30 June 2022 while Kshs.12,896,458.50 was Accumulated Surplus balance as at 30 June 2022 on the Statement of Changes in Net Assets.</p> <p>The reporting accountant erred in carrying forward the deficit of Kshs.51,565,292 instead of the accumulated surplus balance of Kshs.12,896,458.50 in the Statement of Changes in Net Assets.</p>		

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

Reference No.	Issue / Observations from Auditor	Management comments	Status	Timeframe for resolution
	<p>In the circumstances, the accuracy and completeness of the respective balances could not be confirmed.</p>	<p>This error, with the guidance of the auditor, shall be rectified in the annual financial statements for the FY2023/2024.</p> <p><b>III) Explanation of the movement of Reserves Figure of Kshs.116,027,042</b></p> <p>The Kshs.116,027,042 was balance on the entity's Urban Development Grant Account and Mumias Township Operations Account when the entity did its first financial statements for the twenty-two (22) months ended 30 June, 2022. This figure was omitted on the statement of Changes in Net Assets for the same period.</p> <p>The auditor during the audit period of the FY2022/2023 under review, recommended an adjustment which was done and the same was captured in the Statement of Changes in Net Assets and Statement of Cash Flows for the FY2022/2023 as comparative figure but knocked off in the Statement of Financial</p>		

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

Refer ence No.	Issue / Observations from Auditor	Management comments	Statu s:	Timefra me: for resoluti on
		Position since it had already been captured in the same statement for the period ended 30 June, 2022.		
2	<p><b>2. Unsupported Additions to Property, Plant and Equipment.</b></p> <p>The statement of financial position and as disclosed in Note 18, to the financial statements reflects property, plant and equipment amount of Kshs.296, 367,757 out of which an amount of Kshs.58,843,750 relates to additions during the year. However, the additional assets amount could not be verified because management did not provide relevant supporting documents such as, payment vouchers, Invoices, inspection and</p>	<p><b>Management Response</b></p> <p>The amount of Kshs.58,843,750 comprise of Kshs.29, 236,056 for construction of Mumias modern Bus Park and Kshs.29,607,693 for construction of Walk ways and landscaping works within Mumias Municipality. During Audit period, the management provided payments vouchers with attachments of invoices inspection and acceptance reports, handover reports and completion certificates. The same have been provided again to the auditor for a further audit review.</p>	Resol ved	

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

Refer ence No.	Issue / Observations from Auditor	Management comments	Statu s:	Timefra me: for resoluti on
	<p>acceptance reports, handover reports and completion certificates.</p> <p>In the circumstances, the accuracy and completeness of property, plant and equipment additions amounts to Kshs.58,843,750 could not be confirmed.</p>			
3	<p><b>3. Inaccuracies of cash and cash equivalents.</b></p> <p>The statement of financial position reflects a balance of Kshs.692,435 in respect of cash and cash equivalent as disclosed in Note 16 to the financial statements. However, the balance differs from the balance of Kshs.1,077,403 shown in the cashbook. The</p>	<p><b>Management Response</b></p> <p>The original cash book had a casting error and it was amended after the auditor's recommendation during the audit period. The amended cash book and bank reconciliation statement for Mumias UDG account was resubmitted to the auditor for verification. The same is still available for a further audit scrutiny.</p>	Resol ved	

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

Refer ence No.	Issue / Observations from Auditor	Management comments	Statu s:	Timefra me: for resoluti on															
	<p>variance of Kshs.384,968 was not explained or reconciled.</p> <p>In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of Kshs.692,435 could not be confirmed.</p>																		
	<p><b>Budgetary Control and Performance</b></p> <p>The statements of comparison of budget and actual amount reflects receipts budget and actual on comparable basis amounts of Kshs.171,835,426 and Kshs.46, 429,933 respectively, resulting to underfunding of Kshs.125, 405,493 or 73% of the budget. Similarly, the statement reflects actual</p>	<p><b>Underfunding of Kshs.125, 405,493 or 73%</b></p> <p>The breakdown of kshs.125,405,493 is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">N o</th> <th style="text-align: center;">Source of Funds</th> <th style="text-align: center;">Budget</th> <th style="text-align: center;">Actual</th> <th style="text-align: center;">Variance</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>Transfer from the County Government</td> <td style="text-align: right;">30,000,000</td> <td style="text-align: right;">13,629,500</td> <td style="text-align: right;">16,370,500</td> </tr> <tr> <td style="text-align: center;">2</td> <td>UDG Balance b/f</td> <td style="text-align: right;">64,441,886</td> <td style="text-align: center;">-</td> <td style="text-align: right;">64,441,886</td> </tr> </tbody> </table>	N o	Source of Funds	Budget	Actual	Variance	1	Transfer from the County Government	30,000,000	13,629,500	16,370,500	2	UDG Balance b/f	64,441,886	-	64,441,886	Resol ved	
N o	Source of Funds	Budget	Actual	Variance															
1	Transfer from the County Government	30,000,000	13,629,500	16,370,500															
2	UDG Balance b/f	64,441,886	-	64,441,886															

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

Refer ence No.	Issue / Observations from Auditor	Management comments	Statu s:	Timefra me: for resoluti on										
	<p>expenditure of Kshs.130,577,857 against approved budget of Kshs.171,835,426 resulting to under-performance of Kshs.41,257,569 or 24% of the budget.</p> <p>The under-funding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%; text-align: center;">3</td> <td style="width: 50%;">Payments on behalf of Municipality</td> <td style="width: 10%; text-align: right;">77,393,540</td> <td style="width: 10%; text-align: right;">32,800,433</td> <td style="width: 10%; text-align: right;">44,593,107</td> </tr> <tr> <td></td> <td><b>Total</b></td> <td style="text-align: right;"><b>171,835,426</b></td> <td style="text-align: right;"><b>6</b></td> <td style="text-align: right;"><b>46,429,933</b></td> </tr> </table> <p><b>Transfer from the County Government</b></p> <p>The County Treasury was unable to transfer Kshs.16,370,500 out of the allocated Kshs.30,000,000 to Mumias Municipality due to late exchequer disbursements by the National Treasury. This contributed to the overall under funding variance of Kshs.125,405,493.</p> <p><b>UDG Balance B/Forward</b></p> <p>The amount of Kshs.64,441,886 was a balance brought forward on the Mumias UDG Account which is not recognized in the statement of financial performance as per the standard reporting template hence the statement of comparison of budget and actual</p>	3	Payments on behalf of Municipality	77,393,540	32,800,433	44,593,107		<b>Total</b>	<b>171,835,426</b>	<b>6</b>	<b>46,429,933</b>		
3	Payments on behalf of Municipality	77,393,540	32,800,433	44,593,107										
	<b>Total</b>	<b>171,835,426</b>	<b>6</b>	<b>46,429,933</b>										

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

Reference No.	Issue / Observations from Auditor	Management comments	Status	Timeframe for resolution
		<p>amounts. This contributed to the overall under funding variance of Kshs.125,405,493.</p> <p><b>Payments on behalf on Municipality</b>                      The County Treasury was expected to fund the development activities of the Municipality to the tune of Kshs.77,393,540 during the year under review but only managed Kshs.32,800,433 leaving an under-funding balance of Kshs.44,593,107 due to late exchequer disbursements from the National Treasury. This deficit contributed to the overall under funding of Kshs.125,405,493.</p> <p><b>Under-Performance of Kshs.41,257,569 or 24% of the budget</b>                      The overall under performance above resulted from late disbursement of exchequer by the National Treasury.</p>		

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

Refer ence No.	Issue / Observations from Auditor	Management comments	Statu s:	Timefra me: for resoluti on
	<p><b>Other Matter</b></p> <p><b>Unresolved Prior Year Matters</b></p> <p>In the audit of the previous year, several issues were reported under the Report on the financial statements and report on lawfulness and effectiveness in use of public resources. However, management has not resolved the issues or given reasons on the failure to resolve them in adherence with the Public Sector Accounting Standards Board Templates.</p>	<p><b>Management Response</b></p> <p>Management has implemented most of the recommendations made in prior year audit and are awaiting county assembly and senate clearance.</p>	Resol ved	
1	<p><b>Basis for Conclusion</b></p> <p><b>1. Failure to Provide Approved Budget</b></p>	<p><b>Management Response</b></p> <p>Mumias Municipality's budget was prepared by the Board which in turn submitted the same to the County Treasury for</p>	Resol ved	

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

Reference No.	Issue/ Observations from Auditor	Management comments	Status	Timeframe for resolution
	<p>During the year under review, the Municipality operated without an approved budget. Consequently, the source and approval of the amount reflected on the statement of comparison of budget and actual amounts, including total expenditure for the year of Kshs.127,617,088 could not be confirmed. This is contrary to section 20(1)(l) of the Urban Areas and Cities Act,2011 which requires a Board of Municipality to prepare and submit an annual budget to the relevant county Treasury for consideration and submission to the County assembly for approval.</p>	<p>consolidation through the parent ministry of Lands, Housing, Physical Planning and Urban Development. The budget was then approved by the cabinet and the County Assembly as part of the annual county appropriation bill in line with section 20(1)(l) of the Urban Areas and Cities Act, 2011. Therefore, the management was not in breach of the law.</p>		

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

Reference No.	Issue / Observations from Auditor	Management comments	Status	Timeframe for resolution
	In the circumstances management was in breach of the law.			
2	<p><b>2. Lack of Operational Autonomy for Mumias Municipality.</b></p> <p>During the audit, it was observed that only office operations were carried out by the Municipality Board while project implementation was carried out by the County Executive through the Department of Lands, Housing, Urban Areas Development and Physical Planning. This is contrary to Section 21(1)(a) of the Urban Areas and Cities Act, 2011 which gives Municipalities Executive Authority as delegated by County Executives.</p>	<p><b>Management Response</b></p> <p>Most municipalities across the 47 county governments are still facing a share of challenges to attain full autonomy. Some of the major challenges include: (i) staff capacity, (ii) un-constituted municipal boards; (iii) inadequate technical staff; (iv) incomplete delineation of boundaries; (v) lack of autonomy in raising own source revenues; (vi) lack of autonomy in human resource management; (vii) lack of Municipality Managers; (viii) un-gazetted municipality functions among others. However, the Mumias Municipality is making progress towards autonomy by; (i) Appointing municipality boards vide gazette notice number 10369 dated 2/8/2023, (ii) Gazetting proposed devolved</p>	Resolved	

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

Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe for resolution
	In the Circumstances, management was in breach of the law.	functions through gazette notice no.6226 of 12/5/2023, (iii) Appointing municipal managers and designating them as accounting officers for the municipalities. This has now ensured partial autonomy of the municipalities as we strive towards complying fully with Section 21(1)(a) of the Urban Areas and Cities Act, 2011, amended 2019.		
3	<p><b>3. Failure to Appoint Municipality Administrator</b></p> <p>During the year under review, the Municipality operated without the Municipality Administrator. This is contrary to the provisions of Section 31B of the Urban Areas and Cities (Amendment) Act, 2019 which states that there shall be an administrator for every town established</p>	<p><b>Management Response</b></p> <p>Section 31B of the Urban Areas and Cities (Amendment) Act of 2019 requires appointment of a town administrator and not a Municipality administrator as opined by the auditor. Mumias was conferred the Municipality charter and is legally managed by a Municipal Manager appointed by the County Public Service Board in line with Section 28 and 29 of the Urban Areas and Cities Act of 2011. Therefore the management is not in breach of the law as far as this query is concerned.</p>	Resolved	

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

Reference No.	Issue / Observations from Auditor	Management comments	Status	Timeframe for resolution
	<p>under this Act who shall be appointed by the County Public Service Board established under Section 57 of the County Government Act, 2012.</p> <p>In the circumstances, management was in breach of the law.</p>			
4	<p><b>4. Lack of Fixed Assets Register</b></p> <p>During the year under review, the management did not maintain a fixed assets register in a format prescribed with minimum requirements of identification or serial number, date of acquisition, description of asset, location, class, and cost of acquisition, accumulated depreciation, netbook value and identification codes to support asset tagging</p>	<p><b>Management Response</b></p> <p>The Management has noted the Auditor's observation. During the audit period, management had not prepared an updated asset register with the above minimum requirements. However, management has updated the Assets Register conforming to the above parameters and is hereby availed for your review.</p>	Resolved	

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

Reference No.	Issue / Observations from Auditor	Management comments	Status:	Timeframe for resolution
	<p>in accordance with Regulation 136(1) of the Public Finance Management (County Government) Regulations, 2015, which states that an Accounting Officer shall be responsible for maintaining a register of assets under his or her possession as prescribed by the relevant laws.</p> <p>In the circumstances, management was in breach of the law.</p>			



.....  
**Ms Violete Ofisi**  
**Municipal Manager**

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


**Appendix 2: Inter-Entity Transfers**

MUNICIPALITY NAME: MUMIAS			
Breakdown of Transfers from the County Executive of Kakamega County			
FY 2024/2024			
	<u>Bank Statement</u> <u>Date</u>	<u>Amount</u> <u>(Kshs.)</u>	<u>Indicate the FY to which the amounts</u> <u>relate</u>
<b>a. Recurrent Grants</b>			
Central bank Recurrent	19/4/2024	540,000.00	2023/2024
Central bank Recurrent	5/7/2024	902,300.00	2023/2024
Central bank Recurrent	11/9/023	1,500,000.00	2023/2024
Central bank Recurrent	4/12/2024	1,500,000.00	2023/2024
Central bank Recurrent	9/2/2024	1,500,000.00	2023/2024
Central bank Recurrent	15/3/2024	1,500,000.00	2023/2024
Central bank Recurrent	9/5/2024	1,500,000.00	2023/2024
Central bank Recurrent	10/6/2024	1,500,000.00	2023/2024
Central bank Recurrent	9/7/2024	1,500,000.00	2023/2024
	<b>Total</b>	<b>11,942,300.00</b>	
<b>b</b>			
<b>Development Grants</b>			
Donor funding	21/9/2023	1,194,559.30	2023/2024

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

MUNICIPALITY NAME: MUMIAS			
Donor funding	22/12/2023	1,141,900.00	2023/2024
	<b>Total</b>	<b>2,336,459</b>	
<b>c. Direct Payments</b>	<b><u>Bank Statement</u></b>	<b><u>Amount</u></b>	<b><u>Indicate the FY to which the amounts</u></b>
	<b><u>Date</u></b>	<b><u>(Kshs.)</u></b>	<b><u>relate</u></b>
From Central bank Recurrent and Central bank Dev	Various Dates	66,235,263	2023/2024
	<b>Total</b>	<b>66,235,263</b>	

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



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

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

**Appendix 3: Reporting of Climate Relevant Expenditures**

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

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

Mumias Municipality did not report on any climate change related expenses

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

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

**Appendix 4: Disaster Expenditure Reporting Template**

Date:

Entity

Mumias Municipality did not report on any disaster expenditure

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

**Appendix 5: Schedule supporting Use of Goods and services in the Cash flow Statement**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Utilities, supplies and services	4,540,470	3,969,761
Communication, supplies and services	449,450	584,820
Domestic travel and subsistence	2,523,835	1,120,300

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

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Printing, advertising, supplies & services	388,166	644,903
Hospitality supplies and services	1,486,171	5,944,220
Specialized materials and services	332,089	392,365
Office and general supplies and services	608,320	33,444,743
Fuel, oil and lubricants	94,890	15,000
Other operating expenses -cleaning services	1,099,360	0
Routine maintenance – vehicles and other equipment	71,000	141,270
Routine maintenance – other assets	4,091,821	342,605
Contracted Professional Services	39,700,914	0
Bank Charges	9,060	36,532
<b>Total</b>	<b>55,395,546</b>	<b>46,636,519</b>

**Appendix 6: Schedule supporting Acquisition of assets in the Cash flow statement under PPE OF Kshs, 22,779,631**

Assets Acquired during the year as reflected in the Cash flow statement		
S/No	Classification	Amount
1	Construction of Buildings	
2	Work in progress-Value addition to Mumias Slaughter House	9,848,195
3	Civil works Drainage and Landscaping	7,999,928
	<b>TOTAL</b>	<b>4,931,508</b>
		<b>22,779,631</b>