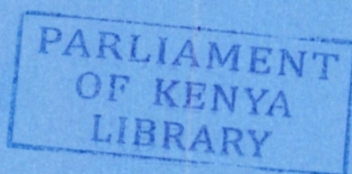


REPUBLIC OF KENYA



*Enhancing Accountability*

# REPORT



OF

**THE AUDITOR-GENERAL**

ON

**ITEN MUNICIPALITY**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

PAPERS LAID	
DATE	21/3/2024
TABLED BY	Dep. Maj. Whip.
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# ITEN MUNICIPALITY

*County Government of Elgeyo Marakwet*

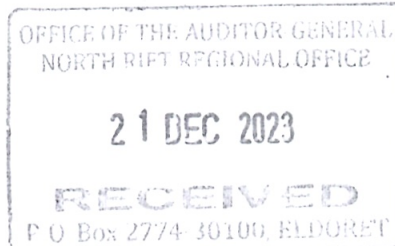
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30<sup>TH</sup> JUNE 2023

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



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**1. Acronyms & Glossary of Terms**

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
CPAK	Certified public Accountant of Kenya
PFM act	Public finance management act
CBD	Central business district
EACC	Ethics and anti corruption commission
OAG	Office of auditor general
UIG	Urban institutional grant
UDG	Urban development grant
KUSP	Kenya urban support program
EMC	Elgeyo Marakwet county
PWD	Persons with disability
CEC	County Executive committee
CO	Chief officer



## 2. Key Entity Information and Management

### a) Background information

Iten 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 28<sup>th</sup> December, 2018. Iten Municipality is under the County Government of Elgeyo Marakwet and is domiciled in Kenya.

### b) Principal Activities

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

### VISION

A town of choice for sports, tourism and investment

### MISSION

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

### c) Key Management

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

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

### d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

**County Government of Elgeyo Marakwet**  
**Iten Municipality**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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

*(Include all positions regarded as top management for the Municipality).*

**e) Fiduciary Oversight Arrangements**

*The key fiduciary oversight arrangements of the municipal include:*

- i) County internal audit department responsible for ensuring appropriate internal controls are adhered to and proper recording of all books of accounts.
- ii) County assembly committee in charge of urban areas provide oversight role
- iii) Audit and finance committee of the municipal board perform oversight role

**f) Registered Offices**

P.O. Box 220,30700  
Municipality offices,  
Kapsowar Road,  
Iten, Kenya

**g) Contacts**

Telephone:(+254) 0721802399  
E-mail: iten.municipality@gmail.com  
Website: www.elgeyomarakwet.go.ke

**h) Bankers**

1)Commercial Banks

Account name:EMC KUSP UIG FUND ACCT.

Account no.1260823156

2)Central bank of Kenya:

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

Account no.1000413905

Account name:Iten municipality urban dev grant(kes)

Account no.1000372238



**i) Independent Auditor**

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




**j) Principal Legal Adviser**

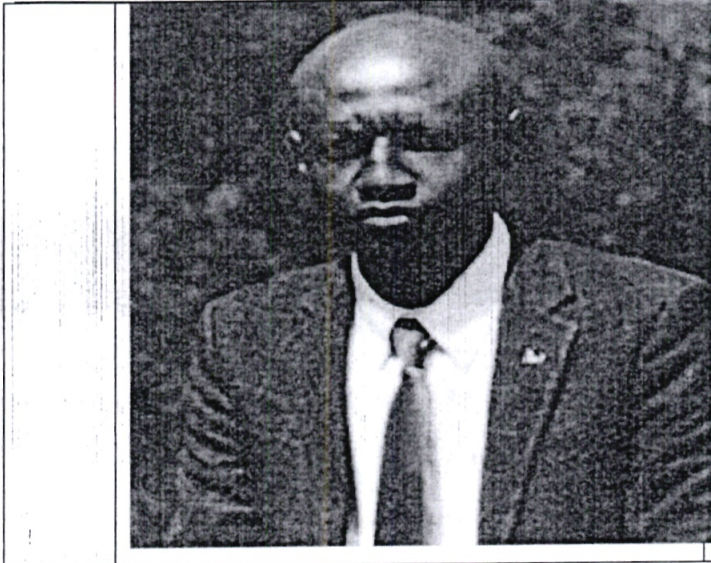
The County Attorney,  
Office of the Governor,  
P.O. Box 220,  
Iten, Kenya

3. Iten Municipality Board

Serial No.	Name	Details of qualifications and experience
1	Michael Kures Chesikari 	Age: 50 years Academic qualification: Bachelor of education Work experience: 20 years working as senior lecturer at Eldoret polytechnic (Independent)
2	Kenneth K. Kemboi 	Age: 44 years Academic qualification: Bachelor of science in sociology Work experience: 14 years work experience as programme officer- world vision (Independent)
3	Lili an Jepkurgat Chesire	Age: 46 years Academic qualification: Bachelor of commerce Work experience: Business lady (Independent)

*County Government of Elgeyo Marakwet  
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Annual Report and Financial Statements for the year ended June 30, 2023*

		
4	<p>Robert Kipkosgei Kilimo</p> 	<p><b>Age:</b>51 years <b>Academic qualification:</b> Bachelor of science in surveying <b>Work experience:</b>20 years working as surveyor in the ministry of roads and energy (Independent)</p>
5	<p>Josphat Kiprono Maswan</p> 	<p><b>Age:</b>60years <b>Academic qualification:</b>Bachelor of architecture <b>Work experience:</b>29 years working with Telkom Kenya as architect</p>
6	<p>Kimutai Chemitei</p>	<p><b>Age:</b>32 year</p>



**Academic qualification:** Degree in business administration

**Work Experience:** Steering committee member open government partnerships since 2016  
(Independent)

4. Key Management Team

Serial No	Name	Details of qualifications and experience
1.	Raymond Omonei	<b>Date of birth:</b> 17-01-1976 <b>Academic qualification:</b> Bachelor of Education <b>Work experience:</b> 11 years teaching, deputy headteacher for three years and ward administrator for five years
2.	Johnkeen Murkeu	<b>Date of birth:</b> 12-02-1969 <b>Academic qualification:</b> MBA Finance,CPA(K) <b>Working experience:</b> 30 years in public service
3.	Josphat Kerich	<b>Date of birth:</b> 29-06-1980 <b>Academic qualification:</b> Postgraduate diploma in procurement,bachelor of education arts <b>Work experience:</b> 9 years in public service
4.	Hillary Chelal	<b>Date of birth:</b> 12-10-1977 <b>Academic qualification:</b> BBM(Accounting),CPA(K) <b>Work experience:</b> 15 years in public service

(Note: The Municipality Manager will feature under both the 'Board' and 'Management'.)

## 5. Municipality Board Chairperson's Report

### **Foreword:**

*On 27<sup>th</sup> August, 2021, Kenya promulgated a new constitution. The constitution introduced a new system of governance. This was the devolved system of governance. Here sovereignty is assigned to National government and county governments respectively.*

*The two levels of government conduct their affairs as stipulated in the fourth schedule of the 2010 constitution.*

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

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

### **SUCCESS MADE IN ITEN MUNICIPALITY**

*On being sworn into office on march 2019, we did organised and planned for the municipality and developed an integrated development plan for Iten municipality with the help of SUED we did also development and Economic investment Guide for municipality with aim of attracting investors into the municipality.*

*As a municipality board, with the support of the World Bank(KUSP) we have managed to roll out the following projects:*

- i) Cabro works for car parks*
- ii) Construction of 4km road to bitumen standards within the CBD*
- iii) Construction of green park*
- v) Construction of footpaths*
- vi) Building of fire station and disaster centre*
- vii) Purchase of garbage collection truck(compact)*

### **MUNICIPALITY BOARDS PERFORMANCE**

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

### **CHALLENGES**

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

### **CHANGES IN MUNICIPALITY BOARD DURING THE YEAR**


**County Government of Elgeyo Marakwet**  
**Iten Municipality**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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*One of the board member, Rose Jerop was nominated as MCA. Her position is yet to be filled by the public service board.*

**FUTURE OUTLOOK OF ITEN MUNICIPALITY**

*Iten municipality subscribes to the vision 2030 development strategy. Thus need to put in place plans and policies that shall accelerate sustainable socio-economic growth, reduce inequality and manage resource scarcity.*

FOR  .....

**Name:** Kures Chesikari Michael

**Chairperson of the Board**

## 6. Report Of the Municipality Manager

Iten as an urban area was granted a municipality status on 28<sup>th</sup> December 2018, Iten was granted the municipal status because it is a county headquarters as per the amendment of the urban areas and cities Act 2011. Iten was awarded a World Heritage Centre for athletics awarded in 2019. The Municipality has 6 Board Members; Three Men, one Woman, One Youth, One PWD. Iten municipality has received development funds (UDG) from KUSP for the last two years amounting **kshs 204,827,146** and recurrent funds (UIG) amounting to **kshs 51,145,356**. UIG funds utilised in capacity building, office operationalization, public participation and renovation of municipal offices, The UDG funds has been utilised in the following eligible projects:

s/n	Name of contractor	Activity	Budget Execution				comments
			Budget (Kshs)	Contract amount (Kshs)	Expenditure to date (Kshs)	Budget execution (%)	
1	Patrego Invest.Ltd	Construction of parking lots and Cabros	20,000,000	19,577,720	19,577,720	97.9%	complete
2	Hardcore builders Ltd	Improvement of roads in Iten to Municipality to Bitumen Standards	40,000,000	39,979,122	39,979,121	99.9%	complete
3	Lydro construction Ltd	Recreation Parks and Greenery of Urban Spaces	19,402,100	18,743,277	18,743,277	99.6%	complete
4	Environ Kenya Ltd	Pre-feasibility, feasibility and Appraisal Studies	10,400,000	3,970,000	3,970,000	38.17%	complete
5	Oilken Ltd	construction of and walkways - establishment of fire station -supply of	93,298,101	84,924,410	84,298,101	100%	complete

**County Government of Elgeyo Marakwet**  
**Iten Municipality**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

		garbage truck, bins and skips					
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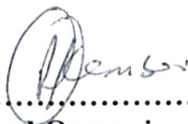
Most of the above projects are fully functional and benefiting the community and therefore there is value for money.

Main challenges are;

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

The Key Risk Management Strategies are as follows:-

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



Name: Raymond Omonei  
Municipality Manager



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

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

- a) Provide quality physical infrastructure.
- b) Urban planning.
- c) Urban governance and administration

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Roads and drainages	To improve transport systems within the municipality	Improved accessibility within the municipality	Kilometres of the roads Tarmacked and drainage improved within the municipality	We have in F/Y2018/19 tarmacked 2KMs of roads and improved drainage of 2KMs in F/Y2019/20
Public parks and Green urban space rehabilitation	To develop social facilities within the municipal	Availability of social facilities within the municipal	Number of public parks and green spaces constructed and rehabilitated	One green space rehabilitated in F/Y 2018/19
Disaster management centre	To improve disaster preparedness, response and mitigation measures	Effective and efficient delivery emergency services	Number of disaster centres constructed	One disaster centre construction within the municipality ongoing
Non motorised	To improve	Improved	Number of	Over two hundred

*County Government of Elgeyo Marakwet  
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<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
transport facility(parking)	transport system within the municipality	accessibility system within the municipality	parking lots constructed	parking lots constructed in F/Y 2018/19
Non motorised transport facility (walkways)	To improve transport system within the municipality	Reduced congestion	Number of kilometres of walkways	2.1 kilometres of walkway constructed

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## 8. Corporate Governance Statement

### a) Process of appointment and removal of board members

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

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

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

a) Oversee the affairs of the municipality

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

c) Formulate and implement an integrated development plan

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

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

- a) This financial year the board were able to have three quarterly sittings and one special meeting. In all these meetings, quorum was attained.
- b) Currently the municipality has no documented succession plan.
- c) As a municipality there is existence of service charter

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## **9. Management Discussion and Analysis**

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

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

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

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

## **10. Environmental And Sustainability Reporting**

Iten municipality exists to transform lives. This is our purpose: driving force behind every thing we do. Its what guides us to deliver our strategy, which is founded on the following key pillars: putting the residents /citizens first, delivering relevant goods and services and improving operational excellence. Below is a brief highlight of our achievement in each pillar.

### **1. Sustainability strategy and profile**

*The municipality intends to lobby for more funds from government agencies, donors and income from the revenue sources. It also seeks to adhere to all laws and international practices.*

### **2. Environmental performance**

*The municipality endeavours to ensure environmental conservation and to this end it will adopt the recently gazetted Elgeyo Marakwet sustainable forestry and tree ground bill 2020, the municipality has also adopted a waste management policy to reduce environment pollution, we are currently installing litter bins, skip containers and intend to purchase a waste compactor truck however we have a disadvantage of limited resources.*

### **3. Employee welfare**

*The municipality endeavours to adhere to all related laws in the recruitment process including the gender rule. It will also advocate for the same to its partners and contractors. The organization also discloses safety and compliance with occupational safety and health act of 2007 (OSHA)*

### **4. Market place practices**

#### **a) Responsible competition practice.**

*The municipality has trained some of the staff in fair administrative justice and ethical/corruption prevention measures by EACC staff, the organization is fair in its dealings regarding competitors*

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

*The municipality adheres to all procurement and disposal act 2015 lwas, and ensures the suppliers are paid as per the contract agreement.*

#### **c) Responsible marketing and advertisement**

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*d) The organization ensures that all its advertisements are done using the right channels within the law..*

*e) **Product stewardship***

*The municipality will ensure that consumer rights and interests are always safeguarded.*

**5. Community Engagements**

- The organization has scheduled periodic clean-up within the municipality and also we have tree seedlings to various groups and other public institutions.
- We distributed face masks during the covid 19 pandemic
- S taff were trained on monitoring and evaluation

## 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, 2023 which show the state of the Municipality affairs.

### Principal activities

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

### Performance

The performance of the Municipality for the year ended June 30, 2023 are set out on page

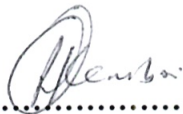
### Board Members

The members of the Board who served during the year are shown on page vii and viii. The changes in the Board during the financial year are as shown below:

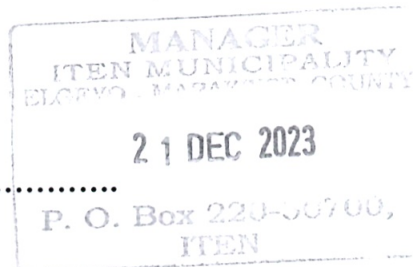
### Auditors

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: Raymond Omonei  
Secretary of the Board



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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 Iten Municipality established by Urban Areas and Cities Act No. 13 of 2011 shall prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Municipality manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

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


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

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


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

**Approval of the financial statements**

The Municipal financial statements were approved by the Board on 15<sup>th</sup> September 2023 and signed on its behalf by:

FOR  .....

**Name: Michael Kures Chesikari**  
**Chairperson of the Board**

 .....

**Name: Raymond Omonei**  
**Accounting officer of the Board**

ITEN MUNICIPALITY  
ELGEYO MARAKWET COUNTY  
21 DEC 2023  
O. Box 220-30700,  
ITEN

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON ITEN MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2023**

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Iten Municipality set out on pages 1 to 52, which comprise of the statement of financial position as at 30 June, 2023,

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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Iten Municipality as at 30 June, 2023, and 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 the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Unconfirmed Budget Amounts**

The statement of comparison of budget and actual amounts reflects revenue, expenses and capital budget amounts of Kshs.2,339,915, Kshs.8,800,000 and Kshs.93,293,101 respectively. However, annual budget estimates of revenues and expenditures for the financial year were not prepared and approved by the County Assembly contrary to the provisions of Section 175(5) of the Public Finance Management Act, 2012, and Section 45(1) of Urban Areas and Cities Act, 2011 which states that town committee shall cause to be prepared estimates of the revenue and expenditure of a board or town committee for that year, the annual estimates shall be tabled before the board or town committee for adoption and approval, the annual estimates approved by the board or town committee under Sub-section (3) shall be submitted to the county governor for submission to the county assembly for its approval.

In the circumstance, accuracy of revenue, expenses and capital budget amounts of Kshs.2,339,915, Kshs.8,800,000 and Kshs.93,293,101 respectively could not be confirmed. Further, Management was in breach of the law.

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

#### **Key Audit Matters**

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

## **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, no report or recommendations from the Management of the Municipality and oversight bodies were submitted for audit verification. Further, the issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding.

## **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, I confirm that, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, 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 Independence of the Municipality**

The Iten Municipality was granted Municipal Charter on 28 December, 2018 which was supposed to grant operational independence from the County Government of Elgeyo Marakwet. However, review of the operations of the Municipality revealed that the Municipality's budget was prepared and controlled by the County Executive and there was no budget approval by the Municipality Board, with the exception of donor funded project accounts with joint signatories from the County Treasury, the Municipality's expenditure was controlled by the County Treasury and did not have independent operations account.

This contravene Section 9(1) of the Urban Areas and Cities Act, 2011, which states that the County Governor may, on the resolution of the County Assembly, confer the status of a Municipality on a town that meets the criteria set out in Sub-section (3), by grant of a charter in the prescribed form. In addition, it contravenes Section 12(1) of the Urban Areas and Cities Act, 2011, which states that the Management of a city and municipality shall be vested in the County Government and administered on its behalf by a Board, a Manager appointed pursuant to Section 28 and such other staff or officers as the County public service may determine.

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

#### **2. Failure to Observe Equity on Board Composition**

Review of Iten Municipality records provided for audit revealed that the Municipality had six (6) board members out of which 5 members were male contrary Section 13(3) of Urban

Areas and Cities Act, 2011 which requires that the executive committee shall, while appointing members of the board, ensure gender equity, representation of persons with disability, youth and marginalized groups.

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

### **3. Failure to Observe Safety Requirements at the Workplace**

Review of records of Iten Municipality, as an occupier, revealed that the entity did not establish a safety and health committee at the workplace as required under Section 9(1) of the Occupational Safety and Health Act, 2007. Further, Management did not provide a safety and health audit report as required under Section 11(1) which stipulates that the occupier of a workplace shall cause a thorough safety and health audit of his workplace to be carried out at least once in every period of twelve months by a safety and health advisor.

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

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Lack of Approved Staff Establishment**

Review of human resource management practices revealed that the Municipality did not have an approved staff establishment. In the absence of an approved staff establishment, the Municipality cannot plan for, recruit, remunerate and retain the competent staff needed for the effective and efficient running of the organization.

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

## **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Municipality to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Municipality to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.



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

**Nairobi**

**26 January, 2024**

**Iten Municipality**  
**County Government of Elgeyo Marakwet**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	-	-
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues - World bank (UIG/UDG)	9	2,339,915	24,028,387
		<b>2,339,915</b>	<b>24,028,387</b>
<b>Revenue from exchange transactions</b>			
Interest income	10	-	-
Miscellaneous Income	11	-	-
		-	-
<b>Total revenue</b>			
<b>Expenditure</b>			
Use of goods and services	12	1,695,533	10,848,433
Staff costs	13	-	-
Board expenses	14	-	-
Finance costs	15	-	-
Depreciation and amortization	16	11,838,012	-
Repairs and maintenance	17	-	-
<b>Total expenses</b>		<b>13,533,545</b>	<b>10,848,433</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	18	-	-
<b>Surplus/(deficit) for the period</b>		<b>(11,193,630)</b>	<b>13,179,954</b>

The notes set out on pages 22 to 44 form an integral part of these Financial Statements. The entity financial statements were approved on 15<sup>th</sup> Sep. 2023 and signed by:

.....  
**Name: Raymond Omonoi**  
**Municipality Manager**

ITEN MUNICIPALITY  
 ELGEYO MARAKWET COUNTY  
**21 DEC 2023**  
 P. O. Box 220-30700,  
 ITEN

.....  
**Name: Johnken Murken**  
**Head of Finance**  
**ICPAK M/No 8112**

*County Government of Elgeyo Marakwet*  
*Iten Municipality*  
*Annual Report and Financial Statements for the year ended June 30, 2023*

**15. Statement of Financial Position As At 30 June 2023**

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	19	9,950,197	46,731,430
Receivables from exchange transactions	20	-	-
Receivables from Non- exchange transactions	21	-	-
Prepayments	22	-	-
Inventories	23	-	-
<b>Total current assets</b>		<b>9,950,197</b>	<b>46,731,430</b>
<b>Non-current assets</b>			
Property, plant, and equipment	24	162,398,992	137,023,044
Intangible assets	25	-	-
<b>Total Non-current Assets</b>		<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>172,349,189</b>	<b>183,754,474</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	26	2,701,392	2,913,047
Refundable deposits from customers	27	-	-
Provisions	28	-	-
Borrowings	29	-	-
Employee benefit obligations	30	-	-
Deferred Income	31	-	-
Social Benefits	32	-	-
<b>Total current liabilities</b>		<b>2,701,392</b>	<b>2,913,047</b>
<b>Non-current liabilities</b>			
Provisions	28	-	-
Borrowings	29	-	-
Non-current employee benefit obligation	30	-	-
Deferred Income	31	-	-
Social Benefits	32	-	-
<b>Total liabilities</b>		<b>2,701,392</b>	<b>2,913,047</b>

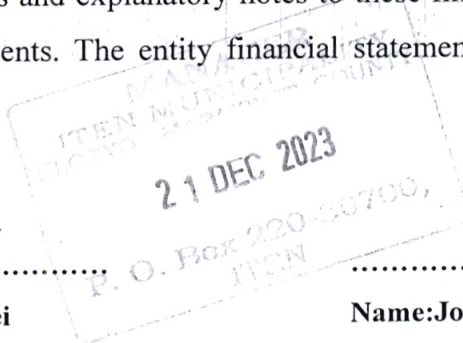
**County Government of Elgeyo Marakwet**  
**Iten Municipality**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

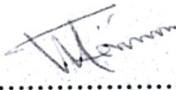
Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
		<b>169,647,797</b>	<b>180,841,427</b>
<b>Netassets</b>			
Capital/Development Grants/Fund		-	-
Reserves		-	-
Accumulated surplus		169,647,797	180,841,427
<b>Totalnetassetsandliabilities</b>		<b>169,647,797</b>	<b>180,841,427</b>

9  
 The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 15<sup>th</sup> September 2023 and signed by:

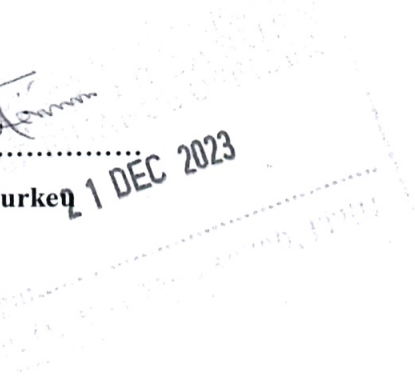


Name: Raymond Omonei  
 Municipality Manager  
 Date: 15/09/2023

  
 ITEN MUNICIPALITY  
 21 DEC 2023  
 P. O. Box 220-30700,  
 ITCN



Name: Johnkeen Murket  
 Head of Finance  
 ICPAK M/No 8112  
 Date: 15/09/2023

  
 ITEN MUNICIPALITY  
 1 DEC 2023

*County Government of Elgeyo Marakwet  
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**16. Statement of Changes In Net Assets For the Year Ended 30 June 2023**

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
<b>Bal as at 1 July 2021</b> (previous year)	-	-	167,661,473	167,661,473
Surplus/(deficit) for the year	-	-	13,179,954	13,179,954
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Bal as at 30 Jun 2022</b>	-	-	<b>180,841,427</b>	<b>180,841,427</b>
<b>Bal as at 1 July 2022 (current year)</b>	-	-	<b>180,841,427</b>	<b>180,841,427</b>
Surplus/(deficit) for the year	-	-	(11,193,630)	(11,193,630)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2023</b>	-	-	<b>169,647,797</b>	<b>169,647,797</b>

*(Provide details on the nature and purpose of reserves)*

**17. Statement Of Cash Flowsfor The Year Ended 30 June 2023**

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
<b>Cashflowsfromoperatingactivities</b>			
<b>Receipts</b>			
Transfers from the County Government		-	-
Public contributions and donations		-	-
Interest received		-	-
KUSP-UDG		1,194,559	24,028,387
KUSP-UIG		1,145,356	-
<b>Total Receipts</b>		<b>2,339,915</b>	<b>24,028,387</b>
<b>Payments</b>			
Use of goods and services		1,695,533.85	455,605
Staff costs		-	-
Board expenses		-	-
Finance costs		-	-
<b>Total Payments</b>		<b>(1,695,533.85)</b>	<b>(455,605)</b>
<b>Adjusted for:</b>			
<b>Increase in deposits and retentions</b>		<b>(211,655)</b>	<b>2,913,047</b>
<b>Netcashflowsfromoperatingactivities</b>	33	<b>432,726</b>	<b>26,485,829</b>
<b>Increase/decrease in deposits and retention</b>			
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets		(37,213,959)	(30,739,332)
Proceeds from sale of PPE		-	-
<b>Netcashflowsusedininvestingactivities</b>		<b>(37,213,959)</b>	<b>(30,739,332)</b>
<b>Cashflowsfromfinancingactivities</b>			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
<b>Netcashflowsusedinfinancingactivities</b>			
<b>Netincrease/(decrease)incash&amp;cash equivalents</b>		<b>(36,781,233)</b>	<b>(4,253,503)</b>
Cash And Cash Equivalents At 1 July	19	46,731,430	50,984,933
<b>CashAndCashEquivalentsAt30 June</b>	19	<b>9,950,197</b>	<b>46,731,430</b>

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

**County Government of Elgeyo Marakwet**  
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*Comparative FY refers to the financial year preceding the current year.*

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
<b>Revenue</b>		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	
Transfers from the County Government	-	-	-	-	-	%
Public contributions and donations	-	-	-	-	-	%
Interest income	-	-	-	-	-	%
Miscellaneous income (KUSP)	2,339,913	-	2,339,915	2,339,915	-	100%
<b>Total Revenue</b>	<b>2,339,913</b>	<b>-</b>	<b>2,339,915</b>	<b>2,339,915</b>	<b>-</b>	<b>%</b>
<b>Expenses</b>						
Use of goods and services	8,800,000	-	8,800,000	1,695,533	-	19%
Board expenses	-	-	-	-	-	%
Staff Costs	-	-	-	-	-	%
Finance costs	-	-	-	-	-	%
<b>Total Expenditure</b>	<b>8,800,000</b>	<b>-</b>	<b>8,800,000</b>	<b>1,695,533</b>	<b>-</b>	<b>%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>644,382</b>	<b>-</b>	
<b>Capital Expenditure</b>	<b>93,293,101</b>	<b>-</b>	<b>93,293,101</b>	<b>37,213,959</b>	<b>-</b>	<b>%</b>

**Budget notes**

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

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

### **1. General Information**

Iten Municipality is established by and derives its authority and accountability from xxx Act. The Iten Municipality is under the xx County Government and is domiciled in Kenya. The *entity's* principal activity is xxx

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

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

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

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

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

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

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

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 Iten Municipality  
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Standard	Effective date and impact:
	statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <i>(State the impact of the standard to the Entity if relevant)</i>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<b>Applicable: 1st January 2023:</b> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. <i>(State the impact of the standard to the Entity if relevant)</i>
Other improvements to IPSAS	<b>Applicable 1<sup>st</sup> January 2023</b> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA2008).</li> <li>• <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <i>IPSAS 29: Financial instruments: Recognition and</i></li> </ul>

Standard	Effective date and impact:
	<p><i>Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>

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

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

iii. *Early adoption of standards*

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

*(Notes to financial statements continued)*

**4. Significant Accounting Policies**

**a) Revenue recognition**

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

*Transfers from other government entities*

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

**ii) Revenue from exchange transactions**

*Interest income*

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

**b) Budget information**

The original budget for FY 2022/23 was approved by the County Assembly on (Date). Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Iten Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Iten Municipality recorded additional appropriations of (Amount) on (Date) following the governing body's approval.

The Iten Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 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 Iten Municipality recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

Furniture	12.5%(8 years)
Computers and printers	33.3%(3 years)
Building	2.5% (40 years)

Civil works

10% (10 years)

A full year depreciation is recognised in the year of asset purchase but not in the year of disposal.

**d) Intangible assets**

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

*(Significant accounting policies continued)*

**e) Financial instruments**

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

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

**Financial assets**

**Classification of financial assets**

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

*(Significant accounting policies continued)*

**Subsequent measurement**

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

**Amortized cost**

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

### **Trade and other receivables**

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

*(Significant accounting policies continued)*

### **Impairment**

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

### **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 Iten Municipality.

*(Significant accounting policies continued)*

**g) Provisions**

Provisions are recognized when the Iten 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 Iten Municipality expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**h) Social Benefits**

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

**i) Contingent liabilities**

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

*(Significant accounting policies continued)*

**j) Contingent assets**

The Iten 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 Iten Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured

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

**k) Nature and purpose of reserves**

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

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

The Iten 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 Iten Municipality provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Iten Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the Iten Municipality does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to scheme obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefits are actuarially

valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

*(Significant accounting policies continued)*

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

**p) Related parties**

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

**q) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes

in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

*(Significant accounting policies continued)*

**r) Comparative figures**

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

**s) Events after the reporting period**

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

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

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

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

**t) Currency**

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

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

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

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**6. Transfers from the County Government**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	-	-
Payments by County on behalf of the entity	-	-
Unconditional development grants	-	-
<b>Total</b>	-	-

*(Provide brief explanation for this revenue)*

**(a) Transfers from County Government entities (Categorized)**

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2021/2023
	Kshs	Kshs	Kshs	Kshs	Kshs
State Department	-	-	-	-	-
Ministry	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

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

*The details of the reconciliation have been included under appendix xxx*

**7. Public Contributions and Donations**

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



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8. Levies, Fines and penalties

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

9. Other Revenues from Non-Exchange Transactions

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others KUSP (UDG)	1,194,559	24,028,387
KUSP(UG)	1,145,356	-
<b>Total</b>	<b>2,339,915</b>	<b>24,028,387</b>

(Provide a brief explanation for this revenue)

10. Interest income

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

(Provide brief explanation for this revenue)

**11. Miscellaneous income**

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

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

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12. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Utilities, supplies and services	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	193,200	59,800
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	-	-
Rent and rates	-	-
Training expenses	-	-
Hospitality supplies and services	100,000	252,500
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	-	90,000
Fuel, oil and lubricants	-	-
Other operating expenses ( <i>Specify</i> )	-	-
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	1,399,138	-
Audit fees	-	-
Hire of Transport, equipment etc	-	-
Bank Charges	3,195	-
Social Benefit expenses*	-	-
<b>Total</b>	<b>1,695,533</b>	<b>455,604</b>

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

13. Staff costs

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Salaries and wages	-	-
Staff gratuity	-	-
Social security contribution	-	-
Other staff costs ( <i>Specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*Notes to the Financial Statements*

**14. Board expenses**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	-	-
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	-
Conference Costs	-	-
Other allowances ( <i>Specify</i> )	-	-
<b>Total</b>	-	-

**15. Finance costs**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
<b>Total</b>	-	-

**16. Depreciation and amortization**

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

*Notes to the Financial Statements*

**17. Repairs and Maintenance**

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

**18. Gain/(loss) on disposal of assets**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	-	-

**19. Cash and cash equivalents**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	2,701,392	2,913,047
Current account	-	-
Others( <i>specify</i> )	7,248,805	43,818,383
<b>Total cash and cash equivalents</b>	<b>9,950,197</b>	<b>46,731,430</b>

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

**Notes to the Financial Statements**

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

Financial institution	Account number	2022/2023	2021/2022
		Kshs.	Kshs.
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
EMC deposit account	1000240571	2,701,392	2,913,047
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>d) Others(specify)</b>			
CBK(SPA)-UDG	1000372238	6,097,085	43,515,624
CBK(SPA)-UIG	1000413905	3,970	297,170
KCB	1260823156	1,147,750	5,589
<b>Sub- total</b>		<b>9,950,197</b>	<b>46,731,430</b>
<b>Grand total</b>		<b>9,950,197</b>	<b>46,731,430</b>

**20. Receivables from exchange transactions**

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

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Totalreceivables from exchange transactions	-	-
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Ageing analysis for Receivables from exchange transactions

Description	2022/2023		2021/2022	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (a+b)</b>	-	%	-	%

21. Receivables from Non-Exchange transaction

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfer from County Executive	-	-
Transfer from XXXX Fund	-	-
<b>Totalreceivables from non-exchange transactions</b>	-	-

Ageing analysis for Receivables from non-exchange transactions

Description	2022/2023		2021/2022	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	-	%	-	%

**22. Prepayments**

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

**23. Inventories**

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

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(Notes to the Financial Statements Continued)

24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 July 2021 (previous year)	-	48,821,766	-	3,296,500	1,516,820	80,937,291	-	134,572,291
Additions	-	-	-	-	-	1,608,862	29,130,470	30,739,332
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
As at 30 <sup>th</sup> June 2022	-	48,821,766	-	3,296,500	1,516,820	82,546,153	29,130,470	165,311,709
Additions for the year	-	27,013,920	10,200,040	-	-	-	-	37,213,960
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
As at 30 <sup>th</sup> June 2023 (current year)	-	75,835,686	10,200,040	3,296,500	1,516,820	82,546,153	29,130,470	204,586,569
<b>Depreciation and impairment</b>								
At 1 July 2021 (previous year)		1,714,120	-	824,126	1,011,214	14,346,377	-	17,895,837
Depreciation		1,220,544	-	412,063	505,607	8,254,615	-	10,392,829

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Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Impairment		-	-	-	-	-	-	-
Transfers/ Adjustments		-	-	-	-	-	-	-
<b>As at 30 June 2022</b>		<b>2,934,664</b>	<b>-</b>	<b>1,236,189</b>	<b>1,516,820</b>	<b>22,600,992</b>	<b>-</b>	<b>28,288,665</b>
Depreciation for the year		1,895,892	1,275,005	412,500	-	8,254,615	-	11,838,012
Disposals for the year		-	-	-	-	-	-	-
Impairment for the year		-	-	-	-	-	-	-
Transfer/adjustment		-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2023 (current year)</b>		<b>4,830,556</b>	<b>1,275,005</b>	<b>1,648,689</b>	<b>1,516,820</b>	<b>30,855,607</b>	<b>-</b>	<b>40,126,677</b>
NBV as at 30 <sup>th</sup> Jun 2022(previous year)		45,887,102	-	2,060,311	-	59,945,161	29,130,470	137,023,044
<b>NBV as at 30<sup>th</sup> Jun 2023(current year)</b>		<b>71,005,130</b>	<b>8,925,035</b>	<b>1,647,811</b>	<b>-</b>	<b>51,690,546</b>	<b>29,130,470</b>	<b>162,398,992</b>

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

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25. Intangible assets

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

26. Trade and other payables from exchange transactions

Description	2022/2023		2021/2022	
	Kshs.		Kshs.	
Trade payables	-		-	
Retentions	2,701,392		2,913,047	
Accrued expenses	-		-	
Other payables (Specify)	-		-	
<b>Total trade and other payables</b>	<b>2,701,392</b>		<b>2,913,047</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	2,701,392	100%	2,913,047	100%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	<b>-</b>	<b>%</b>	<b>-</b>	<b>%</b>

Notes to the Financial Statements

27. Refundable deposits from customers

Description	2022/2023		2021/2022	
	KShs		KShs	
Rent deposits	-		-	
Others ( <i>specify</i> )	--		-	
<b>Total</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	-	%	--	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	-	%	-	%

28. Provisions

Description	2022/2023		2021/2022	
	Kshs.		Kshs.	
Balance at the beginning of the year	-		-	
Additional Provisions ( <i>Specify</i> )	-		-	
Provision utilised	-		-	
<b>Balance at the end of the year</b>	-		-	
Current Portion of provision	-		-	
Long term portion of provision	-		-	
<b>Total Provisions</b>	-		-	

29. Borrowings

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

Description	2022/2023		2021/2022	
	Kshs.		Kshs.	
Short term borrowings (current portion)	-		-	
Long term borrowings	-		-	
<b>Total</b>	-		-	

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

Description	Insert Current FY	Insert Comparative FY
	Kshs.	Kshs.
<b>Balance at beginning of the period</b>	-	-
Borrowings during the year	-	-
Repayments of borrowings during the period	-	-
<b>Balance at end of the period</b>	<b>xxx</b>	<b>xxx</b>

The table below shows the Distribution of borrowings:

Description	Insert Current FY	Insert Comparative FY
	Kshs.	Kshs.
<b>Borrowings</b>		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	<b>-</b>	<b>-</b>

### 30. Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
<b>Totalemployee benefits obligation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

*Notes to the Financial Statements*

**31. Deferred Income**

Description	2022/2023	2021/2022
	Kshs	Kshs
National/County Government	-	-
International Funding Bodies	-	-
Public Contributions and Donations	-	-
<b>Total Deferred Income</b>	-	--

The deferred income movement is as follows:

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

*Include columns as needed for the various sources of income deferred*

*Analysed as:*

Description	Amount
	Kshs
Current	-
Non- Current	-
<b>Total</b>	-

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**32. Social Benefit Liabilities**

Description	2022/2023	2021/2022
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	=	=
People Living with disabilities benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
<b>Total</b>	=	=
Current social benefits	-	-
Non- current social benefits	-	-
<b>Total (tie to totals above)</b>	-	-

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

**33. Cash generated from operations**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	<b>(11,193,631)</b>	<b>(13,179,954)</b>
<b>Adjusted for:</b>		-
Depreciation	11,838,012	10,392,829
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	(211,655)	2,913,047
<b>Net cash flow from operating activities</b>	<b>432,726</b>	<b>26,485,829</b>

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

*Notes to the Financial Statements*

**34. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the Iten 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 Iten Municipality/scheme is related to the following entities:

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

**b) Related party transactions**

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

**c) Key management remuneration**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Board Members	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
<b>Total</b>	-	-

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**e) Due to related parties**

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

**35. Contingent liabilities**

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

*(Give details)*

**36. Contingent Assets**

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

**Notes to the Financial Statements**

**37. Financial risk management**

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

**I. Credit risk**

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

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

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

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

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

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

**II. Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 Jun 2023(current year)</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 Jun 2022 (previous year)</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-

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Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**Notes to the Financial Statements**

**III. Market risk**

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Iten 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 Iten 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 Iten 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 Iten Municipality's exposure to market risks or the manner in which it manages and measures the risk.

**IV. Foreign currency risk**

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

Description	Other currencies		Total
	Kshs.	Kshs.	Kshs.
<b>At 30 June 2023 (current year)</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
<b>Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-

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

**Notes to the Financial Statements**

**Foreign currency sensitivity analysis**

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
<b>20XX (current year)</b>			
Euro	10%	-	-
USD	10%	-	-
<b>20XX (previous year)</b>			
Euro	10%	-	-
USD	10%	-	-

**V. Interest rate risk**

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

**Management of interest rate risk**

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

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*Notes to the Financial Statements*

**VI. Capital risk management.**

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

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital/Development Grants/City/Municipality	-	-
Accumulated surplus	169,647,797	209,106,503
<b>Total Funds</b>	<b>169,647,797</b>	<b>209,106,503</b>
Total borrowings	-	-
Less: cash and bank balances	9,950,197	43,794,794
Net debt/(excess cash and cash equivalents)	(9,950,197)	(43,794,794)
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

**20. Appendices**

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Property, plant and equipment	Vandalised ablution block	The crime was reported to the police. The management will repair the damages	Done	6 months
2. Budgetary control	Under-absorption	Under absorption was due to delay in disbursement of funds	Done	1 year

**Guidance Notes:**

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

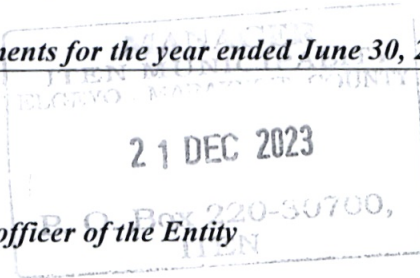
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**To be Signed by the Accounting officer of the Entity**



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**Appendix 2: Inter Entity Transfers**

CITY/MUNICIPALITY NAME:				
Breakdown of Transfers from the County Executive of xxx County				
FY 20xx/20xx				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	

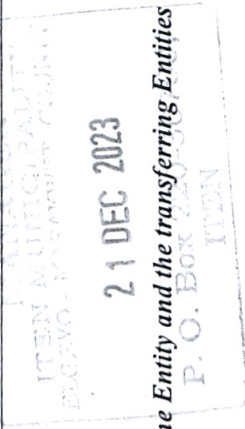
*(The above amounts have been communicated to and reconciled with the parent Department in the County.)*

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



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

Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

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

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

**Appendix 4: Disaster Expenditure Reporting Template**

Date:

Entity:

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