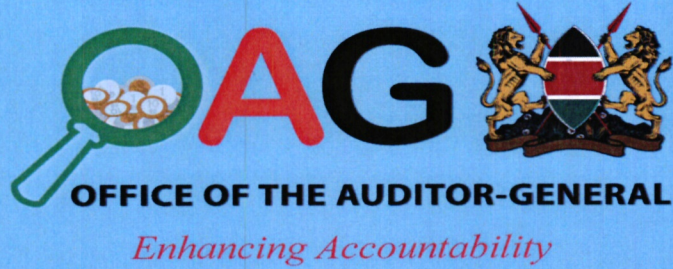


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OF

THE AUDITOR-GENERAL

ON

KAKAMEGA MUNICIPALITY

**FOR THE TWENTY-TWO (22)
MONTHS PERIOD
ENDED 30 JUNE, 2022**



KAKAMEGA MUNICIPALITY

County Government of Kakamega.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR 22 MONTHS ENDED

30TH JUNE 2022

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

County Government of Kakamega
Kakamega Municipality
Annual Report and Financial Statements for 22 Months ended 30th June, 2022

County Government of Kakamega
Kakamega Municipality
Annual Report and Financial Statements for 22 Months ended 30th June, 2022

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1. Key Municipality Information and Management

a) Background information

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

b) Principal Activities

Vision - Kakamega Municipality

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

Mission - Kakamega Municipality

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

The principal activities of kakamega municipality are as follows:

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

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

County Government of Kakamega

Kakamega Municipality

Annual Report and Financial Statements for 22 Months ended 30th June, 2022

c) Municipality Board

| Ref | Position | Name |
|------------|---|--------------------------------------|
| 1. | Chairman of the Board | Mr.L'lanziva Meshack Kijuba Hsc |
| 2. | County Executive Committee Member responsible for Cities and Urban areas. | CPA Kulati Wangia |
| 3. | Chief officer -Lands | Mr Fanuel Wemali Angaya |
| 4. | Board Member | Col.Rtd Job Lubanga Akhulia |
| 5. | Board Member | Ms. Amina makokha |
| 6. | Board Member | Mrs Catherine wandabwa |
| 7. | Board Member | Dr. Consolata Namisi Lusweti |
| 8. | Board Member | Mr.Timothy Mudome |
| 9. | Board Member | Mrs. Keziah otsyula muchelule |
| 10. | Municipality Manager-ex-officio Member | Ms. Violet Ofisi |

d) Key Management

| Ref | Position | Name |
|------------|--|-------------------------|
| 1 | Chief officer Ministry of Lands Urban areas and physical planning | Mr Fanuel Wemali Angaya |
| 2 | Municipality Manager | Ms. Violet Ofisi |
| 3. | Finance Department | Mr sylance Obondo |

e) Fiduciary Oversight Arrangements

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:



**H.E. HON. FCPA Dr. WYCLIFFE AMBETSA OPARANYA EGH CGJ,
GOVERNOR KAKAMEGA COUNTY**

H.E. Hon. FCPA Dr. Wycliffe Ambetsa Oparanya, EGH CGJ, was elected in office in 2013 as the first Governor of Kakamega County following promulgation of the Constitution of Kenya, 2010. He was re-elected during 2017 general elections. He served for two terms as Chairman to Council of Governors (CoG).

County Government of Kakamega

Kakamega Municipality

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He is the deputy Party Leader of ODM, the second largest political party in Kenya.

Wycliffe Oparanya was born at Emabole in Butere Constituency Western Kenya on 25th March, 1956. He attended Mabile Primary School, Butere Boys High School and Kisii School. He then proceeded and acquired Bachelor of Commerce (Accounting option) and an MBA (Finance) from the University of Nairobi. He completed his PhD (Economics) at the University of Dar-es- Salaam, Tanzania.

He is a Fellow Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He was awarded the prestigious recognition for his contribution to the accounting profession in 2014 and became a Fellow of the Institute of Certified Public Accountants of Kenya (FCPA). He is also a member of numerous other professional bodies.

Hon. Oparanya has 23 years of experience in local and international Finance Management, Audit and Business Consultancy. He is a member of the Orange Democratic Movement which he serves as Deputy Party Leader.

Before joining politics in 2002, Oparanya worked at the Kenya Aerotech Ltd as Chief Financial Controller. He plunged into politics and successfully captured the Butere seat.



**H.E. PROF PHILIP MUSEVE KUTIMA, DEPUTY GOVERNOR
KAKAMEGA COUNTY**

PERSONAL INFORMATION

Prof Kutima was born on November 24th 1956 at Muyundi village, Chebwai Sub-location, Chegulo Location Malava Sub-county of Kakamega County, to Filipo Lutatwa Kutima and Lyaka Kutima. He is married to Prof. Helen Lydia Kutima with whom he has four children.

EDUCATION

Prof Kutima attended Chebwai Primary School, Musingu High School and Friends' School, Kamusinga for O- and A-level education. He has BSc, MSc, and PhD in Microbiology and Molecular Biology with a minor in Biochemistry from North Carolina State University, USA, where he graduated in 1987.

PROFESSIONAL SUMMARY

Prof. Kutima began his academic career as a Lecturer in the Departments of Dairy & Food Science and Biological Science at Egerton University in 1987. He then moved to Jomo Kenyatta University of Agriculture and Technology in 1990 as a Senior Lecturer, and later promoted to Associate Professor. He has university teaching and research experience of over 22 years during which he supervised several MSc and PhD students and has over 30 research papers. He is a member of several professional organizations including the Kenya Society of Biochemistry, Kenya Society of Microbiology and American Society for Microbiology.

In 2009, Prof. Kutima moved to the African Institute for Capacity Development(AICAD) where he served as Deputy Executive Director for 4 years. AICAD is an international organization involved in poverty eradication through human capacity development. In 2013 he joined active politics as running mate to Dr. Wycliffe Ambetsa Oparanya. They won the elections and became the first Governor and Deputy Governor for Kakamega County respectively. They were reelected in 2017.

Oversight arrangement

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

f) Registered Offices

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

g) Contacts

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

County Government of Kakamega
Kakamega Municipality

Annual Report and Financial Statements for 22 Months ended 30th June, 2022

h) Bankers

1. Commercial Banks

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

i) Independent Auditor

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

County Legal Adviser

County Attorney

County Government of Kakamega



P.O Box 36-50100

Kakamega, Kenya

**County Government of Kakamega
Kakamega Municipality**

Annual Report and Financial Statements for 22 Months ended 30th June, 2022

2. Kakamega Municipality Board

| Name | Details of qualifications and experience |
|--|--|
|  <p>Mr.L'lanziva Meshack Kijuba Hsc,</p> | <p>Mr.L'lanziva Meshack Kijuba is currently the Chair of the board and Director of St. Anne's School Lubao. He has served as a member of the Mumias Town Management Committee from 2015-2019. He was also the Principal of Chavakali High School between 2002 and 2006 and Kimilili High School between 1990 and 2001.</p> <p>Mr. L'lanziva holds a Masters of Science degree in Organizational Development from University of Nairobi, Bachelor of Education degree from SC McGill University – Montreal, Canada and a Diploma from the Kenya Science Teachers' College.</p> |
|  <p>Ms. Violet Ofisi</p> | <p>Ms. Violet Ofisi is the current Municipal Manager Kakamega Municipality. Violet holds a PhD (ongoing) in Project Planning and Management and a Masters degree in Project Planning and Management from the University of Nairobi. She also holds a Bachelor of Education degree from Egerton University. Prior to her appointment as Kakamega Municipal Manager, she was the Municipal Manager Mumias Municipality. She has worked as a Part-time Lecturer University of Nairobi, Kenya Institute of Management (KIM) and Mt. Kenya University (from 2010 to 2017)</p> |
|  <p>Col. (Rtd) Job Lubanga Akhulia</p> | <p>Col. (Rtd) Job Lubanga Akhulia has worked as a member of the Kakamega County Public Service Board from 2013 to 2019. He has served As General Manager Kenya Defense Forces Museums and Archives (2012-2013), Assistant Chief Examiner with the Kenya National Examination Council (1989-2013), Commanding Officer at Langata Barracks, Career Military officer, attained the rank of Colonel and rose to the position of Deputy Chief of Personnel (1983-2012), Graduate teacher in Secondary School and Tutor in training college respectively (1980-1983), Team leader to the Joint Kenyatta University-Kenya Defense Forces Curriculum Development Panel (2009-2010).</p> <p>Col. (Rtd) Akhulia holds a Bachelor's Degree in Education Science and Post graduate diploma in Military Science. He was recognized for exemplary leadership, management qualities and professional diligence and decorated with the Order of the Grand Warrior (OGW) by His Excellency the President in June 2002.</p> |

**County Government of Kakamega
Kakamega Municipality**

Annual Report and Financial Statements for 22 Months ended 30th June, 2022

| | |
|---|--|
|  | <p>Ms. Amina makokha was nominated by the Association of Youth Business Owners. She is a person living with disability. Ms. Amina holds a Bachelor of Business Management (Banking and Finance) degree from Mt. Kenya University. Amina has worked as a Volunteer facilitator at Alternative Violence Project Kenya, Volunteer at Thika Young Association and Member of the Association of Youth Business Owners.</p> |
|  | <p>Mrs Catherine Wandabwa Was nominated by the Kakamega County Residents Association (KARA). She holds a Bachelors of Education degree from MMUST, Diploma in Technical Education from Kenya Teachers College, Diploma in Agriculture from Egerton University and Certificate in Monitoring and Evaluation from Kenya Institute of Management. Ms. Wandabwa is currently the county election Manager, Nandi County.</p> |
|  | <p>Dr. Consolata Namisi Lusweti was nominated by the Kenya Chambers of Commerce, Kakamega chapter. She holds a PhD in Health promotion with specialization in women living with disability from Masinde Muliro University of Science & Technology, Masters in Community Health and Development from Great Lakes University of Kisumu and Bachelors of Science in Nursing from University of Eastern Africa Baraton. She also has several short trainings in HIV/AIDS management, Emergency medical services, Module and E-learning. Dr. Consolata N. Lusweti has expansive working experience in health and education sector. She is currently a lecturer in the department of Community health and Management in Masinde Muliro University of Science & Technology from 2008 up to date. She</p> |
|  | <p>Mr. Timothy Mudome is a nominee to Kakamega Municipality Board nominated by APSEA Architectural Association of Kenya. He is Registered Architect with Board of Registration of Architects & Quality Surveyors and a Member of Architectural Association of Kenya. Mr. Mudome holds a Bachelor Degree of Architecture from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and is currently pursuing a Master degree in Environmental Planning Management at Kenyatta University. He has worked as a Lecturer at Nairobi Institute of Technology and Jomo Kenyatta University of Agriculture and Technology (JKUAT)</p> |

**County Government of Kakamega
Kakamega Municipality**



Annual Report and Financial Statements for 22 Months ended 30th June, 2022



Mrs. Keziah otsyula

The Late **Mrs. Keziah Otsyula** has served as a board Member in the Year under Review till her demise in 2022.

3. Management Team

| Name | Details of qualifications and experience |
|--|--|
|  <p data-bbox="162 954 368 987">Ms. Violet Ofisi</p> | <p data-bbox="740 495 1340 999">Ms. Violet Ofisi is the current Municipal Manager Kakamega Municipality. Violet holds a PhD (ongoing) in Project Planning and Management and a Masters degree in Project Planning and Management from the University of Nairobi. She also holds a Bachelor of Education degree from Egerton University. Prior to her appointment as Kakamega Municipal Manager, she was the Municipal Manager Mumias Municipality. She has worked as a Part-time Lecturer University of Nairobi, Kenya Institute of Management (KIM) and Mt. Kenya University (from 2010 to 2017)</p> |
|  <p data-bbox="162 1693 443 1727">Mr. Sylvance Obondo.</p> | <p data-bbox="740 1046 1262 1335">Mr. Sylvance obondo is the current Head of Finance for Kakamega Municipality, Holds BBA from Westminister university ,Certified public Accountant, Certificate in procurement and revenue collection.</p> |

4. KAKAMEGA MUNICIPALITY BOARD CHAIRPERSON'S REPORT

It is my pleasure to present the County Government of Kakamega Municipality Financial Reports and Statements for the year ended 30th June 2022. The statements present the financial performance of the municipality for the period ended 30th June 2022.

The Financial Statements have been prepared in line with the Public Finance Management (PFM) Act 2012 and are in line with the format prescribed by the Public Sector Accounting Standards Board. The PFM Act requires that these statements be submitted to the Office of Auditor General and copied to the National Treasury, The Controller of Budget, The Commission of Revenue Allocation within 30 days after end of the year .

The Financial Statements present the recent actual fiscal performance for the year and make comparisons to the budget appropriations for the same period. They further provide a comprehensive financial review with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper 2021/2022.

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

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

KAKAMEGA MUNICIPALITY FINANCING

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

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

County Government of Kakamega

Kakamega Municipality

Annual Report and Financial Statements for 22 Months ended 30th June, 2022

FINANCIAL PERFORMANCE

Kakamega Municipality had approved budget of Kshs 391,627,740 for Recurrent and Development Respectively.comprising a balance brought forward of Ksh183, 118,800 for (KUSP) Kenya Urban Support programme.

Equitable share: There have always been challenges of delays in disbursement of equitable share to the County thus affecting adversely the planning and implementation of County operation.

CONCLUSION

Kakamega Municipality recorded good progress in implementation of their agendas and projects. On behalf of Kakamega Municipality, I would like to thank H.E. The Governor, H.E. The Deputy Governor for the leadership and support they have provided during the period. Further, my sincere gratitude goes to the County Municipalities Board Members and staff for their continued efforts to realize the goals as set in the budget FY 2021/2022. I extend my gratitude to all other stake holders for pulling together and for their continued commitment, dedication and hard work to ensure service delivery to the people of Kakamega County. I would also like to thank the County Assembly under the leadership of the Speaker and the County Clerk for their co-operation and oversight role as well as donors who have continued to support us in implementing development of municipalities.

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



Mr.L'lanziva Meshack Kijuba Hsc
Municipality Board Chairperson

County Government of Kakamega

Kakamega Municipality

Annual Report and Financial Statements for 22 Months ended 30th June, 2022

5. Report of the Municipality Manager

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

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

I may not mention everybody, but do acknowledge all those individuals who directly or indirectly put their efforts and contributed to the success of preparation and consolidation of the Financial Report and Statements for the period 2021/22.

On behalf of the Board members (BOM) of the Kakamega County, Kakamega Municipality, I have the honour to forward the Annual Reports and Financial Statement for the Financial Year ended 30th June, 2022.

As a Municipality its mandate is drawn from the Urban Areas and Cities Act of 2011 and Article 184 of the Constitution of Kenya 2010. Kakamega Municipality provides a wide range of services. **Principal activities of Kakamega municipality are as follows:**

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

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

County Government of Kakamega

Kakamega Municipality

Annual Report and Financial Statements for 22 Months ended 30th June, 2022

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

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

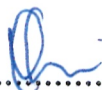
The Board worked with the management to develop and approve the municipality's Annual Budgets, Procurement Plans, Work Plans and Board Calendars for FY 2021-22 and FY 2022-23. The board also supported the Municipality to review the Organizational Structure in line with the municipality's mandate and corporate governance principles.

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

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

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

The management and the board further recognizes that, during the year under review donor agencies i.e world bank suspended their funding's given that it was an electioneering year. We pray and hope for a quick resumption of funding given that donor agencies are the largest funders of urban infrastructure and development projects.



.....
Ms. Violet Ofisi.
Municipality Manager

County Government of Kakamega

Kakamega Municipality

Annual Report and Financial Statements for 22 Months ended 30th June, 2022

6. Statement of Performance Against Predetermined Objectives for the FY 2021/2022

Introduction

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

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

County Government of Kakamega
Kakamega Municipality

Annual Report and Financial Statements for 22 Months ended 30th June, 2022

| Program | Objective | Outcome | Indicator | Performance |
|---------|--|--|---|---|
| | | Constructed Non-Motorized Roads | KMs of Non-Motorized roads constructed | Achieved 1 km out of targeted 3 km due to in adequate budget |
| | | Tarmacked earth roads | KMs of earth roads tarmacked | Achieved 4.45 km out of targeted 5 km due to in adequate budget |
| | | Land scaped urban Areas | SMs of area landscaped and beautified | Achieved 2,000 SMs out of targeted 10,000 SMs due to in adequate budget |
| | To improve and provide efficient and modern urban services | Complete Peoples Recreational Park- Muliro | % Completion of Peoples Recreational Park- Muliro | 90% of target achieved due to delays caused by the COVID-19 Pandemic |
| | | Complete Kambi Somali Open Air Market | % completion levels | 100 % complete but not yet functional, final payment not done |
| | | Tarmacked Earth roads | KMs of earth roads tarmacked | Achieved 2.13 km out of targeted 5 km due to in adequate budget |
| | | Non-Motorized Walkways constructed | KMs of Non-Motorized Walkways constructed | Achieved 1.6km out of targeted 2km due to in adequate budget |

7. Corporate Governance Statement

Kakamega Municipality strives to improve the welfare of its people through formulation and implementation of all-inclusive multi-sectoral policies which guide the Municipality to deliver on its strategic mandate, which is founded on three (3) pillars; putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

Kakamega County Assembly approves names of the nominees for positions of Chairperson and members of the Kakamega County Municipality after a rigorous vetting.

The Board comprises of members including the Chairperson. They will serve for a term in accordance with the provisions of law. Removal of the chairperson or board members follows a legal process.

Duties and Responsibilities of the Kakamega Municipality Board

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

County Government of Kakamega

Kakamega Municipality

Annual Report and Financial Statements for 22 Months ended 30th June, 2022

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

Kakamega Municipality conducted induction process for board members because, starting a new role in a new organisation can be an anxious .Time and an effective induction programme **alleviates anxiety**. Induction enables them to understand more about the organisation, their role and ways of working, as well as to meet new colleagues.

Kakamega Municipality has conducted a number of board meetings to deliberate on issues affecting the municipality and bring long term solutions to the problems.

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

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

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

Some of the **shortcomings** include:

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

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

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

1. Employee welfare

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

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

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

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

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

2. Market place practices-

The organisation should outline its efforts to:

a) Responsible Supply chain and supplier relations-

Using appropriate procurement methods that ensure equity and transparency.

- Use of standard tender documents as guided by Public Procurement Regulatory Authority.
- Supplier development program sensitization and training for special groups.
- Debriefing of unsuccessful bidders to enhance competitiveness and transparency.
- Reporting of contracts awards to relevant authorities and general public
- Procurement based on approved budget and procurement plan.

(i) Treating Suppliers Responsibility by honoring Contract

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

(ii) Respecting Payment Practice

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

- i. The County Government has undertaken public sensitization and awareness as a key pillar in promotion of fair competition. This has empowered the citizen in decision

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

b) Responsible ethical practices-

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

c) Stewardship of goods and services

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

3. Community Engagements

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

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

**County Government of Kakamega
Kakamega Municipality**

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8. Management Discussion and Analysis.

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

The Kakamega Municipality finances its operations through donor funded programs like Kenya Urban Support Program (KUSP) and Urban Development Program (UDG). Kakamega Municipality had approved budget of Kshs 391,627,740 for Recurrent and Development Respectively, comprising a balance brought forward of Ksh183, 118,800 for (KUSP) Kenya Urban Support programme.

Kakamega Municipality has achieved key projects in the betterment of service delivery to the citizens as highlighted below.

Ongoing Construction of Sichirai Market





Shirere Slaughter House



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Proposed Construction of Perimeter Fencing at Rosterman Disposal Site



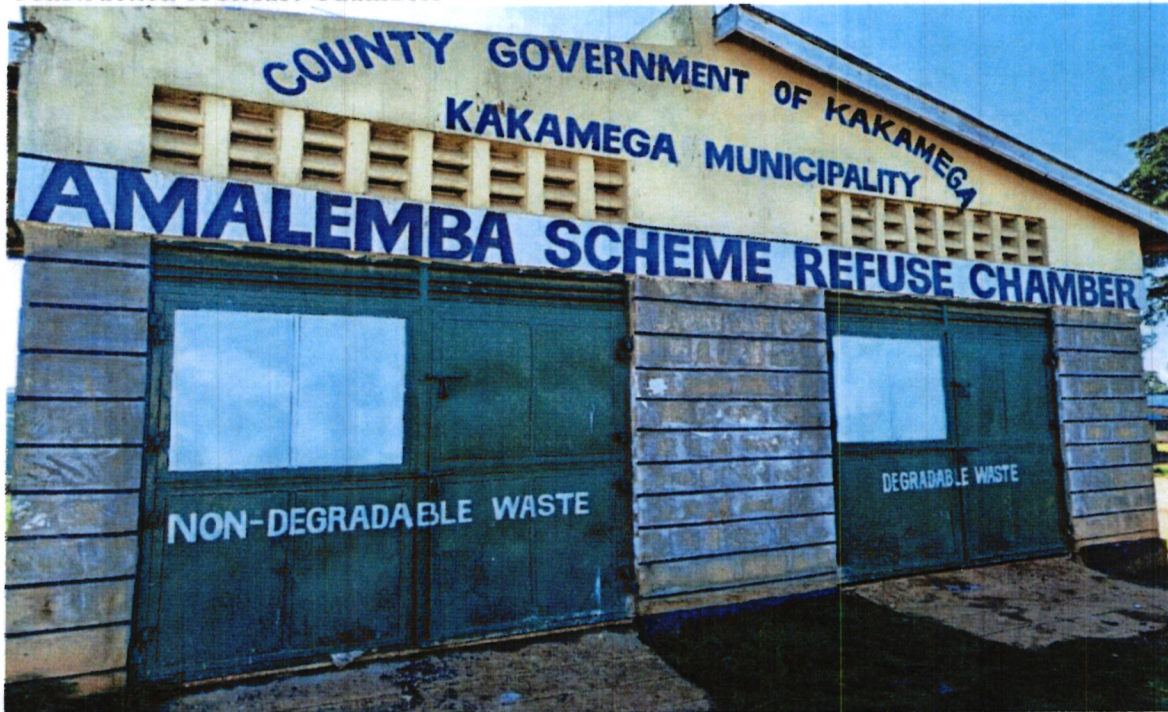
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Ambwere Road Project



Construction of Refuse Chambers



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Muliro Garden Cabbro Walkways, Drainage systems, Gates, Fencing Works, Monument base and tree pruning.



9. Environmental And Sustainability Reporting

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

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

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

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

- **National Environment Policy, 2013**

This policy touches on various aspects including:

- **Public participation**

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

- **Climate Change**

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

- **Environmental Monitoring and assessment**

Ensure periodic reporting on county and national status of environment.

- **Institutional Arrangement**

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

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

- **County Environmental Management Act, 2019**

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

10. Report of Kakamega Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended 30th June, 2022 which show the state of Kakamega Municipality affairs.

Principal activities

Principal activities of kakamega municipality are as follows:

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

Performance

The performance of Kakamega Municipality for the year ended June 30, 2022 are set out on page 1 to 5.

Board Members

The members of the Board who served during the year are shown on page x to xxi (refer to the key Municipality information and management page). The board members lost one member namely Mrs. Keziah Otsyula who served as a board Member in the Year under Review till her demise in 2022.

County Government of Kakamega
Kakamega Municipality
Annual Report and Financial Statements for 22 Months ended 30th June, 2022

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.



.....
Name: MS Violet Ofisi.

Secretary of the Board

11. Statement of Management's Responsibilities

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

The Municipality manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2022. 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, 2022, and the financial position as at that date.

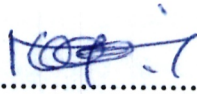
The Municipality Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Municipality Manager has

Assessed the Municipality's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

Approval of the financial statements

The Municipality financial statements were approved by the Board on ~~17/8~~ 2022 and signed on its behalf by:



.....
Mr.L'anziva Meshack Kijuba Hsc
Chairperson of the Board



.....
Name:Ms Violet Ofisi.
Accounting officer of the Board

REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA MUNICIPALITY FOR THE TWENTY-TWO (22) MONTHS PERIOD ENDED 30 JUNE, 2022

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 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 Kakamega Municipality set out on pages 1 to 26, which comprise of the statement of financial position for the twenty-two

Report of the Auditor-General on Kakamega Municipality for the twenty-two (22) months period ended 30 June, 2022

(22) months as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the period then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements do not present fairly, the financial position of Kakamega Municipality as at 30 June, 2022, and of its financial performance and its cash flows for the twenty two (22) Months then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and the Urban Areas and Cities Act, 2011.

Basis for Qualified Opinion

1. Unconfirmed Balances

The statement of changes in net assets reflects a balance of Kshs.121,646,033 in respect of surplus as at 01 July, 2021. However, the source of the balance could not be confirmed since this is the first set of financial statements of the Municipality which have been prepared for a period of twenty-two (22) months beginning 01 September, 2020.

Further, the statement of cash flows reflects balances of Kshs.(16,439,018) and Kshs.121,646,033 in respect of net increase in cash and cash equivalents and cash and cash equivalents as at 01 July 2021. Similarly, the source of the balances could not be confirmed since this is the first set of financial statements of the Municipality which have been prepared for a period of twenty-two (22) months beginning 01 September, 2020.

In addition, the statement of financial position reflects a balance of Kshs.121,646,033 in respect of Fund balance brought forward as at 30 June, 2022. However, supporting documents for the balance brought forward was not provided.

In the circumstances, the accuracy and completeness of the respective balances could not be confirmed.

2. Failure to Disclose Reporting Period

The Municipality Board has prepared and presented financial statements for a period of twenty-two (22) months ending 30 June, 2022. However, no disclosure has been provided in the financial statements to this effect as required by Section 66 of International Public Sector Accounting Standards (IPSAS) which provides that if an entity prepares financial statements for a period shorter or longer than one financial year, then a disclosure should be made giving reasons for the same.

In the circumstances, the financial statements were not prepared in accordance with the requirements of International Public Sector Accounting Standards.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega 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 period under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects approved revenue budget and actual on a comparable basis of Kshs.391,627,740 and Kshs.279,375,993 respectively, resulting to under-funding of Kshs.112,251,747 or 29% of the budget. Similarly, the statement reflects actual expenditure of Kshs.111,838,151 against approved budget of Kshs.391,627,740 resulting to under-performance of Kshs.279,789,589 or 71% of the budget.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Contracts for Cleaning and Landscape Maintenance Services

1.1 Cleaning and Landscape Maintenance Services at Khayega Market

The Municipality Board awarded a contract to a local company for cleaning and landscape maintenance at Khayega market at a contract sum of Kshs.6,175,152. However, the Company did not submit a tender document as required by Section 77(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that submission of tender

documents in electronic or manual form shall be in writing, signed and in the case of manual submission, they shall be sealed in an envelope.

In addition, no evidence was provided to show that a tender opening committee was constituted as required by Section 78(1) of the Act, which requires an accounting officer of a procuring entity to appoint a tender opening committee. It was, therefore, not possible to confirm whether tenders were submitted, duly opened and evaluated.

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

1.2 Cleaning and Landscape Maintenance Services at Rosterman Solid Waste Disposal Site

The Municipality Board awarded a contract to a local company for cleaning and landscape maintenance at Rosterman solid waste disposal site at a contract sum of Kshs.13,689,177. However, the Company did not submit a tender document as required by Section 77(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that submission of tender documents in electronic or manual form shall be in writing, signed and in the case of manual submission, they shall be sealed in an envelope.

In addition, no evidence was provided to show that a tender opening committee was constituted as required by Section 78(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to appoint a tender opening committee. It was, therefore, not possible to confirm whether tenders were submitted, duly opened and evaluated.

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

2. Other Contracts Awarded Without Tender Opening Committees

During the period under review, the Municipality Board also awarded nine (9) contracts for supply of services and works for amounts totalling to Kshs.263,757,728. However, review of the procurement process revealed that the contracts were awarded without being subjected to tender opening as required by Section 78(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an accounting officer of a procuring entity to appoint a tender opening committee. It was therefore not possible to confirm whether tenders were submitted, duly opened and evaluated.

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

3. Construction of Sichirai Market and Access Roads

The Municipality Board awarded a contract to a local construction company for construction of Sichirai market and access roads at a contract sum of Kshs.178,111,050 and a contract period of twelve (12) months commencing May, 2021 and ending in April, 2022. However, the company did not submit a tender document as required by Section 77(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that submission of tender documents in electronic or manual form shall be in writing, signed and in the case of manual submission, they shall be sealed in an envelope.

In addition, no evidence was provided to confirm that a tender opening committee was constituted as required by Section 78(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer of a procuring entity to appoint a tender opening committee. It was therefore not possible to confirm whether tenders were submitted, duly opened and evaluated.

For the twenty-two (22) Months ended 30 June, 2022, the Municipality Board had paid the contractor a total amount of Kshs.157,288,139 or 88% of the contract sum, inclusive of advance payment. However, as at that date, advance payments totalling Kshs.8,332,159 had not been recovered from the contractor as required by Clause 6.5 of the contract agreement.

Further, a physical inspection carried out in November, 2022 revealed that although the contract period had elapsed, the project was still incomplete as roofing had not been done. It was also revealed that the orientation of the market had been changed due to what was attributed to a dispute over part of the land on which the market was being erected. However, the instructions book, the new drawings and revised Bill of Qualities were not provided for audit review.

In the circumstances, the Municipality Board did not obtain value for money from the project.

4. Rehabilitation of Shirere Slaughterhouse

The Municipality Board awarded a contract to a local construction company for rehabilitation of Shirere slaughterhouse at a contract sum of Kshs.10,469,097 and a contract period of six (6) months commencing 20 January, 2022 and ending on 19 June, 2022.

However, the Company did not submit a tender document as required by Section 77(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that submission of tender documents in electronic or manual form shall be in writing, signed and in the case of manual submission, they shall be sealed in an envelope.

In addition, no evidence was provided to confirm that a tender opening committee was constituted as required by section 78(1) of the Act which requires an accounting officer of a procuring entity to appoint a tender opening committee. It was therefore not possible to confirm whether tenders were submitted, duly opened and evaluated.

A physical inspection of the project carried out in November, 2022 revealed that although the contract period had expired, the contractor had not installed a solar water heater, and had also not erected concrete support poles after every ten (10) meters and at the corners of the perimeter fence as provided for in the Bill of Quantities.

In the circumstances, the Municipality Board did not obtain value for money form the project.

5. Construction of Perimeter Wall at Rosterman Disposal Site

The Municipality Board awarded a contract to a local construction company for construction of a perimeter wall at Rosterman disposal site at a contract sum of Kshs.9,904,727. However, the company did not submit a tender document as required by Section 77(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that submission of tender documents in electronic or manual form shall be in writing, signed and in the case of manual submission, they shall be sealed in an envelope.

In addition, no evidence was provided to confirm that a tender opening committee was constituted as required by Section 78(1) of the Act which requires an Accounting Officer of a procuring entity to appoint a tender opening committee. It was therefore not possible to confirm whether tenders were submitted, duly opened and evaluated.

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

6. Operational Autonomy of Kakamega Municipality

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

In the circumstances, Management 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Municipality Board

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards 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 controls, 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 and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Municipality or to cease its operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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 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 Municipality's 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 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 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 controls 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 May, 2023

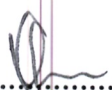
County Government of Kakamega
Kakamega Municipality

Annual Report and Financial Statements for 22 Months for the Period ended June 30, 2022

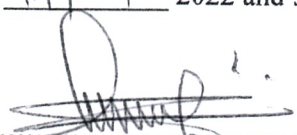
13. Statement of Financial Performance for 22 Months For the Period Ended 30 June 2022.

| | Notes | 2021/22 | 2020/21 |
|---|-------|--------------------|---------|
| | | Kshs. | Kshs. |
| Revenue from non-exchange transactions | | | |
| Transfers from the CGK-payments on behalf | 1 | 121,836,910 | - |
| Transfers from County Treasury | 2 | 28,910,250 | - |
| Kenya urban support programme | 3 | 128,628,833 | - |
| Other revenues (Receipts in dev) | | - | - |
| | | 279,375,993 | - |
| Revenue from exchange transactions | | | - |
| Interest income | | - | - |
| Other Income | | - | - |
| Total revenue | | 279,375,993 | - |
| Expenditure | | | - |
| Use of goods and services | 4 | 98,056,393 | - |
| Staff costs –Casual Wages | 5 | 156,800 | - |
| Depreciation of assets | 6 | 13,533,184 | - |
| Finance costs-including bank charges | 7 | 91,126 | - |
| Transfer to CRF | 8 | 648 | - |
| Total expenses | | 111,838,151 | - |
| Other gains/losses | | | - |
| Gain/loss on disposal of assets | | - | - |
| Surplus/(deficit) for the period | | 167,537,842 | - |

The notes set out on pages 16 to 19 form an integral part of these Financial Statements. The Municipality financial statements were approved on 17/8/2022 and signed by:



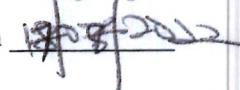
Name: Ms. Violet Ofisi
Municipality Manager

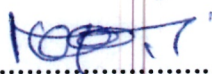


Name: Mr. Sylvance Obondo
Head of Finance

14. Statement of Financial Position for 22 Months As At 30 June 2022

| | Note | 2021/22 | 2020/21 |
|---|------|--------------------|---------|
| | | Kshs. | Kshs. |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 9 | 105,207,015 | - |
| Receivables from Non- exchange transactions | | - | - |
| Prepayments | | - | - |
| Non-current assets | | - | - |
| Property, plant, and equipment | 10 | 183,976,860 | - |
| Total Non-current Assets | | 183,976,860 | - |
| Total assets | | 289,183,875 | - |
| Liabilities | | - | - |
| Current liabilities | | - | - |
| Trade and other payables | | - | - |
| Non-current liabilities | | - | - |
| Borrowings | | - | - |
| Non-current employee benefit obligation | | - | - |
| Total liabilities | | - | - |
| Net assets | | 289,183,875 | - |
| Capital/Development Grants/Fund | | - | - |
| Fund balance b/fwd. | | 121,646,033 | - |
| Surplus/Deficit for the year | | 167,537,842 | - |
| Total net assets and liabilities | | 289,183,875 | - |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Municipality financial statements were approved on  2022 and signed by:



Mr.L'lanziva Meshack Kijuba Hsc
Chairperson of the Board



Name:Ms. Violet Ofisi
Municipality Manager



Name:Mr Sylvance Obondo
Head of Finance

15. Statement of Changes in Net Assets for 22 Months as At 30 June 2022

| | Capital/ | Revaluation | Accumulated surplus | Total |
|-----------------------------------|-------------------------|-------------|---------------------|--------------------|
| | Development Grants/Fund | Reserve | | |
| | | Kshs. | Kshs. | Kshs. |
| Balance as at 1 July 2020 | - | - | - | - |
| Surplus/(deficit) for the period | - | - | - | - |
| Funds received during the year | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Balance as at 30 June 2021 | - | - | - | - |
| | | | - | - |
| Balance as at 1 July 2021 | - | - | 121,646,033 | 121,646,033 |
| Surplus/(deficit) for the period | - | - | 167,537,842 | 167,537,842 |
| Funds received during the year | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Balance as at 30 June 2022 | - | - | 289,183,875 | 289,183,875 |



.....
Name: Ms Violet Ofisi
Municipality Manager



.....
Name: Mr Sylvance Obondo
Head of Finance

County Government of Kakamega

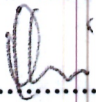
Kakamega Municipality

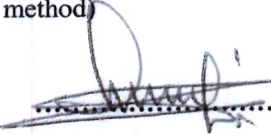
Annual Report and Financial Statements for 22 Months for the Period ended June 30, 2022

16. Statement Of Cash Flows for 22 Months for the period Ended 30 June 2022

| | Note | 2021/22 | 2020/21 |
|---|------|----------------------|----------|
| | | Kshs. | Kshs. |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from the CGK-payments on behalf | | 121,836,910 | - |
| Transfers from County Treasury | | 28,910,250 | - |
| Kenya urban support programme | | 128,628,833 | - |
| Total Receipts | | 279,375,993 | - |
| Payments | | | |
| Use of goods and services | | (98,056,393) | - |
| Staff costs-Salaries and Wages | | (156,800) | - |
| Transfer to CRF | | (648) | - |
| Depreciation of assets | | (13,533,184) | - |
| Finance costs-including bank charges | | (91,126) | - |
| Total Payments | | (106,798,151) | - |
| Net cash flows from operating activities | | 167,537,842 | - |
| Cash flows from investing activities | | | |
| Purchase of assets | | (183,976,860) | - |
| Net cash flows used in investing activities | | (183,976,860) | - |
| Cash flows from financing activities | | | |
| Receipts from Capital grants | | - | - |
| Net cash flows used in financing activities | | - | - |
| Net increase/(decrease)in cash &cash equivalents | | (16,439,018) | - |
| Cash And Cash Equivalents At 1 July | | 121,646,033 | - |
| CashAndCashEquivalentsAt30 June | 9 | 105,207,015 | - |

(IPSAS 2 allows a Municipality to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

.....

 Name:Ms Violet Ofisi
 Municipality Manager

.....

 Name:Mr Sylvance Obondo
 Head of Finance

17. Statement of comparison of Budget & Actual Amounts for the year ended 30 June 2022

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference |
|---|--------------------|--------------------|--------------------|----------------------------|------------------------|
| | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. |
| | A | b | c=(a+b) | D | e=(c-d) |
| Revenue | | Kshs. | Kshs. | Kshs. | Kshs. |
| Transfers from the County Government | 175,908,940 | | 175,908,940 | 28,910,250 | 146,998,690 |
| Payments made by county on behalf of the Municipality | | - | | 121,836,910 | (121,836,910) |
| Kenya urban support programme-Including Bal b/f | 32,600,000 | 183,118,800 | 215,718,800 | 128,628,833 | 87,089,967 |
| Total Revenue | 208,508,940 | 183,118,800 | 391,627,740 | 279,375,993 | 112,251,747 |
| Expenses | | - | - | | |
| Use of goods and services | 174,153,940 | - | 174,153,940 | 98,056,393 | 76,097,547 |
| Bank charges | 27,000 | - | 27,000 | 91,126 | (64,126) |
| Staff Costs | 1,728,000 | - | 1,728,000 | 156,800 | 1,571,200 |
| Transfer to CRF | - | - | - | 648 | (648) |
| Acquisition of assets | 215,718,800 | - | 215,718,800 | 13,533,184 | 207,225,616 |
| Total Expenditure | 391,627,740 | - | 391,627,740 | 111,838,151 | 284,829,589 |
| Surplus for the period | - | - | - | 167,537,842 | (167,537,842) |

.....
 Name: Ms Violet Ofisi
 Municipality Manager

Date:

.....
 Name: Mr Sylvance Obondo

Head of Finance

Date:

18. Notes to the Financial Statements

1) General Information

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

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

2) Statement of Compliance and Basis of Preparation

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

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

The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented. This is the first financial statements of the Kakamega Municipality, and covers a twenty-two (22) months period spanning from 1st July 2020 to June 31, 2022.

(Notes to financial statements continued)

3) Application of New and revised standards (IPSAS)

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

| Standard | Effective date and impact: |
|---|--|
| <p>IPSAS 41: Financial Instruments</p> | <p>Applicable: 1st January 2023:</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 Municipality’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"> • 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Municipality’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |

| | |
|---|---|
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Municipality provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Municipality;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Municipality's financial performance, financial position and cash flows.</p> |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p>Applicable: 1st January 2023:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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.</p> |
| <p>Other improvements to IPSAS</p> | <p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> |

| | |
|--|--|
| | <ul style="list-style-type: none"> • IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. |
| IPSAS 43 | <p>Applicable 1st January 2025</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 Municipality.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations | <p>Applicable 1st January 2025</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> |

iii. Early adoption of standards

The Municipality did not early – adopt any new or amended standards in year 2021/2022

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 Municipality and can be measured reliably.

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 2021/22 was approved by the County Assembly on 30th June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget.

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

(Significant accounting policies continued)

c) Property, plant and equipment

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

Full Depreciation is provided in the year of purchase and Non- in the year of Disposal. Assets are depreciated on a Straight line basis.

Buildings are depreciated at the rate of 26% annually

Motor vehicles .16.7 % annually

Roads .10 %annually

Plant and Machinery 30% Annually

The County Government of Kakamega and Kakamega Municipality as a whole Asset Development and Management System is still on development process through a service provider. The County Government of Kakamega and Kakamega Municipality thus adopted the National Treasury Asset Management and development policy.

d) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Municipality determines the classification of its financial assets at initial recognition.

Loans and receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Municipality has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Municipality assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Municipality of financial assets that can be reliably estimated asset or the Municipality of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

- The debtors or an Municipality of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Municipality determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

e) Nature and purpose of reserves

The Municipality creates and maintains reserves in terms of specific requirements. Municipality to state the reserves maintained and appropriate policies adopted. The Source of funding for reserves are surpluses from operations, or Scheduled transfers that have been planned and budgeted.

f) Changes in accounting policies and estimates

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

g) Related parties

The Municipality regards a related party as a person or an Municipality with the ability to exert control individually or jointly, or to exercise significant influence over the Municipality, or vice

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

h) 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.

i) Comparative figures

This is the first financial statements of the Kakamega Municipality, and covers a twenty-two (22) months period spanning from 1st July 2020 to June 31, 2022.

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

k) Currency

The financial statements are presented in Kenya Shillings (Kshs.).

5) Significant judgments and sources of estimation uncertainty

The preparation of the Municipality's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, 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.

Estimates and assumptions

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

Useful lives and residual values

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

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

County Government of Kakamega
 Kakamega Municipality
 Annual Report and Financial Statements for 22 Months ended 30th June, 2022

(Notes to the Financial Statements)

1) Transfers from the County Government-Payments by the County on Behalf.

| Description | 2021/22 | 2020/21 |
|--|--------------------|----------------|
| | Kshs. | Kshs. |
| Payments by County on behalf of the Municipality | 121,836,910 | - |
| Total | 121,836,910 | - |

2) Transfers from the County Government-Treasury

| Description | 2021/22 | 2020/21 |
|---|-------------------|----------------|
| | Kshs. | Kshs. |
| Transfers from County Government Treasury | 28,910,250 | - |
| Total | 28,910,250 | - |

3) Kenya urban support programme (KUSP)

| Description | 2021/22 | 2020/21 |
|--------------------------------------|--------------------|----------------|
| | Kshs. | Kshs. |
| Kenya urban support programme (KUSP) | 128,628,833 | - |
| Total | 128,628,833 | - |

4) Use of Goods and Services

| Description | 2021/22 | 2020/21 |
|--|-------------------|----------------|
| | Kshs. | Kshs. |
| Utilities, supplies and services | 26,496,479 | - |
| Communication, supplies and services | 1,077,681 | - |
| Domestic travel and subsistence | 2,565,550 | - |
| Printing, advertising, supplies & services | 786,240 | - |
| Hospitality supplies and services | 7,383,901 | - |
| Specialized materials and services | 1,137,610 | - |
| Office and general supplies and services | 56,438,745 | - |
| Other operating expenses (Specify) | | - |
| Routine maintenance – vehicles and other equipment | 128,250 | - |
| Routine maintenance – other assets | 2,001,937 | - |
| Hire of Transport, equipment etc | 40,000 | - |
| Bank Charges | - | - |
| Total | 98,056,393 | - |

5) Staff costs

| Description | 2021/22 | 2020/21 |
|---------------------------|----------------|----------------|
| | Kshs. | Kshs. |
| Casual-Salaries and wages | 156,800 | - |
| Total | 156,800 | - |

6) Assets-Depreciation

| Description | 2021/22 | 2020/21 |
|--------------------|-------------------|----------------|
| | Kshs. | Kshs. |
| Civil Works | 6,768,575 | - |
| Road construction | 1,724,609 | - |
| Plant-Refuse truck | 5,040,000 | - |
| Total | 13,533,184 | - |

7) Finance Cost-Including Bank Charges

| Description | 2021/22 | 2020/21 |
|--------------------|----------------|----------------|
| | Kshs. | Kshs. |
| Bank Charges | 91,126 | - |
| Total | 91,126 | - |

8) Transfer to County Revenue Fund(CRF)

| Description | 2021/22 | 2020/21 |
|--------------------|----------------|----------------|
| | Kshs. | Kshs. |
| Transfer to CRF | 648 | - |
| Total | 648 | - |

9) Cash and cash equivalents

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

| | | 2021/22 | 2020/21 |
|---|----------------|--------------------|---------|
| Financial institution | Account number | Kshs. | Kshs. |
| a) Current account | | | - |
| | | - | - |
| Kakamega Urban Development Grant Account KCB | 1260365743 | 105,201,154 | - |
| Kakamega Municipality | 01141632089800 | 5,860 | - |
| Total | | 105,207,015 | - |

(Notes to the Financial Statements Continued)

10) Property, Plant and Equipment

| | Building | civil works | Plant and machinery | Road Construction | Capital Work in Progress | |
|--|----------|-------------------|---------------------|-------------------|--------------------------|--------------------|
| Description | Shs | Shs | | Shs | Shs | Shs |
| As at 30 th June 2021 | - | 26,032,983 | 16,800,000 | 17,247,347 | 137,429,714 | 197,510,044 |
| Depreciation and impairment | | - | - | - | - | - |
| As at 30 June 2021 | | | | | - | |
| Depreciation | - | 6,768,575 | 5,040,000 | 1,724,609 | - | 13,533,184 |
| Disposals | - | - | | - | - | - |
| Impairment | - | - | | - | - | - |
| Transfer/adjustment | - | - | | - | - | - |
| As at 30 th June 2022 | - | - | | - | - | - |
| | | 6,768,575 | 5,040,000 | 1,724,609 | - | 13,533,184 |
| NBV as at 30th June 2022 | - | 19,264,408 | 11,760,000 | 15,522,738 | 137,429,714 | 183,976,860 |

(Notes to The Financial Statements Continued)

Other Disclosures

11) Related party balances

a) Nature of related party relationships

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

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

12) Financial risk management

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

The Municipality's financial risk management objectives and policies are detailed below:

I. Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external 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 Municipality's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

II. Liquidity risk management

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

The table below represents cash flows payable by the Municipality under non-derivative financial liabilities by their remaining contractual 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.

III. Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Municipality's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Municipality's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

IV. Foreign currency risk

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

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.

V. Interest rate risk

Interest rate risk is the risk that the Municipality's financial condition may be adversely affected as a result of changes in interest rate levels. The municipality'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.

(Other Disclosures continued)

VI. Capital risk management

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

Annex 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.

Guidance Notes:

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

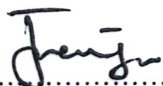

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To be Signed by the Accounting officer of the Municipality

Annex 2: Inter Municipality Transfers

| MUNICIPALITY NAME:KAKAMEGA MUNICIPALITY | | | | |
|--|---------------------------|----------------------------|-----------------------|--|
| Breakdown of Transfers from the County Executive of Kakamega County | | | | |
| FY 2020-2022 | | | | |
| a. | Recurrent Grants | Bank Statement Date | Amount (Kshs.) | Indicate the FY to which the amounts relate |
| | | FY 2020/2021 | 14,000,000 | 2021/2022 |
| | | 10-Sep-21 | 2,000,000 | 2021/2022 |
| | | 06-Oct-21 | 2,000,000 | 2021/2022 |
| | | 04-Nov-21 | 2,000,000 | 2021/2022 |
| | | 24-Dec-21 | 2,000,000 | 2021/2022 |
| | | 04-Mar-22 | 2,000,000 | 2021/2022 |
| | | 26-May-22 | 2,000,000 | 2021/2022 |
| | | 21-Jun-22 | 2,000,000 | 2021/2022 |
| | | 22-Jun-22 | 910,250 | 2020-2021 |
| | | Total | 28,910,250 | |
| b. | Development Grants | Bank Statement Date | Amount (Kshs.) | Indicate the FY to which the amounts relate |
| | | 20/01/2022 | 27,014,112 | 2021/2022 |
| | | 25.03.2022 | 73,228,006 | 2021/2022 |
| | | FY 2020/2021 | 28,386,714 | FY 2020/2021 |
| | | Total | 128,628,833 | |
| c. | Direct Payments | Bank Statement Date | Amount (Kshs.) | Indicate the FY to which the amounts relate |
| | | | 121,836,910 | 2020/2021-2021/2022 |
| | | Total | 121,836,910 | |

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





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

Annex 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 | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

Annex 4: Disaster Expenditure Reporting Template

Date:

Municipality

| | | | | | | |
|---|---------------|---------------|--|------------------|----------------|------------|
| Period to which this report refers (FY) | Year | | | Quarter | | |
| Name of Reporting Officer | | | | | | |
| Contact details of the reporting officer: | Email | | | Telephone | | |
| 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 |
| | | | | | | |
| | | | | | | |

