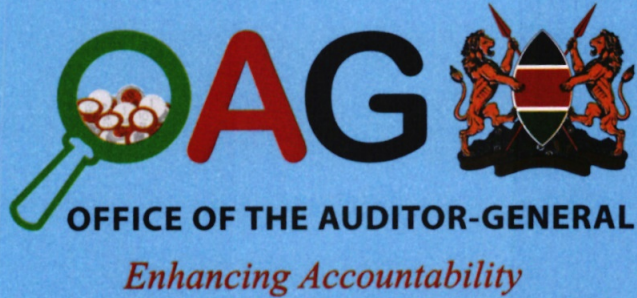


REPUBLIC OF KENYA

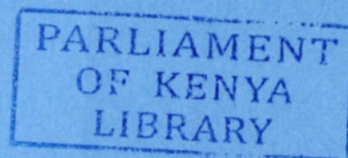


# REPORT

OF

## THE AUDITOR-GENERAL

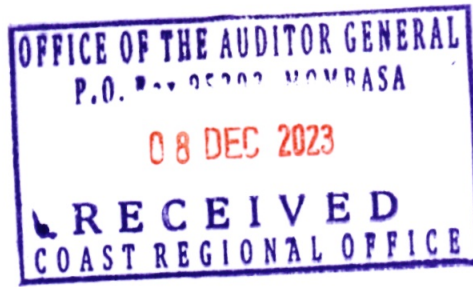
ON



### SPECIAL MUNICIPALITY OF MWATATE FUND/BOARD

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

PAPERS LAID	
DATE	21/3/2024
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Revised 30<sup>th</sup> June 2023



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# **SPECIAL MUNICIPALITY OF MWATATE**

*County Government of Taita Taveta*

*(Indicate the actual name of the County Government and City/Municipality)*

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2023**

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

*County Government of Taita Taveta  
Special Municipality of Mwatate  
Annual Report and Financial Statements for the year ended June 30, 2023*

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**1. Acronyms & Glossary of Terms**

*Insert acronyms and glossary of terms used in the report e.g.*

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

## **2. Key Entity Information and Management**

### **a) Background information**

Special Municipality of Mwatate board is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Municipal Charter gazetted on (8<sup>th</sup> May 2019). The Municipality is under the County Government of Taita Taveta and is domiciled in Kenya.

### **b) Principal Activities**

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

- i. Promotion, regulation, and provision of refuse collection and solid waste management services;
- ii. Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider);
- iii. Construction and maintenance of urban roads and associated infrastructure;
- iv. Construction and maintenance of storm drainage and flood controls;
- v. Construction and maintenance of walkways and other non-motorized transport infrastructure;
- vi. Construction and maintenance of recreational parks and green spaces;
- vii. Construction and maintenance of street lighting;
- viii. Construction, maintenance, and regulation of traffic controls and parking facilities;
- ix. Construction and maintenance of bus stands, boda-boda stands, and taxi stands;
- x. Regulation of outdoor advertising;
- xi. Construction and regulation of municipal markets and abattoirs;
- xii. Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- xiii. Promotion, regulation, and provision of municipal sports and cultural activities;
- xiv. Promotion, regulation, and provision of animal control and welfare;
- xv. Development and enforcement of municipal plans and development controls;
- xvi. Municipal administration services (including construction and maintenance of administrative offices); and

- xvii. Promoting and undertaking infrastructural development and services within the Municipality.

#### **Vision**

A dynamic municipality that offers a high standard and quality of life through effective and efficient management of its resources and amenities.

#### **Mission**

To foster mutual trust between municipality and community by ensuring corporate governance and a highly motivated staff that ensure cost effective service delivery.

#### **Core Objectives**

- 1) Conduct urban planning activities, training and capacity building, and preparation of better urban annual investment plans and urban development plans.
- 2) Support the cost of operations in the offices of the Municipal and other urban areas
- 3) Furnishing of urban boards and management with equipment and furniture
- 4) Train and capacity build the urban boards and key county staffs on urban issues and
- 5) Conduct peer to peer learning with other counties which have better working urban management.

The fund's objective is to:

- i. Establish and strengthen the urban institutions, notably the municipal board(s) and the municipal administration(s)
- ii. Integrate and regularly update the section on urban development issues (challenges and opportunities) in the County's development strategy and its ensuing development plan;
- iii. Assist the County Government and their urban institutions in meeting the minimum conditions necessary to access the urban development grant.

The proposed priority projects for the UDG implementation in the financial 2022/2023 are as follows: -

- ✓ Construction of sokompya access road.
- ✓ Soko mpya bodaboda shed.

#### **c) Key Management**

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

- County department in charge of Cities/Municipalities
- Board of Management
- Accounting Officer/ City/Municipality Manager
- Management
- Others (*specify*)

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**Board of Management**

Ref.	Name	Position
1.	JULIUS K. NGONDO	CHAIRMAN
2.	GLADYS MAGHUWA NDAU	VICE CHAIRPERSON
3.	JONES MTOTO	MEMBER
4.	LUCY WAMACHI MGHOI	MEMBER
5.	MERCY KIBIBI MWASIGHWA	MEMBER
6.	SAMUEL MWABILI WANGIO	MEMBER
7.	THOMAS NJUMWA	MEMBER
8.	JIMMY M MTAWA	CCO LANDS
9.	ELIZABETH WUGHANGA MKONGO	CECM Lands
10.	EDWARD MWAKALAMU	MUNICIPAL MANAGER

**d) Fiduciary Management**

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

Ref.	Position	Name
1.	City/Municipality Manager	EDWARD MWAKALAMU
2.	CIVIL ENGINEER	HARRISON MWAKULOMBA
3.	ACCOUNTANT	AMINA SULEIMAN
4.	PROCUREMENT OFFICER.	ANNIE MSHIMBA
5.	PCT COORDINATOR	PETER MWASHIGHADI
6.	HR OFFICER	ABIGAIL MWALUMA

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

**e) Fiduciary Oversight Arrangements**

*[Provide a high-level description of the key fiduciary oversight arrangements covering (say)]:*

- i) Audit and Risk Management Committee
- ii) County Assembly committees
- iii) Committees of the Senate

**f) Registered Offices**

Municipal office Building-Mwatate  
Mwatate Town, Off Voi – Taveta Highway,  
P.O. Box 1066-80304  
Mwatate, Kenya

**g) Contacts**

Telephone: +2547 212 55099 / +2547 455 10293  
E-mail: [mwatate.municipality@gmail.com](mailto:mwatate.municipality@gmail.com)  
Website: [www.mwatatemunicipality.go.ke](http://www.mwatatemunicipality.go.ke)

**h) Bankers**

- 1. Kenya Commercial Bank  
Wundanyi Branch  
Along Posta Road  
P.O. Box 1067-80304  
Wundanyi, Kenya






**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






**3. City/Municipality Board**

Name	Details of qualifications and experience
<p>1. Julius Ngondo</p> 	<p>Bachelors in Education Master's in Education 34 years in management and Teaching.</p>
<p>2. Mercy Mwazo</p> 	<p>Diploma in Education Management Kenya Education Management Institute. Teacher from 1979-2020 Head teacher 2009-2020</p>
<p>3. Jones Kiwishi</p> 	<p>Doctor of philosophy in Administration (ongoing) Kabarak University.  Master of Business Administration –Kenya Methodist University (Upper Division)  Bachelor of Business Administration- Kenya Methodist University (Second class-lower division).</p>
<p>4. Gladys Nda</p> 	<p>Bachelor of education arts, Nairobi University. Project Managing director NGO for 2 years.</p>
<p>5. Samuel Mwabili</p> 	<p>BSc. Ecotourism &amp; Hospitality management. Egerton University.  Marketing and sales 10 years' experience.</p>

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<p>6. Lucy Mghoi</p> 	<p>Tailoring G3, Representative for the PWD(People with Disability)</p>
<p>7. Elizabeth W.Mkongo</p> 	<p>CEM Lands Taita Taveta County          Bachelor's degree in Business Administration.           Diploma in IT JKUAT.</p>
<p>8. Jimmy M. Mtawa</p> 	<p>CCO Lands Taita Taveta County          Bachelor of Laws(LLB)-Second Class Honours-University of London           Bachelor of Science in Criminology &amp; Security Management-Dedan Kimathi University of Technology           Diploma in Security Management-Kenya Institute of Studies in Criminal Justice</p>
<p>9. Edward Mwakalamu</p> 	<p>Municipal Manager          Bachelor of Business Management MKU.          CPS K.          Accounting Technician 2.          MBA Strategic Management (ongoing) MKU.          Senior management position for a period of 14 years.</p>

**4. Key Management Team**

Name	Details of qualifications and experience
<p>1. EDWARD MWAKALAMU</p> 	<p><b>MUNICIPAL MANGER.</b> Bachelor of Business Management MKU. CPS K. Accounting Technician 2. MBA Strategic Management (ongoing) MKU. Senior management position for a period of 14 years.</p>
<p>2. PETER MWASHIGHADI</p> 	<p>PCT COORDINATOR Bsc, Agricultural Economics, Chuka University Computer Studies-Pwani institute of Professional studies Senior Livestock production officer-Taita Taveta County</p>
<p>3. HARRISON MWAKULOMBA</p> 	<p>CIVIL ENGINEER Degree in Civil Engineering, Technical university of Mombasa (Tum) Higher national diploma civil engineering (Tum) Diploma in Civil Engineering (Tum)</p>
<p>4. ANNIE MSHIMBA</p> 	<p>PROCUREMENT OFFICER. Bachelor of Business Management &amp; Supply Chain Management-KEMU. Procurement officer for 4 years.</p>
<p>5. ABIGAIL MWALUMA</p> 	<p>HR OFFICER. BCOM, HR Option, Taita Taveta University. Human Resource Management 2 year experience.</p>

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6. AMINA SULEIMAN



ACCOUNTANT

- MBA Finance.
- CPAK

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

It is my pleasure to present, on behalf of the special Municipality of Mwatate Board financial statements for the year ended 30<sup>th</sup> June 2023. The financial statements present the financial performance of the fund over the past year.

### **Sustainability**

The fund and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the Municipality's going concern is secured.

The Municipality has conducted a basic assessment of available options for feasible financing tools that would assure its long-term sustainability. The Municipality has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options like own source revenue.

### **Board and Management Changes**

The board was reconstituted after the general election where new CECM and CCO came in as per the urban areas and cities act 2011 amended 2019.( 14. (1) A board of a municipality shall consist of nine members appointed by the county governor with the approval of the county assembly. (2) The members of the board appointed under subsection (1) shall be constituted as follows— (a) **the county executive member for the time being responsible for cities and urban areas or his representative**; (b) three members who shall be appointed by the county governor, with the approval of the county assembly; (c) four members who shall be nominated by an association and appointed by the county governor, with the approval of the county assembly; (d) **the chief officer responsible for urban development**; and (e) the municipal manager appointed under section 28 who shall be the secretary of the board and an ex officio member of the board.)

The chairmanship also changed hands after the former chairperson accepted the position of the economic advisor to the governor of Taita Taveta County.

### **Review of performance**

#### **Income**

In the year ended 30th June 2023, the Municipality had projected revenue of Kshs 22,146,316 from Exchequer issues.

Projects implementation during the period was carried out as per the plan with the coordinated efforts by all stakeholders. The performance was also attributed to a favourable opening cash balance of Kshs 3,999,069 at the beginning the year.

#### **Expenditures**

The total expenditures during the period amounted to Kshs 19,879,200 representing an absorption rate of 76%. The expenditure comprised of Kshs 15,914,678 spent on development activities while Kshs 3,964,522 was spent recurrent activities.

**Future outlook**

The outlook of the Fund for 2022/2023 looks brighter. The municipality focus, looks to build a robust and sustainable Municipality with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The fund looks forward to continued support from the county government and development partners to the realization of its mandate.

**Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the county government, development partners, stakeholders, management staff and fellow Board Members for their continued support which made us achieve these results.

I look forward to your continued support in the year 2022/2023

Sign: .....

**Name: Julius Ngondo**

**Chairperson of the Board**

## 6. Report of the Municipality Manager

It is my pleasure to present the Special Municipality of Mwatate Board Financial Statements for the year ended 30th June 2023. The financial statements present the financial performance of the Municipality over the past year.

The Special Municipality of Mwatate Board was conferred a charter as per the powers conferred by section 9(1) and 9(4) of the Urban Areas and Cities Act, (No. 13 of 2011) as complemented by section 72 of the Interpretations and General Provisions Act (Chapter 2), gazetted on 8TH May 2019 in Kenya Gazette Supplement No. 4, LEGAL NOTICE No. 2 (Taita Taveta County Legislative Supplement No. 2) and started with an initial budget amount of Kshs 91,200,000 in the year ended 30<sup>th</sup> June 2019.

### Financial Performance

#### a) Revenue

In the year ended 30th June 2023, the Board had projected revenue of Kshs 22,146,316 from transfers from county government. A graphical representation of the revenue budget is as shown below:

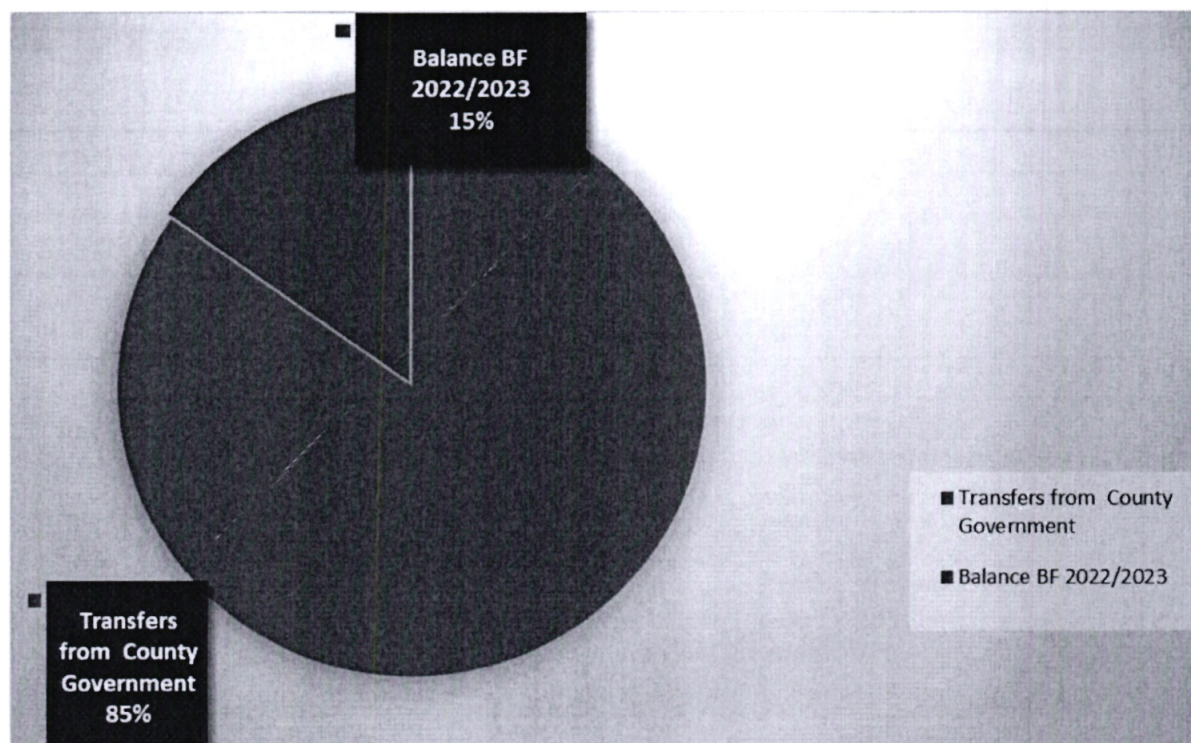


Figure 1: Fund's sources in FY 2022/2023

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However the municipality managed to collect its own source of revenue in MWATATE MUNICIPALITY REV COLLECTION ACCOUNT/NO.1305926943. ksh. 23,130,444, of which ksh22, 054881.8 were transferred to Taita Taveta Revenue collection Account as at 30/06/2023.

Out of the, projected revenue, the Board was able to realize Kshs 19,910,560 in actual revenues, representing 76% performance. This performance was as a result of 76% realization of the funds transfer from the county government.

The table below shows an analysis of revenue performance during the year ended 30th June, 2022.

Revenue Classification	Revenue Budget (Ksh)	Actual (Ksh)	Realization (%)
Exchequer releases	-	-	0%
County contribution	22,146,316	15,911,491	72%
Balance BF 2022/2023	4,000,000	3,999,069	100%
<b>Total</b>	<b>26,146,316</b>	<b>19,910,560</b>	<b>76%</b>

Table 1: Revenue performance in FY 2022/2023

b) Payments

In the year under review, the Board had projected expenditures of Kshs. 22,146,316 and was able to utilize a total of Kshs. 19,879,200 representing an absorption rate of 76%. The expenditure comprised of Kshs 15,914,678 spent on development activities while Kshs 3,964,522 was spent recurrent activities.


c) Cash flows

In the FY 2022/2023, the cash and cash equivalents decreased from Kshs 3,999,069 as at 30th June 2022 to Kshs 31,360 as at 30th June 2023.

d) Conclusion

FY 2022/2023 was a good year in general. Good progress was made and the momentum has been created to enable The Special Municipality of Mwatate continue on a trajectory into prosperity.

I take this opportunity to thank the Board Committee Members for their support. I would also want to thank all staff who we have worked hand in hand to ensure that The Special Municipality of Mwatate Board achieves its mission.

Signed:   
 Name: Edward Mwakalamu  
 Municipality Manager

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

**Guidance**

The key development objectives of the IDePCity/Municipality of Mwatate (2020-25) plan are to:

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

Below we provide the progress on attaining the stated objectives:

*(NB: Entities can prepare this performance information as per the table below or in a more relevant format suitable for the nature of its activities)*

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
<b>Urban planning</b>	To control urban development	To create orderly development in urban areas	Number of development units approved is 43	In FY under review we increased Housing unit by 43 UNITS.
SPATIAL PLAN	Promote sustainable land use	Approved Physical and Land use plan	Spatial plan approved by county assembly	<b>100% done</b>
Urban governance and administration	To equip the Municipality office	A fully equipped and functional office	No. of tools and equipment	<b>2 laptops</b> <b>1 desktop computer</b> <b>1 printer</b>

## **8. Corporate Governance Statement**

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

The Special Municipality of Mwatate Charter 2019 provides that the board of municipality shall be made up of Nine (9) Members, including the chairman, and shall consist of a chairperson and eight (8) other members identified for appointment through a competitive process. The board of municipality is responsible for the long-term strategic direction of the Municipality. The board of municipality exercises leadership, enterprise, integrity and judgment in directing the municipality

The Members are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the Municipality is delegated to the Municipality Manager but the Board Members are responsible for establishing and maintaining the Municipality's system of internal controls for the realization of its mandate of providing financial support for improved access to water and sanitation in areas without adequate services.

### ***b. Roles and functions of the City/Municipality Board members,***

The Board, also known as the Mwatate Municipality Board (MMB) performs all functions vested in boards of municipalities under the Urban Areas and Cities Act, the County Government Act and the Municipality Regulations.

The Board is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the Municipality is a formal governance structure with the board of committee at its apex. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

***c. Induction and training, City/Municipality Board members and member's performance***

Members of the board have been taken through an induction programme; however, there is need for capacity building to be adequately trained on their roles as board members. The members are professional, committed and guided by the mission, vision and core values of the Municipality in execution of their duties.

***d. Number of City/Municipality Board meetings held and the attendance to those meetings by members***

The board of Special Municipality of Mwatate holds at least one sitting every three months or as required in order to monitor the implementation of the Municipality's strategic plan and achievement of the targets as outlined in the charter. The board also plays an oversight role over all other financial and operational issues. The Board held three full board, one special board meeting and five committee meetings during the FY 2022/2023

***f. Existence of a service charter***

The Special Municipality of Mwatate was conferred a charter as per the powers conferred by Section 9(1) and 9(4) of the Urban Areas and Cities Act, (No. 13 of 2011) as complemented by section 72 of the Interpretations and General Provisions Act (Chapter 2), gazette on 8<sup>TH</sup> May 2019 in *Kenya Gazette Supplement No. 4, LEGAL NOTICE No. 2 (Taita Taveta County Legislative Supplement No. 2)*

***g. Conflict of interest***

**AUDIT AND RISK COMMITTEE**

The Board Audit, Risk management and Governance committee and internal Auditors are tasked with ensuring that corporate governance and integrity is enhanced in between the governance of the Municipality. The committee was established to advise the board on institutional risk management and compliance.

**STATEMENT OF COMPLIANCE**

The board confirms that the Municipality has throughout the FY2022/2023 complied with all statutory and regulatory requirements and that the Municipality has been managed in accordance with the principles of good corporate governance.

The Municipality conducted an external legal audit which confirmed that the institution had complied with all relevant laws, regulations and requirements.

## INTERNAL CONTROL AND RISK MANAGEMENT

### **Internal Control**

The Board is responsible for reviewing the effectiveness of the Municipality's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

### **Standing Instructions**

The Municipality has a Code of Ethics and Service Charter that is applicable to all employees. These have a number of standing instructions to employees of the Municipality designed to enhance internal control.

### **Organization Structure**

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls, and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfil their responsibilities, and that the Municipality can meet its future management requirements.

### **Strategic Plan**

The direction of the Municipality is determined by the strategic plan. The strategic plan sets out the objectives of the Municipality, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

### **Internal Control Framework**

The Municipality continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key

business processes and operational and financial risks facing the Municipality, is approved by the audit and risk committee.

The audit and risk committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the board. Where weaknesses are identified, the committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during the FY 2022/2023.

**Management Team**

The management team headed by the Municipal Manager implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently

***h. Ethics and conduct as well as governance audit undertaken if any***

The Municipality is audited by the Auditor - General.

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

The Board has continued to grow since its inception and the management has put measures in place to safeguard against any risks.

The management has ensured that we comply with statutory requirements relating to the functions of the board and also making sure that there is no any form of non-compliance.

### **BUSINESS PERFORMANCE**

#### **Revenue**

The Board has so far received over 145,000,000 million as revenues from the exchequer issues since its inception, this will go a long way to see the proposed development plan are achieved within the stipulated period. This will see elevation of the lives of residents of Mwatate

#### **Cash flow**

The cash and cash equivalents decreased from Kshs 3,999,069 as at 30 June 2022 to Kshs 31,360 as at 30 June 2023. The decrease was significant since the service providers were paid for the service rendered in compliances with the law.

### **OPERATIONAL PERFORMANCE**

The Special Municipality of Mwatate's core operating activities is to elevate the live standards of Mwatate residents, within its boundaries such as Refuse collection and solid waste management services, Construction and Maintenance of Municipality urban roads, storm drainage and flood controls, walkways and other non-motorized transport infrastructure; Installation and Maintenance of street lighting; Construction, Maintenance and regulation of municipal markets and abattoirs and many others as outlined in the charter .

#### **Employees**

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services.

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During the year, the Municipality reviewed its organization structure that resulted to growth of staff from (14) thirteen employees to (17) seventeen employees for increased efficiency and effectiveness to achieve the strategic objectives.

**Conclusion**

We appreciate the unrelenting support from the board members, management, staff, the county government, development partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2022/2023.

**10. Environmental And Sustainability Reporting**

**1. Sustainability strategy and profile**

The Special Municipality of Mwatate has continued to structure its programs towards development projects and activities that depict high sense of value for money and goes a long way in alleviating the residents suffering and improving their ease of doing business. In the year under review the Municipality has developed a Soko mpya access road with a market boda boda shed, which is a sure way to aid trade within the Municipality

**2. Environmental performance**

To promote sustainable land use and environmental conservation, the Special Municipality of Mwatate undertook feasibility studies as well as environmental impact assessments to all its project activities. Moreover, various capacity building activities, provision of materials geared towards environmental protection and sustainable land use management were provided.

**3. Employee welfare**

The Special Municipality of Mwatate revamped its efforts in improving the welfare of its employees as a key ingredient to employee motivation and satisfactory work performance. Additionally, the Municipality has continued equipping its offices in Mwatate Sub-County hence providing the necessary office space and equipment needed for effective and efficient service delivery to its residents and other stakeholders.

**4. Market place practices**

To entrench the spirit of competition in its activities, the Special Municipality of Mwatate during the year under review embraced E-Procurement when sourcing of goods and services. The system enhances openness and transparency as tenders were advertised on the local dailies and also posted on the IFMIS portal hosted at The National Treasury. The same were opened, evaluated, awarded, inspected and received through the system hence sealing loopholes of any collusion that could have occurred.

**a) Responsible competition practice.**

The Municipality Management ensured that all tenders were widely advertised and open to the public for bidding.

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

The municipality management has been ensuring that its relationship with suppliers is cordial and all the communication is done both to the successful and unsuccessful bidders and ensured that suppliers were paid on time.

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

All tender advertisements were done in the public procurement tender portal, county government website and in the dailies.

***d) Product stewardship***

The management ensured that all the projects complied with NEMA, Environmental and Social safeguards

***5. Community Engagements***

The Special Municipality of Mwatate through its various Departments and in collaboration with other stakeholders has been engaging in various community initiatives that have helped improve people's living standards. Several public participation exercises were conducted to collect views and contributions from the Mwatate residents on issues such as proposed projects, progress reports, budgets, etc having a bearing on service delivery.

## **11. Report of the City/Municipality Board Members**

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the City/Municipality affairs.

### **Principal activities**

The principal activities of the City/Municipality are

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

- i. Promotion, regulation, and provision of refuse collection and solid waste management services;
- ii. Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider);
- iii. Construction and maintenance of urban roads and associated infrastructure;
- iv. Construction and maintenance of storm drainage and flood controls;
- v. Construction and maintenance of walkways and other non-motorized transport infrastructure;
- vi. Construction and maintenance of recreational parks and green spaces;
- vii. Construction and maintenance of street lighting;
- viii. Construction, maintenance, and regulation of traffic controls and parking facilities;
- ix. Construction and maintenance of bus stands, boda-boda stands, and taxi stands;
- x. Regulation of outdoor advertising;
- xi. Construction and regulation of municipal markets and abattoirs;
- xii. Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- xiii. Promotion, regulation, and provision of municipal sports and cultural activities;
- xiv. Promotion, regulation, and provision of animal control and welfare;
- xv. Development and enforcement of municipal plans and development controls;
- xvi. Municipal administration services (including construction and maintenance of administrative offices); and
- xvii. Promoting and undertaking infrastructural development and services within the Municipality.

**County Government of Taita Taveta**  
**Special Municipality of Mwatate**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**Performance**

The performance of the City/Municipality for the year ended June 30, 2023 are set out on page 1

**Board Members**

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

Ref	Name	Position
1.	JULIUS K. NGONDO	CHAIRMAN
2.	GLADYS MAGHUWA NDAU	VICE CHAIRPERSON
3.	JONES MTOTO	MEMBER
4.	LUCY WAMACHI MGHOI	MEMBER
5.	MERCY KIBIBI MWASIGHWA	MEMBER
6.	SAMUEL MWABILI WANGIO	MEMBER
7.	JIMMY M MTAWA	CCO LANDS
8.	ELIZABETH WUGHANGA MKONGO	CECM Lands
9.	EDWARD MWAKALAMU	MUNICIPAL MANAGER

**Auditors**

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

By Order of the Board



.....

**Name:**

**Secretary of the Board**

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

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Municipal Board Municipality established by The Taita Taveta County Legislative Supplement No. 2, shall prepare financial statements for the Municipality in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

The Municipal Manager accepts responsibility for The Special Municipality of Mwatate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Taita Taveta County Legislative Supplement No. 2. The Municipal manager is of the opinion that the Municipality's financial statements give a true and fair view of the state of The Special Municipality of Mwatate transactions during the financial year ended June 30, 2023, and of the Special Municipality of Mwatate financial position as at that date. The Municipal manager further confirm the completeness of the accounting records maintained for the Municipality, which have been relied upon in the preparation of the Municipality's financial statements as well as the adequacy of the systems of internal financial control.

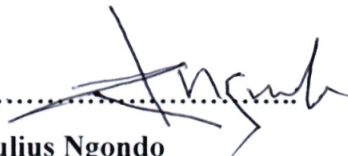
**County Government of Taita Taveta**  
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In preparing the financial statements, the Municipal manager has assessed the Municipality's ability to continue as a going concern, and disclosed as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Municipal 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**

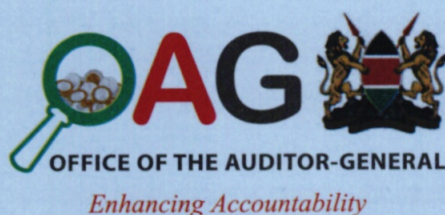
The Special Municipality of Mwatate financial statements were approved by the Board on 06/09/ 2023 and signed on its behalf by:

  
.....  
**Name: Julius Ngondo**  
**Chairperson of the Board**

  
.....  
**Name: Edward Mwakalamu**  
**Accounting officer of the Board**

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON SPECIAL MUNICIPALITY OF MWATATE FUND/BOARD FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

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

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**

#### **Opinion**

I have audited the accompanying financial statements of Special Municipality of Mwatate Fund/Board set out on pages 1 to 48, which comprise the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

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*Report of the Auditor-General on Special Municipality of Mwatate Fund/Board for the year ended 30 June, 2023*

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Special Municipality of Mwatate Fund/Board as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Urban Areas and Cities Act, 2011.

### **Basis for Opinion**

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

### **Emphasis of Matter**

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

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amounts of Kshs.26,146,316 and Kshs.19,910,560 respectively, resulting in a revenue shortfall of Kshs.6,235,756 (or 24% of the budget). Similarly, the Fund/Board spent Kshs.19,879,200 against an approved budget of Kshs.26,146,316, resulting in an under-expenditure of Kshs.6,267,116 (or 24% of the budget).

Further, the budget amount of Kshs.26,146,316 differs with Mwatate Municipality's budget of Kshs.51,716,156 reflected in the revenue statements of the County Government of Taita Taveta Receiver of Revenue, resulting in an unexplained or unreconciled variance of Kshs.25,569,840.

The revenue shortfall and under-expenditure affected the Fund/Board's planned activities and may have impacted negatively on service delivery to the public. Further, the accuracy of the reported final budget amount could not be confirmed.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

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

## **Basis for Conclusion**

### **1. Own Generated Revenue Not Accounted For**

The statement of financial performance, and as disclosed in Note 2 to the financial statements, reflects transfers from the County Government amount of Kshs.15,911,491. However, the amount does not include any revenue collected by the Receiver of Revenue on behalf of the Mwatate Municipality.

The amount transferred to the Municipality was not collected by the Municipality, but by the County Government through the Receiver of Revenue, contrary to Section 171(1) of the Public Finance Management Act, 2012, which stipulates that an accounting officer of an urban area or city is responsible for the management of the revenue received by that urban area or city, and Section 9(3) of the Urban Areas and Cities Act, 2011, which states that a town is eligible for the conferment of Municipal Status under the Act if the town has demonstrated revenue collection or revenue collection potential" among other criteria set therein.

In the circumstances, the eligibility for conferment of Municipal Status of the Municipality is doubtful and its operations are in breach of the law.

### **2. Irregular Tender Award**

The statement of financial position reflects property plant and equipment balance of Kshs.118,145,244 which, as disclosed in Note 19 to the financial statements, includes additions for the year of Kshs.15,914,678 out of which, Kshs.8,288,876 was in respect of a contract for the upgrading of Soko Mpya road from Natural Earth road to cabro standards at a contract sum of Kshs.12,498,180. However, the tender for the project was advertised on 7 January, 2022 in only one (1) of the daily newspapers. Further, although the tenderers were advised to view and download the tender documents from the County Government of Taita Taveta and Public Procurement Information Portal websites, no evidence was provided to show that the tender documents were published in the said web-portals. This was contrary to Section 96(2) and 3(b) of the Public Procurement and Asset Disposal Act, 2015, which require a procuring entity to advertise in the government tender portal or two newspapers of countrywide circulation.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

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

In preparing the financial statements, Management is responsible for assessing the Municipality's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Municipality or to cease 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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

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

**Nairobi**

**05 February, 2024**

*Special Municipality of Mwatate  
County Government of Taita Taveta  
Annual Report and Financial Statements for the year ended June 30, 2023*

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

		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	2	-	
Transfers from the County Government	1	15,911,491	10,000,000.00
Fines, penalties and other levies	3	-	-
<b>Revenue from exchange transactions</b>			
Interest income	5	-	-
Other income	4	-	-
<b>Total revenue</b>		<b>15,911,491</b>	<b>10,000,000</b>
<b>Expenses</b>			
Employee Costs	8	-	-
Use of goods and services	7	2,728,522	314,057
Board expenses	9	1,236,000	-
Finance Costs	10		
<b>Total expenses</b>		<b>3,964,522</b>	<b>314,057</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	13	-	-
<b>Surplus/( deficit) for the period</b>		<b>11,946,969</b>	<b>9,685,943</b>

The notes set out on pages 8 to 48 form an integral part of these Financial Statements. The entity financial statements were approved on 07/09/2023 and signed by:

*Edward Mwakalamu*  
  
 Name: Edward Mwakalamu  
 City/Municipality Manager

*Amina Suleiman*  
 Name: Amina Suleiman  
 Head of Finance  
 ICPAK M/No. 15011

*County Government of Taita Taveta  
Special Municipality of Mwatate  
Annual Report and Financial Statements for the year ended June 30, 2023*

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

<b>Description</b>	<b>Note</b>	<b>F/Y 2022/2023</b>	<b>FY2021/2022</b>
		<b>Kshs.</b>	<b>Kshs.</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	31,362	3,999,071
Receivables from exchange transactions	15	-	-
Receivables from Non- exchange transactions	16	-	-
Prepayments	17	-	-
Inventories	18	-	-
<b>Total current assets</b>		<b>31,362</b>	<b>3,999,071</b>
<b>Non-current assets</b>			
Property, plant, and equipment	19	118,145,244	102,230,566
Intangible assets	20	-	-
<b>Total Non-current Assets</b>		<b>118,145,244</b>	<b>102,230,566</b>
<b>Total assets</b>		<b>118,176,606</b>	<b>106,229,637</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21	-	-
Refundable deposits from customers	22	-	-
Provisions	23	-	-
Borrowings	24	-	-
Employee benefit obligations	25	-	-
Deferred Income	26	-	-
Social Benefits	27	-	-
<b>Total current liabilities</b>		<b>-</b>	<b>-</b>
<b>Non-current liabilities</b>			
Provisions	23	-	-
Borrowings	24	-	-
Non-current employee benefit obligation	25	-	-
Deferred Income	26	-	-
Social Benefits	27	-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>118,176,606</b>	<b>106,229,637</b>

**County Government of Taita Taveta**  
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Capital/Development Grants/Fund		-	-
Reserves		-	-
Accumulated surplus		118,176,604	106,229,635
<b>Total net assets and liabilities</b>		<b>118,176,604</b>	<b>106,229,635</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 06/09 2023 and signed by:

*Edward Mwakalamu*  
 Name: Edward Mwakalamu  
 City/Municipality Manager  
 Date: 07 DEC 2023



*Amina Suleiman*  
 Name: Amina Suleiman  
 Head of Finance  
 ICPAK M/No. 15011  
 Date:

County Government of Taita Taveta  
Special Municipality of Mwatate  
Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement of Changes In Net Assets For the Year Ended 30 June 2023

Description	Capital/ Development Grants/Fund	Revaluation Reserve Kshs.	Accumulated surplus Kshs.	Total Kshs.
Bal as at 1 July 2021 (previous year)	-	-	96,543,692	96,543,692
Surplus/(deficit) for the year	-	-	9,685,943	9,685,943
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Bal as at 30 Jun 2022</b>	-	-	<b>106,229,635</b>	<b>106,229,635</b>
Bal as at 1 July 2022 (current year)	-	-	106,229,635	106,229,635
Surplus/(deficit) for the year	-	-	11,946,969	11,946,969
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2023</b>	-	-	<b>118,176,604</b>	<b>118,176,604</b>

*Special Municipality of Mwatate  
County Government of Taita Taveta  
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Description	Note	F/Y 2022/2023	FY2021/2022
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	1	15,911,491	10,000,000
Public contributions and donations	2	-	-
Interest received	5	-	-
Miscellaneous receipts ( <i>Specify</i> )	6	-	-
<b>Total Receipts</b>		<b>15,911,491</b>	<b>10,000,000</b>
<b>Payments</b>			
Use of goods and services	7	2,728,522	1,259,307
Staff costs	8	-	-
Board expenses	9	1,236,000	-
Finance costs	10	-	-
<b>Total Payments</b>		<b>3,964,522</b>	<b>1,259,307</b>
<b>Net cash flows from operating activities</b>		<b>11,946,969</b>	<b>8,740,693</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets	19	(15,914,678)	(14,300,313)
Proceeds from sale of PPE		-	-
<b>Net cash flows used in investing activities</b>		<b>(15,914,678)</b>	<b>(14,300,313)</b>
<b>Cash flows from financing activities</b>			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(3,967,709)</b>	<b>(5,559,620)</b>
Cash And Cash Equivalents At 1 July	14	3,999,071	9,558,689
<b>Cash And Cash Equivalents At 30 June</b>	14	<b>31,362</b>	<b>3,999,071</b>

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2023	2023	2023	2023	2023	2023
	KShs	KShs	KShs	KShs	KShs	
<b>Revenue</b>						
Public contributions and donations	-	-	-	-	-	0%
Transfers from the County Government	26,510,000	(4,363,684)	22,146,316	15,911,491	6,234,825	72%
County Contribution	-	-	-	-	-	0%
Balance BF 2022/2023	4,000,000	-	4,000,000	3,999,069	931	100%
<b>Total revenue</b>	<b>30,510,000</b>	<b>(4,363,684)</b>	<b>26,146,316</b>	<b>19,910,560</b>	<b>6,235,756</b>	<b>76%</b>
					-	0%
<b>Expenses</b>						
Employee Costs	-	-	-	-	-	0%
Use of goods and services	7,210,000	(1,474,684)	5,735,316	2,728,522	3,006,794	48%
Board expenses	3,300,000	(1,389,000)	1,911,000	1,236,000	675,000	65%
Finance cost	-	-	-	-	-	0%
Non-Current assets	20,000,000	(1,500,000)	18,500,000	15,914,678	2,585,322	86%
<b>Total expenditure</b>	<b>30,510,000</b>	<b>(4,363,684)</b>	<b>26,146,316</b>	<b>19,879,200</b>	<b>6,267,116</b>	<b>76%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,360</b>	<b>(31,360)</b>	<b>0%</b>

**Budget notes**

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



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

### **1. General Information**

The Special Municipality of Mwatate is established by and derives its authority and accountability from Urban Areas and Cities Act and through the conferred charter as per gazette notice of 8<sup>TH</sup> May 2019 in *Kenya Gazette Supplement No. 4, LEGAL NOTICE No. 2 (Taita Taveta County Legislative Supplement No. 2)*.

. The Municipality is under the Taita Taveta County Government and is domiciled in Kenya.

The *entity's* principal activity is to perform the following functions;

- i. Promotion, regulation, and provision of refuse collection and solid waste management services;
- ii. Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider);
- iii. Construction and maintenance of urban roads and associated infrastructure;
- iv. Construction and maintenance of storm drainage and flood controls;
- v. Construction and maintenance of walkways and other non-motorized transport infrastructure;
- vi. Construction and maintenance of recreational parks and green spaces;
- vii. Construction and maintenance of street lighting;
- viii. Construction, maintenance, and regulation of traffic controls and parking facilities;
- ix. Construction and maintenance of bus stands, boda-boda stands, and taxi stands;
- x. Regulation of outdoor advertising;
- xi. Construction and regulation of municipal markets and abattoirs;
- xii. Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- xiii. Promotion, regulation, and provision of municipal sports and cultural activities;
- xiv. Promotion, regulation, and provision of animal control and welfare;
- xv. Development and enforcement of municipal plans and development controls;
- xvi. Municipal administration services (including construction and maintenance of administrative offices); and
- xvii. Promoting and undertaking infrastructural development and services within the Municipality.

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

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

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

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

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

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

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

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Standard	Effective date and impact:
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2023:</b></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>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> <p><i>State the impact of the standard to the Entity if relevant</i></p>

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

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

*iii. Early adoption of standards*

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

*(Notes to financial statements continued)*

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

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

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

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

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

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

###### *Interest income*

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

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

The original budget for FY 2022/23 was approved by the County Assembly on 22nd 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. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

**c) Property, plant and equipment**

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

**d) Intangible assets**

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

*(Significant accounting policies continued)*

**e) Financial instruments**

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

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

**Financial assets**

**Classification of financial assets**

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

an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

*(Significant accounting policies continued)*

#### **Subsequent measurement**

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

#### **Amortized cost**

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

#### **Fair value through net assets/ equity**

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

#### **Fair value through surplus or deficit**

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

#### **Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An

estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

*(Significant accounting policies continued)*

### **Impairment**

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

### **Financial liabilities**

#### **Classification**

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

#### **f) Inventories**

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

Raw materials: purchase cost using the weighted average cost method

Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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

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*(Significant accounting policies continued)*

**g) Provisions**

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

**h) Social Benefits**

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

**i) Contingent liabilities**

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

*(Significant accounting policies continued)*

**j) Contingent assets**

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

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

**k) Nature and purpose of reserves**

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

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

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

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

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

employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

*(Significant accounting policies continued)*

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

**p) Related parties**

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

**q) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

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*(Significant accounting policies continued)*

**r) Comparative figures**

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

**s) Events after the reporting period**

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

Two types of events can be identified:

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

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

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

**t) Currency**

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

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

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

State all judgements, estimates and assumptions made.

### **Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The City/Municipality based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the City/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 City/Municipality.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of funds to replace the asset.
- v) Changes in the market in relation to the asset.

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**1. Transfers from the County Government**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	4,145,355.55	-
Payments by County on behalf of the entity	-	-
Unconditional development grants	11,766,135.25	10,000,000.00
<b>Total</b>	<b>15,911,490.80</b>	<b>10,000,000.00</b>

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

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance*	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2022/2023
	Kshs.	Kshs.	Kshs	Kshs	Kshs
xx State Department	0	0	0	0	0
XX Ministry	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

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

**2. Public Contributions and Donations**

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

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**3. Levies, Fines and penalties**

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

**4. Other Revenues from Non-Exchange Transactions**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others ( <i>indicate and specify</i> )	-	-
<b>Total</b>	-	-

(Provide a brief explanation for this revenue)

**5. Interest income**

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

(Provide brief explanation for this revenue)

**6. Miscellaneous income**

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

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

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**7. Use of Goods and Services**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Utilities, supplies and services	-	0
Communication, supplies and services	-	0
Domestic travel and subsistence	1,389,000.00	769000
Foreign travel and subsistence	-	0
Printing, advertising, supplies & services	184,680.00	0
Rent and rates	-	0
Training expenses	-	0
Hospitality supplies and services	268,000.00	0
Insurance costs	-	0
Specialized materials and services	-	0
Office and general supplies and services	300,000.00	0
Fuel, oil and lubricants	-	0
Other operating expenses ( <i>Specify</i> )	-	481250
Routine maintenance – vehicles and other equipment	-	0
Routine maintenance – other assets	-	0
Contracted Professional Services	575,000.00	0
Audit fees	-	0
Hire of Transport, equipment etc	-	0
Bank Charges	11,842.00	9057
Social Benefit expenses*	-	0
<b>Total</b>	<b>2,728,522.00</b>	<b>1259307</b>

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

**8. Staff costs**

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

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9. Board expenses

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	0
Sitting allowances	1,236,000.00	0
Medical Insurance	-	0
Induction and Training	-	0
Travel and accommodation	-	0
Conference Costs	-	0
Other allowances ( <i>Specify</i> )	-	0
<b>Total</b>	<b>1,236,000.00</b>	<b>0</b>

10. Finance costs

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Interest on Bank overdrafts	xxx	xxx
Interest on loans from banks	xxx	xxx
<b>Total</b>	<b>0</b>	<b>0</b>

11. Depreciation and amortization

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

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*Notes to the Financial Statements*

**12. Repairs and Maintenance**

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

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

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

**14. Cash and cash equivalents**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	31,362.00	3,999,071.00
Others( <i>specify</i> )		-
<b>Total cash and cash equivalents</b>	<b>31,362.00</b>	<b>3,999,071.00</b>

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

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

Financial institution	Account number	2022/2023	2021/2022
		Kshs.	Kshs.
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
Kenya Commercial bank	1259752836	31240.4	3975834.9
Kenya Commercial bank	1264488491	121.60	23235
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>31362</b>	<b>3999069.9</b>

**15. Receivables from exchange transactions**

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

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**Ageing analysis for Receivables from exchange transactions**

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

**16. Receivables from Non-Exchange transaction**

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

**Ageing analysis for Receivables from non-exchange transactions**

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

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**17. Prepayments**

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

**18. Inventories**

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

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**19. Property, Plant and Equipment**

Description	Land and Buildings Sbs	Motor vehicles Sbs	Furniture and fittings Sbs	Computers Sbs	Other Assets infrastructure works Sbs	Capital Work in progress Sbs	TOTAL KSH
As at 1 July 2020	xxx 35,513,617.00	9,360,000.00	2,467,419.00	956,560.00	39,632,657.00		87,930,253.00
Additions	xxx -	-	-	-	-		-
Disposals	(xxx) -	-	-	-	-		-
Transfers/adjustments	xxx -	-	-	-	-		-
As at 30 <sup>th</sup> June 2021	xxx 35,513,617.00	9,360,000.00	2,467,419.00	956,560.00	39,632,657.00		87,930,253.00
Additions for the year	xxx -	-	-	-	14,300,313.00	0	14,300,313.00
Disposals for the year	(xxx) -	-	-	-	-	0	-
Transfer/adjustments	(xxx) -	-	-	-	-	0	-
As at 30 <sup>th</sup> June 2022 (current year)	xxx 35,513,617.00	9,360,000.00	2,467,419.00	956,560.00	53,932,970.00		102,230,566.00
Depreciation and impairment							-
At 1 July 2022 (previous year)	xxx 35,513,617.00	9,360,000.00	2,467,419.00	956,560.00	53,932,970.00		102,230,566.00
Depreciation							-
Impairment							-

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Transfers/ Adjustments								
		-	-	-	-	-		-
Additions for the year					787,000.00	15,127,678.00		15,914,678.00
As at 30 June 2023		35,513,617.00	9,360,000.00	2,467,419.00	1,743,560.00	69,060,648.00		118,145,244.00
Depreciation for the year								-
Disposals for the year								-
Impairment for the year								-
Transfer/adjustment							(xxx)	-
As at 30 <sup>th</sup> June 20XX (current year)							xxx	-
								-
NBV as at 30 <sup>th</sup> Jun 2022 (previous year)	-	35,513,617.00	9,360,000.00	2,467,419.00	956,560.00	53,932,970.00		102,230,566.00
NBV as at 30 <sup>th</sup> Jun 2023 (current year)	-	35,513,617.00	9,360,000.00	2,467,419.00	1,743,560.00	69,060,648.00		118,145,244.00

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(Notes to The Financial Statements Continued)

20. Intangible assets

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

21. Trade and other payables from exchange transactions

Description	2022/2023		2021/2022	
	Kshs.		Kshs.	
Trade payables	-		-	
Retentions	-		-	
Accrued expenses	-		-	
Other payables (Specify)	-		-	
<b>Total trade and other payables</b>	-		-	
<b>Ageing analysis:</b>	<b>2022/2023</b>		<b>2021/2022</b>	
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	-	%	-	%

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22. Refundable deposits from customers

Description	2022/2023		2021/2022	
	KShs		KShs	
Rent deposits	-		-	
Others ( <i>specify</i> )	-		-	
<b>Total</b>	-		-	
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	-	%	-	%

23. Provisions

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

24. Borrowings

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

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

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

Description	2022/2023	2021/2022
	Kshs.	Kshs.
<b>Balance at beginning of the period</b>	-	-
Borrowings during the year	-	-
Repayments of borrowings during the period	(xxx)	(xxx)
<b>Balance at end of the period</b>	-	-

The table below shows the Distribution of borrowings:

Description	2022/2023	2021/2022
	Kshs.	Kshs.
<b>Borrowings</b>		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	-	-

**25. Employee Benefit Obligations**

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

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**26. Deferred Income**

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

The deferred income movement is as follows:

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

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

**Analysed as:**

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

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**27. Social Benefit Liabilities**

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

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

**28. Cash generated from operations**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	<b>xxx</b>	<b>xxx</b>
<b>Adjusted for:</b>		
Depreciation	xxx	xxx
Amortisation	xxx	xxx
Gains/ losses on disposal of assets	(xxx)	(xxx)
<b>Working Capital adjustments</b>		
Increase in inventory	(xxx)	(xxx)
Increase in receivables	(xxx)	(xxx)
Increase in payables	xxx	xxx
<b>Net cash flow from operating activities</b>	<b>xxx</b>	<b>xxx</b>

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

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**29. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the City/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 City/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) City/Municipality Board; etc.

**b) Related party transactions**

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

**c) Key management remuneration**

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

**d) Due from related parties**

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

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**e) Due to related parties**

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

**30. Contingent liabilities**

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

*(Give details)*

**31. Contingent Assets**

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

*Notes to the Financial Statements*

**32. Financial risk management**

The City/Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The City/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 City/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 City/Municipality's financial risk management objectives and policies are detailed below:

**I. Credit risk**

The City/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 City/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 City/Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June 20XX (current year)</b>				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from non-exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>At 30 June 20XX (previous year)</b>				
Receivables from exchange transactions	xxx	xxx	xxx	xxx
Receivables from non-exchange transactions	xxx	xxx	xxx	xxx
Bank balances	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

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

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

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

**II. Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 Jun 20XX (current year)</b>				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>At 30 Jun 20XX (previous year)</b>				
Trade payables	xxx	xxx	xxx	xxx
Current portion of borrowings	xxx	xxx	xxx	xxx
Provisions	xxx	xxx	xxx	xxx
Employee benefit obligation	xxx	xxx	xxx	xxx
<b>Total</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

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**III. Market risk**

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

**IV. Foreign currency risk**

The City/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 City/Municipality's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description	Other currencies		Total
	Kshs.	Kshs.	Kshs.
<b>At 30 June 20XX (current year)</b>			
Financial assets	xxx	xxx	xxx
Investments	xxx	xxx	xxx
Cash	xxx	xxx	xxx
Debtors/ receivables	xxx	xxx	xxx
<b>Liabilities</b>			
Trade and other payables	xxx	xxx	xxx
Borrowings	xxx	xxx	xxx
Net foreign currency asset/(liability)	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>

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

*Notes to the Financial Statements*

**Foreign currency sensitivity analysis**

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

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

**V. Interest rate risk**

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

**Management of interest rate risk**

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

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**VI. Capital risk management.**

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

Description	Insert Current FY	Insert Comparative FY
	Kshs.	Kshs.
Revaluation reserve	xxx	xxx
Capital/Development Grants/City/Municipality	xxx	xxx
Accumulated surplus	xxx	xxx
<b>Total Funds</b>	<b>xxx</b>	<b>xxx</b>
Total borrowings	xxx	xxx
Less: cash and bank balances	(xxx)	(xxx)
Net debt/(excess cash and cash equivalents)	xxx	xxx
<b>Gearing</b>	<b>xx%</b>	<b>xx%</b>

**20. Appendices**

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

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>

**Guidance Notes:**

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

  
.....

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

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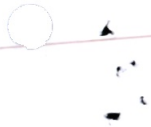
**Appendix 2: Inter Entity Transfers**

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

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

.....

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



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

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

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

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

**Appendix 4: Disaster Expenditure Reporting Template**

Date:

Entity

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



1. The first part of the document  
 discusses the general principles  
 of the system. It is divided into  
 two main sections: the first  
 section deals with the theory  
 and the second section deals  
 with the practice. The theory  
 section is further divided into  
 three sub-sections: the first  
 sub-section deals with the  
 basic principles, the second  
 sub-section deals with the  
 advanced principles, and the  
 third sub-section deals with  
 the application of the theory.

2. The second part of the document  
 discusses the practical aspects  
 of the system. It is divided into  
 two main sections: the first  
 section deals with the theory  
 and the second section deals  
 with the practice. The theory  
 section is further divided into  
 three sub-sections: the first  
 sub-section deals with the  
 basic principles, the second  
 sub-section deals with the  
 advanced principles, and the  
 third sub-section deals with  
 the application of the theory.