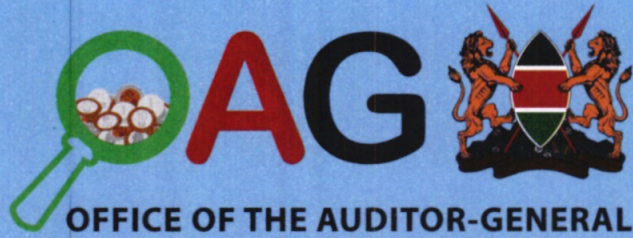


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



PAPERS LAID	
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CLERK AT THE TABLE	Angela

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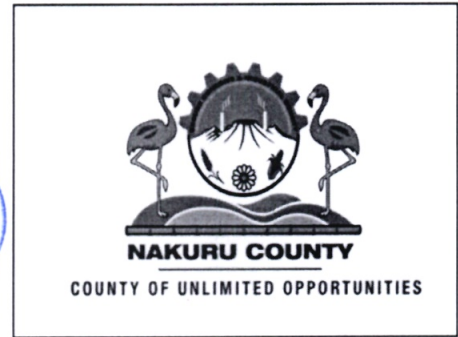
THE AUDITOR-GENERAL

ON

MUNICIPALITY OF NAIVASHA

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

COUNTY GOVERNMENT OF NAKURU



MUNICIPALITY OF NAIVASHA

County Government of NAKURU

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2024

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

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

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1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
ADP	Annual Development Plan
APR	Annual progress report
CG	County Government
CIDP	County Integrated Development Plan
CRF	County Revenue Fund
FY	Financial Year
HR	Human Resource
IFMIS	Integrated Financial Management Information Systems
KUSP	Kenya Urban Support Programme
MTEF	Medium Term Expenditure Framework
OSR	Own Source Revenue
PFM	Public Finance Management Act

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

2. Key Entity Information and Management

a) Background information

Municipality of Naivasha is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 13TH FEBRUARY 2019. The Municipality is under the County Government of NAKURU and is domiciled in Kenya.

b) Principal Activities

The Municipality's vision, Mission and Core Values are outlined as follows:

VISION

A prosperous and hospitable green city

MISSION

Provide affordable, high quality municipal services and responsive accessible local governance ensuring all persons the opportunity to enjoy contributing to and being part of municipality community.

CORE VALUES

Service excellence

Integrity

Accountability

Customer focused service

Innovation

Stewardship

Mandate/functions of Municipality of Naivasha

Based on the Urban Areas and Cities Amendment Act 2019 and the Naivasha Municipal Charter, the Municipal Board of Naivasha performs the following delegated functions within the Municipality.

- a) Promotion, regulation and provision of refuse collection and solid waste management

Services.

- b) Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation provider)
- c) Construction, Maintenance of Urban roads and associated infrastructure
- d) Construction, Maintenance of storm drainage and flood controls
- e) Construction, Maintenance of walkways and other non-motorized transport infrastructure
- f) Construction, Maintenance of recreational parks and green spaces
- g) Construction, Maintenance of street lighting
- h) Construction, Maintenance and regulation of traffic controls and parking facilities
- i) Construction, Maintenance of bus stands and taxi stands
- j) Regulation of outdoor advertising
- k) Construction, Maintenance and regulation of municipal markets and abattoirs
- l) Construction, Maintenance of fire stations, provision of firefighting services, emergency preparedness and disaster management
- m) Promotion and regulation of municipal sports and cultural activities
- n) Regulation and provision of animal control and welfare
- o) Enforcement of municipal plans and development controls
- p) Municipal administration services (including maintenance of administrative offices)
- q) Promoting infrastructural development and services within municipality.
- r) Any other functions as may be delegated by the County Government

c) Key Management

The *Municipality of NAIVASHA*'s management is under the following key organs:

- County Department - Lands Housing Physical Planning and Urban Development
- Board of Management
- Accounting Officer/Municipality Manager
- Sectional Heads of Departments

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 20xx and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Municipality Manager	M.M Daniel Mbogo Ndiritu MBA
2	Head of Accounting Unit	C.P.A Peter Kariuki Karanja
3	Head of Supply Chain	MKISM. Benjamin Kipruto Cheruiyot

e) Fiduciary Oversight Arrangements

i. Audit and Risk Management Committee

To ensure effective governance risk management and compliance within the municipal administration the committee is composed of qualified and knowledgeable members with relevant expertise in finance risk management and related areas.

The committee is concerned with the Risk Oversight, internal Controls and is constantly seeking to keep the municipality compliant with relevant laws and regulations. The committee also monitors finance activities to unearth any fraud, misconduct, unethical behaviour and non-compliance.

The committee provides regular reports to the Board summarizing findings and recommendations for further action.

ii. County Assembly committees

The county assembly in discharging its mandate of oversight over the county entities takes the following steps:

- Form a dedicated oversight committee within the county assembly responsible for financial matters related to the municipality.
- Develop terms of reference outlining the committee's purpose, composition, responsibilities, authority, and reporting mechanisms.
- Ensure the oversight committee comprises members with financial expertise, legal knowledge, and a good understanding of municipal operations.
- Conduct regular reviews and audits of the municipality's financial statements, budgets, expenditures, and financial management practices.
- Scrutinize and approve the municipality's budget, ensuring alignment with the municipality's strategic goals and compliance with financial regulations.
- Monitor revenue collection processes, disbursements, and expenditures to ensure compliance with the approved budget and financial regulations.
- Monitor contract awards, procurement processes, and compliance with procurement regulations to prevent fraud, corruption, or any malpractice.

- Provide regular reports to the county assembly summarizing the committee's activities, financial findings, and recommendations for improvements or corrective actions.
- iii. Committees of the Senate
- The Senate receives the report of the auditor general and proceeds to take any further inquiry on raised issues and to recommend the matters to relevant agencies

f) Registered Offices

P.O. Box 126
Municipal Council Offices Building/
Naivasha Mai Mahiu Highway
Naivasha, KENYA

g) Contacts

Telephone: (+051)2214142
E-mail: info@Nakuru.go.ke.
Website: www.Nakuru.go.ke

h) Bankers

Naivasha Municipality Urban Development Grant Account
Kenya Commercial Bank
Kenyatta Avenue Branch Nakuru
AC. NO.1261585429

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

Serial	Name	Details of qualifications and experience
1	<p>Peter Kimani Gitau Board Chair</p> 	<p>Age 55 BS, Finance & Insurance Smeal College of Business, Pennsylvania State University 1993 Founder Diamond Lighting & Interiors 2017- Present Founder SSEA (Sentry Security of East Africa) 2007-2018 Founder Shades of Africa Travel 2007 to Present Chair-Naivasha Love festival Naivasha Tourism Association. 2019-Present CEO, Sawela Lodges Naivasha Kenya 2009 – Present Board Chairman Remember the Poor 2014- present Current Board Chair Municipality of Naivasha (2023 to Present)</p>
2	<p>Lucy Wangeci Gikara Board Vice Chair</p> 	<p>Age 55 Kenya Registered Nurse Has a wealth of experience in health care management having worked at Mp Shah Hospital (1996-2000) Mathari Hospital Nyeri (2000-2008) Naivasha Quality Care 2014 To Date Current Board Vice Chair Municipality of Naivasha (2023 to Present)</p>
3	<p>Joseph Njihia Mukui Board Member</p> 	<p>Age 66 Holder of Bachelor (BSc) Degree from University of Nairobi and Master’s Degree from Cornell University USA. Postgraduate Diploma in Management from Kenya Institute of Management and an Advanced Management Programme Course Strathmore University/IESE Business School Spain. Worked at senior management at the National Treasury.</p>

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	<p>Jonathan Kuria Warothe Chair Finance and Administration Committee</p> 	<p>Age 48</p> <p>B. Arts Public Administration and Policy Development. (Mount Kenya University) Chair finance and administration committee, Last Serving Mayor of Naivasha Municipal Council, under Local Authorities. Has served as a member of first county assembly of Nakuru county, representing the people of Hells Gate ward. (2013-2017)</p>
5	<p>Hon. John Kihagi CECM Lands, Housing and Urban Planning Development Ex-Officio Member of the Board</p> 	<p>Age 58</p> <p>Hon. Kihagi is currently the CECM DLPPHUP and Ex-officio member of the Board. He is the former Member of Parliament for Naivasha (2013-2017) Constituency and long-time serving leader. He is a registered surveyor by profession and has a wide experience on Land, Physical Planning, Housing and Urban Development.</p>
6	<p>Richard Cheruiyot Langat Chair Environment and Tourism Committee</p> 	<p>Age 46</p> <p>Chair environment and tourism committee Diploma In Travel, Tourism and Hospitality Management Associate Member of The Association of Business Executives CHEF/CEO/FOUNDER -Potter’s Touch Cuisine Limited/Potters Hospitality Located in Naivasha (June 2016 – Present) Chef La Pieve Limited Group (1999 – 2015)</p>

<p>7</p>	<p>Rose Njoki Njeri Chair Audit and Risk Committee</p> 	<p>Age 36</p> <p>Chair audit and Risk Committee Diploma in procurement and Logistics from Laikipia University, Having worked in various areas such as Delamere Business Centre (2011-2015) Panaroma Hotels (2015-2020) Currently An Entrepreneur in Naivasha Town</p>
<p>8</p>	<p>Eng. Nancy Mugure Waweru Chair Urban Planning committee</p> 	<p>Age 36</p> <p>Holds a MSc. Degree in Environmental Engineering from SUST, China, and BSc Civil Engineering from UoN. An Associate member of Association of Business Executives, United Kingdom (ABE-UK) and a trained Project Management Professional (PMP). Member of Engineers Board of Kenya (EBK) and currently undertaking PhD in Civil Engineering at the University of Nairobi</p>
<p>9</p>	<p>M.M Daniel Mbogo Ndiritu MBA Secretary to the Board</p> 	<p>Age 54</p> <p>Profession: Human Resource Management Attainment: Master's Degree, Laikipia University Position: Current Municipal Manager & Secretary to The Board, Municipality of Naivasha Managing Director Naivasha Water Company (2006-2009) Senior Administrator Naivasha Municipal Council (2009-2012) Human Resource Administrator County Government of Nakuru (2012-2019) Municipal Manager Ol Kalou municipality (2019-2021)</p>





County Government of NAKURU

Municipality of Naivasha

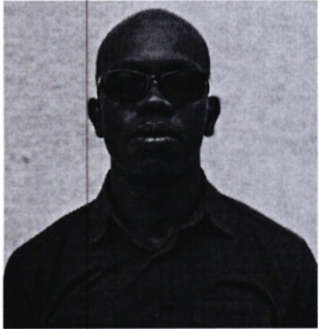
Annual Report and Financial Statements for the year ended June 30, 2024

10	<p>Arch. Kuria David Kamau, Chief Officer Housing and Urban Development. Ex-official board member</p> 	<p>Age 55</p> <p>Bachelor's in Architecture Jomo Kenyatta University of Agriculture & Technology Chief Officer Housing and Urban Development Chief (2022 to Date) Board of directors' Geothermal Development Cooperation (2018-2022) Chair of Audit Committee of The Board Director Nakuru City Board (2019-2022) Chair Infrastructure Committee of The Board</p>
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4. Key Management Team

	Name	Date of qualifications and experience
1.	<p>M.M Daniel Mbogo Ndiritu MBA</p> 	<p>Municipal Manager</p> <p>Overall head who oversees the day to day running of the Municipality.</p> <p>Accounting officer in charge of the Municipality Secretary to the board</p>
2.	<p>C.P.A Peter Kariuki Karanja</p> 	<p>Head Of Accounting Unit</p> <p>Oversees all financial matters of the board</p>
3.	<p>Planner. Douglas Ongori Nyabayo</p> 	<p>Sr Physical Planner</p> <p>G.I.S certified</p> <p>Oversees all urban planning matters and gis issues of the municipality</p>
4.	<p>MKISM. Benjamin Kipruto Cheruiyot</p> 	<p>Supply Chain Management</p>

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5.	Eng. Michael Kimani Wairimu 	Civil Engineering
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5. City/Municipality Board Chairperson's Report

The Municipality of Naivasha came into existence in April 2019 following an extensive process that included public participation through an ad hoc committee, a resolution by the Nakuru County Assembly, and the granting of the Municipal Charter. This establishment also involved setting up the Municipal Board, in line with Article 48 of the Constitution, Section 148 of the County Government Act, and the Urban Areas and Cities Act of 2011 (amended in 2019), among other legal frameworks.

Currently, the Municipality is governed by the second Board, which was inaugurated in August 2023.

One of the most notable projects undertaken by the Municipality is the construction of the Naivasha Modern Market. This project, implemented under the World Bank-funded Kenya Urban Support Program, has transformed the landscape of Naivasha. Both Phase 1 and Phase 2 of the project have been completed, resulting in a landmark structure. Since its official opening by His Excellency the President on June 14, 2023, the market has quickly become a vibrant centre of activity. This year marks its first full fiscal year of operation.

In addition to the market, the Municipality has developed a Municipal Park located in the heart of the Central Business District. This park provides the local community with much-needed recreational space. It features an events podium, public restrooms, benches, and green areas that cater to a wide range of users, both young and old. The park was officially opened by His Excellency the Governor on March 11, 2024.

Another significant achievement is the construction of a 500-meter heavy-duty drainage system along Biashara Street and Kariuki Chotara Road. This drainage system, built to a diameter of 1.2 meters, has helped address long-standing flooding issues in the area. The project was particularly important during the unusually high rainfall in 2024, as it improved access to surrounding businesses and restored previously damaged roads.

Other infrastructure projects include the construction of Lake View Estate Access Roads, the development of paved parking along Biashara Street, the introduction of non-motorized transport pathways along Kenyatta Avenue and near the Municipal Park, and the beautification of Mama Ngina Street. Cabro paving around the Municipal Park and ongoing sewer expansion works have also been completed or are in progress. Additionally, tree planting initiatives have been carried out through various partnerships.

In terms of governance and strategic planning, the Board has developed several policy documents to guide the Municipality's operations. These include a 20-year Integrated Strategic Urban Development Plan, a 5-year Integrated Development Plan, and a 5-year Solid Waste Management Plan. Additionally, 21 draft by-laws have been reviewed, and other guiding documents such as the Naivasha Regeneration Plan, guidelines for market stall allocation, and guidelines for managing public sanitation facilities have been prepared. A draft performance contract and the Annual Development Plan have also been completed and await approval by the County Assembly.

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The Municipal Board is currently in anticipation of receiving the full transfer of delegated functions and the corresponding resources, which is a critical step in empowering the Board discharging its mandate effectively. This process was set in motion following the gazettelement by the County Secretary on August 4, 2023. Once the transfer is completed, the Board will have full authority and the necessary financial and logistical support to execute the functions designated to it under the Municipal Charter and other applicable legislation. The transfer of these functions will enable the Municipality to operate more effectively, manage local development projects, and provide services more efficiently, in line with the decentralized governance structure envisioned by the County Government Act and the Urban Areas and Cities Act. This transition is essential for strengthening local governance, improving service delivery, and ensuring that the Municipality has the capacity and resources needed to respond effectively to the needs of its residents.

The Municipality continues to engage stakeholders to support its development, particularly as it works towards achieving Resort City status and to becoming the MICE (Meetings Incentive Conferencing & Events) of East Africa. Creating the Best Business & work environment is our number one goal. These strategic tools and partnerships will enable Naivasha Municipality to grow into a fully functional urban centre capable of fulfilling the responsibilities outlined in the Urban Areas and Cities Act 2019 and the Municipal Charter.



.....
Name: Peter Kimani Gitau

Chairperson of the Board

6. Report Of the City/Municipality Manager

This report highlights the performance of the Naivasha Municipal Board for the financial year 2023/2024. The Municipality continued to implement key projects, support local economic activities, and improve infrastructure despite facing significant challenges, such as revenue shortfalls and procurement delays. The budget for the year under review was allocated across two major programs: **Administration, Planning, and Support Services** and **Naivasha Municipal Services**, with a total expenditure of Kshs 175,637,869.

Budget Overview

For the financial year 2023/2024, the Municipality's final budget was structured as follows:

- **Programme 1: Administration, Planning, and Support Services**
 - SP 1.1: Administration and Planning – Kshs 19,724,400
 - SP 1.2: Personnel Services – Kshs 11,042,628
 - Total Programme 1 Expenditure – Kshs 30,767,028
- **Programme 2: Naivasha Municipal Services**
 - SP 2.1: Planning and Infrastructure – Kshs 142,870,841
 - SP 2.3: Naivasha Social Services – Kshs 1,000,000
 - SP 2.4: Tourism, Investment, and Trade – Kshs 1,000,000
 - Total Programme 2 Expenditure – Kshs 144,870,841

Key Achievements in 2023/2024

The Naivasha Municipal Board implemented several critical projects aimed at improving the Municipality's infrastructure, economic development, and service delivery. Below are the key highlights:

1. **Operationalization of Naivasha Wholesale Market:** The Naivasha Wholesale Market was fully operationalized, housing over 700 traders, with capacity to accommodate up to 1,500 traders. This represents a significant increase from the 403 traders who operated at the site before the market's construction. The market has become a critical hub for economic activities, supporting both small and medium-sized businesses.
2. **Operationalization of Naivasha Municipal Park and Associated Infrastructure:** The Municipal Park was completed and opened for public use. This park includes an events podium, public toilet facilities, benches, and green spaces for recreational use. Along with the park, we developed paved parking bays and a non-motorized transport (NMT) system to facilitate movement within the Municipality. A 500-meter, 1.2-meter diameter heavy-duty drainage system was constructed to alleviate flooding along Biashara Street and Kariuki Chotara Road, improving access to businesses in the area.

3. **Finalization of Road Construction in Lakeview Estate:** Roads in Lakeview Estate were constructed to bitumen standards, covering a total of 2 kilometers at a cost of Kshs 83.7 million. This project benefits more than 20,000 residents and provides a much-needed alternative route to Kenyatta Avenue, which is prone to traffic congestion.
4. **Construction of Non-Motorized Transport and Walkways:** In Viwandani Ward, we completed the construction of pedestrian walkways, paved parking, greening, and drainage systems along Kenyatta Avenue and Mama Ngina Street. This infrastructure upgrade has significantly improved pedestrian safety and access in the area.
5. **Road Grading and Graveling:** Several roads in the Municipality were graded and gravelled, including those in Kinungi Centre (Naivasha East Ward) and Kayole Estate (Lakeview Ward). These projects have enhanced access to critical areas within the Municipality.
6. **Sewer Line Construction:** The construction of the Naivasha CBD Bypass sewer line was a critical project aimed at improving sanitation services within the central business district. This project is expected to facilitate future growth and development in Naivasha's urban core.
7. **Drainage Works in Railways Area and Kihoto Estate:** The excavation of a 1.2-kilometer earth drain in these areas has helped mitigate flooding and waterlogging, providing significant relief to residents and businesses affected by seasonal rains.
8. **Road Maintenance Works:** Repair and Maintenance of more than km gravel roads and associated drainage comprising 21km grading, 1.1km Graveling and compaction, 1.8 km graveling and dumping of boulders for back filling of washed away roads. This focused on sections extensively damaged in April/May 2024 heavy rains.

Challenges Encountered

Despite these notable achievements, the Municipality faced several challenges during the financial year 2023/2024:

- **Revenue Shortfalls:** The Municipality experienced a shortfall in budget due to the challenging economic environment. This impacted the development budget, limiting the scale and speed of project implementation.
- **Increased Trade Payables:** Insufficient revenues resulted in an increase in trade payables during the period under review.
- **Encroachment of Development Areas:** Encroachment into areas earmarked for development led to delays in project execution. This issue remains a concern for future planning and land use management.
- **Delayed Delegation of Functions and Budget Transfers:** The delegation of functions in line with the Municipal Charter and the Urban Areas and Cities Act (UACA) has delayed, affecting the operational capacity of the Municipal Board. Without the accompanying budget transfers and Human Resource, the Board has been limited in its ability to fully execute its mandate.

- **Procurement Delays:** The bureaucracy in the approval of wayleaves by external stakeholders caused delays in the execution and completion of several key projects, further exacerbating the challenges related to service delivery.

Recommendations for Improvement

To address these challenges and improve service delivery moving forward, the following actions are recommended:

1. **Delegation of Functions:** There is an urgent need for the County Government to fully delegate functions to the Municipal Board, in line with the Municipal Charter and UACA. This will ensure the Municipality can operate with greater autonomy and efficiency.
2. **Recruitment and Capacity Building:** It is recommended that additional technical staff be recruited or transferred to the Municipality to enhance its technical capacity. This will improve service delivery and ensure that the Municipality's functions are executed efficiently.
3. **Enhanced Budget Support:** The Municipality requires greater budgetary support to sustain ongoing projects and initiate new ones. In addition, capacity building and training for Municipal Board members and staff will improve overall governance and project management.

Conclusion

The financial year 2023/2024 was marked by significant achievements despite the challenges encountered. The Naivasha Municipal Board successfully operationalized key infrastructure projects, including the Naivasha Wholesale Market, the Municipal Park, and several road and drainage systems. However, delays in the delegation of functions, revenue shortfalls, and procurement inefficiencies hindered the full realization of the Board's potential. Going forward, the recommendations outlined in this report will be critical to enhancing the Municipality's capacity to deliver services and improve the quality of life for Naivasha's residents.

.....
Name:

City/Municipality Manager

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

The key development objectives of the Municipality in the FY 2023/2024 Annual Work Plan are to:

- a) Provide quality physical infrastructure.
- b) Undertake effective Urban planning.
- c) Undertake effective Urban governance and Administration.

Below we provide the progress on attaining the stated objectives:

Area	Objective	Strategy	Indicator	Actual Performance
Administration and Planning	Improved service delivery	To ensure effective and efficient service delivery	Number of Board and Committee Meetings held, Number of Planning Doc developed	4 full board meetings held, 2 planning documents developed
Personnel Services	-Improved human resource productivity - Improved financial management and services	To ensure a motivated, equipped and well-trained municipal workforce	Number of Casual workers hired; Number of trainings done	Four workers Hired, Three employees trained
Financial Services	To manage municipality finances	To ensure the municipality has functioning financial Apparatus	Number of finance committee held	Three sittings
Planning and Infrastructure	To improve municipal infrastructure	To ensure a well-planned municipality with adequate social facilities for Residents	Number of markets operationalized, number of	One market operationalised, one municipal park operationalized, 2.1

			Indicator	Performance
			municipal parks operationalized and maintained, Km of roads tarmacked/ graveled, Km of drainage constructed, Km of pedestrian walkway constructed	km road tarmacked, 21 km road gravelled,
Environmental Management and Sanitation	To maintain a healthy municipality	To ensure a healthy living environment for municipal residents	Amount of solid waste collected, number of skip bins procured/ in use, km of drainage cleaned No. of environmental events marked No. of clean ups Held Km of Sewer line Constructed	Two environmental clean ups held, two environmental events marked,
Naivasha Social Services	Improved delivery of social services	To ensure municipal residents are well informed	Number of community awareness events held	One Public participation held
Tourism, Investment and Trade	To Improve trading activities	To improve the investment environment in the municipality	Number of consultative meetings with stakeholders	One consultative meeting held

8. Corporate Governance Statement

a) Process of appointment of Board Members:

1. **Nomination or Selection:** Potential candidates for the board are nominated through various channels, such as public nominations, political parties, civic organizations, or other relevant bodies.
2. **Application and Screening:** Candidates typically submit their applications or nominations along with relevant qualifications and experience. A screening process may be conducted to ensure that candidates meet the necessary criteria.
3. **Interview or Assessment:** Shortlisted candidates may undergo interviews or assessments to evaluate their suitability for the position. This could involve evaluating their skills, knowledge, and understanding of the responsibilities associated with being a board member.
4. **Selection:** Based on the assessment, a selection committee or relevant authority may choose the candidates who will be appointed to the board. The selection process may involve voting or consensus among committee members.
5. **Appointment:** The selected candidates are officially appointed as board members through an official appointment letter or similar formal documentation. The appointment may be subject to approval by higher-level authorities or governing bodies.

Removal of Board Members:

1. **Resignation:** A board member may choose to resign from their position voluntarily for personal or professional reasons. They would submit a formal resignation letter to the appointing authority.
2. **Vote of No Confidence:** The county assembly may hold a vote of no confidence against a board member due to issues like misconduct, negligence, or failure to perform their duties effectively. If a majority votes in Favor, the board member may be removed.
3. **Violation of Terms or Laws:** If a board member violates the terms of their appointment or relevant laws, they may be subject to removal through legal or disciplinary procedures.

4. Expiration of Term: Board members may serve a specified term, after which they may need to be reappointed or replaced. If not reappointed, their position becomes vacant.
5. Impeachment or Legal Proceedings: In some cases, a board member may face impeachment or legal proceedings due to serious violations of the law, corruption, or other unethical conduct. If found guilty, they may be removed from office.

b) The roles and functions of the municipal board members are as outlined:

1. Participating in the formulation and establishment of policies and strategies to guide the municipality's growth, development, and service delivery.
2. Reviewing and approving the municipality's budget, ensuring financial resources are allocated efficiently and effectively to meet the municipality's goals and priorities.
3. Overseeing and contributing to the planning and development of infrastructure, services, and facilities to improve the overall well-being and quality of life for residents.
4. Ensuring that the municipality operates in compliance with local, state/provincial, and national laws, regulations, and guidelines relevant to local governance and administration.
5. Representing the interests and concerns of constituents to higher-level government bodies, advocating for necessary resources and support for the municipality.
6. Engaging with the community to understand their needs, concerns, and aspirations, and incorporating this feedback into decision-making processes.
7. Upholding principles of transparency and accountability by providing access to information, ensuring proper reporting mechanisms, and fostering ethical conduct.
8. Overseeing and evaluating the performance of municipal staff, including the municipal manager or chief executive officer, and providing guidance and direction.
9. Ensuring compliance with legal and policy requirements in all municipal operations, contracts, and agreements.
10. Collaborating with relevant authorities to plan and respond to emergencies, natural disasters, and other crises to ensure the safety and well-being of the municipality's residents.

11. Overseeing the provision of essential public services such as water, sanitation, waste management, transportation, and public health, ensuring they meet the needs of the community.
 12. Promoting and implementing measures to ensure sustainable environmental practices, including waste reduction, energy efficiency, and conservation of natural resources.
 13. Collaborating with other municipalities, government agencies, non-profit organizations, and private sector entities to address common challenges and promote regional development.
- c) To improve and maintain service delivery, the board members has undergone training in the form of the following:

Pre-Appointment Orientation:

Provide prospective board members with information about the municipality, its structure, functions, policies, and challenges. This can help them make an informed decision before accepting the position. All this information is readily available to the general public

Orientation Upon Appointment:

Conduct an orientation program immediately after appointment to familiarize board members with their roles, responsibilities, legal obligations, and code of conduct. Explain the municipality's vision, mission, and values to ensure alignment with the board's actions.

Training:

Assess the specific needs and knowledge gaps of each board member to tailor training programs accordingly. Offer training modules on relevant topics, such as municipal governance, financial management, legal frameworks, community engagement, and strategic planning.

Workshops and Seminars:

Arrange workshops, seminars, and webinars with experts, practitioners, and seasoned board members to provide practical insights and experiences. Encourage participation in conferences related to municipal governance for exposure to emerging trends and best practices.

- d) The Municipality in the financial year 2023/2024 held three full board meetings, one special board meetings and held committee meetings for its four committees namely:
1. Urban planning and infrastructure development, – 2 meetings
 2. Finance and administration committee – 3 meetings
 3. Tourism, environment and social services committee – 2 meetings
 4. Audit, risk and compliance committee - 1 meetings

e) Succession plan

The term for the first Municipality Board expired at end of FY 2022-23. The Municipality through the Public Service Board advertised for position of the board members and members of the board were appointed based on a competitive process that culminated on 9 members being appointed. The Members were taken through an induction process at Utalii college Nairobi and the first Board meeting was held on 28th August 2023.

f) Existence of a service charter

The Municipality has a service charter that outlines the Municipality vision and mission, key values and principles, Municipal functions, service standards, grievances redress mechanism, monitoring & evaluation and contact information.

g) Conflict of interest

The municipality has sufficient internal control on risk management mechanism to ensure the best interest of the public such as mandatory disclosure, clear policies, independent oversight, training and education to help municipal employees and official maintain ethical standards.

h) Board remuneration

The board members are not entitled to a salary but are paid allowances as per there attendance of meetings and in accordance with statutory requirements.

9. Management Discussion and Analysis

1. Overview of Financial Performance

During the financial year 2023/2024, Naivasha Municipality received a total budget allocation of **Kshs 175,637,869** from the County Government of Nakuru. However, the Municipality only received **Kshs 137,017,897** in total revenues, representing a revenue shortfall. The shortfall affected the execution of planned projects, yet the Municipality remained focused on critical infrastructure improvements and community services.

Budget Allocation vs. Actual Revenues

Description	Budget Allocation (Kshs)	Actual Revenues (Kshs)
Total Budget Allocation	175,637,869	137,017,897
Revenue Shortfall	-	(38,619,972)

2. Expenditure Breakdown

The total expenditures for the fiscal year amounted to **Kshs 116,871,192.49**, which was allocated towards several critical areas such as infrastructure development, public safety, and community projects.

Expenditure Breakdown

Description	Expenditure (Kshs)
Operating Expenditures	17,835,366
Capital Expenditures	98,217,986

These investments were aimed at improving the overall living conditions of Naivasha residents, addressing safety concerns, and creating an enabling environment for sustainable economic growth.

3. Key Projects and Investments

The Municipality implemented or initiated several **infrastructure development projects** during the financial year 2023/2024, aimed at improving transport, sanitation, and public amenities:

- **Finalization of the Construction of 2.1 km of Lakeview Estate Access Roads:** This project was completed, improving accessibility for over 20,000 residents.

- **Operationalization of the Municipal Park and Associated Infrastructure:** A newly developed park, parking bays, and abutting access roads have been opened for public use, enhancing recreational space and mobility within the city.
- **Operationalization of Naivasha Wholesale Market:** This project has provided more than 700 traders with a conducive trading environment, with an expected capacity for 1,500 traders in the near future.
- **Construction of Non-Motorized Transport Systems (Pedestrian Walkways):** The Municipality has completed paved walkways, parking, greening, and drainage systems along Kenyatta Avenue and Mama Ngina Street in Viwandani Ward.
- **Grading and Gravelling of Roads:** Roads in Kinungi Centre (Naivasha East Ward) and Kayole Estate (Lakeview Ward) were graded and graveled, improving local road access.
- **Naivasha CBD Bypass Sewer Line Construction:** A critical sewer project was completed to improve sanitation infrastructure within the CBD area.
- **Excavation of a 1.2 km Earth Drain in Railways Area and Kihoto Estate:** This project was aimed at improving drainage in flood-prone areas.

Infrastructure Projects Overview

Project	Status
2.1 km Lakeview Estate Access Roads	Finalized
Naivasha Municipal Park and Abutting Roads	Operationalized
Naivasha Wholesale Market	Operationalized
Non-Motorized Transport Walkways and Drainage	Completed
Grading and Gravelling (Kinungi Centre & Kayole)	Completed
Naivasha CBD Bypass Sewer Line	Ongoing
Earth Drain at Railways Area & Kihoto Estate	Completed

4. Compliance with Statutory Requirements

The Naivasha Municipal Board has complied with various statutory requirements to ensure governance and sustainability, including:

- **Board Composition:** The Municipal Board meets the legal threshold for operation, with full compliance with the **one-third gender rule**.
- **Public Participation:** The Board held at least **five public meetings**, engaging citizens in the decision-making process.
- **Inclusion of People with Disabilities (PWDs):** All projects implemented by the Board incorporate PWD-friendly designs, including ramps for easier access.
- **Board Meetings:** The Board convened **four meetings** during the fiscal year.
- **Financial Reporting:** The Municipality adhered to the **Public Finance Management (PFM) Act**, ensuring timely and accurate financial reporting.

5. Major Risks and Challenges

Despite the significant progress, the Municipality faced several challenges during the year:

- **Revenue Shortfall:** Due to a challenging economic environment, the Municipality experienced a **shortfall in revenues** of Kshs 38,619,972, affecting the development budget.
- **Increase in Trade Payables:** The **increase in trade payables** was driven by insufficient revenues, delaying payments to suppliers and contractors.
- **Encroachment of Development Areas:** Encroachments into development zones delayed the implementation of several key projects.
- **Delayed Delegation of Functions and Associated Budget:** Slow delegation of functions from the County Government affected the Municipality’s ability to execute its mandate.
- **Bureaucratic Procurement Processes:** Delays in procurement processes led to the delayed execution and completion of some projects.

Key Risks Overview

Risk	Impact
Revenue Shortfall	Development budget affected; fewer resources for infrastructure improvements
Increase in Trade Payables	Delays in payments, increased debt
Encroachment of Development Areas	Project delays
Delayed Delegation of Functions	Limited ability to fully execute mandates
Bureaucratic Procurement Processes	Slower project execution

6. Stakeholder Engagement

During the year, the Municipality engaged actively with a variety of stakeholders, including:

- **Private Sector:** Collaboration with local businesses to support economic development projects.
- **NGOs and CBOs:** Partnerships with **Non-Governmental Organizations** and **Community-Based Organizations** to enhance service delivery in health, education, and environmental sustainability.
- **Faith-Based Organizations (FBOs):** Engaged with FBOs in social and community development initiatives, leveraging their networks to improve community welfare.

These engagements fostered strong partnerships that supported project implementation and sustainability.

7. Recommendations for Improvement

To address the challenges faced during the year and improve future performance, the following actions are recommended:

- **Enhancing Revenue Collection:** Implement strategies to reduce the revenue shortfall, including better collection mechanisms and new revenue streams.
 - **Improving Procurement Efficiency:** Streamline procurement processes to reduce delays and ensure timely project completion.
 - **Accelerating Delegation of Functions:** Work closely with the County Government to speed up the delegation of functions and the associated budget allocations.
 - **Addressing Encroachments:** Collaborate with local authorities to manage and mitigate land encroachment in development areas.
-

8. Conclusion

Despite the challenges posed by revenue shortfalls, procurement delays, and land encroachments, Naivasha Municipality made significant strides in infrastructure development and community service delivery during the 2023/2024 financial year. Continued collaboration with stakeholders and enhancements in financial management will be crucial to overcoming these obstacles and ensuring sustained growth in the years to come.

10. Environmental And Sustainability Reporting

1. Sustainability strategy and profile

The primary mandate of the Municipality is to deliver essential services that meet the needs of Naivasha residents while ensuring long-term sustainability. As an institution committed to the continuous provision of quality services, we recognize that sustainability is not just a goal but a guiding principle that shapes our strategic decisions. Naivasha Municipal board have emphasized sustainable efforts that align with international best practices, aiming to maintain service delivery amidst evolving political and macroeconomic challenges. Our approach to sustainability is informed by broad trends, including shifts in governance, economic pressures, and global sustainability priorities. Through strategic planning, we have achieved significant milestones; however, we also acknowledge areas where challenges have hindered progress. By remaining adaptable and forward-thinking, we are committed to addressing these challenges and ensuring that our services continue to benefit the municipality residents over the long term.

2. Environmental performance

Overview of the Policy

The municipality's environmental policy is guided by a commitment to promoting sustainable development, protecting natural resources, and ensuring a healthy environment for current and future generations. The policy is structured around several key areas, including biodiversity conservation, waste management, and reducing the environmental footprint of municipal operations.

Policy Evidence

The environmental policy is enshrined in official municipal documents, including the Integrated Development Plan (IDEP) and specific environmental management plans i.e solid waste management strategy, Naivasha beautification plan. These documents outline our strategies for sustainable urban planning, resource conservation, and environmental protection. The municipality has also adopted international environmental standards and practices, aligning with frameworks such as the Sustainable Development Goals (SDGs) and the Paris Agreement.

Successes

1. Biodiversity Management:

- The municipality has successfully established and maintained green spaces, parks, and nature reserves that protect local flora and fauna i.e Naivasha Municipal Park, Mama Ngina Street beautification and Moi Avenue beautification
- Successful reforestation projects and the creation of urban green belts have enhanced biodiversity and improved air quality.

2. *Waste Management: *

- The implementation of the Municipal solid waste management strategy has significantly reduced landfill waste, with increased recycling rates and the introduction of composting initiatives.
- Public awareness campaigns have led to higher citizen participation in waste segregation and recycling efforts.

3. *Reducing Environmental Impact: *

- The municipality has introduced energy-efficient street lighting, reducing energy consumption and carbon emissions.

Shortcomings

1. Resource Constraints:

- Limited financial and human resources have slowed the full implementation of some environmental initiatives.

2. Waste Management Challenges:

- Despite progress, illegal dumping and inconsistent waste segregation practices continue to pose challenges, particularly in informal settlements.

3. Limited Enforcement:

- Enforcement of environmental regulations has been uneven, leading to ongoing issues with pollution and habitat destruction in certain areas.

Efforts to Manage Biodiversity

- Protected Areas: The municipality has designated specific zones as protected areas to conserve critical habitats and biodiversity.

- Community Involvement: Initiatives involving local communities in conservation efforts have been launched, including tree-planting campaigns and clean-up drives in ecologically sensitive areas.

- Wildlife Corridors: The development of wildlife corridors has been promoted to ensure the safe movement of species between natural habitats.

Waste Management Policy

- Segregation and Recycling: The waste management policy emphasizes waste segregation at the source, encouraging households and businesses to separate recyclable materials from organic and hazardous waste.

- Waste Collection: Regular waste collection services are provided, and additional resources have been allocated to address illegal dumping hotspots.

Efforts to Reduce Environmental Impact of Municipal Operations

- Green Procurement: The municipality has adopted green procurement practices, prioritizing environmentally friendly products and services.

- Energy Efficiency: Investments in renewable energy sources, such as solar lighting, have reduced dependency on non-renewable energy.

While the municipality has made significant strides in implementing its environmental policy, ongoing efforts are needed to address the challenges that remain. Through continued innovation, community engagement, and adherence to best practices, the municipality is committed to reducing its environmental impact and fostering a sustainable future for all its residents.

3. Employee welfare

The Municipality regularly facilitate its staffs to improve their skills and manage their careers through induction trainings of new employees, capacity building of staff establishment in institutions such as at Kenya School of government, Kenya Institute of Highways and building technology, Professional trainings by professional bodies such as KIP, ICPAK and KISM.

During the financial period FY 23/24 the Municipality undertook key infrastructure developments whereby the contractors were required to comply with the Occupational Safety and Health Act and Environmental Management and Coordination Act.

4. Market place practices

Responsible competition practice.

To ensure responsible competition practices the Municipality has developed clear ethical codes and policies, maintained transparency and disclosure, implemented anti- corruption measures, engaged in responsible political involvement, adhered to fair competition, respect practices and establish independent oversight .By adopting these strategies the Municipality contributes to a fair and competitive market place while upholding ethical business practices and avoiding harmful anti-corruption behaviours.

a) Responsible Supply chain and supplier relations

Naivasha Municipality sources qualified suppliers through open tender or through quotation of pre-qualified suppliers, Evaluation of the tenders is done fairly and timely through independently appointed committee members, inspection of good or completed works is done promptly upon delivery of approved payment certificates, their payments are processed promptly as soon as funds under the budgeted vote are available.

b) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices

The municipality uses national advertisers to maximize reach and ensure all stakeholders have equal rights to information. This is done through following advertising laws, providing guidelines or code of conducts for marketers to follow, educating consumers about their rights, promoting ethical practices and avoiding harmful exploitative tactics, working with industries associations to develop and enforce self-regulatory code of conduct. This helps create a fair and competitive marketplace, protect consumers and promote overall well-being of our community.

c) Product stewardship

Outline efforts to safeguard consumer rights and interests

5. Community Engagements

Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community (The City/Municipality gives details of CSR activities carried out in the year and the impact on the society. The statement may also include how the City/Municipality promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives) Where no CSR activities are undertaken during the year, there is no need to include the statement).

11. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Municipality affairs.

Principal activities

The principal activities of the Municipality are (*continue to be*):

- a) Promotion, regulation and provision of refuse collection and solid waste management Services.
- b) Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation provider)
- c) Construction, Maintenance of Urban roads and associated infrastructure
- d) Construction, Maintenance of storm drainage and flood controls
- e) Construction, Maintenance of walkways and other non-motorized transport infrastructure
- f) Construction, Maintenance of recreational parks and green spaces
- g) Construction, Maintenance of street lighting
- h) Construction, Maintenance and regulation of traffic controls and parking facilities
- i) Construction, Maintenance of bus stands and taxi stands
- j) Regulation of outdoor advertising
- k) Construction, Maintenance and regulation of municipal markets and abattoirs
- l) Construction, Maintenance of fire stations, provision of firefighting services, emergency preparedness and disaster management
- m) Promotion and regulation of municipal sports and cultural activities
- n) Regulation and provision of animal control and welfare
- o) Enforcement of municipal plans and development controls
- p) Municipal administration services (including maintenance of administrative offices)
- q) Promoting infrastructural development and services within municipality.
- r) Any other functions as may be delegated by the County Government

Performance

The performance of the City/Municipality for the year ended June 30, 2024 are set out on page xx

Board Members

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

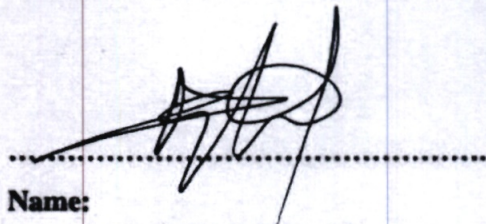
Exited from the Board; Sam Weru – Chairperson, Peninnah Muigai –Vice Chairperson, Absolom Mukuusi – Member Benson Nyenjeri – Member, Ismael Abisai – Member, Francis Mwangi – Member, Gerald Ndungu- Member.

Entered the Board; Peter Kimani – Chairperson, Lucy Gikara – Vice Chairperson, Joseph Mukui - Member, Jonathan Warothe – Member, Richard Langat – Member, Rose Njeri – Member, Nancy Waweru – Member.

Auditors

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

By Order of the Board



Name:

Secretary of the Board

12. Statement of Management's Responsibilities

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

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

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

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

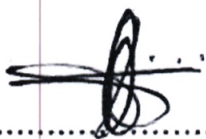
In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of*

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

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*). Nothing has come to the attention of the Municipality Manager to indicate that the City/Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Municipal financial statements were approved by the Board on 25th September 2024 and signed on its behalf by:



.....
Name: **Peter Kimani Gitau**

Chairperson of the Board



.....
Name: **Daniel Mbogo Ndiritu**

Accounting officer of the Board

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF NAIVASHA FOR THE YEAR ENDED 30 JUNE, 2024 – COUNTY GOVERNMENT OF NAKURU

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Municipality of Naivasha – County Government of Nakuru set out on pages 1 to 48, which comprise of the statement

Report of the Auditor-General on Municipality of Naivasha for the year ended 30 June, 2024 – County Government of Nakuru

of financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

- i. The statement of financial performance and the statement of cashflows reflect transfers from the County Government amount of Kshs.37,816,289. However, the statement of comparison of budget and actual amounts reflects an amount of Kshs.138,629,680 resulting in an unreconciled variance of Kshs.100,813,391.
- ii. The statement of financial position reflects a Nil comparative accumulated deficit balance. However, the statement of changes in net assets reflects a comparative accumulated deficit of Kshs.195,110,521 leading to unexplained and unreconciled balance of Kshs.195,110,521.
- iii. The statement of changes in net assets reflects capital/development grant/fund and accumulated deficit balances of Kshs.3,231,126,438 and Kshs.29,688,822 respectively. However, a recast of the statement results in balances of Kshs.3,296,523,218 and Kshs.224,799,343 respectively leading to unexplained variances of Kshs.65,396,780 and 195,110,521 respectively.
- iv. Note 33 to the financial statements reflects an increase in payables amount of Kshs.3,171,105. However, the statement of financial position reflects a decrease in payables amount of Kshs.3,081,112 resulting in unreconciled and unexplained variance of Kshs.6,684,748.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Unsupported Capital/Development Grants/Fund Balance

The statement of financial position reflects capital/development grants/fund balance amounting to Kshs.3,231,126,438. Review of records revealed that an amount of Kshs.3,231,126,438 includes transfers of land, buildings, equipment, computers,

capitalized road constructions and motor vehicles from the County Government. However, Management did not provide a valuation report of the assets transferred to the Municipality and the approved journal entries and other supporting documents used to capture the balance of Kshs.3,231,126,438.

In the circumstances, the accuracy and completeness of the capital/development grants/fund amount of Kshs.3,231,126,438 could not be confirmed.

3. Unconfirmed Depreciation Expenses

The statement of receipts and payments reflects depreciation and amortization amount of Kshs.49,215,140 as disclosed in Note 16 to the financial statements. However, review of records revealed that the assets were not depreciated as per the policy on assets and liability management which requires that the assets are depreciated using straight-line basis. Further, the policy was not disclosed in the financial statements as required.

In the circumstances, the accuracy and completeness of the depreciation and amortization amount of Kshs.49,215,140 could not be confirmed.

4. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.3,208,480,287 which includes land and motor vehicles balances of Kshs.2,347,834,983 and Kshs.13,215,491 respectively as disclosed in Note 24 to the financial statements. However, the land title deed, motor vehicle logbooks, the valuation report for the assets and the register of assets were not provided for audit verification.

In the circumstances, the accuracy, completeness and valuation of the property, plant and equipment balance of Kshs.3,208,480,287 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted and actual revenue on comparable basis amounts of Kshs.175,637,869 and Kshs.138,629,680 respectively resulting in underfunding of Kshs.37,008,189 or 21% of the budget. Similarly, the Municipality spent an amount of Kshs.116,053,352 against actual receipts amount of Kshs.138,629,680 resulting in under-utilization of Kshs.22,576,328 or 16% of the actual receipts.

Further, review of the approved budget for County Government of Nakuru revealed that Naivasha Municipality was allocated Kshs.38,067,028 for recurrent expenditure and Kshs.137,570,841 for development expenditure. However, the statement of comparison of budget and actual amounts reflects amounts of Kshs.35,867,028 and Kshs.139,770,841 resulting in an unexplained re-allocation of Kshs.2,200,000.

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

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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not explained how the issues were resolved.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with Two Thirds Basic Salary Rule

Review of the payroll records provided revealed that three employees had deductions that were more than two thirds of their basic pay throughout the year under review. This was contrary to the provisions of Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

2. Non-Compliance with Law on Ethnic Diversity

Review of payroll records revealed that all four (4) staff or 100% of the employees in the payroll were from the same ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that, no public establishment shall have more than one third of its staff from the same ethnic community.

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

3. Lack of Training Needs Assessment

The statement of financial performance reflects use of goods and services amount of Kshs.10,698,794 which includes training expenses of Kshs.847,528 as disclosed in Note 12 to the financial statements incurred on capacity building. However, no evidence was provided to confirm that training needs assessment was conducted during the year to identify the training needs of each staff member within the Municipality as required by Section H.3 (1) of the Human Resource Policies and Procedures Manual for the Public Service, May, 2016.

It was therefore not clear how the Management identified those who were to be trained and the areas which they were to be trained on.

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

4. Non-Compliance with the Law on Independence of the Municipality

Review of records revealed that Naivasha Municipality was granted Municipality charter on 13 February, 2019 and was effectively granted operational independence from the County Government of Nakuru.

However, as previously reported, the County Government has continued to perform functions which were transferred to the Municipality as provided for through Gazette Notice No.3844 dated 16 March, 2023 such as development controls, solid waste management and street parking.

Further, the statement of financial performance and Note 6 to the financial statements reflect revenue amount of Kshs.137,017,897 out of which Kshs.37,034,168 represents payments processed through the Nakuru County Executive accounts.

This is contrary to Section 6(2) of the Municipal Charter of the Municipality of Naivasha, 2019 which states that the board of the Municipality shall be a corporate body with perpetual succession and a common seal and shall in its own corporate name be capable of - entering into contracts; and doing or performing all other act or things for the proper performance of its functions in accordance with the Urban Areas and Cities Act, 2011 or any other written law which may lawfully be done or performed by a body corporate.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of an Approved Staff Establishment

Review of the employee records revealed that the Municipality of Naivasha had four (4) employees. However, the Municipality has no approved staff establishment.

In the absence of an approved staff establishment, it was not possible to determine if the Municipality operated with an optimal number of staff.

2. Lack of Fraud Policy and Risk Management Strategies

The Municipality did not have in place a fraud management policy to assist in detecting and preventing fraud during the year under review. Further, Management did not have a risk management policy or strategy in place and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015.

In addition, it was observed that the Municipality lacks a disaster recovery plan or business continuity plan which outlines how it will continue operating during an unplanned disruption in service. Management has not instituted its own policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure and did not perform formal risk assessments during the year under review.

In the circumstances, Management may not be in a position to evaluate, rank and prioritize critical risks and channel resources towards mitigating identified risks.

3. Lack of Audit Committee

The Municipality did not have in place an audit committee as required by Regulation 42(1) (e) of the Public Finance Management (County Governments) Regulations, 2015. Further, Management may not be able to review of the effectiveness of the financial and non-financial performance management systems of the Municipality.

In the circumstances, the Municipality is exposed to possible loss of funds and interruption of business operations arising from absence of assurance from the audit committee on internal controls, risk management and governance within the Municipality.

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

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

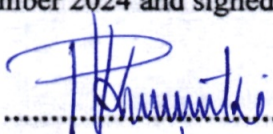
14. Statement of Financial Performance for The Year Ended 30 June 2024.

Description	Note	Current FY 2023/24	Comparative FY 2022/23
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	37,816,289.00	-
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues (<i>Specify</i>)	9	-	-
		37,816,289.00	-
Revenue from exchange transactions		-	-
Interest income	10	-	-
Miscellaneous Income	11	-	-
		-	-
Total revenue		37,816,289.00	-
Expenditure		-	-
Use of goods and services	12	10,698,794.00	195,110,521.00
Staff costs	13	5,228,572.00	-
Board expenses	14	1,684,000.00	-
Finance costs	15	-	-
Depreciation and amortization	16	49,215,140.00	-
Repairs and maintenance	17	678,605.00	-
Total expenses		67,505,111.00	195,110,521.00
Other gains/losses		-	-
Gain/loss on disposal of assets	18	-	-
Surplus/(deficit) for the period		-29,688,822.00	-195,110,521.00

The notes set out on pages 22 to 43 form an integral part of these Financial Statements. The entity financial statements were approved on 25th September 2024 and signed by:

.....

Name: **Daniel Ndiritu**
Municipal Manager
City/Municipality Manager

.....

Name: CPA Kananga Peter Karuki
Head of Finance
ICPAK M/No 33117


15. Statement of Financial Position As At 30 June 2024

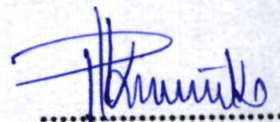
Description	Note	Current FY 2023/24 Kshs.	Comparative FY 2022/23 Kshs.
Assets			
Current assets			
Cash and cash equivalents	19	20,601,309	98,838,373
Receivables from exchange transactions	20	-	-
Receivables from non-exchange transactions	21	-	-
Prepayments	22	-	-
Inventories	23	2,716,500	-
Total current assets		23,317,809	98,838,373
		-	-
Non-current assets			
Property, plant, and equipment	24	3,208,480,287	-
Intangible assets	25	-	-
Total Non-current Assets		3,208,480,287	-
		-	-
Total assets (A)		3,231,798,096	98,838,373
		-	-
Liabilities			
Current liabilities			
Trade and other payables	26	30,360,480	33,441,592
Refundable deposits from customers	27	-	-
Provisions	28	-	-
Borrowings	29	-	-
Employee benefit obligations	30	-	-
Deferred Income	31	-	-
Social Benefits	32	-	-
Total current liabilities		30,360,480	33,441,592
		-	-
Non-current liabilities			
Provisions	28	-	-
Borrowings	29	-	-
Non-current employee benefit obligation	30	-	-
Deferred Income	31	-	-
Social Benefits	32	-	-
Total liabilities (B)		30,360,480	33,441,592
		-	-

County Government of NAKURU
Municipality of Naivasha
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Description	Note	Current FY	Comparative FY
		2023/24	2022/23
		KShs.	KShs.
Net Assets (A-B)		3,201,437,616	65,396,780
Represented by:		-	-
Capital/Development Grants/Fund		3,231,126,438	65,396,780
Reserves		-	-
Accumulated surplus		-29,688,822	-
Net Assets/Equity		3,201,437,616	65,396,780

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 25th September 2024 and signed by:


 Name: **Daniel Ndiritu**
Municipal Manager
 City/Municipality Manager
 Date: 19th DECEMBER


 Name: C.P.A. KARANJA PETER KARUKU
 Head of Finance
 ICPAK M/No 33117
 Date: 19th DECEMBER 2024

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

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

Description	Capital Development Grants Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2022 (previous year)	293,948,894	-	-	293,948,894
Surplus/(Deficit) for the year	-	-	-195,110,521	-195,110,521
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
Bal as at 30 Jun 2023	65,396,780	-	-195,110,521	65,396,780
Bal as at 1 July 2023 (current year)	65,396,780	-	-195,110,521	65,396,780
Surplus/(Deficit) for the year	-	-	-29,688,822	-29,688,822
Funds received during the year	3,231,126,438	-	-	3,231,126,438
Revaluation gain/loss	-	-	-	-
Balance as at 30 June 2024	3,231,126,438	-	-29,688,822	3,201,437,616

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

		Current Year 2023/24 Kshs.	
Cash flows from operating activities			
Receipts			
Transfers from the County Government		37,816,289	-
Public contributions and donations		-	-
Interest received		-	-
Miscellaneous receipts (<i>Specify</i>)		-	-
Total Receipts		37,816,289	-
Payments			
Use of goods and services		10,922,794	195,110,521
Staff costs		5,228,572	-
Board expenses		1,684,000	-
Finance costs		-	-
Total Payments		17,835,366	195,110,521
Net cash flows from operating activities	33	19,980,923	195,110,521
Cash flows from investing activities			
Purchase of PPE & intangible assets		98,217,986	-
Proceeds from sale of PPE		-	-
Net cash flows used in investing activities		- 98,217,986	-
Cash flows from financing activities			
Receipts from Capital grants		-	-

County Government of NAKURU

Municipality of Naivasha

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

Description	Note	Current FY 2023/24 Kshs.	Comparative FY 2022/23 Kshs.
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash equivalents		- 78,237,063	195,110,521
Cash And Cash Equivalents At 1 July	19	98,838,373	293,948,894
Cash And Cash Equivalents At 30 June	19	20,601,309	98,838,642

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

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Actual on
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	on
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	66,637,464	109,000,405	175,637,869	138,629,680	37,008,189	79%
Public contributions and donations	-	-	-	-	-	
Interest income	-	-	-	-	-	
Miscellaneous income (<i>specify</i>)	-	-	-	-	-	
Total Revenue	66,637,464	109,000,405	175,637,869	138,629,680	37,008,189	79%
Expenses					-	
Use of goods and services	20,074,400	-600,000	19,474,400	10,922,794	8,551,606	56%
Board expenses	5,200,000	-	5,200,000	1,684,000	3,516,000	32%
Staff Costs	10,863,064	329,565	11,192,628	5,228,572	5,964,056	47%
Finance costs	-	-	-	-	-	
Total Expenditure	36,137,464	-270,435	35,867,028	17,835,366	18,031,662	50%
Surplus for the period	30,500,000	108,729,970	139,770,841	120,794,314	18,976,526	86%
					-	
Capital Expenditure	30,500,000	109,570,841	139,770,841	98,217,986	41,552,855	70%

Budget notes

- (i) Differences between surpluses in the statement of financial performance and the statement of comparison of budget and actual amounts.

Reconciliation Item	Amount (KSHS)
Surplus/Deficit per Statement of comparison of budget and actual amounts	120,794,314
Depreciation and amortization	(49,215,140)
Cash & cash equivalents opening balance - Actual	(100,813,392)
Timing Differences (Accruals)	(454,605)
Surplus/Deficit per Statement of Financial Performance	(29,688,822)

(ii) Changes between original and Final budget

- There was increase in staff costs necessitated by the increase in statutory deductions (Housing levy, NSSF).
- There was a rollover of multiyear development projects from the prior year that increased the capital expenditure component in the final budget

(iii) Underutilisation in all expenditure components

There was a shortfall in shortfall in anticipated revenues due to the prevailing challenges in the macroeconomic environment

19. Notes to the Financial Statements

1. General Information

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

The *entity's* principal activity is the development and maintenance of urban infrastructure and urban governance.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the *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 2024.*

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

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

<p>IPSAS 43: Leases</p>	<p><i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. <i>The municipality is not currently in possession of any leases and remains committed o complying with the standard in future</i></p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46:</p>	<p><i>Applicable 1st January 2025</i></p>

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

iii. Early adoption of standards

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

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2023/24 was approved by the County Assembly on 29th June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality

recorded additional appropriations of Kshs 109,300,405.70 on 30th April 2024 following the governing body's approval.

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 18 of these financial statements.

c) Property, plant and equipment

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

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in

surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

e) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *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.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

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.

g) Provisions

Provisions are recognized when the Municipality has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the 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 needs of society as a whole. The entity recognises a social benefit as an expense for the social benefits scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

i) Contingent liabilities

The 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.

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 Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

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

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Cash and cash equivalents

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

r) Comparative figures

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

s) Events after the reporting period

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

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

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

Estimates and assumptions.

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

Useful lives and residual values

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

- i) The condition of the asset based on the assessment of experts employed by the 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.

Notes to the Financial Statements

6. Transfers from the County Government

Description	Current FY 2023/24	FY 2022/23
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent		-
Payments by County on behalf of the entity	36,670,933	
Unconditional development grants	1,145,356	
Total	37,816,289	-

This consists of equitable share funds from the county treasury and the development grants of the KENYA URBAN SUPPORT PROGRAM

(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	FY 2022/23
	Kshs	Kshs	Kshs	Kshs	Kshs
xx State Department	-	-	-	-	-
XX Ministry	-	-	-	-	-
				-	
Total	-	-	-	-	-

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

7. Public Contributions and Donations

Description	Current FY 2023/24	FY 2022/23
	Kshs.	Kshs.
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

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8. Levies, Fines and penalties

Description	Current FY 2023/24	FY 2022/23
	Ksh.	Ksh.
Levies	-	-
Fines	-	-
Penalties	-	-
Others (<i>indicate and specify</i>)	-	-
Total	-	-

9. Other Revenues from Non-Exchange Transactions

Description	Current FY 2023/24	FY 2022/23
	Ksh.	Ksh.
Transfers from other government entities	-	-
Others (<i>indicate and specify</i>)	-	-
Total	-	-

(Provide a brief explanation for this revenue)

10. Interest income

Description	Current FY 2023/24	FY 2022/23
	Ksh.	Ksh.
Interest income from investments	-	-
Interest income on bank deposits	-	-
Others (<i>Specify</i>)	-	-
Total interest income	-	-

(Provide brief explanation for this revenue)

11. Miscellaneous income

Description	Current FY 2023/24	FY 2022/23
	Ksh.	Ksh.
Income from sale of tender documents	-	-
Others (<i>specify</i>)	-	-
Total other income	-	-

12. Use of Goods and Services

Description	Current FY 2023/24 Kshs.	FY 2022/23 Kshs.
Utilities, supplies and services	61,225	-
Communication, supplies and services	537,996	-
Domestic travel and subsistence	5,435,200	-
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	510,200	-
Rent and rates	-	-
Training expenses	847,528	-
Hospitality supplies and services	1,740,200	-
Insurance costs	-	-
Specialized materials and services	374,600	-
Office and general supplies and services	329,030	-
Fuel, oil and lubricants	861,750	-
Other operating expenses (<i>Specify</i>)	-	195,110,521
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	-	-
Audit fees	-	-
Hire of Transport, equipment etc	-	-
Bank Charges	1,065	-
Social Benefit expenses*	-	-
Total	10,698,794	195,110,521

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

13. Staff costs

Description	Current FY 2023/24 Kshs.	FY 2022/23 Kshs.
Salaries and wages	3,458,084	-
Staff gratuity	-	-
Social security contribution	77,976	-
Other staff costs (<i>Specify</i>)	1,692,512	-
Total	5,228,572	-

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14. Board expenses

Description	Current FY 2023/24 KSh	FY 2022/23 KSh
Chairman/Members' Honoraria	-	-
Sitting allowances	367,000	-
Medical Insurance	-	-
Induction and Training	175,000	-
Travel and accommodation	701,000	-
Conference Costs	441,000	-
Other allowances (<i>Specify</i>)		-
Total	1,684,000	-

15. Finance costs

Description	Current FY 2023/24 KSh	FY 2022/23 KSh
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

16. Depreciation and amortization

Description	Current FY 2023/24 KSh	FY 2022/23 KSh
Property, plant and equipment	49,215,139	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	49,215,139	-

17. Repairs and Maintenance

Description	Current FY 2023/24 KShs	FY 2022/23 KShs
Property- Buildings	349,555	-
Office equipment	28,550	-
Furniture and fittings	-	-
Motor vehicle expenses	300,500	-
Maintenance of civil works	-	-
Total repairs and maintenance	678,605	-

18. Gain/(loss) on disposal of assets

Description	Current FY 2023/24 KShs	FY 2022/23 KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

19. Cash and cash equivalents

Description	Current FY 2023/24 KShs	FY 2022/23 KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	20,601,309	98,838,373
Others(<i>specify</i>)	-	-
Total cash and cash equivalents	20,601,309	98,838,373

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

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

Detailed analysis of the cash and cash equivalents			
Description	Account number	Current FY	FY 2023/24
Kshs.			
a) Fixed deposits account			
Kenya Commercial bank			
Equity Bank, etc			
Sub- total			
b) On - call deposits			
Kenya Commercial bank			
Equity Bank - etc			
Sub- total			
c) Current account			
Kenya Commercial bank	1261585429	20,601,309	98,838,373
Equity Bank - etc			
Sub- total			
d) Others(specify)			
Cash in transit			
Cash in hand			
Mobile Money			
Sub- total			
Grand total		20,601,309	98,838,373

20. Receivables from exchange transactions

Description	Current FY 2023/24 Kshs.	FY 2022/23 Kshs.
Current Receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables (a)	-	-
Non-Current receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Non- current receivables (b)	-	-
Total	-	-

Ageing analysis for Receivables from exchange transactions

Description	Current FY 2023/24		Comparative FY 2022/23	
	Kshs		Kshs	
	2023/24	% of the total	2022/23	% of the total
Less than 1 year				
Between 1- 2 years				
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

21. Receivables from Non-Exchange transaction

Description	Current FY 2023/24	FY 2022/23
	Kshs.	Kshs.
Transfer from County Executive	-	-
Transfer from XXXX Fund	-	-
Total	-	-

Ageing analysis for Receivables from non-exchange transactions

Description	Current FY 2023/24		FY 2022/23	
	Kshs		Kshs	
	2023/24	% of the total	2022/23	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

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22. Prepayments

Prepayments			
Description	Current FY 2023/24	FY 2022/23	FY 2021/22
Prepaid rent	-	-	-
Prepaid insurance	-	-	-
Prepaid electricity costs	-	-	-
Other prepayments(<i>specify</i>)	-	-	-
Total	-	-	-

23. Inventories

Inventories			
Description	Current FY 2023/24	FY 2022/23	FY 2021/22
Stationery	178,250	-	-
Consumables	2,538,250	-	-
Other inventories(<i>specify</i>)	-	-	-
Total inventories at the lower of cost and net realizable value	2,716,500	-	-

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24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 July 2022 (previous year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
As at 30th June 2023	-	-	-	-	-	-	-	-
Additions for the year	-	31,951,810	-	1,177,495	700,000	65,961,677	-	-
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	2,347,834,983	492,850,590	13,215,491	-	-	304,003,381	-	3,257,695,426
As at 30th June 2024 (current year)	2,347,834,983	524,802,400	13,215,491	1,177,495	700,000	369,965,057	-	3,257,695,426
Depreciation and impairment								
At 1 July 2022 (previous year)	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-

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Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specif)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 30 June 2023	-	-	-	-	-	-	-	-
Depreciation for the year	-	10,496,048	1,651,936	70,650	-	36,996,505	-	49,215,139
Disposals for the year	-	-	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
As at 30th June 2024 (current year)	-	10,496,048	1,651,936	70,650	-	36,996,505	-	49,215,139
NBV as at 30th Jun 2023 (previous year)	-	-	-	-	-	-	-	-
NBV as at 30th Jun 2024 (current year)	2,347,834,983	514,306,352	11,563,555	1,106,845	700,000	332,968,551	-	3,208,480,287

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

25. Intangible assets

Description	Current FY 2023/24	FY 2022/23
	Kshs.	Kshs.
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

26. Trade and other payables from exchange transactions

Description	Current FY 2023/24		FY 2022/23	
	Kshs.		Kshs.	
Trade payables	3,371,105		1,975,018	
Retentions	20,601,309		31,466,574	
Accrued expenses	-		-	
Other payables (<i>ACCOUNTS PAYABLE - CIVIL WORKS</i>)	6,388,066		-	
Total trade and other payables	30,360,480		33,441,592	
Ageing analysis:	2023/24	% of the Total	2022/23	% of the Total
Under one year	23,972,414	100%	33,441,592	100%
1-2 years	-		-	
2-3 years	6,388,066		-	
Over 3 years	-		-	
Total	30,360,480	100%	33,441,592	100%

27. Refundable deposits from customers

Description	Current FY 2023/24		Current FY 2022/23	
	KShs		KShs	
Rent deposits	-		-	
Others (<i>specify</i>)	-		-	
Total	-		-	
Ageing analysis:	FY 2023/24	% of the Total	FY 2022/23	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

28. Provisions

Description	Current FY 2023/24		Current FY 2022/23	
	KShs		KShs	
Balance at the beginning of the year	-		-	
Additional Provisions (<i>Specify</i>)	-		-	
Provision utilised	-		-	
Balance at the end of the year	-		-	
Current Portion of provision	-		-	
Long term portion of provision	-		-	
Total Provisions	-		-	

29. Borrowings

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

Description	Current FY 2023/24		Current FY 2022/23	
	KShs		KShs	
Short term borrowings (current portion)	-		-	
Long term borrowings	-		-	
Total	-		-	

(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)

*County Government of NAKURU
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Description	Current FY 2023/24	FY 2022/23
	Kshs.	Kshs.
Balance at beginning of the period	-	-
Borrowings during the year	-	-
Repayments of borrowings during the period	-	-
Balance at end of the period	-	-

The table below shows the Distribution of borrowings:

Description	Current FY 2023/24	FY 2022/23
	Kshs.	Kshs.
Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

30. Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
Total	-	-	-	-

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31. Deferred Income

Description	Current Year 2024 Kshs	Previous Year 2023 Kshs
National/County Government	-	-
International Funding Bodies	-	-
Public Contributions and Donations	-	-
Total Deferred Income	-	-

The deferred income movement is as follows:

Description	County government Kshs	Internation al funding bodies donors Kshs	Public contributio ns and donations Kshs	Total Kshs
Balance brought forward	-	-	-	-
Additions during the year	-	-	-	-
Transfers to capital fund	-	-	-	-
Transfers to income statement	-	-	-	-
Other transfers	-	-	-	-
Balance carried forward	-	-	-	-

Include columns as needed for the various sources of income deferred

Analysed as:

Description	Amount Kshs
Current	-
Non- Current	-
Total	-

32. Social Benefit Liabilities

Description	Current FY	FY 2022/23
	2023/24	
	KShs	KShs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
PWD benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

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

33. Cash generated from operations

Description	Current FY	FY 2022/23
	2023/24	
	KShs	KShs
Surplus/ (deficit) for the year before tax	-29,688,822	-195,110,521
Adjusted for:	-	-
Depreciation	49,215,140	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Working Capital adjustments	-	-
Increase in inventory	-2,716,500	-
Increase in receivables	-	-
Increase in payables	3,171,105	-
Net cash flow from operating activities	19,980,923	-195,110,521

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

34. 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

	Current FY 2023/24	Previous FY 2022/23
Transfers from related parties'	37,816,289	-
Transfers to related parties	-	-

c) Key management remuneration

	Current FY 2023/24	Previous FY 2022/23
Board Members	1,068,000	-
Key Management Compensation	1,988,400	-
Total	3,056,400	-

d) Due from related parties

	Current FY 2023/24	Previous FY 2022/23
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
Total	-	-

e) Due to related parties

Description	Current FY 2023/24	FY 2022/23
	KShs.	KShs.
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
Total	-	-

35. Contingent liabilities

Contingent liabilities	Current FY 2023/24	FY 2022/23
	KShs.	KShs.
Court case xxx against the entity	-	-
Bank guarantees	-	-
Total	-	-

(Give details)

36. Contingent Assets

Contingent liabilities	Current FY 2023/24	FY 2022/23
	KShs.	KShs.
Court case xxx against the entity	-	-
Others Specify	-	-
Total	-	-

37. 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 the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The 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 assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the 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:

	Total	Fully		
	amount	paying		
At 30 June 2024 (current year)				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	20,601,309	20,601,309	-	-
Total	20,601,309	20,601,309	-	-
At 30 June 2023 (previous year)				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	98,838,373	98,838,373	-	-
Total	98,838,373	98,838,373	-	-

(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 Municipality has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality has significant concentration of credit risk on amounts due from xxx.

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

II. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Municipality Manager, who has built an appropriate liquidity risk management framework for the management of the 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 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.

	Less than 1 month KShs.	Between 1-3 months KShs.	Over 3 months KShs.	
At 30 Jun 2024 (current year)				
Trade payables	9,759,171	-	-	9,759,171
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	9,759,171	-	-	9,759,171
At 30 Jun 2023 (previous year)				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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 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:

		Other currencies Kshs	
At 30 June 2024 (current year)			
Financial assets	-	-	-
Investments	-	-	-
Cash	20,601,309	-	20,601,309
Debtors/ receivables	-	-	-
Liabilities			
Trade and other payables	30,360,480	-	30,360,480
Borrowings	-	-	-
Net foreign currency asset/(liability)	(9,759,171)	-	(9,759,171)

(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.)

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.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
2024 (current year)			
Euro	10%	-	-
USD	10%	-	-
2023 (previous year)			
Euro	10%	-	-
USD	10%	-	-

V. Interest rate risk

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

Management of interest rate risk

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

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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:

Revaluation reserve	-	-
Capital/Development Grants/City/Municipality	3,132,288,066	98,838,373
Accumulated surplus	69,149,551	-
Total Funds	3,201,437,617	98,838,373
Total borrowings	-	-
Less: cash and bank balances	(20,601,309)	(98,838,373)
Net debt/(excess cash and cash equivalents)	20,601,309	(98,838,373)
Gearing	0.00%	0.00%

38. Program for Results (PforR) Disclosure

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

Name of the PforR: KENYA URBAN SUPPORT PROGRAM	
Financing Partners: WORLD BANK	
Purpose of the PforR: INFRASTRUCTURE SUPPORT	
Cumulative actual expenditures for the previous years	676,470,637
Actual expenditure in the current financial year.	
1. Employee Cost	-
2. Use of goods and Services	1,144,865
3. Grants and Subsidies	-
4. Building of ECDE facilities	-
5. CONSTRUCTION OF INFRASTRUCTURE	80,212,573
Sub-total	81,357,437
Cumulative Actual Expenditures to date	757,828,075

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1 (REPORT ON THE FINANCIAL STATEMENTS)	Inaccuracies in the Financial Statements	Correction of the error's to be made in the Annual Report and Financial Statements for the subsequent financial year.	Resolved	JUNE 2024
2 (REPORT ON THE FINANCIAL STATEMENTS)	Unsupported Development Grants	This was an omission on our side which is highly regretted.	Resolved	JUNE 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
3 (REPORT ON THE FINANCIAL STATEMENTS)	Lack of full disclosure on Cash and Cash Equivalents Balance	We would like to clarify that the equitable share component of the Municipal Budget is expended from the County Revenue Fund. The Balance of Kshs. 34,864,054, is the Cashbook Balance from the total sum of Authorised Equitable Share Expenditure.	Resolved	JUNE 2024
4 (REPORT ON THE FINANCIAL STATEMENTS)	Errors in Presentation of Financial Statements	The legal name of the Entity as per the gazette notice (<i>SPECIAL ISSUE, KENYA GAZETTE SUPPLEMENT NO. 23, 24TH JULY 2019, Nakuru County Legislative Supplement No.1, Legal Notice No.1</i>) is 'Municipality of Naivasha'.	Resolved	JUNE 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		The Management regrets the other errors int the presentation of financial statements and has taken steps to ensure non-recurrence		
1 (REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES)	Lack of independence of Municipality of Naivasha	The county government is in the process of developing a framework for the phased transfer of function and associated budget to the Municipal Board. We would wish to state that this was occasioned by lack of capacity within the Municipality but we since received three officers including the Municipal engineer, Supply Chain Management Office and a Municipal Physical Planner to assist in the operations of	Resolved	

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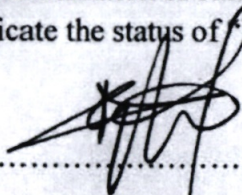
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Time frame (Put a date when you expect the issue to be resolved)
		the Municipality including procurement activities.		
1 (REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE)	Lack of Audit Committee	Plans are underway for the Appointing Authority to gazette an audit committee for the entity in conformance with the Public Audit Act, 2015.	Unresolved	
4 (REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE)	Weak internal controls over cash management	This was occasioned by the fact that at the inception of the Municipality, there was inadequate Human resource capacity. This is currently being addressed and several key officers have already	Resolved	JUNE 2024

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		been seconded to the Municipality		
2 (REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE)	Lack of Risk Management policy	The Municipal Manager has appointed a team to develop a risk management policy for the Municipality	unresolved	December 2024

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.



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To be Signed by the Accounting officer of the Entity

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Appendix 2: Inter-Entity Transfers

MUNICIPALITY OF NAIVASHA			
Transfers from the County Executive of NAKURU County			
FY 2023/2024			
	FY 2023/2024	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>
a.	Recurrent Grants		<u>Indicate the FY to which the amounts relate</u>
		-	-
		-	-
	Total		-
b.	Development Grants		<u>Indicate the FY to which the amounts relate</u>
			-
			-
		-	
	Total		-
c.	Direct Payments		<u>Indicate the FY to which the amounts relate</u>
		-	-
		-	-
	TOTAL		-

(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	Project Period				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