

**REPORT**

PAPERS LAID	
DATE	27/10/2022
TABLED BY	Senate Majority Whip
COMMITTEE	_____
CLERK AT THE TABLE	A. Macharia

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**MUNICIPALITY OF ELDORET**

**FOR THE YEAR ENDED  
30 JUNE, 2021**



**Republic of Kenya**

**County Government of Uasin Gishu**



**Municipality of Eldoret**



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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2021**

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

*Municipality of Eldoret*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021.**

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**1. KEY MUNICIPALITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Municipality of Eldoret is established by and derives its authority and accountability from Urban Areas and Cities Act, 2011 and the Municipal Charter. It is run by the Board of the Municipality which is a Corporate Body with perpetual succession and a common seal. The Municipal Manager runs the day to day affairs of the Municipality. Eldoret was granted a Municipal Charter on 17th December 2018 by the Governor of the County Government of Uasin Gishu. Section 3.1.3 of the Charter indicates that there shall be a principal and agency relationship between the County Government of Uasin Gishu and the Board of the Municipality.

**(b) Principal Activities**

- (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 and maintenance of urban roads and associated infrastructure;
- (d) Construction and maintenance of storm drainage and flood controls;
- (e) Construction and maintenance of walkways and other non - motorized transport infrastructure;
- (f) Construction and maintenance of recreational parks and green spaces;
- (g) Construction and maintenance of street lighting;
- (h) Construction, maintenance and regulation of traffic controls and parking facilities;
- (i) Construction and maintenance of bus stands and taxi stands;
- (j) Regulation of outdoor advertising;
- (k) Construction, maintenance and regulation of municipal markets and abattoirs;
- (l) Construction and maintenance of fire stations; provision of fire - fighting services, emergency preparedness and disaster management;
- (m) Promotion, regulation and provision of municipal sports and cultural activities;
- (n) Promotion, regulation and provision of animal control and welfare;
- (o) Development and enforcement of municipal plans and development controls;
- (p) Municipal administration services (including construction and maintenance of administrative offices);
- (q) Promoting and undertaking infrastructural development and services within municipality; and
- (r) Any other functions as may be delegated by the County Executive Committee or as may be provided for by any written law.

**(c) Key Management**

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The Municipal Manager is the secretary to the board. Due to transitional issues, the municipality has not established a firm management structure below the municipal manager. However, the key management personnel who held office during the second quarter ended 30th June 2021 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Chief Officer County Department of Lands, Urban Development	Kenneth Onacha Mbeka
2	Chief Officer finance	Peter Chesos
3	Municipal Manager	Tito Koiyet
4	Director of Finance	Sila Rono

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 20XX and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Municipal Manager	<b>Tito Koiyet</b>
2.	Head of Finance	<b>Sila Rono</b>
3.	Head of Procurement	<b>Newton Choge</b>

*(Include all positions regarded as top management in your organisation as per your organisational structure).*

**(e) Fiduciary Oversight Arrangements**

*The Key oversight activities are undertaken by the following:*

**a. Economic Planning Committee of the County Assembly**

Provide oversight role and operation of the finance and economic planning department

**b. Budget and Appropriation Committee**

- i. Examine annual and supplementary budget estimates of expenditure presented to the house
- ii. Provide oversight on the presentation and implementation of the budget

**c. Public Accounts and Investment Committee**

- i. Increase public confidence in the credibility of the government institution through providing oversight role on financial performance
- ii. To examine reports and accounts on the public investments.

**d. Audit Committee**

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- i. Monitor the effectiveness of the County Governments performance management and performance information
- ii. Provide strong and effective oversight of the internal audit function
- iii. Provide independent review of reporting functions to ensure the integrity of financial reporting

**(f) Municipal Offices**

Municipality of Eldoret Headquarters,  
Stadium Road,  
Eldoret  
P.O Box 40 – 30100  
Eldoret, Kenya

**(g) Municipality Contacts**

The Municipal Manager  
Telephone: (254) – 053 - 2016215, 053 - 2016125, 053 - 2016600  
E - mail: [manager@uasingishu.go.ke](mailto:manager@uasingishu.go.ke)  
Website: [www.municipal.uasingishu.go.ke](http://www.municipal.uasingishu.go.ke)

**(h) Entity Bankers**

Central Bank of Kenya  
Uganda Road  
P.O. Box 6000 - 00200  
Eldoret Branch  
Eldoret, Kenya

Kenya Commercial Bank  
P.O Box 560 – 30100  
Eldoret, Kenya

Cooperative Bank  
P.O Box 2948 – 30100  
Eldoret, Kenya

**(i) Independent Auditors**

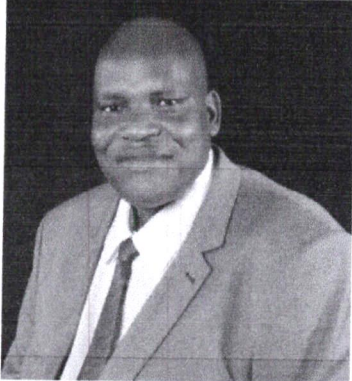

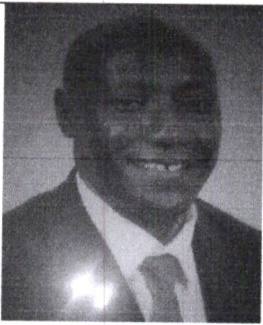
Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**(j) Principal Legal Adviser**

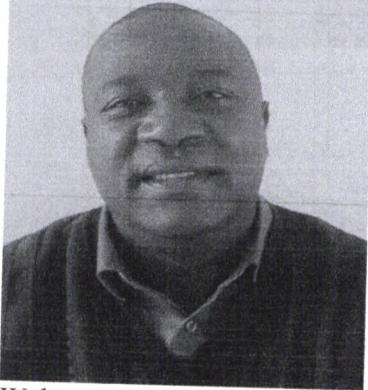

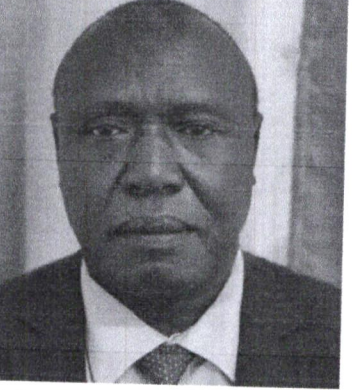
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

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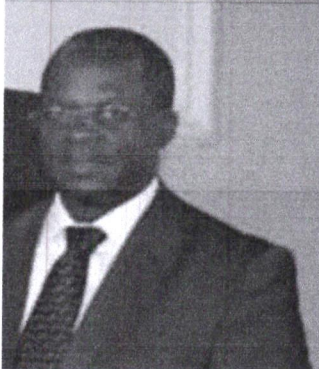
**2. ELDORET MUNICIPALITY BOARD MEMBERS**

Name	Details of qualifications experience and committee
	<p>a) Post Graduate Diploma in Correctional Services and Security Management,            b) Bachelor of Business Management</p> <p><b>Work Experience</b></p> <ul style="list-style-type: none"> <li>• Public Service - 14 years,</li> <li>• Private Sector - 12 years</li> </ul> <p><b>Year Of Birth</b>            26<sup>th</sup> June 1970</p>
<p>Mr. Julius Kitur            Chairman of the Board</p>	
	<p>a) Bachelor of Arts,            b) Certified Public Secretary</p> <p><b>Committee</b>            Vice Chair – Full Board            Human Resource Committee,</p> <p><b>Work Experience</b>            Public Service - 17 years,            Private Sector - 20 years</p> <p><b>Year of Birth</b>            24<sup>th</sup> July 1958</p>
<p>Ms. Beatrice Kemboi            Vice Chairperson of the Board</p>	
 <p>Peter Mwaniki            Member</p>	<p>Diploma in Library Information Systems</p> <p><b>Work Experience</b>            Public Service - 20 years</p> <p><b>Committees</b>            Audit Committee,            Culture, Sports and Social Services,            Environment Committee,            Finance and Human Resource Committee</p> <p><b>Year of Birth</b>            28<sup>th</sup> August 1968</p>


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Name	Details of qualifications, experience and committee
 <p>Walter Ayot Chairman, Culture, Sports and Social Services Committee</p>	<p>a) Diploma in Automotive Electrical Engineering (Trainer and Instructor)            Kishumu Industrial Training Centre and RVTTI            b) Certificates in Public Oversight in Project Management, Resource Mobilization, Children's Rights and Protection Advocacy, SACCO'S Management, Marketing, Procurement, Leadership and Management, Leadership Transformation.</p> <p><b>Work Experience</b>            Public Service - 10 years,            Private Sector - 30 years</p> <p><b>Committees</b>            Culture Sports and Social Services</p> <p><b>Year of Birth</b>            15<sup>th</sup> October 1969</p>
 <p>Ms. Winnie Maru Chairperson, Environment Committee</p>	<p>BSc. Computing and Internet Systems</p> <p><b>Work Experience</b>            Public Service - 17 years,            Private Sector - 10 years</p> <p><b>Committees</b>            Environment Committee,            Planning and Operations Committee,            Audit Committee,            Culture, Sports and Social Services</p> <p><b>Year of Birth</b>            24<sup>TH</sup> June 1974</p>
 <p>Richard Omanyala Chairman, Audit Committee, Member</p>	<p>a) Diploma in Purchasing and Supply - IPS, London            b) Diploma in Christian and Religious Studies - Carlile College            c) Certificate in Land Disputes Arbitration,            d) Certificate in International Monetary Fund Projects - IMF</p> <p><b>Work Experience</b>            Public Service - 14 years,            b) Private Sector - 30 years</p> <p><b>Committees</b>            Environment Committee,            Planning and Operations Committee</p> <p><b>Year of Birth</b>            1953</p>



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Name	Details of qualifications experience and committee
 Dr. Job K. Ngetich Chairman, Planning and Operational Committee, Member	PhD. Environmental Planning and Management <b>Work Experience</b> Public Service - Ministry of Lands and Physical Planning - 18 years, University Lecturer - 6 years <b>Committees</b> Planning and Operations Committee, Audit Committee, Environment Committee <b>Year of Birth</b> 21 <sup>st</sup> March 1969
 Eng. Nelson K. Maritim CECM Lands, Housing, Physical, Planning and Urban Development, Member	MSc Civil and structure Engineering ) Private sector <b>Work Experience</b> Engineering firm- 2 years as Assistant Engineer Ministry of Roads and Public Works - 1 year as an Engineer Teaching at University - 8 years County Executive officer - 7 year <b>Year of Birth</b> 22 <sup>nd</sup> February 1976
 Kenneth Mbeka Chief Officer, Physical Planning and Urban Development, Member	M.A. Environmental Planning and Management, BSc., Agriculture, Post Graduate Diploma, Biodiversity <b>Work Experience</b> Public Service - 7 years Private Sector - 15 years <b>Year of Birth</b> 12 <sup>th</sup> October 1968

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Name	Details of qualifications experience and committee
	<p>PhD. Management Information Systems, MSc. Information Systems, BEd. Sc. - Physics and Mathematics Dip. Sustainable Urban Development</p> <p><b>Work Experience</b> Public Service - 7 years Private Sector - 14 years</p> <p><b>Committees</b> Secretray, Full Board and All Committees</p> <p><b>Year of Birth</b> 22<sup>nd</sup> July 1971</p>

**3. MANAGEMENT TEAM**

NAME	Details of qualifications and experience
<p><b>Tito Koiyet</b> Municipal Manager</p> 	<p>PhD. Management Information Systems,  MSc. Information Systems,  BEd. Sc. - Physics and Mathematics  Dip. Sustainable Urban Development</p>
<p><b>Isabella Aiyabei</b> Ag. Finance Officer</p> 	<p>CPA- K  Bachelor in Business Management  Master's in Business Administration</p>

#### **4.ELDORET MUNICIPALITY CHAIRPERSON'S REPORT**

On behalf of the Municipality of Eldoret Board, it is with great honour that I present to you the annual report and financial statements of the Municipality of Eldoret for the financial year ended 30th June, 2021. I would like to acknowledge the invaluable support we have received from the County Government of Uasin Gishu. More specifically, the Leadership of His Excellency Hon. Governor Jackson Mandago, the CECs, the Chief Officers, Municipality Board Members and the entire staff establishment.

It is my personal experience from public life that mutual understanding and goodwill between citizens and the civic body are essential for better delivery of civic services. At times, if understanding and goodwill are not present, much of the good work accomplished by Municipal Board is not properly appreciated whereas people remain unsatisfied thinking we are unable to perform. The Municipality of Eldoret was formed in accordance to Urban Areas and Cities Act, 2011 as qualifying condition for access of World Bank funded Kenya Urban Support Programme. The World Bank entered to memorandum of Understanding with National Government for support of counties on service delivery in urban areas. We are on course to achieve this shared prosperity between the National Government and the World Bank

We, in Municipal board, therefore, want to develop bridges of understanding and goodwill between us and ensure that communication and feedback channels remain open between us. The Municipality is fully alive to its responsibilities and committed to giving the Eldoret its due pride of place amongst the best municipalities of the world. During the year we have started off the program with implementation of given projects that on completion will be setting the pace of where our municipality is destined to be.

For us, improving the quality of life is not just the top priority, it is the only priority. For this great task, Municipality will mobilize all resources at its command so that it could discharge its functions in an efficient and effective manner. As a Chairperson, I assure and promise you that I will take all possible steps to ensure that we meet the expectations of the public at large. On the other hand, we also have great expectation from you. While we do our duty to the best of our capability, we in turn expect you to help us in a number of ways to keep Eldoret clean, green and healthy.

We realize the importance of transparency and accountability in the functions of providing service, As such among our approaches to this was a web site for the municipality which will be a document encompassing our goal of meeting the public grievance in a time bound manner. This is an effort to give transparent and full picture of the services rendered by us and also to make the citizens aware of the officers and officials to be contact for the required services.

As I conclude, we assure our people that Municipality of Eldoret would do its best to discharge its responsibilities for improving the overall quality of life with your cooperation and support.

Signed: 

Mr. Julius Kitur

Chairman

Municipality of Eldoret

**5.REPORT OF THE ELDORET MUNICIPAL BOARD MANAGER**

During the period under review, the Municipality continued with construction of roads, drainages, green spaces and stadium. The renovation of the municipal offices, repair of roads and supervision of consultancies for the development of Integrated Development Plan (IDeP), Spatial Plan and Urban Economic Plan was only ongoing.

Solid waste management continued as a standing challenge but during the period, an operational collection plan was implemented with strict adherence to tipping records and fleet management. Below is the summary of income and expenditure during the year

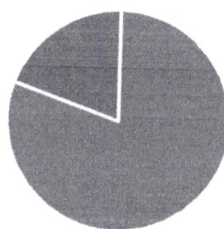
**a. Income Receipts**

Ref.	Description	Amount
	Transfers from other governments entities	15,219,459
	<b>TOTAL</b>	<b>15,219,459</b>

**b. Expenditure**

Expenses	Amount
Use of goods and services	11,564,941
Depreciation and amortization expense	2,813,321
<b>Total expenses</b>	<b>14,378,262</b>

EXPENSES



■ Use of goods and services    ■ Depreciation and amortization expense

There are plans underway to continue to completion of all projects funded by the County Government and the National Government through the World Bank Funded Kenya Urban Support Programme. I wish to express my gratitude to the County Government and World Bank through the Kenya Urban Support Program (KUSP) for their invaluable support to our Municipality.

Signed: \_\_\_\_\_

Municipal Manager

MUNICIPALITY OF ELDORET  
 24 JUN 2022  
 P.O.Box 40-30100 ELDORET  
 MUNICIPAL MANAGER

## **6. STATEMENT OF COUNTY GOVERNMENT ENTITY'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021**

Section 166 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each quarter, the Accounting Officer to prepare quarterly report of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

Municipality of Eldoret 2020 - 2024 Strategic Plan has identified eight (8) key strategic objectives. Broadly, these objectives have been identified through a participatory process that reviewed the development priorities of the Governor's Manifesto, the National Government's "Big Four", SDGs and the MTP III.

The strategic objectives are a synthesised product of the afore - mentioned planning frameworks that amalgamate the thematic focus and development aspirations in these policy frameworks.

The key strategic objectives of the Municipality of Eldoret as outlined on "2020 - 2024 Strategic Plan" as follows;

1. Urban Governance and administration
2. Improve level of governance and accountability
3. Municipal Service delivery
4. Strengthen waste collection and disposal
5. Strengthen urban planning functions
6. Improve infrastructure
7. Promote trade and investments
8. Improve the corporate visibility of the Municipality

### **Progress on attainment of Strategic**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time - bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement. The Table below provide the progress attained on the above stated objectives:

Thematic Area	Strategic Objective	Indicator	Performance
Urban Governance and administration	Developing Eldoret Municipality Service Charter	Documented	100%
	Improve the level of governance and accountability	Documented Board Charter	100%
Municipal Service delivery	Speed up service delivery and foster innovation	Provision of e - services	Ongoing
		Develop a Municipality integrated information system	Pending
		ICT connectivity within the Municipality	Pending
		Design and ICT incubation centre within the Municipality	Pending
		Implementation of a Quality Management System based on ISO standards	Pending
	Waste Collection and Disposal	Develop a recycling for waste within the municipality	Pending
	Traffic and Parking Management	Develop an infrastructure development Plan	Ongoing
	Strengthen sports, arts and culture	Build and equip a social hall	Ongoing
Improvement of Urban Planning and Infrastructure	Strengthen Urban Planning Function	Build and equip GIS lab	Pending
Promotion of Trade and Investments	Industrialization	Establish a industrial area near the source of raw materials	Pending
	Improve the corporate visibility of the Municipality	Rebranding	Done

## **7.CORPORATE GOVERNANCE STATEMENT**

The management of a Municipality is vested in the county government and administered on its behalf by:

- (a) A board, constituted in accordance with section 13 or 14 of this Act;
- (b) A manager appointed pursuant to section 28; and
- (c) Such other staff or officers as the county public service may determine

### **Principles of Governance**

The Governance and Management of urban areas and cities shall be based on the following principles as provided in Urban Areas and Cities Act, 2011 Section 11;

- (a) Recognition and respect for the constitutional status of county governments;
- (b) Recognition of the principal and agency relationship between the boards of urban areas and cities and their respective county governments including;
  - i. the carrying out by a board of such functions as may be delegated by the county government;
  - ii. financial accountability to the county government; and
  - iii. the governance by each board for and on behalf of the county government
- (c) Promotion of accountability to the county government and residents of the urban area or city;
- (d) Institutionalised active participation by its residents in the management of the urban area and city affairs;
- (e) Efficient and effective service delivery; and
- (f) Clear assignment of functions.

### **Appointment of Municipality Board**

The appointment of the members to the Municipal Board was done in accordance to Sections 13 and 14 of Urban Areas and Cities (Amendment) Act, 2019 and Gazetted on 14<sup>th</sup> September, 2018 vide Gazette Notice No. 9505. Further, the membership of the board is currently aligned with the Urban Areas and Cities (Amendment) Act, 2019 Section 14;

A board of a municipality shall consist of ten members appointed by the county governor with the approval of the county assembly. The members of the board appointed shall be constituted as follows:

- (a) The county executive member for the time being responsible for cities and urban areas or his representative;
- (b) Three members who shall be appointed by the county governor, with the approval of the county assembly;

- (c) Four members who shall be nominated by an association and appointed by the county governor, with the approval of the county assembly;
- (d) The chief officer responsible for urban development; and
- (e) The municipal manager appointed under section 28 who shall be the secretary of the board and an ex officio member of the board.

### **Term of Office of Municipal Board, Functions and Remunerations**

A member of a board shall hold office for a term of five years, on a part - time basis

The functions of the Municipality Board are as stipulated under Urban and Cities Act, 2011 Section 20

The Municipality Board remuneration is in accordance to Salaries and Remuneration Circular ref: SRC/ADM/CIR/1/13 (122) dated 16<sup>th</sup> April 2014 on Payment of Task Force Allowances and remuneration of Commission of Inquiry, Tribunals, Boards and Committee appointed by the Government for Members appointed from private sector where the chairman draws a sitting allowance of Ksh. 15,000, Vice Chair Ksh. 12,000 and members Ksh. 10,000 per sitting.

The Board constitute of four (5) Committees. The Committees facilitate efficient decision making of the Board in the discharge of its statutory duties and responsibilities. The current members of the Board and their membership on the Board Committees of the Municipality are as follows:

#### **1. AUDIT COMMITTEE**

The Audit Committee is composed of the following:

- Richard Omanyala - Chair person
- Tito Koiyet - Secretary
- Peter Mwaniki
- Winnie Maru
- Dr. Job Ngetich

#### **2. PLANNING, OPERATION AND SPORTS**

This committee is composed of the following members:

- Dr. Job Ngetich - Chairperson
- Winnie Maru
- Richard Omanyala
- Walter Ayot
- Tito Koiyet - Secretary

#### **3. FINANCE, HUMAN RESOURCE.**

The membership of the Committee is as follows:

- Julius Kitur - Chairperson

Beatrice Kemboi  
Walter Ayot  
Peter Mwaniki  
Tito Koiyet - Secretary

**4. ENVIROMENT**

The membership of the Committee is as follows:

Winnie Maru  
Beatrice Kemboi  
Tito Koiyet  
Peter Mwaniki  
Tito Koiyet - Secretary

**5. CULTURE, SPORTS AND SOCIAL SERVICES**

The membership of the Committee is as follows:

Walter Ayot  
Peter Mwaniki  
Winnie Maru  
Beatrice Kemboi  
Tito Koiyet - Secretary

The Board is well constituted with an existing service charter that will see the execution of the municipality activities

## 8. MANAGEMENT DISCUSSION AND ANALYSIS

The Municipality of Eldoret formed in accordance to Urban Areas and Cities Act, 2011 as qualifying condition for access of World Bank funded Kenya Urban Support Programme. The World Bank entered to memorandum of Understanding with National Government for support of counties on service delivery in urban areas. This required creation of Municipalities as entity of funding. The funding is done through two programmes namely Urban Intuitional Grant (UIG) intended for Operations and Maintenance costs of the Municipality. The Urban Development Grant (UDG) for development projects.

During the year ended 30th June, 2021, the Municipality received both UIG and UDG funding for implementation of new and ongoing projects.

### a. Income Receipts

Descriptions	AMOUNT
Transfers from other governments entities	15,219,459
<b>TOTAL</b>	<b>15,219,459</b>

### b. Expenditure

Expenses	Amount
Use of goods and services	11,564,941
Depreciation and amortization expense	2,813,321
<b>Total expenses</b>	<b>14,378,262</b>

## **9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

### **i. Sustainability strategy and profile**

Municipality of Eldoret derives its existence from the Urban Arrears and Cities Act, 2011 and subsequent Urban Arrears and Cities (Amendment) Act, 2019. The Municipality ensures compliance with all necessary legislations and ensures the service delivery to the people of Eldoret.

### **ii. Environmental Performance**

Municipality of Eldoret has put measures and policies that ensure conservation of the environment and protection of the ecosystem. This is done through garbage waste management and planting of trees on public land and greening of public parks.

### **iii. Employee Welfare**

The Municipality has put in place policies that ensure the employee welfare are well guarded and all staff are given fair and just treatment. All staff matters are considered through select committee that evaluates the staff matter and advise according for necessary action such promotion, deployment, reprimanding and or dismissal.

Municipality of Eldoret is equal opportunity employer with consideration for merit as prerequisite for hiring. The County ensures applicants are not discriminated by gender, religious background, ethnicity or any other form of personality.

The Municipality conducts annual staff appraisal that help to identify training needs and ways of improving staff productivity. The annual targets are negotiated and agreed between the officer and the supervisor at the beginning of the year. The Municipality has clear career progression structure and staff are awarded promotion timely basis.

### **iv. Market place practices -**

The Municipality of Eldoret is tasked with mandates as outlined on Urban Arrears and Cities Act, 2011.

In delivering its mandates the Municipality ensure maximum benefit to the citizenly and that public funds are utilized in the most efficient and effective manner.

### **v. Community Engagements -**

The Municipality of Eldoret undertakes public participation in order to identify the community priority and obtain views of the stakeholders.

## 10. REPORT OF THE MUNICIPAL BOARD

The Municipality submits its report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Fund affairs.

### 10.1 Principal activities

The Municipality's principal activities are;

- (a) Urban planning, promotion of sustainable land use and regulation and control of physical development
- (b) Management and promotion of a safe and healthy environment
- (c) Promotion of the participation of residents in the governance of the municipality
- (d) Provision of municipal services e.g. solid waste management

### 10.2 Performance

The results of the Municipality for the fourth quarter ended 30<sup>th</sup> June, 2021 are set out on page 1 - 5

#### Board

The members of the Board of Board who served during the quarter are shown on page iv - vi.

#### Dividends/Surplus remission

The Municipality is not required to remit any surplus or pay any dividends and the amount is appropriated in the subsequent financial year.

### 10.4 Auditors

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

By Order of the Board



Name: Julius Kiron

Date: 24/6/22

## 11. STATEMENT OF MUNICIPAL BOARD RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 46 of Urban Areas and Cities Act, No. 13 of 2011*) require the municipal board to prepare financial statements in respect of that Municipality, which give a true and fair view of the state of affairs of the municipality at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the municipality keeps proper accounting records which disclose with reasonable accuracy the financial position of the municipality. The Directors are also responsible for safeguarding the assets of the Municipality.

The Municipal Board are responsible for the preparation and presentation of the Municipality financial statements, which give a true and fair view of the state of affairs of the Municipality's for and as at the end of the financial year (period) ended on June 30, 2021. 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 entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Municipality; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Municipal Board accept responsibility for the municipality's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – *entities should quote applicable legislation as indicated under which they are regulated* . The Directors are of the opinion that the *Municipality's* financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30, 2021, and of the Municipality 's financial position as at that date. The municipal board further confirms the completeness of the accounting records maintained for the municipality, which have been relied upon in the preparation of the Municipality's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The municipal financial statements were approved by the Board on 20 June 2022 and signed on its behalf by:

Signature: 

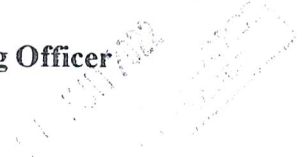
Name: Julius Ndiritu

Chairperson of the Board

Signature 

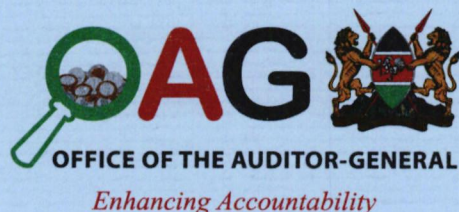
Name Tito Lwiyet

Accounting Officer



# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

## REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF ELDORET FOR THE YEAR ENDED 30 JUNE, 2021

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Municipality of Eldoret set out on pages 23 to 50, which comprise the statement of financial position as at 30 June, 2021,

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

In my opinion, except for 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 the Municipality of Eldoret as at 30 June, 2021, 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 Municipal Charter and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Lack of a Policy on Depreciation and Amortization**

The statement of financial performance for the year ended 30 June, 2021 reflects depreciation and amortization amount of Kshs.2,813,322. However, the Management has applied the depreciation rate at 2% on the civil works over a life span of 50 years, without any approved policy.

Consequently, the accuracy of the property, plant and equipment balance of Kshs.137,852,766 as at 30 June, 2021 could not be confirmed.

#### **2. Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalents balance of Kshs.777,566,430 which, as disclosed in Note 4 to the financial statements, is made up of Kshs.610,640,513, Kshs.3,685,549 and Kshs.163,240,368 being balances in three (3) local banks. However, the Board of Survey Report supporting the cash and cash equivalents balance was not provided for audit review. Further, the Municipality of Eldoret did not provide separate cashbooks for the three bank accounts.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.777,566,430 for the year ended 30 June, 2021 could not be confirmed.

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

## **Key Audit Matters**

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

## **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis totalling to Kshs.1,566,335,314 and Kshs.1,521,714,085 respectively, resulting to an underfunding of Kshs.44,621,229 or 28 % of the budget. Similarly, the Fund spent Kshs.285,199,074 against an approved budget of Kshs.1,565,365,314 resulting to an under expenditure of Kshs.1,280,166,240 or 82% of the budget.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Failure to Submit Financial Statements of Municipality of Eldoret**

Review of records provided for audit revealed that the Municipal Charter was granted to the Municipality of Eldoret on 17 December, 2018 as per Gazette Notice No.460, Vol. CXXI - No.9 dated 18 January, 2019 and functions transferred to the Municipality with effect from 01 June, 2019 as per Kenya Gazette Notice No.4724, Vol. CXXI - No.68 of 31 May, 2019. The records further indicate that the Eldoret Municipality Board Members were appointed on 26 June, 2019. However, the Board did not submit financial statements of Municipality for the year ended 30 June, 2020 to the Auditor-General as required under Section 46 of the Urban Areas and Cities Act, 2011.

The Municipality Management was in breach of the law.

## **2. Independence of the Entity**

The Municipality of Eldoret was granted Municipal Charter on 18 August, 2020 which was supposed to grant operational independence from the County Government of Uasin Gishu. However, review of the operations of the Municipality revealed lack of autonomy as detailed below: -

- (i) The Municipality's budget was prepared and controlled by the County Executive and there was no budget approval by the Municipality Board.
- (ii) Except from project accounts with joint signatories from the County Treasury, the Municipality's expenditure was controlled by the County Treasury and did not have independent operations account.
- (iii) The County Government has continued to perform a number of functions which were transferred to the Municipality.

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

The Municipality Management was in breach of law.

## **3. Expenditure on Hospitality Services**

The statement of financial performance for the year ended 30 June, 2021 reflects use of goods and services amount of Kshs.11,684,941 which includes hospitality supplies and services amount of Kshs.1,924,080. Included in the latter balance is a payment of Kshs.832,400 spent on catering services from various service providers. However, Electronic Tax Receipts for all cash purchases made within the year under audit, were not attached to the payment vouchers contrary to Regulation 93(2) of the Public Procurement and Asset Disposal Regulations, 2020. In addition, low value method of procurement was used without recommendation from the Head of Procurement Unit. Further, evidence of a market survey was not provided as required by Regulation 92 of the Public Procurement and Asset Disposal Regulations, 2020.

The Municipality Management was in breach of the law.

## **4. Delayed Project Completion**

The statement of financial position as at 30 June, 2021 reflects a balance of Kshs.270,574,932 under non-current assets. Included in this balance is an amount of Kshs.80,998,626 spent on six (6) projects undertaken under the Kenya Urban Support

Programme during the year. Physical verification carried out in December, 2021 revealed that four (4) projects which had payments totalling to Kshs.76,567,298 had delayed in their completion.

In the circumstances, the public may not receive value for money and benefits from the incomplete projects.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

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

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

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

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

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

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

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229 (6) of the Constitution and submit the audit report in compliance with Article 229 (7) of the Constitution.

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

26 July, 2022

Municipality of Eldoret  
Annual Reports and Financial Statements  
For the year ended June 30, 2021.

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021 Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from other governments entities	1	15,219,459
		<b>15,219,459</b>
<b>Expenses</b>		
Use of goods and services	2	11,684,941
Depreciation and amortization expense	3	2,813,322
<b>Total expenses</b>		<b>14,498,263</b>
<b>Surplus/(deficit) for the period/year</b>		<b>721,196</b>

The notes set out on pages 28 to 49 form an integral part of these Financial Statements.  
The Financial Statements set out on pages 23 to 27 were signed on behalf of the Board of Municipal Board by:

Accounting Officer

Name:

*Tito Koiyot*

Head of Finance

Name

*Diabiri  
Isabel Ayabui*

Chairman of the Board

Name:

*Julius Koiran*

ICPAK Member Number: *10937*

Date

*24/6/2022*

Date

*24/6/2022*

Date

*24/6/2022*



**14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

Assets	Notes	Amount
		Ksh
<b>Current Assets</b>		
Cash and cash equivalents	5	777,566,430
<b>Total Current Assets</b>		<b>777,566,430</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	6	137,852,766
Work in Progress	6(a)	132,722,166
<b>Total Non- Current Assets</b>		<b>270,574,932</b>
<b>Total Assets</b>		<b>1,048,141,362</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade and other payables		-
<b>Total Current Liabilities</b>		-
<b>Net assets</b>		
Reserves		-
Retained Earning		3,534,518
Capital Fund	7	1,047,420,166
<b>Total Net Assets</b>		<b>1,048,141,362</b>
<b>Total Net Assets and Liabilities</b>		<b>1,048,141,362</b>

The notes set out on pages 28 to 49 form an integral part of these Financial Statements.

The Financial Statements set out on pages 23 to 27 were signed on behalf of the Board of Municipal Board by:

Accounting Officer

Name:

*Lito Konyel*

Date

*24/06/2022*

Head of Finance

Name *Isabela Nyabi*

ICPAK Member Number: *10937*

Date

Chairman of the Board

Name: *Julius Kituu*

Date

*24/6/022*

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	CAPITAL FUND	REVALUATION RESERVE	RETAINED EARNINGS	TOTAL
<b>As at July 1, 2020</b>					
Surplus/ Deficit for the year		-	-	-	-
Capital/Development grants received during the year		-	-	-	-
Interim dividends paid – 2021		-	-	-	-
Proposed final dividends		-	-	-	-
<b>As at June 30, 2021</b>		-	-	-	-
<b>As at July 1, 2021-UDG opening Balance</b>		685,964,869			685,964,869
Surplus/ deficit for the year		-	-	721,196	721,196
Capital/Development grants received during the year-UDG		342,682,015	-	-	342,682,015
Capital/Development grants received during the year-COUNTY		18,773,281.50	-	-	18,773,282
Transfer of depreciation/amortization from capital fund to retained earnings	1	(2,813,322)	-	2,813,322	-
<b>AS at JUNE 30,2021</b>		<b>1,044,606,844</b>	<b>0</b>	<b>3,534,518</b>	<b>1,048,141,362</b>

The notes set out on pages 28 to 49 form an integral part of these Financial Statements.  
 The Financial Statements set out on pages 23 to 27 were signed on behalf of the Board of Municipal Board by:

*[Signature]*  
 Accounting Officer  
 Name: *Tito Kariyer*

Date: *24/06/2022*  
 24 JUN 2022

P.O.Box 40-30100, ELDORET  
 MUNICIPAL MANAGER

*[Signature]*  
 Head of Finance  
 Name: *Isabel Nyabii*  
 ICPAK Member Number: *10937*  
 Date: *24/06/2022*

Chairman of the Board  
 Name: *Julius Kiptanui*  
*[Signature]*  
 Date: *24/6/2022*

**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

		2020-2021
	Notes	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from other governments entities	1	15,219,459
<b>Total Receipts</b>		<b>15,219,459</b>
<b>Payments</b>		
Use of goods and services	2	(11,564,941)
<b>Total Payments</b>		<b>(11,564,941)</b>
<b>Net cash flows from/(used in) operating activities</b>		<b>3,534,518</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment and intangible assets	6	(137,852,766)
Work in Progress	6(a)	(132,722,166)
<b>Net cash flows from/(used in) investing activities</b>		<b>(270,574,932)</b>
<b>Cash flows from financing activities</b>		
Increase in capital fund	7	1,044,606,844
<b>Net cash flows from/(used in) financing activities</b>		<b>1,044,606,844</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,044,606,844</b>
Cash and cash equivalents at 1 JULY	5	777,566,430
<b>Cash and cash equivalents at 30 JUNE</b>	<b>5</b>	<b>777,566,430</b>

The notes set out on pages 28 to 49 form an integral part of these Financial Statements.

The Financial Statements set out on pages 23 to 27 were signed on behalf of the Board of Municipal Board by:

Accounting Officer  
 Name: *Fits Kirigel*  
 Date: *24/06/2022*



Head of Finance  
 Name: *Isabel Ayabei*  
 ICPAK Member Number: *10937*  
 Date: *24/06/2022*

Chairman of the Board  
 Name: *Juhw Kirwa*  
 Date: *24/6/022*

Municipality of Eldoret  
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For the year ended June 30, 2021.

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE  
2021

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
<b>Revenue</b>						
Transfers from other governments entities –UIG	10,000,334.00	-	10,000,334.00	10,000,334.00	0.00	100%
Transfers from other governments entities-Recurrent	6,516,635.00	-	7,486,635.00	5,219,125.00	2,267,510.00	80%
Transfers from other governments entities-UDG	1,487,721,345.00	-	1,487,721,345.00	1,487,721,345.00	0.00	100%
Transfers from other governments entities-County	61,127,000.00	-	61,127,000.00	18,773,281.50	42,353,718.50	31%
<b>Total income</b>	<b>1,565,365,314.00</b>	<b>-</b>	<b>1,566,335,314.00</b>	<b>1,521,714,085.50</b>	<b>44,621,228.50</b>	
<b>Expenses</b>						
Use of goods and services-UIG	10,000,334.00	-	10,000,334.00	6,456,816.00	3,543,518.00	65%
Use of goods and services-Recurrent	6,516,635.00	-	6,516,635.00	5,219,125.00	1,297,510.00	80%
Depreciation and amortization expense	-	-	-	-	-	-
Construction and Civil Works	1,548,848,345.00	-	1,548,848,345.00	273,523,133.25	1,275,325,211.75	18%
<b>Total expenditure</b>	<b>1,565,365,314.00</b>	<b>-</b>	<b>1,565,365,314.00</b>	<b>285,199,074.25</b>	<b>1,280,166,239.75</b>	<b>18%</b>

The notes set out on pages 28 to 49 form an integral part of these Financial Statements.

The Financial Statements set out on pages 23 to 27 were signed on behalf of the Board of Municipal Board by:

Accounting Officer *[Signature]*  
Name: *[Signature]*

Head of Finance *[Signature]*  
Name: Isabela Ayabei

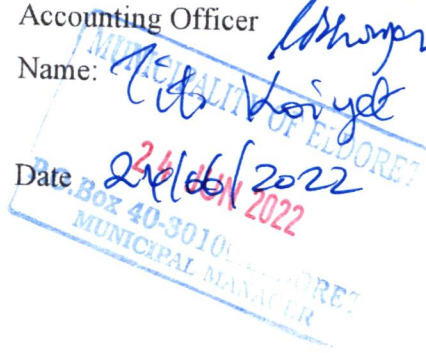
Chairman of the Board  
Name: Julius Kitan

ICPAK Member Number: 10937

Date: 24/6/2022

Date

Date: 24/6/2022



## **18. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

Municipality of Eldoret is established by and derives its authority and accountability from Urban Areas and Cities Act, 2011 and the Municipal Charter.

#### **1.1 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 judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**1.2 Adoption of New and Revised Standards**

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Standard	Impact
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.                      Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.                      Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).                      Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p>

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p>

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

iii. *Early adoption of standards*

The entity did not early – adopt any new or amended standards in year 2020/2021.

### **1.3 Summary of Significant Accounting Policies**

- a) Revenue recognition
  - i) Revenue from non-exchange transactions

#### **Fees, taxes and fines**

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

#### **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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

#### **Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

#### **Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

#### **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 each period.

ii) Revenue from exchange transactions

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the entity's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The original budget for FY 2020-2021 was approved by the National Assembly on xxx. 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 entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of xxx on the 2020-2021 budget following the governing body's approval.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

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.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

***Sales tax***

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

**e) 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 entity 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. Work In Progress will be transferred to civil works upon completion and handing over.

**f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as

finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**g) 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.

**h) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**i) Financial instruments**

**a) Financial assets**

**Initial recognition and measurement**

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

**Loans and receivables**

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

**Held-to-maturity.**

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

**Impairment of financial assets**

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

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

**b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**Loans and borrowing**

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

**j) 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:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) 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 Entity.

**k) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic

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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 Entity 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.

**l) Contingent liabilities**

The Entity 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.

**m) Contingent assets**

The Entity 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 Entity 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.

**n) Nature and purpose of reserves**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies (Continued)**

**p) Employee benefits**

**Retirement benefit plans**

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund 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 benefit funds 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.

**q) 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 at 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.

**r) 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**s) 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 directors, the CEO and senior managers, and County executive.

**t) Service concession arrangements**

The Municipality analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Municipality recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Municipality also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**u) 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**v) Comparative figures**

Municipality of Eldoret did not prepare and submit financial statement in the year 2019/2020 as it was reported in the county executive financials along with other departments and therefore there is no comparative analysis.

**w) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

**2 Significant Judgments and Sources of Estimation Uncertainty**

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

**Estimates and assumptions**

**Depreciation policy**

The entity is yet to come up with the policy for depreciation of asset but discretion has been applied in that since the asset acquired during the year relates to civil works, the lifespan of the asset has been estimated to last for 50 years hence the rate of 2% on straight line basis has been applied.

**Recurrent receipts.**

Since the entity has not attain its independency on financial operation as the cashbook for recurrent is jointly maintained by county treasury, the amount approved in the budget for the financial has been assumed to be receipts.

The existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

The total expenditure incurred by Municipality has been assumed to be receipts received from executive.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Significant Judgments and Sources of Estimation Uncertainty (Continued)**

**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:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**1. Transfers from Other Government Entities**

Description	2020-2021
	KShs
UIG	10,000,334
<b>UDG</b>	-
Recurrent-county	5,219,125
<b>TOTAL</b>	<b>15,219,459</b>

**2. Use of Goods and Services**

Description	2020-2021
	KShs
Utilities	30,000
Communication and Communication Supplies	321,000
Hospitality and Hospitality Supplies	1,924,080
Office And General Office Consumables	256,300
Routine Maintenance -Other Assets	418,690
Printing, advertising and stationery	705,200
Specialized materials and supplies	225,000
Training	1,139,215
Travel, accommodation, subsistence and other allowances	6,646,256
Other general expenses	19,200
<b>Total</b>	<b>11,684,941</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 3. Depreciation and Amortization Expense

Description	2020-2021 KShs
Property, plant and equipment	2,813,322
<b>Total depreciation and amortization</b>	<b>2,813,322</b>

## 4. Cash and Cash Equivalents

Description	2020-2021 KShs
UDG: Co-Op Bank Account Number O11419576581100	610,640,513
UIG-Kcb Bank Account Number 1258437260	3,685,549
UDG Central bank 1000372068	163,240,368
UIG Central bank	-
<b>Total cash and cash equivalents</b>	<b>777,566,430</b>

## 5a) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2020-2021 KShs
<b>a) Current account</b>		
UDG: Co-Op Bank Account Number	O11419576581100	610,640,513
UIG-Kcb Bank Account Number	1258437260	3,685,549
UDG Central bank	1000372068	163,240,368
UIG Central bank		-
<b>Grand total</b>		<b>777,566,430</b>

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**6. Property, Plant and Equipment**

Cost	Land and Buildings	Furniture and fittings	Computers	Plant and equipment	Roads, Civil works and infrastructure	Capital WIP	Total
	Shs	Shs	Shs	Shs	Shs		Shs
As at 1 July 2019	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2020</b>	-	-	-	-	-	-	-
Additions	-	-	-	-	140,666,088	132,722,166	<b>273,388,254</b>
Disposals	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2021</b>	-	-	-	-	<b>140,666,088</b>	-	<b>140,666,088</b>
<b>Depreciation and impairment</b>	-	-	-	-	-	-	-
At 1 July 2019	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-
<b>As at 30 June 2020</b>	-	-	-	-	-	-	-
Depreciation	-	-	-	-	(2,813,322)	-	<b>(2,813,322)</b>
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2021</b>	-	-	-	-	<b>(2,813,322)</b>	-	<b>(2,813,322)</b>

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<b>Net book values</b>						-	-
<b>As at 30<sup>th</sup> June 2021</b>	-	-	-	-	<b>137,852,766</b>	<b>132,722,166</b>	<b>270,574,932</b>
<b>As at 30<sup>th</sup> June 2020</b>	-	-	-	-	-	-	-

**Note: 1.** WIP will be depreciated upon completion and handing over.

**6(a) Detailed Analysis of work in progress**

<b>Roads, Civil works and infrastructure WIP-As per development schedule</b>		<b>Amount</b>
	<b>Description</b>	
1	Construction of Storm Water Drainage and Two High Masts at Kipkaren & Kapsaos.	15,229,408
2	Tarmacking of Arap Kitongo Road in Kiplombe Neighborhood	5,571,526
3	Paving of CBD Lanes and Street Lighting	20,434,972
4	Tarmacking of Racecourse Road to Oletepes & Marriott in Racecourse Neighborhood	69,285,974
5	Renovation Works, Construction Of Gate And Sentry House At Municipality Of Eldoret Headquarters In Uasin Gishu	5,119,452.20
6	Tarmacking of Arap Kitongo Road in Kiplombe Neighborhood	17,080,833
	<b>TOTAL</b>	<b>132,722,166</b>

*Municipality of Eldoret*  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**7. CAPITAL FUND**

<b>DESCRIPTION</b>	<b>2020/2021 AMOUNT (KSH)</b>
UDG	342,682,015
1st July	685,964,869.00
County development funds in CRF	18,773,282
<b>TOTAL</b>	<b>1,047,420,166</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Events after the Reporting Period**

There were no material adjusting and non- adjusting events after the reporting period.

**Ultimate and Holding Entity**

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the County Government of Uasin Gishu. Its ultimate parent is the Government of Kenya.

**Currency**

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

**APPENDICES**

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

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

**Guidance Notes:**

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

Director General/C.E.O./M.D. (enter title of head of entity)

Date.....

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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:			
<b>Break down of Transfers from county government</b>			
FY 2020/2021			
<b>a.</b>	<b>Recurrent Grants</b>		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
	Recurrent grants-UIG		10,000,334
			F/Y 20/21
	Recurrent county government		5,219,125
			F/Y 20/21
		<b>Total</b>	<b>15,219,459</b>
<b>b.</b>	<b>Development Grants</b>		
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>
			<u>Indicate the FY to which the amounts relate</u>
	opening balance UDG		685,964,869.00
			F/Y 19/20
	County development		18,773,281.50
			F/Y 20/21
	UDG		179,441,647
			F/Y 20/21
		<b>Total</b>	<b>884,179,797.50</b>

NOTE: Ksh 163,240,368 was cash on transit received after the close of the financial year.

The above amounts have been communicated to and reconciled with the parent Ministry  
Chief Officer  
Finance

Sign

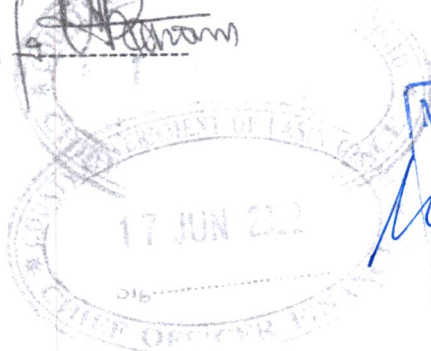


Head of Accounting Unit

Name

Sign

COUNTY GOVERNMENT OF  
EASTERN EQUATORIA  
10 JUN 2022

  
17 JUN 2022

MUNICIPALITY OF ELDORET  
for  
24 JUN 2022  
P.O. Box 40-30100  
MUNICIPAL MANAGER

Municipality Of Eldoret  
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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution	-	Recurrent	-	-	-	-	-	-	-
Ministry of Planning and Devolution	-	Development	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
Ministry of Planning and Devolution	-	Direct Payment	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
<b>Total</b>			-	-	-	-	-	-	-

**APPENDIX V other disclosures -RELATED PARTY DISCLOSURES AND FINANCIAL RISK MANAGEMENT.**

The following comprise of related parties to the municipality of Eldoret.

- Members of key management personnel includes the directors, the CEO and senior managers,
- County executive.

**Related Party Transaction**

	<b>2021-2021</b>
Key management compensation (the directors, the CEO and senior managers)	
<b>Transfers from related parties</b>	<b>Amount (Ksh)</b>
<b>Urban Institutional Grants (UIG)</b>	<b>10,000,334</b>
<b>Urban development grants (UDG)</b>	<b>865,406,516</b>
<b>TOTAL</b>	<b>875,406,850</b>

**Note:** Municipality of Eldoret financial operations are not independent since budget and expenditure are controlled at the County Treasury except from project accounts with joint signatories from the County Treasury. The county recurrent and development funds are budgeted and expended by the county Treasury

