

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

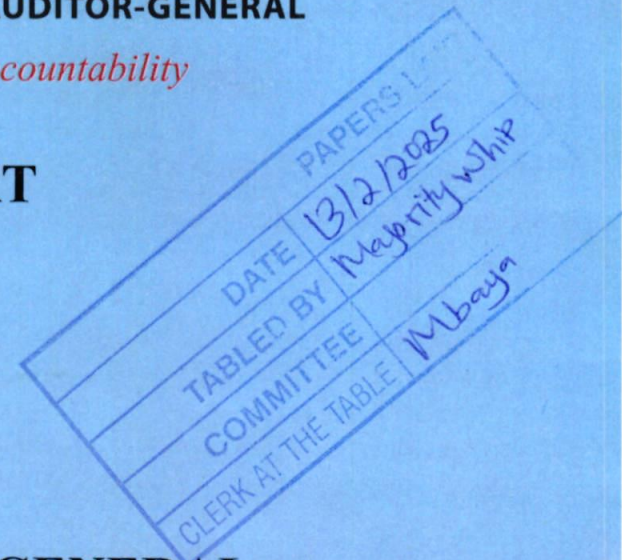
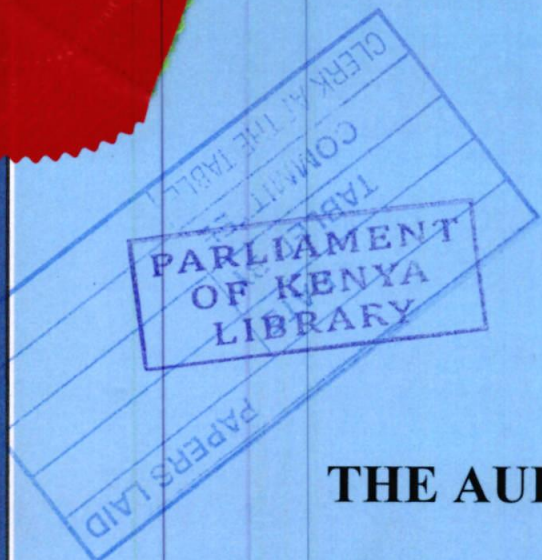
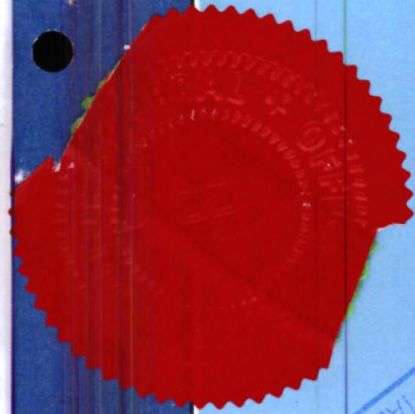
**OF**

**THE AUDITOR-GENERAL**

**ON**

**MAVOKO MUNICIPALITY**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
MACHAKOS HUB.  
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# MAVOKO MUNICIPALITY

*County Government of Machakos*

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2022

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

**Contents**

1. ACRONYMS & GLOSSARY OF TERMS.....	II
2. KEY ENTITY INFORMATION AND MANAGEMENT.....	IV
3. MUNICIPALITY BOARD .....	VIII
4. KEY MANAGEMENT TEAM.....	XIII
5. MUNICIPALITY BOARD CHAIRPERSON'S REPORT .....	XV
6. REPORT OF THE MUNICIPALITY MANAGER .....	XVIII
8. CORPORATE GOVERNANCE STATEMENT .....	XXII
9. MANAGEMENT DISCUSSION AND ANALYSIS .....	XXVI
11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES.....	XXX
12. REPORT OF THE INDEPENDENT AUDITOR (SPECIFY ENTITY).....	XXXIII
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022.....	1
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022.....	2
15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022 .....	5
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022 .....	6
17. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022 .....	7
18. NOTES TO THE FINANCIAL STATEMENTS.....	8
19. APPENDICES.....	48

**1. Acronyms & Glossary of Terms**

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

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



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

### **a) Background information**

Kenya Urban Support Program (KUSP) Fund is established by and derives its authority and accountability from Urban areas and cities Act number 13 of 2011. The Fund is wholly owned by the County Government of Machakos and is domiciled in Kenya.

The fund's objective is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya.

The Fund's principal activity is to finance key parts of the KUSP (Kenya Urban Support Program) across its six thematic areas including urban institutions, governance management, finance, planning infrastructure and service delivery.

It's a USD300 million project and it seeks to provide direct support to all counties other than urban areas of Nairobi and Mombasa.

The fund is to be implemented for a period of 6 years.

In Machakos County, three Municipalities were created and their projects are being funded by KUSP namely; Machakos Municipality, Mavoko Municipality and Kangundo/Tala Municipality.

The key areas that the fund focuses on capacity building of staff, establishment of municipal offices, Waste Management, Connectivity, Storm water drainage, Fire and disaster management and Urban social economic development

### **b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya

Core objectives

- Support for the establishment, operationalization, and strengthening of the institutional framework for urban management as part of the national level interventions
- Assist county governments address urban development and management issues as part of the county level interventions

Provision of support for planning, urban infrastructure and service delivery

**c) Key Management**

Ref	Position	Name
1.	Fund Manager/ Administrator	Jonathan Makau
2.	Chief Executive Committee Member	Evelyn Mutie
2.	Chief Officer	Thomas Kavivya
3.	Fund Accountant	James Kyalo

**d) Board of Trustees/Fund Administration Committee**

Ref	Position	Name
1.	Chairman of the Board	Anthony Ngunga
2.	Chief Officer	Thomas Kavivya
3.	Chief Officer finance	Jacinta Masila
4.	Other trustees/Committee Members	Evelyn Mutie
5.	Fund Manager/ Administrator(Municipal manager)	Jonathan Makau

**e) Fiduciary Oversight Arrangements**

Ref	Position	Name
1	Directorate Internal Audit	Dennis Mukuna
2		
3		

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

**f) Registered Offices**

P.O. Box 1996-90100  
Mwatu wa Ngoma Road  
Nairobi, KENYA

**g) Fund Contacts**

Telephone: (254) 724 905809

(254) 714013337

E-mail:

Website: machakosgovernment.co.ke

**h) Fund Bankers**

1. Other Commercial Banks

A. SBM Bank -Account Number:0342375684003

**i) Independent Auditor**

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**j) Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue


P.O. Box 40112

City Square 00200

Nairobi, Kenya



3. Municipality Board

Name	Details of qualifications and experience
<p>1. Shadrack K. Mbuta</p> 	<ul style="list-style-type: none"> <li>• Chairman of Mavoko Municipal Board.</li> <li>• A trained Urban Planner, GIS expert as well as Environmental planning and management expert with over 14 years of experience.</li> <li>• Holder of master of science degree (M.sc) Geographic Information Systems (GIS) from the University of Nairobi and B.A (Urban and Regional Planning) from the University of Nairobi.</li> <li>• Holds a Certificate in Environmental Impact Assessment and Environmental Audit from Africa Nazarene University.</li> <li>• Registered Lead Expert with the National Environment Management Authority (NEMA).</li> <li>• Displays an array of skills in Team leading, Coordination and supervision of GIS, Planning and Environment Management projects, Development Control as well as Budget Preparation.</li> <li>• Has work and research experience in planning, environment and social development issues.</li> </ul> <p>Has valuable knowledge and experience in research methods, project proposal writing, technical report preparation, public participation methodologies and advocacy.</p>
<p>2. Florence Loko Nzomo</p>	<ul style="list-style-type: none"> <li>• Born 25<sup>th</sup> August 1968</li> <li>• Holds a diploma in Business Management from the Kenya Institute of Management.</li> <li>• Degree ongoing</li> <li>• BOG Teacher in 1995</li> </ul>





- Worked as a court Clerk between 1996-2008
- Management Director- Mwisaf Limited 2008-2017
- Self Employed 2017

3. Juliet Wamiri



- Born 19<sup>th</sup> September 1969
- Holds a Master’s degree in Business Administration (MBA)- Marketing Option (UON)
- A Bachelor of Arts – Moi University
- Current chairperson for the Mavoko Alliance of Residents Association.
- Immediate past chair of Syokimau Residents Association.
- Highly experienced Marketing practitioner with over twenty-five years’ experience in the field of marketing.
- Has held senior management positions in various organizations and has been involved in the development of effective marketing strategies, policies and successful implementation strategies for the same.
- Disciplined and effective communicator, team player with well-developed interpersonal skills.
- Able to stimulate winning teams guided by common organizational goals, vision and mission.
- Innovative, creative and able to work under pressure to meet deadlines.
- Observes good corporate governance, with a high


	<p>degree of integrity and accountability.</p>
<p>4. Caroline Ndungu</p> 	<ul style="list-style-type: none"> <li>• Born in 1990.</li> <li>• Holds a Master’s degree in Gender &amp; Development studies (UON).</li> <li>• A Bachelor of Arts degree in Sociology (UON).</li> <li>• A diploma in counselling among other social impact short courses.</li> <li>• She is a Development and Program Management Specialist with over 10 years’ experience in community based programming, to promote community health and wellbeing.</li> <li>• She is equally an expert in stake holder engagement among them community gate keepers (formal and informal), government bodies, private and development partners.</li> </ul> <p>She is currently the Director of Highway Community Health Resource Centres (HCHRC) a Kenyan NGO supporting the informal community health and wellness needs.</p>
<p>5. Benedict Nzioki Musembi</p> 	<ul style="list-style-type: none"> <li>• MBA – International Relations</li> <li>• Diploma – Management</li> <li>• Diploma – Strategic Studies</li> <li>• PSC (K)</li> <li>• Silver Structure (SS) Lt. Col (Rtd)</li> </ul>
<p>1. Jonathan M Makau</p>	<ul style="list-style-type: none"> <li>• Born in 1983.</li> <li>• Holds Master’s degree in public administration and management.</li> <li>• Bachelor of Education and counselling psychology</li> </ul>



- Diploma in leadership studies.
- Over ten years in private sector and nine years in public service



#### 4. Key Management Team

Serial No	Name	Details of qualifications and experience
1.	Jonathan M. Makau Municipal Manager 	<ul style="list-style-type: none"><li>• Holds Master's degree in public administration and management.</li><li>• Bachelor of Education and counselling psychology</li><li>• Diploma in leadership studies.</li><li>• Over ten years in private sector and nine years in public service</li></ul>



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

Mavoko Municipality was created through a charter signed on the 27<sup>th</sup> June 2018.

The board comprises of 7 members, whereby Four (4) members of the board of the Municipality were recommended by the County Executive Committee Member in charge of Urban Development for nomination by the Governor and approved by the County Assembly.

The other three (3) members of the board were recommended by the County Executive Committee Member in charge of Urban Development under the following umbrella bodies;

- a) An umbrella body representing professional associations in the area;
- b) An association representing the private sector in the area;
- c) A cluster representing registered associations of the informal sector in the area;
- d) A cluster representing registered neighbourhood associations in the area; and
- e) An association of the Municipality and appointed by the County Executive Committee with the approval of the County Assembly.

All the board members have been taken through a one week induction so as to familiarize them with what is expected from them in terms of executing their mandate as representatives of the local mwana nchi in the municipalities and I thank them for their cooperation so far I and other stakeholders intend to make Mavoko Municipality the best municipality in the country and so far we have managed to 3 skip loaders which are very key in management of solid waste.

Also the municipality has managed to construct NMT and parking bays as well as upgrading of Mlolongo access roads into paved standards

To determine the UDG priorities, we have a consultative approach and sought views through public participation fora, and meetings with both external and internal stakeholders. The municipality being the industrial hub of the County improved infrastructure is very important. We have decided to do connectivity on major towns to boost our intended 24 hour economy and improve the per capital income of the municipality.

In the first half of this financial year the municipality shall

- first track the implementation of a solid waste management plan and policy
- ensure Completion of on-going projects
- Continue with monitoring and Evaluation of the projects

Accordingly, during the various stakeholder engagements we have been having it has been agreed that priority be given on the following areas

- Solar lighting
- Improvement of infrastructure
- Roads and drainage
- There is also a proposal to build a modern market in Mlolongo and a slaughter house in Athiriver.

I wish to thank the board members for their cooperation so far and I look forward to making Mavoko Municipality the place to be.

*Ant*

**Antony Ngunga**  
**Chairman-Mavoko Municipality Board**



## **6. Report Of the Municipality Manager**

### **Introduction**

Since the inception of Mavoko municipality in the year 2019, the municipality has received a total of ksh 547,011,400.

Each financial year the municipality receives an allocation of ksh 273,505,700.

During the FY 2020 /2021 the municipality embarked on the following projects; some of which are complete and others on progress. These are:

#### **1. LOT 1 Contract amount -ksh 62,015,974.52**

##### **Construction of Roads NMT Facilities to concrete blocks paved standards of missing links within Mlolongo**

The status of the project is at 70% completed

Activities completed in the last 6 months:

- Clearing of trees and excavation of site
- Sub-grade and sub-base processing.
- Hand-packing for the base.

Major problems and bottleneck encountered in the project:

- a) Works located in an extremely busy urban environment creating a challenging situation which required carefulness in execution to minimize the business community interruptions.
- b) Unanticipated heavy and prolonged rains from beginning of April – May affected work progress thus causing project delays

What was done to overcome them include:-

- a) The Contractor was able to liaise with the Utility service providers and got them to relocate and repair tampered service lines
- b) The supervision team is working closely with the contractor to ensure fast delivery of the delayed works.

In the next 6 months, we expect the contractor to have finished the works as planned and into the defects liability period after which we will enter into monitoring the performance of the executed works with a view to make good any defects that may arise.

Once complete the project will benefit the following people; Over 25,000 residents, Over 100 vegetable sellers (mama mboga), about 500 Shop keepers, Over 5000 pedestrians and motorists, People with disability in Mavoko Municipality and over 3000 of them in Machakos County. Also the County will witness improved revenue collection as more avenues for revenue collection will increase

#### **2. LOT 2: Contract amount- 86,013,084.47**

**Construction of Roads NMT Facilities to concrete blocks paved standards within Mlolongo Old Mombasa road.**

The status of the project is at 24% complete.

The major works include;

- Sub-grade and sub-base processing.
- Hand-packing for the base.
- Laying and jointing of road kerbs and channels.
- Construction of an inverted block drain with 2-course side slabs.
- Cabro surfacing of the walkways.
- Laying of Asphalt concrete.

Major problems and bottleneck encountered in the project

The project completion has delayed because of the following unanticipated Challenges: -

- 1) Site is laden with utility services, that is, water, sewer and power lines. This has affected progress due to delays while relocating and repairing damaged utility lines

The way forward for the next six months include:-

- a. The supervision team is helping the contractor to plan and execute works so as to help him fast track and continue delivering on time which is December 2021.
- b. The Contractor was able to liaise with the various Utility service providers and got them to relocate and repair tampered service lines.

**3. Construction of Mavoko lot 2 projects; Athiriver market parking and NMT facilities Mavoko Municipality Solar Street Lighting Contract Amount ksh 74,248,671.46**

The status of the project is at 100% complete.

Activities completed in the last 6 months:

- Site clearing.
- Relocation of electric cables and power lines
- Relocation of sewer and water pipes.

Major problems and bottlenecks encountered and how these were overcome and/or what is needed to overcome them:

- Inclement and rainy weather partly delaying the works.
- Delays in relocating utility services (water, sewer and power lines). That was, however, overcome as the contractor liaised with the particular authorities in their relocation.

**4. Construction to concrete blocks paved standards of select Roads and NMT in Makutano (Kyumbi) Centre Contract Amount-ksh 73,961,082.10**

The status of the project is at 100% complete.

Activities completed in the last 6 months:

- Site clearing
- Sub-grade processing

From a budgetary allocation of ksh 273,505,700 plus a balance brought forward of ksh 72,893,853.32(UDG) ,the municipality had an allocation of ksh 346,399,553 from which by close of the financial year 2020/2021 the budget execution was at 27%.however all the contractors were on site and most of the projects are expected to be complete by August 2021 and the others by D.

<b>NO</b>	<b>PROGRAM</b>
1	Waste management (liquid and solid)
2	Connectivity (roads, non-motorized transport facilities, and street and security lights)
3	Feasibility studies for the projects

*DW*

.....

**Name:**  
**Municipality Manager**

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

The key development objectives of the Mavoko Municipality Integrated Development Plan are to:

- a) Provide quality physical infrastructure.
- b) Urban planning.
- c) Provide proper Solid waste management

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
<b>Urban planning</b>	Review of Mavoko Municipality Boundary	To ascertain the boundaries for Planning Purposes	Proper boundaries identified and mapped	In FY under review we completed the exercise successfully
Solid waste Management	Ensure all solid waste from the Municipality is collected and transported to the designated dump sites	A clean municipality with all solid waste properly managed	Enough resources availed to support the exercise	In FY under review enough fuel and equipment was availed to support the exercise

## **8. Corporate Governance Statement**

The Municipality is composed of 9 board members. The board members are appointed on a five year term on a part time basis.

Mavoko municipality has an existing board which comprises of 9 board members who were gazetted on 23<sup>rd</sup> October 2020.

### **Board meetings**

**The municipality held 4 board meetings as follows;**

#### **1<sup>st</sup> board meeting on 31<sup>st</sup> July 2020**

##### **Members present**

1. Boniface Kamende-Secretary
2. Antony Ngunga-Chairman
3. Florence Nzomo Loko-Vice chairperson
4. Steven Muthami Kivuva-Member
5. Bedit Nzioki Musembi
6. Shadrack Mbuta
7. Juliet Wamiri
8. Caroline Ndungu

#### **2<sup>nd</sup> board members meeting on 30<sup>th</sup> December 2020**

##### **Members present**

1. Boniface Kamende-Secretary
2. Antony Ngunga-Chairman
3. Florence Nzomo Loko-Vice chairperson
4. Evelyne Mutie -Member
5. Thomas Kavivya -Member
6. Juliet Wamiri-Member
7. Caroline Ndungu-Member

#### **3<sup>rd</sup> board members meeting on 22<sup>nd</sup> January 2021**

##### **Members present**

1. Boniface Kamende-Secretary
2. Antony Ngunga-Chairman
3. Florence Nzomo Loko-Vice chairperson
4. Steven Muthami Kivuva-Member
5. Thomas Kavivya -Member
6. Bedit Nzioki Musembi-Member
7. Shadrack Mbuta-Member
8. Juliet Wamira-Member
9. Caroline Ndungu-Member

#### **4<sup>th</sup> board members meeting on 26<sup>th</sup> March 2021**

##### **Members present**

1. Jonathan Makau-Secretary
2. Antony Ngunga-Chairman
3. Dorothy Mukunzi- Representing CEC
4. Steven Muthami Kivuva-Member
5. Benedit Nzioki Musembi-Member
6. Shadrack Mbuta-Member

#### **SUCCESSION PLAN.**

The board members are appointed on a five year term on a part time basis

##### **Existence of the board charter**

All the 3 municipalities have a board charter signed on 27<sup>th</sup> June 2018 by H.E the Governor

##### **Process of appointment and removal of board members**

4 members of the board of the municipality shall be recommended by CECM in charge of urban development for nomination by the governor and approval by the county assembly.

In appointing the board members, the CECM shall ensure gender equity, representation of persons with disabilities, youth and marginalized groups.

A board member shall cease to hold office if the member: -

- is unable to perform the functions of the office by reason of mental or physical infirmity
- is declared or becomes bankrupt
- Resigns in writing to the county governor
- Engages in any gross misconduct
- A member dies

##### **Roles and functions of the board**

- Oversee the affairs of the municipality
- Implement an integrated development plan
- Administering and regulating its internal affairs
- Implementing applicable national and county policies and legislation
- Promoting a safe and healthy environment etc

##### **Induction and training**

All the board members were inducted and trained in July 2020 as well as in November 2020.

**Board and member performance**

All board members are actively involved in the activities of the municipalities and they have performed satisfactorily

**Conflict of interest**

The charter has clearly stated that there shall be a principal and agency relationship between the board of municipality and the county government of Machakos. A member is supposed to declare any conflict of interest he/she has in the municipality.

**Board remuneration**

The board of a municipality may be considered for a retainer depending on the work load in consideration of prudence.

Members of the board of municipality shall be eligible to such allowances as the CECM shall determine, in line with SRC guidelines.

**Ethics and conduct**

The conduct of board members is guided by chapter 6 of the constitution on integrity and ethics.



**9. Management Discussion and Analysis**

During the financial year 2021/2022, Mavoko Municipality had a budgetary allocation of ksh 273,505,700 plus a balance brought forward of ksh 72,893,853.32 . (UDG) from the previous financial year 2021/2022 from which by close of the financial year 2020/2021 the budget execution was at 27%. However, all the contractors were on site and the projects are expected to be complete by August 2021 and the others by December 2021.

<b>NO</b>	<b>PARTICULARS</b>	<b>CONTRACT AMOUNT</b>
1.	Construction of Mlolongo Lot 1 Projects: Roads and NMT Facilities to concrete blocks paved standards of missing links within Mlolongo urban area	62,015,974.52
2.	Construction of Mlolongo Lot 2 Projects: Roads and NMT Facilities to concrete blocks paved standards within Mlolongo urban area (Old Mombasa Road).	86,013,084.47
3	Construction of Mavoko Lot 2 Projects: Athiriver Market Parking and NMT Facilities, Mavoko Municipality Solar Street Lighting	74,248,671.46
4	Construction to concrete blocks paved standards of select Roads and NMT in Makutano (Kyumbi) Centre	73,961,082.10
5	Provision of feasibility study for Mavoko Municipality Projects	12,764,930.00

## **10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Mavoko Municipality exists to transform lives. This is our purpose; the driving force behind everything we do. Our vision is to be a globally competitive hub that ensures optimal utilization of resources, social and economic sustainability for the prosperity of all and wealth creation. It is what guides us to deliver our strategy, which is founded on three pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar:

### **1. Sustainability Strategy and Profile**

Mavoko Municipality through its mission statement aims to provide effective leadership and a conducive environment for social, economic, cultural and political development through policy formulation and policy results. It aims to realise a democratic political system founded on issue-based politics, respect to the rule of law and protection of the rights and freedoms of every individual in the society. We advocate for speedy quality development and efficient service delivery espousing principles of good governance by advocating for integrity, transparency, accountability, devolution of power and sustainability in implementation of all development programmes and projects.

### **2. Environmental Performance**

The purpose of the Mavoko Municipality solid waste management draft and integrated Development Plan is meant to address the growing environmental challenges and mitigation of the climate change. This will protect the environment for the current and future generations and progressively strive to meet the realization of the right to healthy and clean environment.

The key interventions that the county will focus on are:

- Control of air, land and water pollution
- Management and conservation of the environment
- Law enforcement

The overriding policy goal is to entrench the rights to clean and healthy environment which is sustainable and renewable. The policy goal is to provide better quality life for current

generations without compromising the quality of life for the future generation through sustainable management of environment and natural resources.

### **3. Employee Welfare**

Mavoko Municipality always puts into consideration all the relevant laws, policies and guidelines during its recruitment process. These include; the Constitution of Kenya (2010), the Employment Act (2007), County Government Acts( 2012) and the County Public Service Human Resource Manual (2016). The Constitution of Kenya (2010), Article 27 (8) provides that affirmative action should be factored where the state is required to take legislative and other measures to ensure that no more than two-thirds of the members of elective or appointive bodies are of the same gender.

### **4. Market Place Practices**

Mavoko Municipality gives a fair opportunity to all residents and traders within its boundaries. The municipality services are delivered fairly and equitably to all corners of the municipality.

### **5. Community Engagements**

The Mavoko Municipality conducted four public participations within the year. Other forms of citizen engagement included public participation in Intergrated Development Plan(IDeP)



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

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

The City/Municipality manager is responsible for the preparation and presentation of the City/Municipality's financial statements, which give a true and fair view of the state of affairs of the City/Municipality for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the City/Municipality, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the City/Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The City/Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The City/Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of City/Municipality's transactions during the financial year ended June 30, 2022, and the financial position as at that date.

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

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

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

**Approval of the financial statements**

The City/Municipal/City's financial statements were approved by the Board on 27/12/2022 and signed on its behalf by:

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AnS

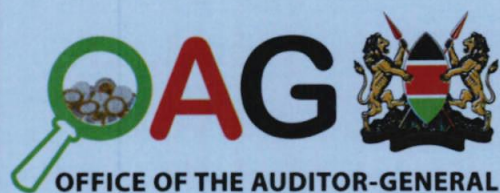
**Name:**  
**Chairperson of the Board**

.....  


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

# REPUBLIC OF KENYA

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*Enhancing Accountability*

HEADQUARTERS  
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P.O Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON MAVOKO MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2022

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### PREAMBLE

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

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

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Mavoko Municipality set out on pages 1 to 48 which comprise of the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of cash flows, statement of

changes in net assets 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, the financial statements present fairly, in all material respects, the financial position of Mavoko Municipality as at 30 June, 2022 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 (Amended 2019) and the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **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 Information**

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

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

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

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

## **Conclusion**

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

## **Basis for Conclusion**

### **1. Failure to Fully Operationalize the Municipality**

Review of records revealed that the Municipality was granted a Charter on 27 June 2018 granting it a corporate body status. However, during the year under review, the Municipality was not allocated any funding by the County Assembly to perform its functions other than the donor funding of Kshs.219,872,065 that was received during the financial year 2019/2020 through the Kenya Urban Support Programme.

In the circumstances, the Municipality has not been able to perform its functions as prescribed in the Charter.

### **2. Failure to Prepare Budget**

The Municipality Management did not prepare a budget for the financial year 2021/2022 for submission to the County Treasury for approval by the County Assembly. This is contrary to Section 175 (5) of the Public Finance Management Act, 2012 which stipulates that the urban area or city shall prepare and submit budget requests to the County Treasury upon approval by the Board in sufficient time, in the case of Cities and Municipalities, for their approval as part of the annual County Appropriation Bill.

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

### **3. Late submission of Financial Statements**

The annual report and financial statements for the year ended 30 June 2022 were submitted to the Auditor-General on 10 June, 2024 twenty one (21) months after the stipulated deadline of 30 June, 2022 contrary to Section 46(1) and (2) of the Urban Areas and Cities Act, 2011 which states that the Board shall keep proper books and records of its incomes, expenditure, assets and liabilities and within a period of three months after the end of each financial year submit them to the County Executive Committee Member for onward transmission to the to the Auditor- General together with the statement of assets and liabilities.

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

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

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

In preparing the financial statements, Management is responsible for assessing the Municipality's, ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

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

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

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

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

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

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

**Nairobi**

**27 December, 2024**

**Mavoko Municipality**  
**County Government of Machakos**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**13. Statement of Financial Performance for The Year Ended 30 June 2022.**

Description	Note	FY 2021/2022
		Kshs.
<b>Revenue from non-exchange transactions</b>		
Transfers from the County Government	6	108,343,844
Public contributions and donations	7	-
Levies Fines and Penalties	8	-
Other revenues ( <i>Specify</i> )	9	-
		<b>108,343,844</b>
<b>Revenue from exchange transactions</b>		
Interest income	10	-
Miscellaneous Income	11	-
		-
<b>Total revenue</b>		<b>108,343,844</b>
<b>Expenditure</b>		
Use of goods and services	12	320,049,691
Staff costs	13	-
Board expenses	14	-
Finance costs	15	-
Depreciation and amortization	16	11,965,991
Repairs and maintenance	17	-
<b>Total expenses</b>		<b>332,015,682</b>
<b>Other gains/losses</b>		
Gain/loss on disposal of assets	18	-
<b>Deficit for the period</b>		<b>(223,671,838)</b>

The notes set out on pages - to - form an integral part of these Financial Statements. The entity financial statements were approved on 23/12 2024 and signed by:

.....  
**Name: Jonathan Makau**  
**City/Municipality Manager**

.....  
**Name: Michael Musyoki**  
**Head of Finance**  
**ICPAK M/No 13428**

14. Statement of Financial Position As At 30 June 2022

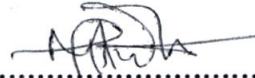
Description	Note	FY 2021/2022
		Kshs.
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	19	3,652,313
Receivables from exchange transactions	20	-
Receivables from Non- exchange transactions	21	-
Prepayments	22	-
Inventories	23	-
<b>Total current assets</b>		<b>3,652,313</b>
<b>Non-current assets</b>		
Property, plant, and equipment	24	580,296,817
Intangible assets	25	-
<b>Total Non-current Assets</b>		<b>580,296,817</b>
<b>Total assets</b>		<b>583,949,130</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	26	-
Refundable deposits from customers	27	-
Provisions	28	-
Borrowings	29	-
Employee benefit obligations	30	-
Deferred Income	31	-
Social Benefits	32	-
<b>Total current liabilities</b>		<b>-</b>
<b>Non-current liabilities</b>		
Provisions	28	-
Borrowings	29	-
Non-current employee benefit obligation	30	-
Deferred Income	31	-
Social Benefits	32	-
<b>Total liabilities</b>		<b>-</b>

Description	Note	FY 2021/2022
		Kshs.
<b>Net assets</b>		<b>583,949,130</b>
Capital/Development Grants/Fund		-
Reserves		-
Accumulated surplus		-
<b>Total net assets and liabilities</b>		<b>583,949,130</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 23/12 2024 and signed by;



.....  
Name: Jonathan Makau  
City/Municipality Manager  
Date:



.....  
Name: Michael Musyoki  
Head of Finance  
ICPAK M/No 13428  
Date:



15. Statement of Changes In Net Assets For the Year Ended 30 June 2022

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
<b>Bal as at 1 July 2020 (previous year)</b>	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Bal as at 30 Jun 2021</b>	-	-	-	-
<b>Bal as at 1 July 2021 (current year)</b>	<b>807,620,968</b>	-	-	<b>807,620,968</b>
Surplus/(deficit) for the year	(223,671,838)	-	-	(223,671,838)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2022</b>	<b>583,949,130</b>	-	-	<b>583,949,130</b>

16. Statement Of Cash Flows for The Year Ended 30 June 2022

Description	Note	FY 2021/2022
		Kshs.
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from the County Government		108,343,844
Public contributions and donations		-
Interest received		-
Miscellaneous receipts ( <i>Specify</i> )		-
<b>Total Receipts</b>		<b>108,343,844</b>
<b>Payments</b>		
Use of goods and services		320,049,691
Staff costs		-
Board expenses		-
Finance costs		-
<b>Total Payments</b>		<b>320,049,691</b>
<b>Net cash flows from operating activities</b>	33	<b>(211,705,847)</b>
<b>Cash flows from investing activities</b>		
Purchase of PPE & intangible assets		(-)
Proceeds from sale of PPE		-
<b>Net cash flows used in investing activities</b>		<b>(-)</b>
<b>Cash flows from financing activities</b>		
Receipts from Capital grants		-
Proceeds from borrowings		-
Expenditure on capital activities		-
<b>Net cash flows used in financing activities</b>		<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(211,705,847)</b>
Cash And Cash Equivalents At 1 July	19	215,358,160
<b>Cash And Cash Equivalents At 30 June</b>	19	<b>3,652,313</b>

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

17. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2022

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
<b>Revenue</b>		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	
Transfers from the County Government	190,000,000	(-)	190,000,000	108,343,844	81,656,156	57%
Public contributions and donations	-	(-)	-	-	(-)	%
Interest income	-	(-)	-	-	(-)	%
Miscellaneous income ( <i>specify</i> )	-	(-)	-	-	-	%
<b>Total Revenue</b>	190,000,000	(-)	190,000,000	108,343,844	81,656,156	57%
<b>Expenses</b>						
Use of goods and services	190,000,000	(-)	190,000,000	320,049,691	(130,049,691)	168%
Board expenses	-	(-)	-	-	(-)	%
Staff Costs	-	(-)	-	-	(-)	%
Finance costs	-	(-)	-	-	(-)	%
<b>Total Expenditure</b>	190,000,000	(-)	190,000,000	320,049,691	(130,049,691)	168%
<b>Surplus for the period</b>	-	-	-	(211,705,847)	-	
<b>Capital Expenditure</b>	190,000,000	(-)	190,000,000	320,049,691	(130,049,691)	168%

**Budget notes**

[The Municipality did not receive all the funds allocated to it for the financial year, only 57%]  
 (The over expenditure was occasioned by utilising the available funds for the previous financial year.)

## 18. Notes to the Financial Statements

### 1. General Information

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

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

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

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

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

3. Application of New and revised standards (IPSAS)

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

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

County Government of Machakos  
Mavoko Municipality  
Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1st January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> <p><i>State the impact of the standard to the Entity if relevant</i></p>

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

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

iii. Early adoption of standards

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

*(Notes to financial statements continued)*

**4. Significant Accounting Policies**

**a) Revenue recognition**

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

***Transfers from other government entities***

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

**ii) Revenue from exchange transactions**

***Interest income***

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

**b) Budget information**

The original budget for FY 2021/22 was approved by the County Assembly on - (Date). Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the City/Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the City/Municipality recorded additional appropriations of -xx (Amount) on -x (Date) following the governing body's approval.

The City/Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial

statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts,

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

**c) Property, plant and equipment**

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

**d) Intangible assets**

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

*County Government of Machakos*  
*Mavoko Municipality*  
*Annual Report and Financial Statements for the year ended June 30, 2022*

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

*(Significant accounting policies continued)*

**e) Financial instruments**

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

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

**Financial assets**

**Classification of financial assets**

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

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

*(Significant accounting policies continued)*

**Subsequent measurement**

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

**Amortized cost**

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

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

*(Significant accounting policies continued)*

### **Impairment**

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

### **Financial liabilities**

#### **Classification**

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

#### **f) Inventories**

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

Raw materials: purchase cost using the weighted average cost method

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

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

*(Significant accounting policies continued)*

**g) Provisions**

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

**h) Social Benefits**

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

**i) Contingent liabilities**

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

*(Significant accounting policies continued)*

**j) Contingent assets**

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

**k) Nature and purpose of reserves**

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

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

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

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

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

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

*(Significant accounting policies continued)*

**n) Foreign currency transactions**

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

**o) Borrowing costs**

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

**p) Related parties**

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

**q) Cash and cash equivalents**

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

*(Significant accounting policies continued)*

**r) Comparative figures**

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

**s) Events after the reporting period**

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

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

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

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

**t) Currency**

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

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

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

State all judgements, estimates and assumptions made.

### **Estimates and assumptions.**

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

### **Useful lives and residual values**

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

The condition of the asset based on the assessment of experts employed by the City/Municipality.

The nature of the asset, its susceptibility and adaptability to changes in technology and processes.

The nature of the processes in which the asset is deployed.

Availability of funds to replace the asset.

Changes in the market in relation to the asset.

Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2021/2022
	Kshs.
Transfers from County Govt. – Recurrent	108,343,844
Payments by County on behalf of the entity	-
Unconditional development grants	-
<b>Total</b>	<b>108,343,844</b>

(a) Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance* Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	FY 2020/2021
			Kshs	Kshs	Kshs
xx State Department	xx	Xx	xx	xx	xx
XX Ministry	xx	Xx	xx	xx	xx
<b>Total</b>	<b>xx</b>	<b>Xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>

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

The details of the reconciliation have been included under appendix -

7. Public Contributions and Donations

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

Notes to the Financial Statements

8.

Levies, Fines and penalties

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

9. Other Revenues from Non-Exchange Transactions

Description	FY 2021/2022
	Kshs.
Transfers from other government entities	108,343,844
Others ( <i>Accrual</i> )	-
<b>Total</b>	<b>108,343,844</b>

(Provide a brief explanation for this revenue)

10. Interest income

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

(Provide brief explanation for this revenue)

11. Miscellaneous income

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

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

Notes to the Financial Statements

12. Use of Goods and Services

Description	FY 2021/2022
	Kshs.
Utilities, supplies and services	-
Communication, supplies and services	-
Domestic travel and subsistence	-
Foreign travel and subsistence	-
Printing, advertising, supplies & services	-
Rent and rates	-
Training expenses	-
Hospitality supplies and services	-
Insurance costs	-
Specialized materials and services	-
Office and general supplies and services	-
Fuel, oil and lubricants	-
Other operating expenses – Capital works	320,034,331
Routine maintenance – vehicles and other equipment	-
Routine maintenance – other assets	-
Contracted Professional Services	-
Other Expenses	-
Hire of Transport, equipment etc	-
Bank Charges	15,360
Social Benefit expenses*	-
<b>Total</b>	<b>320,049,691</b>

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

13. Staff costs

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

*Notes to the Financial Statements*

**14. Board expenses**

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

**15. Finance costs**

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

**16. Depreciation and amortization**

Description	FY 2021/2022
	KShs
Property, plant and equipment	11,965,991
Intangible assets	-
Investment property carried at cost	-
<b>Total depreciation and amortization</b>	<b>11,965,991</b>

Notes to the Financial Statements

**17. Repairs and Maintenance**

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

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

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

**19. Cash and cash equivalents**

Description	FY 2021/2022
	Kshs.
Fixed deposits account	-
On – call deposits	-
Current account	3,652,312
Others( <i>specify</i> )	-
<b>Total cash and cash equivalents</b>	<b>3,652,312</b>

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

Notes to the Financial Statements

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

Financial institution	Account number	FY 2021/2022
		Kshs.
<b>a) Fixed deposits account</b>		
Kenya Commercial bank		-
Equity Bank, etc		-
<b>Sub- total</b>		-
<b>b) On - call deposits</b>		
Kenya Commercial bank		-
Equity Bank - etc		-
<b>Sub- total</b>		-
<b>c) Current account</b>		
Kenya Commercial bank		-
SBM Bank	3423756844001	3,652,312
<b>Sub- total</b>		-
<b>d) Others(specify)</b>		-
Cash in transit		-
Cash in hand		-
Mobile Money		-
<b>Sub- total</b>		-
<b>Grand total</b>		<b>3,652,312</b>

20. Receivables from exchange transactions

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

**Ageing analysis for Receivables from exchange transactions**

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

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

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

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

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

**22. Prepayments**

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

**23. Inventories**

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

County Government of Machakos  
Mavoko Municipality  
Annual Report and Financial Statements for the year ended June 30, 2022

(Notes to the Financial Statements Continued)

24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>As at 1 July 2020</b>	-	-	13,387,500	-	-	299,238,813	-	313,076,313
Additions	-	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfers/adjustments	-	-	(-)	-	(-)	(-)	-	(-)
<b>As at 30<sup>th</sup> June 2021</b>	-	-	24,600,000	-	-	544,398,844	-	568,998,844
Additions for the year	-	-	34,026,465	-	-	-	-	34,026,465
Disposals for the year	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/adjustments	(-)	-	-	-	(-)	(-)	-	(-)
<b>As at 30<sup>th</sup> June 2022 (current year)</b>	-	-	58,626,465	-	-	544,398,844	-	603,025,309
<b>Depreciation and impairment</b>								
<b>At 1 July 2021 (previous year)</b>		-	-	-	-	-	-	-
Depreciation		-	4,612,500	-	-	-	-	-
Impairment		-	-	-	-	(-)	-	(-)

County Government of Machakos  
Mavoko Municipality

Annual Report and Financial Statements for the year ended June 30, 2022

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Transfers/ Adjustments								
As at 30 June 2022		-	-	-	(-)	(-)	-	(-)
Depreciation for the year		-	-	-	-	-	-	-
Disposals for the year		(-)	(-)	(-)	(-)	(-)	(-)	(-)
Impairment for the year		-	(-)	-	-	(-)	-	(-)
Transfer/adjustment		-	(-)	(-)	-	(-)	(-)	-
As at 30 <sup>th</sup> June 2022 (current year)		-	-	-	-	-	-	-
NBV as at 30 <sup>th</sup> Jun 2021 (previous year)	-	-	13,837,500	-	-	299,238,813	-	313,076,313
NBV as at 30 <sup>th</sup> Jun 2022 (current year)	-	-	35,897,973	-	-	544,398,844	-	580,296,817

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

*County Government of Machakos  
Mavoko Municipality  
Annual Report and Financial Statements for the year ended June 30, 2022*

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(Notes to The Financial Statements Continued)

**25. Intangible assets**

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

**26. Trade and other payables from exchange transactions**

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

Notes to the Financial Statements

27. Refundable deposits from customers

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

28. Provisions

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

29. Borrowings

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

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

**County Government of Machakos**  
**Mavoko Municipality**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

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

The table below shows the Distribution of borrowings:

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

**30. Employee Benefit Obligations**

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

Notes to the Financial Statements

31. Deferred Income

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

The deferred income movement is as follows:

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

Include columns as needed for the various sources of income deferred

Analysed as:

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

Notes to the Financial Statements

32. Social Benefit Liabilities

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

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

33. Cash generated from operations

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

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

Notes to the Financial Statements

34. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

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

c) Key management remuneration

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

d) Due from related parties

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

Notes to the Financial Statements

e) Due to related parties

Description	FY 2021/2022
	Kshs.

County Government of Machakos  
Mavoko Municipality  
Annual Report and Financial Statements for the year ended June 30, 2022

Due to parent Ministry	-
Due to County Government	-
Due to Key management personnel	-
Due to County Assembly	-
<b>Total</b>	-

**35. Contingent liabilities**

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

*(Give details)*

**36. Contingent Assets**

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

*Notes to the Financial Statements*

**37. Financial risk management**

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

**I. Credit risk**

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

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

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

**County Government of Machakos**  
**Mavoko Municipality**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**Notes to the Financial Statements**

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

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

**II. Liquidity risk management**

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

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

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



*Notes to the Financial Statements*

**III. Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the City/Municipality's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The City/Municipality's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the City/Municipality's exposure to market risks or the manner in which it manages and measures the risk.

**IV. Foreign currency risk**

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

Description		Other currencies	Total
	Kshs.	Kshs.	Kshs.
<b>At 30 June 2022 (current year)</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
<b>Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

*County Government of Machakos  
Mavoko Municipality  
Annual Report and Financial Statements for the year ended June 30, 2022*

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

**Notes to the Financial Statements**

**Foreign currency sensitivity analysis**

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
<b>2022 (current year)</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2022 (previous year)</b>			
Euro	10%	-	-
USD	10%	-	-

**V. Interest rate risk**

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

**Management of interest rate risk**

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

*Notes to the Financial Statements*

**VI. Capital risk management.**

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

Description	FY 2021/2022
	Kshs.
Revaluation reserve	-
Capital/Development Grants/City/Municipality	-
Accumulated surplus	-
<b>Total Funds</b>	-
Total borrowings	-
Less: cash and bank balances	(-)
Net debt/(excess cash and cash equivalents)	-
<b>Gearing</b>	xx%



**19. Appendices**

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

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

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

**Guidance Notes:**

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

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

County Government of Machakos  
Mavoko Municipality  
Annual Report and Financial Statements for the year ended June 30, 2022

Appendix 2: Inter Entity Transfers

MUNICIPALITY NAME: MAVOKO MUNICIPALITY				
Breakdown of Transfers from the County Executive of - County				
FY 2021/2022				
a.	Recurrent Grants	<u>Bank Statement</u> <u>Date</u>	<u>Amount</u> <u>(Kshs.)</u>	<u>Indicate the FY to which the amounts</u> <u>relate</u>
			-	
			-	
		<b>Total</b>	-	
b.	Development Grants	<u>Bank Statement</u> <u>Date</u>	<u>Amount</u> <u>(Kshs.)</u>	<u>Indicate the FY to which the amounts</u> <u>relate</u>
	Mavoko Municipality UDG Account – SBM Bank- Account No.0342375684003	19-JUL-21	107,313,303	
		16-MAY-2022	1,030,541	
		<b>Total</b>	<b>108,343,844</b>	
c.	Direct Payments	<u>Bank Statement</u> <u>Date</u>	<u>Amount</u> <u>(Kshs.)</u>	<u>Indicate the FY to which the amounts</u> <u>relate</u>
			-	
			-	
		<b>Total</b>	-	

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

**County Government of Machakos**  
**Mavoko Municipality**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

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

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

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

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

**Appendix 4: Disaster Expenditure Reporting Template**

Date:

Entity

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



1  
 2  
 3  
 4  
 5  
 6  
 7  
 8  
 9  
 10  
 11  
 12