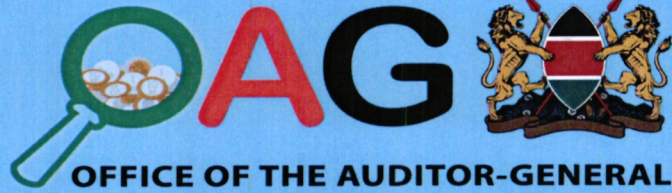


REPUBLIC OF KENYA

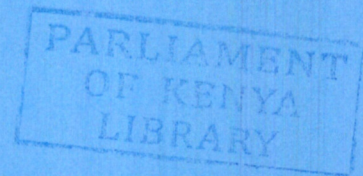


Enhancing Accountability

PAPERS LAID	
DATE	31/5/2023
TABLED BY	Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	Charia

REPORT

OF



THE AUDITOR-GENERAL

ON

LITEIN MUNICIPAL BOARD

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



OFFICE OF THE AUDITOR GENERAL
RECEIVED
★ 17 JAN 2023 ★
P. O. BOX 1188, KISUMU

LITEIN MUNICIPALITY
County Government of Kericho

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2021

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

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19. Annexes	Error! Bookmark not defined.

1.Key Entity Information and Management

a) Background information

Kericho Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter on *(Insert date)* The City/ Municipality is under the County Government of *Kericho* and is domiciled in Kenya.

Functions of the Municipality Board

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

b) Principal Activities

The principal activity/mission/ mandate of the City/ Municipality is to ...

(Under this section you may include the City/Municipality's vision, mission, and core objectives)

c) City/Municipality Board

Ref	Position	Name
1.	Chairman of the Board	Dr Raymond Kemboi
2.	County Executive Committee Member responsible for Cities and Urban areas.	Hon Barnabas K Ngeno
3.	Board Member 1	Gladys Soi
4.	Board Member 2	Samwel K Mutai
5.	Board Member 3	Sylvia Inziani
6.	Board Member 4	Joseph Rono
7.	Board Member 5	Leonard Bett
8.	Board Member 6	Philip Chirchir
9.	Board Member 7	Emily Kirui
10.	Municipality Manager	Jonathan Mutai

(Input names of all the members who held office during the period)

d) Key Management

Ref	Position	Name
1	City/Municipality Manager	Jonathan Mutai
2	Directors/Head of departments	

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

e) Fiduciary Oversight Arrangements

[Provide a high-level description of the key fiduciary oversight arrangements covering

(say)]:

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

f) Registered Offices

P.O. Box 742

Litein Revenue Offices

Litein /Road/Highway

Litein, KENYA

g) Contacts

Telephone: (+254)

E-mail: xxx.com

Website: xxx.go.ke

h) Bankers

SBM Bank

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

County Government of Kericho

Litein Municipality

Annual Report and Financial Statements for the year ended June 30, 2021

P.O. Box 40112

City Square 00200

Nairobi, Kenya

2.Litein Municipality Board

Name	Details of qualifications and experience
1. Raymond kemboi (Chairman)	<ul style="list-style-type: none">• PHD in Business Administration Finance• Masters of Business Administration(Finance)• Degree in Business in Business Administration
2. Gladys Soi	<ul style="list-style-type: none">• Degree of Art (Economics&Sociology)
3.Samwel K Mutai	<ul style="list-style-type: none">• Masters of Business Administration• Degree in Strategic Management
4.Sylvia Inziani	<ul style="list-style-type: none">• Bachelor of Science in Physical planning
5 .Joseph Rono	<ul style="list-style-type: none">• Higher Diploma in Electronic Engineering
6. Leonard Bett	<ul style="list-style-type: none">• Masters of Diplomacy and Foreign Policy• Bachelor of Laws
7. Jonathan K.Mutai	<ul style="list-style-type: none">• Bsc Agricultural Economics• Diploma in Business Management• Senior Management• Strategic Leadership Development Programme
8.Philip K chirchir	<ul style="list-style-type: none">• Bachelor of Arts Degree in Communication, Media Studies
9.Emily Kirui(Vice Chair)	<ul style="list-style-type: none">• Bachelor of Education

3.Management Team

Name	Details of qualifications and experience
1. Municipal Manager- Jonathan K Mutai	<ul style="list-style-type: none"> • Bsc Agricultural Economics • Diploma in Business Management • Senior Management • Strategic Leadership Development Programme • 28yrs Experience-
2. CPA Cheruiyot Wilbert-Finance Department	<ul style="list-style-type: none"> • <i>Born 20th Sept, 1992</i> • <i>Degree in Business Management (Finance and Banking Option)</i> • <i>Masters Business Administration-Ongoing</i> • <i>CPA(K)</i> • <i>Experience of 7 years -5years in Public Sector and 2 years in Private Sector</i>
<p><i>(Note: The City/Municipality Manager will feature under both the 'Board' and 'Management'.)</i></p>	

4.Litein Municipality Board Chairperson's Report

From the allocation received, Litein municipal has managed to construct Cabro paving towards its Offices in Litein . It has also taken Board members and Staff for Induction.

Future outlook/ planned projects

The board plans to construct waste water management system that will serve the town, address the waste garbage collection menace, construct drainages for storm water management, construct parking bays, construct non-motorized transport network. It also plans to do town beautification and open up feeder roads.

Challenges

1. Financial management and control is not domiciled in the Board since the current manager who is the accounting officer is on an acting capacity and he is not an A.I.E holder limiting the financial management, control and transactions.
2. The budget is very lean and cannot support the proposed projects which requires huge capital outlay. There is need to enhance the budget.
3. Though the functions were gazetted, full transfer of the gazetted functions from the departments is yet to be realized
4. Staffing/ secretariat is still a challenge. Relevant officers are required for the board to fully operate.
5. No resources i.e. equipment's and machines. Some assets were transferred to the county and now hampering the provision of services to Litein municipal. (Tractor, lorry and vans)
6. There is need to harmonize projects done by the different departments within the municipality to avoid duplication and repetition of roles.

18 - 
.....
Name: 

Chairperson of the Board

5. Report Of the Municipality Manager

The Constitution of Kenya (2010), in Article 184 provides for a framework for the Classification, Governance and Management of Urban Areas and Cities. The Urban Areas and Cities Act (No. 13 of 2011) gives effect to Article 184 of the Constitution by providing for the criteria of establishing Urban Areas alongside the Principles of Governance and participation of residents.

According to Section 9 (1,2,3), and Section 10 (1 & 2) of the Urban Areas and Cities Act (2011), the County Governor may, on the resolution of the County Assembly, confer the status of a Municipality on a town that meets the criteria in Sub-Section (3), by grant of a Charter in the prescribed form. Sub-Section (3) of Section 9 in the Act sets the eligibility for the conferment of Municipal status. Accordingly, a town is eligible for the Conferment of Municipal status under the Urban Areas and Cities Act if the town satisfies the following criteria:-

- (a) Has a population of between seventy thousand (70,000) and two hundred and forty nine thousand (249,000) residents according to the final Gazette results of the last population census carried out by an institution authorized under any written law, preceding the grant;
- (b) Has an Integrated Development Plan in accordance with the Act;
- (c) Has demonstrable revenue collection or revenue collection potential;
- (d) Has demonstrable capacity to generate sufficient revenue to sustain its operations;
- (e) Has the capacity to effectively and efficiently deliver essential services to its residents as provided in the first Schedule of the Act;
- (f) Has institutionalize active participation by its residents in the management of its affairs;
- (g) Has sufficient space for expansion;
- (h) Has infrastructural facilities, including but not limited to street lighting, markets and fire station; and
- (i) Has a capacity for functional and effective waste disposal.

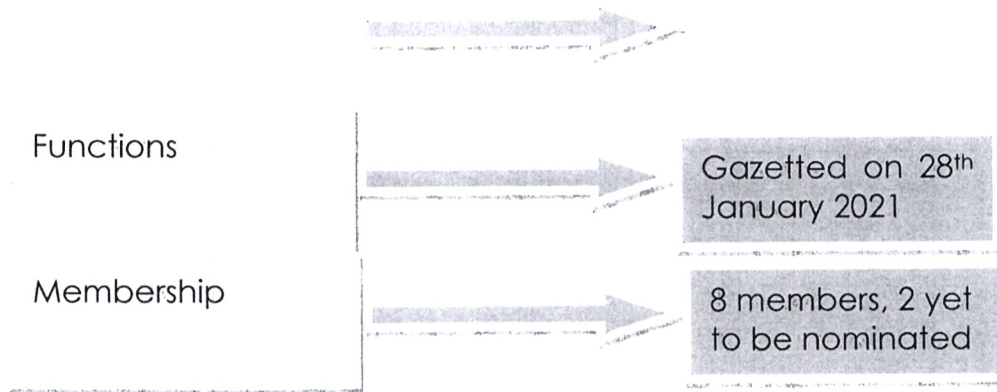
THE ESTABLISHMENT OF LITEIN MUNICIPAL BOARD

Litein Municipality was created by way of a Charter having satisfied all the requirements as set out in Section 9 (1,2,3) and Section 10 (1,& 2) of the Urban Areas and Cities Act (No. 13 of 2011),.

Subsequently, Litein was formally established as a Municipality and conferred with a Municipal status by way of Charter that was approved by the County Assembly of Kericho on 28th December, 2017 and dully assented to by Kericho county first Governor H.E. the Governor of Kericho County Government, Prof. Paul Kiprono Chepkwony.

LITEIN MUNICIPAL AT A GLANCE





Currently the composition of Litein municipal is as follows;

MUNICIPAL FINANCING

LMB main source of financing is currently allocation from the county assembly which is estimated to be ksh 8 million for recurrent expenditures and Ksh. 5 million development.

The board can also source for external financing including and not limited to donations and grants.

ACHIEVEMENTS

PLANNED PROJECTS

1. Waste water project
2. Garbage collection
3. Drainages for storm water management
4. Parking bays
5. Non-motorized transport network

CHALLENGES

The budget is very lean and cannot support the proposed projects which requires huge capital outlay

Though the function were gazette, full transfer by the departments is yet to be realized

REQUESTS TO COUNTY GOVERNMENT

1. Enhancement of municipal budgets/ allocation
2. Full autonomy to implement its projects control its accounts
3. Completion of urban areas management act which will enable the municipalities to retain 40% of its local collection

4. Fastrac the transfer of functions from the department
5. Fastrac the acquisition of waste water treatment plant to pave way for the two in one project implementation. The upper section can serve as a transfer station for garbage
6. Relocation of police station as earmarked in the physical development plan to pave way for market expansion and bus park construction. The process began but was hampered by NLC involvement.
7. Champion for world bank allocation in the subsequent KUSP cycle



.....
Name: Jonathan Mutai
Municipality Manager



6.Statement of Performance Against Predetermined Objectives for the FY 2020/2021

Guidance

[Refer to the City/Municipality's annual budget and program plan report on the extent of the City/Municipality's progress in attaining the plan. Report on the metrics met, objectives yet to be met, challenges and opportunities of the City/Municipality in implementation of its program plan. Refer to the strategic plan if the entity has one.]

Introduction

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

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

(Progress on attainment of Strategic development objectives (Adopted from XX City/Municipality- Customize as per specific City/Municipality),

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Urban planning	To control urban development	To create orderly development in urban areas	Number of developments conforming with rules and regulations governing urban development	In FY under review we increased Housing unit by xx%.

County Government of Kericho

Litein Municipality

Annual Report and Financial Statements for the year ended June 30, 2021

Program	Objective	Outcome	Indicator	Performance
Program 2	-	-	-	-

Amend the table above accordingly.

7. Corporate Governance Statement

(Two-to-three pages)

Under this section, you may include the following among other relevant matters:

Process of appointment and removal of Board members

Each member of the Board of the Municipality shall have the following qualifications:

- (a) be a Kenyan citizen;
- (b) be ordinarily resident or have a permanent dwelling in the Municipality;
- (c) carry on business in the municipality; or
- (d) have lived in the municipality for at least five years.
- (e) have a minimum of a post-secondary school education, from a recognized institution..

a. Roles and functions of the City/Municipality Board members,

The Board of the Municipality shall perform the following functions:

- (a) oversee the affairs of the Municipality;
- (b) develop or adopt policies, plans, strategies and programs and set targets for service delivery;
- (c) formulate and implement an integrated development plan;
- (d) control land, land sub-division, land development and zoning by public and private sector and for any purpose, including industry, commerce, markets, shopping and other employment centers, residential areas, recreational areas, parks, entertainment, passenger transport, agriculture, and freight and transit stations within the framework of the spatial and master plans for the Municipality as delegated by the County Government of Kericho;
- (e) promoting and undertaking infrastructural development and services within Municipality as delegated by the County Government of Kericho;
- (f) developing and managing schemes, including site development in collaboration with the relevant national and county agencies;
- (g) maintaining a comprehensive database and information system of the administration;
- (h) administering and regulating its internal affairs;
- (i) implementing applicable national and county legislation;

County Government of Kericho

Litein Municipality

Annual Report and Financial Statements for the year ended June 30, 2021

- (j) entering into contracts, partnerships or joint ventures as it may consider necessary for the discharge of its functions;
- (k) monitoring and, where appropriate, regulating municipal services where those services are provided by service providers other than the Board of the Municipality;
- (l) preparing and submitting its annual budget estimates to the relevant County Treasury, by the relevant County Government Department for consideration and submission to the County Assembly for approval as part of the annual County Appropriation Bill;
- (m) collecting taxes, levies, duties, fees and surcharges on fees as delegated by the County Government of Kericho;
- (n) settling and implementing tariff, rates and tax and debt collection policies as delegated by the County Government of Kericho;
- (o) monitoring the impact and effectiveness of any services, policies, programs or plans;
- (p) establishing, implementing and monitoring performance management systems;
- (q) promoting a safe and healthy environment;
- (r) facilitating and regulating public transport
- (s) performing such other functions as delegated by the County Government of Kericho

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

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

Section 18 of the UACA

20 While the UACA provides persons who may remove a member of the Board of a Municipality, the procedure for removal or petitioning for removal is not provided. The Charter proposes that the same be provided in the regulations.

21 Section 19 of the UACA

3.13.1. The Board of the Municipality shall hold its sittings to transact the business of the Board once every three months.²²

3.13.2. Notwithstanding Article 3.12.1, the Chairperson of the Board of the Municipality may,

and upon request in writing by at least one-third of the members of the Board of the Municipality shall, convene a special meeting to transact any urgent business of the Board of the Municipality.

3.13.3. All regular meetings of the Board of the Municipality called for the purpose of transacting public business, where a majority of the members elected are present, shall be open to the public. 23

3.13.4. The Board shall have the privilege of holding executive sessions from which the public is excluded, however, no by-laws, resolution, rule or regulation shall be finally adopted at such an executive session

QUORUM

3.14.1. A majority of the members of the Board of the Municipality is a quorum to conduct business, but a smaller number may meet and compel attendance of absent members as prescribed by Board of the Municipality Rules.25

3.14.2. A Board meeting, formally convened through a fourteen days' notice to all board members in writing, shall have member (s) absent with apology to be considered as having participated in the decision making and as such to have constituted a quorum.

3.14.3. A member of the Board of the Municipality who is interested in any discussions or decision-making regarding any subject or transaction under consideration by the Board of the Municipality, shall not be counted as participating in the discussions or decision-making, and is not entitled to vote on or agree to the subject or transaction relating to it

d. Board remuneration,

3.11.1. The Board of the Municipality shall not be entitled to a salary.

3.11.2. However, members of the Board of the Municipality shall be paid such allowances as the County Executive Committee shall, with the approval of the County Assembly, and on the advice of the Salaries and Remuneration Commission, determine.

e. Ethics and conduct as well as governance audit undertaken if any

3.15. RULES OF THE BOARD

22Section 23 of the UACA

23This is not provided for under the Act. However, in line with the principle of transparency, the same has been included.

24This provision will allow the Board of the Municipality exclude members of the public where necessary. It may also be appropriate where sensitive matters are being discussed.

25This is not provided in the Act. However, a majority of the members of the Board of the Municipality insufficient to constitute quorum.

3.15.1. The Board of the Municipality shall by resolution adopt rules to govern their code of conduct and its meetings.

8. Management Discussion and Analysis

(2- 3 pages)

Under this section, the management shall give a report:

- a. On the operational and financial performance of the City/Municipality during the period,*
- b. Entity's key projects or investments decision implemented or ongoing,*
- c. City/Municipality's compliance with statutory requirements,*
- d. Major risks facing the City/Municipality, material arrears in statutory and other financial obligations, and*
- e. Any other information considered relevant to the users of the financial statements.)*

(The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible.)

9.Environmental And Sustainability Reporting

(Two-to-three pages)

XXX exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on XXX pillars: putting the residents/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

The top management especially the Accounting Officer should make reference to sustainable efforts, broad trends in political and macroeconomic factors affecting sustainability priorities, reference to international best practices and key achievements and failure.

2. Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

3. Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The City/Municipality should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

4. Market place practices

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors.

County Government of Kericho

Litein Municipality

Annual Report and Financial Statements for the year ended June 30, 2021

b) Responsible Supply chain and supplier relations

Explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices

d) Product stewardship

Outline efforts to safeguard consumer rights and interests

5. Community Engagements

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

10. Report of the City/Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the City/Municipality affairs.

Principal activities

The principal activities of the City/Municipality are:

- i) Provide for efficient and accountable management of the affairs of the Municipality.
- (ii) Provide for a governance mechanism that will enable the inhabitants of the Municipality to:
 - a. Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations.
 - b. Verify whether public resources and authority are utilized or exercised, as the case may be, to their satisfaction.
 - c. Enjoy efficiency in service delivery.
- (iii) Vigorously pursue the developmental opportunities which are available in the Municipality and to institute such measures as are necessary for achieving public order and the provisions of civic amenities, so as to enhance the quality of life of the inhabitants of the Municipality.
- (iv) Provide a high standard of social services in a cost effective manner to the inhabitants of the Municipality.
- (v) Promote social cohesiveness and a sense of civic duty and responsibility among the inhabitants and stakeholders in the Municipality in order to facilitate collective action and commitment towards achieving the goal of a harmonious and stable community.
- (vi) Providing for services, laws and other matters for Municipality's benefit.
- (vii) Fostering the economic, social and environmental well-being of its community

Performance

The performance of the Municipality for the year ended June 30, 2021 are set out on page xx

Board Members

The members of the Board who served during the year are shown on page xxx (*refer to the key entity information and management page*). The changes in the Board during the financial year are as shown below:

Auditors

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

OR

[XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the entity for the year/period ended June 30, 20xx, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board



.....
Name:

Jonathan K. Mwangi

Secretary of the Board

AG

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, 20xx. 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, 2021, and the financial position as at that date.

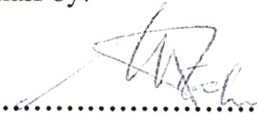
The City/Municipality Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the City/Municipality Manager has assessed the City/Municipality's ability to continue as a going concern and disclosed,

as applicable, matters relating to the use of going concern basis of preparation of the financial statements.


Nothing has come to the attention of the 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 Municipal financial statements were approved by the Board on ^{20th SEP} ___ 2021 and signed on its behalf by:

RP 
.....

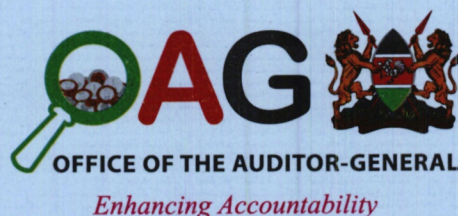
RP **Name: Dr Raymond Kemboi**
Chairperson of the Board


.....

AJ **Name: Jonathan Mutai**
Accounting officer of the Board

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON LITEIN MUNICIPAL BOARD FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2021, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Litein Municipal Board as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Urban Areas and Cities Act, 2011.

Basis for Qualified Opinion

1. Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 8 to the financial statements reflects Kshs.1,140,898 in respect to cash and cash equivalents. However, review of the bank reconciliation statements for development and recurrent accounts for the month of June, 2022 revealed a combined reconciled cashbook balance of Kshs.5,140,898 resulting to unexplained variance of Kshs.4,000,000. The amount has been erroneously accounted for under receivables from non-exchange transactions.

In the circumstance, the accuracy of cash and cash equivalents balance of Kshs.1,140,898 could not be confirmed.

2. Inaccuracies of the Financial Statements

The statement of changes in net assets reflects a nil balance in respect of accumulated surplus as at 30 June, 2021 which differs with Kshs.6,888,903 reflected in the statement of financial position resulting to an unexplained difference of Kshs.6,888,903. Further, the statement reflects Kshs.1,140,898 in respect of capital development grants against nil balance in the statement of financial position resulting to a variance of Kshs.1,140,898 which has not been explained.

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

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amount reflects final revenue and expenditure budgeted amounts of Kshs.12,000,000 and Kshs.15,265,000 respectively. However, the Management failed to provide an approved budget for the Municipality and Board's deliberations contrary to the provisions of Section 175 of the Public Finance Management Act, 2012.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, 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. Late Submission of Financial Statements

The financial statements of the Municipality for the financial years ended 30 June, 2021 were submitted for audit on 6 December, 2022 which was fourteen months after the statutory deadline contrary to the provisions of the Public Audit Act, 2015 Section 47(1) which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

2. Lack of an Integrated Development Plan

The Municipality operated without a strategic plan during the year under review contrary to Section 175(1) of the Public Finance Management Act, 2012 which requires an urban area or city to develop a strategic plan based on the integrated development plan that is consistent with the County Fiscal Strategy Paper.

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

3. Presentation of Non-Financial Information

Review of the financial report and statements revealed that the Management did not prepare the Management discussions, analysis and environmental and sustainability reports and the statement of Management's responsibilities. This was contrary to Section 81(2)(f) of the Public Finance Management Act, 2012 which requires that, at the end of each financial year, the Accounting Officer prepares financial statements for each national government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Board's financial reporting process, reviewing the effectiveness of how Management monitors compliance

with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

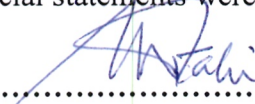
Nairobi

03 May, 2023

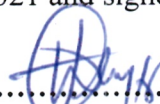
13. Statement of Financial Performance for The Year Ended 30 June 2021.

	Notes	2020/21	2019/20
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	1	12,000,000.00	3,265,900.00
Public contributions and donations		-	
Levies Fines and Penalties		-	
Other revenues (<i>Specify</i>)	2	-	
		12,000,000.00	3,265,900.00
Revenue from exchange transactions			
Interest income		-	
Other Income		-	
		-	
Total revenue		12,000,000.00	3,265,900.00
Expenditure			
Use of goods and services	3	4,487,914.00	-
Staff costs	4	0.00	
Board expenses	5	3,793,223.00	
Other Expenses	6	95,860.00	
Total expenses		(8,376,997.00)	-
Other gains/losses			
Gain/loss on disposal of assets		-	
Surplus/(deficit) for the period		3,623,003.00	3,265,900.00

The notes set out on pages 1 to 8 form an integral part of these Financial Statements. The entity financial statements were approved on 20th SEPT, 2021 and signed by:



Name: Jonathan Mutai
Municipality Manager



Name: CPA Wilbert Cheruiyot
Head of Finance

Aj

14. Statement of Financial Position As At 30 June 2021

	Note	2020/2021	2019/20
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	8	1,140,898.00	-
Receivables from exchange transactions			
Receivables from Non- exchange transactions	7	4,000,000.00	3,265,900.00
Prepayments		-	-
Inventories		-	-
		5,140,898.00	3,265,900.00
Non-current assets			
Property, plant, and equipment	9	1,748,005.00	-
Intangible assets		-	-
Total Non-current Assets		-	-
Total assets		6,888,903.00	3,265,900.00
Liabilities			
Current liabilities			
Trade and other payables		-	-
Provisions		-	-
Borrowings		-	-
Employee benefit obligations		-	-
		-	-
Non-current liabilities			
Provisions		-	-
Borrowings		-	-
Non-current employee benefit obligation		-	-
Total liabilities		-	-
Net assets		6,888,903.00	3,265,900.00
Capital/Development Grants/Fund		-	-
Reserves		-	-
Accumulated surplus		6,888,903.00	3,265,900.00
Total net assets and liabilities		6,888,903.00	3,265,900.00

County Government of Kericho

Litein Municipality

Annual Report and Financial Statements for the year ended June 30, 2021

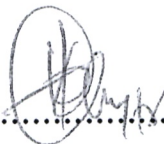
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30th Sept, 2021 and signed by:



.....
Name: Jonathan Mutai

Municipality Manager

Date:



.....
Name: CPA Wilbert Cheruiyot

Head of Finance

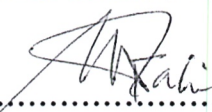
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Date:

15. Statement of Changes In Net Assets As At 30 June 2021

	Capital/ Development Grants/Fund	Revaluatio n Reserve	Accumulate d surplus	Total
		Kshs.	Kshs.	Kshs.
Balance as at 1 July 2019	0.00	-	-	0.00
Surplus/(deficit) for the period	3,265,900.00	-	0	3,265,900.00
Funds received during the year	0.00	-	0.00	0.00
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	0.00	-	-	0.00
Balance as at 1 July 2020	0.00	-	-	0.00
Surplus/(deficit) for the period	3,623,003.00	-	3,265,900.00	6,888,903.00
Funds received during the year		-	-	
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	1,140,898.00	-	-	1,140,898.00

(Provide details on the nature and purpose of reserves)



.....
Name: Jonathan Mutai

Municipality Manager



.....
Name: CPA Wilbert Cheruiyot

Head of Finance

ICPAK M/No:24068

Litein Municipality
County Government of Kericho
Annual Report and Financial Statements for the year ended June 30, 2021

16. Statement of Cash Flows for The Year Ended 30 June 2021

	Note	2020/21	2019/20
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government	1	11,265,900.00	0.00
Public contributions and donations		-	-
Interest received		-	-
<i>Other receipts (Specify)</i>	2	-	-
Total Receipts		11,265,900.00	0.00
Payments			
Use of goods and services	3	4,487,914.00	-
Staff costs	4	-	-
Board expenses	5	3,793,223.00	-
Other Expenses	6	95,860.00	-
Total Payments		8,376,997.00	-
Net cash flows from operating activities	28	2,888,903.00	0.00
Cash flows from investing activities			
Purchase of PPE & intangible assets	6	(1,748,005.00)	(-)
Proceeds from sale of PPE		-	-
Net cash flows used in investing activities		(1,748,005.00)	(-)
			0.00
Cash flows from financing activities			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	(-)
Net cash flows used in financing activities		(0.00)	(-)
Net increase/(decrease) in cash & cash equivalents		1,140,898.00	0.00
Cash And Cash Equivalents At 1 July	7	0.00	-
Cash And Cash Equivalents At 30 June	7	1,140,898.00	0.00

County Government of Kericho

Litein Municipality

Annual Report and Financial Statements for the year ended June 30, 2021

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



.....
Name: Jonathan Mutai

Municipality Manager



.....
Name: CPA Wilbert Cheruiyot

Head of Finance

ICPAK M/No:24068

*Litein Municipality
County Government of Kericho
Annual Report and Financial Statements for the year ended June 30, 2021*

17. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	12,000,000	(0.00)	12,000,000	12,000,000	(-)	100%
Public contributions and donations	-	-	-	-	(-)	
Interest income	-	-	-	-	(-)	
Other income (<i>specify</i>)	-	-	-	-	(-)	
Total Revenue	12,000,000	0.00	12,000,000.00	12,000,000.00	0	
Expenses						
Use of goods and services	4,000,000.00	1,393,400.00	5,393,400.00	4,487,914.00	905,486.00	69.8%
Board expenses	4,000,000.00	-	4,000,000.00	3,793,223.00	206,777.00	0%
Staff Costs	-	-	-	-		0%
Other Expenses		100,000.00	100,000.00	95,860.00	4,140.00	0%
Total Expenditure	8,000,000.00	1,493,400.00	9,493,400.00	8,376,997.00	1,116,403.00	84,37%
Surplus for the period				3,623,003.00		
Capital Expenditure	4,000,000.00	1,772,500.00	5,772,500.00	1,748,005.00	-	%

County Government of Kericho
Litein Municipality

Annual Report and Financial Statements for the year ended June 30, 2021


Budget notes

Receivables from Non Exchange Transactions of 1,493,400 added to Recurrent and 1,772,500 added to Capital Expenditure.


.....

Name: Jonathan Mutai
Municipality Manager

Date:


.....

Name: CPA Wilbert Cheruiyot
Head of Finance

ICPAK M/No: 24068

Date:

18. Notes to the Financial Statements

1. General Information

Litein Municipality is established by and derives its authority and accountability from Assembly Act. The City/Municipality is under the Kericho County Government and is domiciled in Kenya.

The entity's principal activity is service provision for the Municipality.

2. Statement of Compliance and Basis of Preparation

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

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

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

(Notes to financial statements continued)

3. Application of New and revised standards (IPSAS)

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

IPSASB deferred the application date of standards from 1st January 2021 owing to covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

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

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

	<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>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
IPSAS 43	<p>Applicable 1st January 2025</p>

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

(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 City/Municipality and can be measured reliably.

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021/22 was approved by the County Assembly on xxx (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.

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

(Significant accounting policies continued)

statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost 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 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

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

the estimated future cash flows of the financial asset or the City/Municipality of financial assets that can be reliably estimated asset or the entity of financial assets that can be reliably estimated.

(Significant accounting policies continued)

Evidence of impairment may include the following indicators:

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

(Significant accounting policies continued)

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) 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

i) 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

(Significant accounting policies continued)

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

j) 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

k) 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.

l) 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.

m) 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

(Significant accounting policies continued)

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.

n) 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.

o) 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.

p) 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.

q) Comparative figures

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

(Significant accounting policies continued)

r) 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.

s) Currency

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

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 e.g ;

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.

(Significant accounting policies continued)

Useful lives and residual values

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

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

(Notes to the Financial Statements)

1.0 Transfers from the County Government

Description	2020/21	2019/20
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	8,000,000.00	1,493,400
Transfers from County Govt. – Development	4,000,000.00	1,772,500
Payments by County on behalf of the entity	0.00	0.00
Total	12,000,000.00	3,265,900.00

(Provide brief explanation for this revenue)

2.0 Other income

Description	2021/22	2020/21
	Kshs.	Kshs.
Income from sale of tender documents	0.00	0.00
Others (specify)	0.00	0.00
Total other income	0.00	0.00

(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).

3.0 Use of Goods and Services

Description	2020/21	2019/20
	Kshs.	Kshs.
Utilities, supplies and services	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	4,487,914.00	-
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 (Specify)	-	-
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	-	-
Audit fees	-	-

Description	2020/21	2019/20
	Kshs.	Kshs.
Hire of Transport, equipment etc	-	-
Bank Charges	-	-
Depreciation and amortisation	-	-
Total	4,487,914.00	0.00

4.0 Staff costs

Description	2021/22	2020/21
	Kshs.	Kshs.
Salaries and wages	-	-
Staff gratuity	-	-
Social security contribution	-	-
Other staff costs (<i>Specify</i>)	-	-
Total	-	-

5.0 Board expenses

Description	2021/22	2020/21
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	-	-
Medical Insurance	-	-
Induction and Training	3,793,223.00	
Travel and accommodation		
Conference Costs	-	
Other allowances (<i>Specify</i>)		
Total	3,793,223.00	0.00

6.0 Other Expenses

Description	2021/22	2020/21
	Kshs.	Kshs.
Bank Charges	95,860.00	-
Total	95,860.00	0.00

(Notes To the Financial Statements Continued)

6.0 Acquisition of Assets

Description	2020/21	2020/21
	Kshs.	Kshs.
Construction and Civil Works	1,748,005.00	-
TOTAL	1,748,005.00	0.00

7.0 Receivables from Non Exchange Transactions

Description	2020/21	2020/21
	Kshs.	Kshs.
Receivables from Non Exchange Transactions	4,000,000.00	3,265,900.00
TOTAL	4,000,000.00	3,265,900.00

8.0 Cash and cash equivalents

Description	2020/21	2020/21
	Kshs.	Kshs.
Fixed deposits account	0.00	
On – call deposits	-	-
Current account	1,116,403.00	0.00
Development Account	24,495.00	0.00
Others(<i>specify</i>)		
Total cash and cash equivalents	1,140,898.00	0.00

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

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

		2020/21	2019/20
Financial institution	Account number	Kshs.	Kshs.
a) Current account			
SBM Bank	0472382700001	1,116,403.00	0.00
SBM Bank	0472382692001	24,495.00	0.00
Sub- total		-	-
b) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
Sub- total		-	-
Grand total		1,140,898.00	0.00

9.0 Property, Plant and Equipment

	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
Description	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 July 2020	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	1,748,005.00	0	1,748,005.00
Disposals	0	0	0	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0	0	0	0
As at 30 th June 2021	0	0	0	0	0	1,748,005.00	0	1,748,005.00
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Transfer/adjustments	0	0	0	0	0	0	0	0
As at 30 th June 2021	0	0	0	0	0	1,748,005.00	0	1,748,005.00
Depreciation and impairment	0	0	0	0	0	0	0	0
As at 30 th June 2021	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
NBV as at 30 th June 2021	0	0	0	0	0	1,748,005.00	0	1,748,005.00
NBV as at 30 th June 2021	0	0	0	0	0	1,748,005.00	0	1,748,005.00

N/B-No assets were transferred from the County. Assets were acquired at the close of the Financial Year thus no depreciation at that year thus recorded at cost. Depreciation will be in the following year.