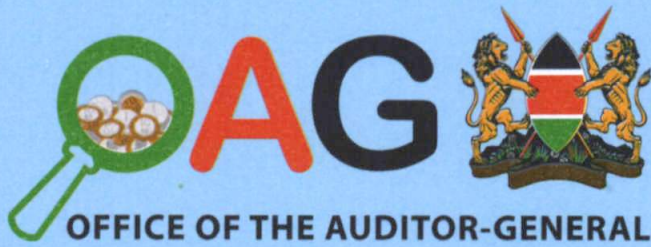
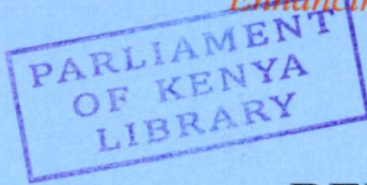
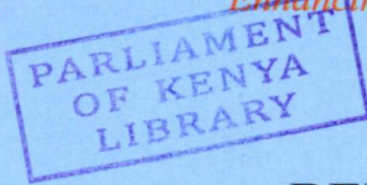


REPUBLIC OF KENYA



*Enhancing Accountability*



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

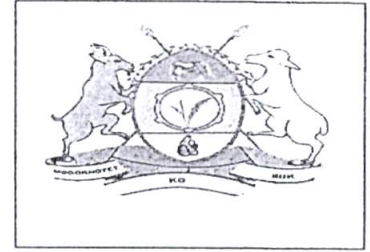
**LITEIN MUNICIPALITY**

**FOR THE YEAR ENDED  
30 JUNE, 2025**

PAPERS LAID	
DATE	18/02/2026
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LITEIN MUNICIPALITY  
*County Government of Kericho*

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2025

---

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

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## 1. Acronyms and Definition of Key Terms

### A. Acronyms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act

### B. Definition of Key Terms

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

**Comparative Year**- Means the prior period.

*(Entity to insert all the relevant acronyms and key terms used in the annual report and financial statements)*

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

### **a) Background information**

Litein Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter in 2016. The Municipality is under the County Government of *Kericho* and is domiciled in Kenya.

### **b) Principal Activities**

The principal activity of the Municipality is to undertake and control Litein Town development, planning, and environmental management among others.

### **c) Key Management**

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

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

### **d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

<b>Ref</b>	<b>Position</b>	<b>Name</b>
1	Municipality Manager	Philemon Kosgei
2	Chief Officer-Lands, Housing and Physical Planning	Jackline Langat
2	Accountant	CPA Kevin Lang'at
3	Supply Chain management Officer	Betsy Ngetich

**e) Fiduciary Oversight Arrangements**

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

**Audit and Risk Management Committee**

- Financial and performance reporting responsibilities
- Risk oversight and management
- System of internal control.

**County Assembly committees**

- Investigate, inquire into and report on all matters relating to county departments.
- Study the programmes and policy objectives of the departments and the effectiveness of implementation.
- Oversight and review all county legislation referred to it
- Assess the success of county departments on the basis of results achieved compared to the stated objectives.

**Public Accounts Committee of the Senate.**

- Investigate, inquire into and report on all matters relating to county departments
- Study the programmes and policy objectives of the departments and the effectiveness of implementation
- Oversight and legislation.
- Review the success of county on the basis of results achieved compared to the stated objectives

**f) Registered Offices**

P.O. Box 112-20200,  
Revenue Building,  
Along Litein-Kaplong Highway.

**g) Contacts**

Telephone: (+254) 0721497787

E-mail: [liteinmunicipal@Litein.go.ke](mailto:liteinmunicipal@Litein.go.ke)

Website: [www.liteincounty.go.ke](http://www.liteincounty.go.ke)

**h) Bankers**

SBM Bank Limited,

P.O Box 34886-00100,

Kericho Branch.

**i) Independent Auditor**

Auditor General

Office of The Auditor General

Anniversary Towers, University Way.

**j) Principal Legal Adviser**




The County Attorney





County Law Office




P.O. Box 112-20200

Kericho, Kenya.

### 3. Litein Municipal Board

Serial No.	Name	Details of qualifications and experience
1	 Stephen Mutai	<p>Stephen Mutai is the Chairman of the board. He is a senior graduate and a former deputy principal. He was also a director at Patmas Sacco.</p>
2	 Hon. Joseph Korir	<p>Hon. Joseph Korir is an accomplished educationist and administrator with extensive experience in leadership, governance and community development. He holds a Bachelor of Education degree from Kenyatta University and a Postgraduate Diploma in Education. He is the current CECM in charge of Lands, Housing and Physical Planning and a member of the Board.</p>
3	 Jackline Langat	<p>Ms. Jackline Langat is an astute leader with a vast of experience in strategic leadership and policy formulation, policy and program implementation, Corporate governance and compliance among others. She holds a Masters of arts(Diploma and Foreign policy, Masters (Leisure &amp; Tourism Management) of science, and Barchelor of Tourism Management from Moi University. She is the current Chief officer in the department of Lands, Housing and Physical Planning. She is a member of the board.</p>

4	 Hon. Beatrice Tonui	<p>She is a member of the Board. She holds a Diploma in Religious Studies and Diploma in Social Work and Community Development from Egerton University. She is the vice chair of Municipal services Committee at Litein Municipal Board. She was born in August 7<sup>th</sup> 1967.</p>
5	 Bernard Boit	<p>Bernard Board holds a Diploma in Cooperative Management. Bernard Boit has been the Chairman of Kericho Dairy Cooperative Union, Chairman Kipangenge Farmers Cooperative Society and Secretary to extension officers. He is a member of the board.</p>
6	 Geoffrey Bett	<p>Geoffrey Bett holds a degree in Bachelor of Science in Agricultural Education Extension. He was a senior Teacher Chelilis Girls and Branch Executive Committee KNUT-Bureti Branch. He is a member of the board.</p>
7		<p>Mr. Peter Ngeno holds a Certificate in Public Finance and a Diploma in Computer Studies. He works as a Civic Educator. He is a member of the board.</p>

	Peter Ngeno	
8	 <p>Eunice Kirui</p>	<p>Mrs. Eunice Kirui holds a degree in Bachelor of Education from Maseno University. She also has a masters in Business Administration, Strategic Management. She currently works as a Manager for Tebes Academy. She was also a Tutor at Benedict Teachers Training College. She is a member of the board.</p>
9	 <p>Hon. Hillary Mutai</p>	<p>Hon. Hillary Mutai served as a former member of Kericho County Assembly. He is a member of the board.</p>
10	 <p>Philemon Kosgei</p>	<p>Born 29<sup>th</sup> May, 1979. He has a BBM Finance and Banking from Moi University. He also holds a MBA in Corporate Management-KCA University. He has previously worked as a finance officer in Moi Educational Centre, Lake Bogoria Resort Limited, Heritage Hotels Limited, James Finlay (K) Limited and has served as Board Member for Moi Educational Pension Fund. Mr. Philemon Kosgei is The Municipality Manager and secretary to the board.</p>

**4. Key Management Team**

Ref	Position	Name
1	Municipality Manager	Philemon Kosgei
2	Accountant	CPA Kevin Lang'at
3	Supply Chain management Officer	Betsy Ngetich
4	Physical Planner	Philemon Yegon
5	Quantity Surveyor	Qs. Gilbert Rono
6	Building Superintendent	Richard Kilel
7	Surveyor	Elvis Ngetich
8	Environmental Safeguard Officer	Doreen Koskei

## 5. Municipality Board Chairperson's Report

- Projects undertaken  
From the development allocation received, Litein municipal Board has managed to: construct boda boda shades at various points; carry out beautification; install street lighting; undertake grading and gravelling of earth road; unblocking and repair of drainages and routine maintenance of municipal roads. Induction and capacity building have also been done for board members.
- Future outlook/ planned projects  
The board plans to put in place a solid waste 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 experienced by Litein Municipal Board in execution of its roles:
  1. The budget is very lean and cannot support the proposed projects which requires huge capital outlay. There is need to enhance the budget.
  2. Though the functions were gazetted, full transfer of the gazetted functions from the departments is yet to be realized
  3. Staffing/ secretariat is still a challenge. Relevant officers are required for the board to fully operate.
  4. There is need to harmonize projects done by the different departments within the County Government of Kericho to avoid duplication and repetition of roles.

### Conclusion

The board has achieved much despite the underlying challenges mentioned above. During the financial year the term of five board members came to an end while the contract of two were renewed. A further five board members were appointed during the financial year.



.....  
Stephen Mutai  
Chairperson of the Board

## 6. Report Of the Municipality Manager

During the financial year ended 30<sup>th</sup> June, 2025 Litein Municipal Board was allocated a budget of Kshs. 23,678,279 where Kshs. 17,000,000 was for development expenditures and Kshs. 6,677,879 allocated towards recurrent expenditures. At the closure of the financial year budget absorption stood at 99.65%. Later in the financial year the Municipality received some additional Kshs. 22,500,000 meant for laying of Cabro Works in Litein town. However, the supplementary budget was approved close end of financial year and hence the amount was not absorbed as at 30<sup>th</sup> June, 2025.

Since the establishment of Litein Municipality significant progress has been noted in areas such as:

- Infrastructure development
- Local economic development
- Environmental programs.

The above has been achieved through:

- Grading and gravelling of earth roads
- Maintenance of municipality roads.
- Unblocking and repair of drainages within the municipality
- Construction of bodaboda sheds
- Installation of street lights
- Beautification of Litein municipality

Despite the notable progress, some of the challenges encountered in budget/projects execution include:

- Capacity constraints in terms of staffing
- Budgetary limitations has curtailed the municipality's ability to undertake more projects

In the incoming financial year i.e. 2025/2026 the municipality intends to roll out projects aimed at boosting local businesses, improving infrastructure, check on waste management and enhancing sanitation within the municipality.

In summary, the Municipality has made significant strides in service delivery, financial prudence, and socio-economic development. While challenges persist, we remain steadfast in our vision to build an inclusive, sustainable, and prosperous municipality.



.....  
**Name: Philemon Kosgei**  
**Municipality Manager**

## 7. Statement of Performance Against Predetermined Objectives for the FY 2024/2025

In accordance with Section 164 (2)(f) of the Public Finance Management Act, 2012, this statement outlines the performance of Litein Municipality against the predetermined objectives for the financial year 2024/2025. These objectives are drawn from the City's Strategic Plan 2023–2027 and the Annual Development Plan (ADP) 2024/2025.

Key Development Objectives:

The overarching development priorities of the City/Municipality are to:

- a) Provide quality physical infrastructure
- b) Improve urban planning
- c) Strengthen urban governance and administration

### Progress on Attainment of Strategic Development Objectives

The table below outlines the performance achieved under each program, based on specific outcomes and measurable indicators.

Program	Objective	Outcome	Indicator	Performance
Urban Planning	To control urban development	Orderly and regulated urban growth	% of developments conforming to zoning regulations	Municipality had no allocation to undertake zoning
Infrastructure	Improve urban infrastructure	Enhanced mobility and public safety	Km of roads paved; number of streetlights installed	The municipality carried out maintenance of earth roads and roads within the municipality. Street lights were also installed.

Below we provide the progress on attaining the stated objectives:

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

Governance	Improve urban governance and service delivery	Efficient and transparent city administration	Revenue collected vs target; service delivery satisfaction index	The municipality has not taken over the revenue collection and management function.
Environmental Management	Promote sustainable urban environment	Cleaner and greener urban areas	% solid waste collected; No. of green spaces established	The municipality undertook town beautification programs however no funds were allocated for waste management

## **8. Corporate Governance Statement**

The current board is legitimately in office, having been appointed and gazetted. The recruitment process was competitive.

The board members are now well versed with their functions. This includes approving financial reports, approving strategic and operational plans, budgeting and conflict resolution among others.

The board members have undergone induction and training both within and outside the county.

The board members had four meetings this financial year.

Succession plans are as defined by the Act, and for the management, by the employment Act. Therefore, there is no foreseen vacuum.

The municipality has an established service charter, alongside that of the county government. This helps in service delivery.

The integrity Act guides on Conflict of interest matters in public offices and how they are addressed should they occur.

On the Board remuneration, the board is entitled to meeting allowances and per diems whenever they travel for official duty. However, there is no allocated monthly salary for the board members.

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

The operational and financial performance of the Municipality during the FY 2024/2025 has been in line with the projections made at the start of the financial year, and in line with the annual development plans of the county government.

- a. Litein Municipality's key projects or investments decision implemented or ongoing. The Municipality's compliance with statutory requirements is well documented. Tax returns and other statutory remittances are made. Compliance to NEMA laws by our agents on environmental matters is well pursued. Other statutory requirements in regards to financial reporting, labour laws and others are well adhered to.
- b. Pertaining to any major risks facing the Municipality on compliance to statutory requirements, there are no material arrears in statutory and other financial obligations.
- c. Litein Municipality performed well financially and met most of its obligations. The Municipality had some payables at the end of the financial year.
- d. On the Overall operational performance, the management has continued to improve and align itself to the best practice. This has been boosted by benchmarking trips made to check itself with regional peers.

## **10 Environmental And Sustainability Reporting**

Litein Municipality 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 3 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 municipal identified its development projects and forwarded to the executive for consolidation in its CIDP. The municipal also developed an annual development plan to guide its operations. The major challenge faced by the municipality is inadequate funding that cannot fully cover its planned projects and activities.

### **2. Environmental performance**

The board also made an effort of actualizing various projects aligned to environmental concern including fast-tracking the waste management project which will be a game changer flagship project for the municipality when fully implemented. The board also intends to get donor funding and for this reason, board members were inducted on the minimum qualifying conditions for the program.

### **3. Employee welfare**

The employees of the Municipality are all on secondment from the county Government. They are permanently employed and some members of trade unions.

### **4. Market place practices**

The Municipality believes in equity and fair access to all.

#### **a) Responsible competition practice.**

The Municipality is guided by the Cities Act, Integrity Act, Procurement Act, code of regulations, among others.

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

The Municipal procurement is governed by the Public Procurement and disposal Act.

**c) Responsible marketing and advertisement**

The Municipality, as public entity believes in fairness and access to the market by all.

**d) Product stewardship**

In collaboration with various county departments, the Municipality ensures that the public gets standard quality goods and services.

**5. Community Engagements**

The Municipality has been engaged in various CSR activities though with a limited budget. The Municipality in collaboration with the office of the Governor and the Department of Lands, Housing and Physical Planning plans to undertake various charity works, Christmas's tree party etc.

## 11. Report of the Municipality Board Members

The Board Members submits their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the Municipality affairs.

### Principal activities

The principal activities of the Municipality is service delivery to Municipality residents.

### Performance

The performance of the Municipality for the year ended June 30, 2025 are set out on page 1 to 47.

### Infrastructure Development

We have made substantial progress in infrastructure projects, including the expansion of road networks and improvement of drainage systems. These developments have significantly enhanced connectivity and reduced flooding during rainy seasons.

A new water supply project was initiated, which aims to provide clean and reliable water to underserved areas. This initiative is expected to reduce waterborne diseases and improve hygiene across the municipality.

### Board Members

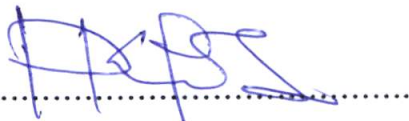
The members of the Board who served during the year are shown page vii - ix.

During the financial year under review the five individuals were appointed as members of the board.

### Auditors

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

By Order of the Board



Name: Philemon Kosgei

Secretary of the Board

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

Section 180 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the 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 Litein Municipality manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2025. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality.
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- iv. Safeguarding the assets of the Municipality.
- v. Selecting and applying appropriate accounting policies.
- vi. Making accounting estimates that are reasonable in the circumstances.

The Litein 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 Litein Municipal Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30, 2025 and the financial position as at that date.

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

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

**Approval of the financial statements**

The Litein Municipality's financial statements were approved by the Board on 27<sup>th</sup> August, 2025 and signed on its behalf by:



.....

**Name: Stephen Mutai**

**Chairperson of the Board**



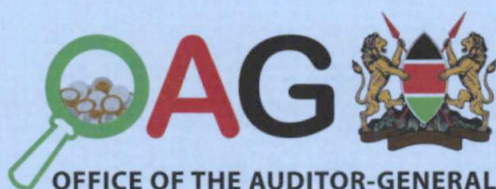
.....

**Name: Philemon Kosgei**

**Accounting officer of the Board**

# REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke  
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*Enhancing Accountability*

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

## REPORT OF THE AUDITOR-GENERAL ON LITEIN MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2025

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Litein Municipality set out on pages 1 to 51, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets,

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

In my opinion, except for 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 Municipality as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unsupported Expenditure on Domestic Travel and Subsistence**

The statement of financial performance reflects use of goods and services amounting to Kshs.9,527,621. The amount includes domestic travel and subsistence amounting to Kshs.3,080,700 as disclosed in Note 12 to the financial statements. Review of records revealed that domestic travel and subsistence expenditure was incurred through claims by members of staff. However, the claims were not supported by authority to travel, purpose of the travel, ETR receipts, signed payment schedules and attendance registers where meetings were attended.

In the circumstance, the accuracy, completeness and propriety of domestic travel and subsistence expenditure amounting to Kshs.3,080,700 could not be confirmed.

#### **2. Misclassification of Expenditure**

The statement of financial performance and as disclosed in Note 12 to the financial statements reflects use of goods and services amounting to Kshs.9,527,621. However, amount includes expenditure totalling Kshs.3,995,310 which was wrongly charged and classified as shown below:

<b>Description</b>	<b>Classification in Financial Statements</b>	<b>Correct Classification</b>	<b>Amount</b>
Proposed beautification of selected sites at Litein Town	Use of goods and services	Infrastructure development - PPE	2,095,600
Construction of 3 bodaboda sheds within Litein Municipality	Use of goods and services	Infrastructure development - PPE	1,899,710
<b>Total</b>			<b>3,995,310</b>

In the circumstance, the accuracy and completeness of use of goods and services amounting to Kshs.3,995,310 could not be confirmed.

### **3. Inaccuracy of the Statement of Cash Flows**

The statement of cash flows reflects use of goods amounting to Kshs.9,511,063. However, the amount differs with the use of goods amounting to amounting to Kshs.9,527,621 reflected in the statement of comparison of budget and actual amounts resulting in unexplained variance of Kshs.16,558.

Further, the statement reflects negative net increase in cash and cash equivalents totalling Kshs.16,662. However, the amount differs with the recomputed net increase in cash and cash equivalents totalling Kshs.613,339 resulting in unexplained variance of Kshs.630,001.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

### **4. Inaccuracy of the Statement of Comparison of Budget and Actual Amounts**

The statement of comparison of Budget and Actual Amounts reflects final Capital expenditure budget amounting to Kshs.11,700,000. However, the amount differs with the recomputed final Capital expenditure budget totalling Kshs.34,200,000 resulting in unexplained variance of Kshs.22,500,000.

In the circumstance, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Litein 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 Qualified opinion.

### **Emphasis of Matter**

#### **Budget Control and Performance**

The statement of comparison of budget and actual amounts reflects final total receipts budget and actual on comparable basis amounting to Kshs.46,177,879 and Kshs.23,710,165 respectively, resulting in underfunding of Kshs.22,467,714 or forty nine percent (49%) of the budget. Similarly, the statement reflects actual capital expenditure payments amounting to Kshs.12,924,638 against total recomputed capital expenditure budget amounting to Kshs.34,200,000 resulting in under expenditure of Kshs.21,905,362 or sixty-four percent (64%) of the recomputed budget.

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

My Opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **Unresolved Prior Year Audit Matters**

In the audit report of the previous year, twenty-one (21) issues were raised under the Report on Financial Statements, Other Matter, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance as shown in **Appendix I**. However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

### **Other Information**

Management is responsible for the Other Information set out on page iii to xviii which comprise of Key Municipality Information and Management, Municipality Board, Key Management, 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's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I

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*Report of the Auditor-General on Litein Municipality for the Year ended 30 June, 2025*

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. Irregular Payment of Board Sitting Allowances**

The statement of financial performance and as disclosed in Note 14 to the financial statements reflects Board expenses amounting to Kshs.695,000. The amount includes Board sitting allowance totalling Kshs.69,000 paid to the County Executive Committee Member for Lands, Chief Officer from the Department of Lands, Housing and Urban Development, the Municipal Manager, the Municipal Planner and the Municipal Accountant who are not members of the Board. No justification was provided for these payments as the recipients were performing their normal duties for which they are paid salaries and allowances.

In the circumstance, the management was in breach of the law.

### **2. Irregular Contract Payment**

Review of records revealed that the tender for provision of miter drains, unblocking of drainages, and bush clearing works within Municipality was awarded at a contract sum of Kshs 2,979,636. The full contract amount was paid on the commencement of the works vide invoice number 12 in the month of December 2024. This was contrary to Regulation 150(1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that subject to the availability of funds and after proper certification of the goods, services or works have been done, a procuring entity shall make prompt payments for all performed contracts including enterprises owned by youth, women or persons with disabilities and shall make payment within sixty days from the date of receipt of the invoice. Retention money was also not recovered from the payment.

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

### **3. Non-Compliance with Staff Establishment and Employment Procedures**

Review of records revealed that the Municipality had one (1) employee against an approved establishment of eighty-eight (88) representing an understaffing of eighty-six (87) employees or ninety eight percent (98%) of the approved establishment. This was contrary to Section 8.1.1 of the Litein Municipal Charter, 2017 which mandates the Board, subject to approval by the County Public Service Board, to employ such officers and employees as it deems necessary to execute the powers and duties provided under the Charter or any other law.

Further, the Municipality had an additional Seven (7) employees who were seconded from the County Executive of Kericho. However, the secondment was done without specific terms of engagement and conditions of service.

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

#### **4. Failure to Prepare Strategic Plan.**

Review of policy documents and records revealed that the Municipality did not have a Strategic Plan. This was contrary to Section 36(1) of the Urban Areas and Cities Act, 2011 which requires the Board or Town Committee, within the first year of its election, adopt a single, inclusive strategic plan for the development of the city or urban area for which it is responsible. As a result, the Municipality was operating without a critical roadmap for achieving the development goals of the urban area.

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

#### **5. Non-Compliance to Laws on Independence of the Municipal Board**

Review of records revealed that the Municipality was granted Municipal Charter in the month of September, 2017 granting operational independence from the County Government of Kericho. However, the County Government had continued to perform a number of functions which were transferred to the Municipality as provided for in Paragraph 2.3.1 of Litein Municipal Charter including infrastructural development and services within the Municipality, development and enforcement of municipal plans and development controls. This was contrary to section 12(1) of the Urban areas and Cities Act ,2011 which states that the management of a city and municipality shall be vested in the county government and administered on its behalf by a Board, a manager and staff constituted and appointed in accordance with the Act.

In the circumstances, the 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

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

#### **1. Lack of Internal Audit Function**

Review of records revealed that the Municipality had not established an internal audit function for oversight of the operations of the Management. This was contrary to Section

155(4) and (5) of the Public Finance Management Act, 2012 which states that a County Government entity shall ensure that the arrangements for conducting internal audits in respect of the entity are in accordance with international best practices for internal auditing and that a County Government entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations.

In the circumstance, the internal control mechanisms that could have an impact on achievement of the strategic objectives of the Municipality may be undetected and hence not rectified in good time.

## **2. Ineffective Audit Committee**

Review of records revealed that the Municipality's Audit Committee held only one meeting in the year under review. This was contrary to Regulation 172(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Audit Committee shall meet at least once in every three months. Appointment letters for Audit Committee Members were also not provided.

In the circumstances, the oversight on effectiveness of internal controls, risk management and overall governance could not be confirmed.

## **3. Lack of ICT Governance Frameworks and Policies**

Audit review established that the Municipality had not developed or provided several key ICT governance and operational documents necessary for effective management and control of ICT operations. Specifically, the following documents were not in place:

- ICT Policy
- Data Protection Policy
- Data Privacy Policy
- Standard Operating Procedures (SOPs)
- Risk Management Policy
- Disaster Recovery Policy (DRP)
- Business Continuity Policy (BCP)
- Change Management Policy

The absence of these policies and procedures indicates that the Board's ICT environment is not guided by formal frameworks that align with current technological, regulatory, and operational requirements. Consequently, this weakens governance structures and increases the risk of non-compliance with applicable data protection and cybersecurity standards.

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

## **Responsibilities of Management and Those Charged with Governance**

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

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

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

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

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

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


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of 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 ISSAI 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 Gatungu, CBS  
AUDITOR-GENERAL

Nairobi

05 December, 2025

## Appendix I

### Unresolved Prior Year Audit Matters

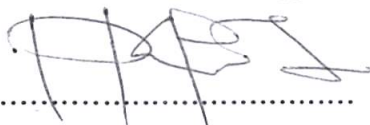
Number	Financial Year	Issue
		<b>Qualified Opinion</b>
1	2023/2024	Inaccuracy of Transfers from the County Government
2	2023/2024	Inaccuracy of Domestic Travel and Subsistence
3	2023/2024	Inaccuracy of Board Expenses
4	2023/2024	Unsupported Property, Plant and Equipment
5	2023/2024	Inaccuracy of Capital/ Development Grants/ Fund
6	2023/2024	Inaccuracy of Accumulated Surplus
7	2023/2024	Inaccuracies in the Statement of Cash flows
		<b>Other Matter</b>
	2023/2024	Unresolved prior year matters
		<b>Report on Lawfulness and Effectiveness in the Use of Public Resources</b>
1	2023/2024	Unauthorized Receipts and Payments
2	2023/2024	Lack of a Procurement Plan
3	2023/2024	Irregular Procurement of Town Cleaning Services and Drainage Works
4	2023/2024	Irregular Procurement of Road Works
5	2023/2024	Irregular Payment of Sitting Allowances to County Government Employees
6	2023/2024	Irregular Reallocation of Development Funds to Recurrent Expenditure
7	2023/2024	Lack of Independence of the Municipality
8	2023/2024	Staff Under Establishment
9	2023/2024	Failure to Review the Municipality's Integrated Development Plan
10	2023/2024	Recruitment and Meetings of the Municipality Board Members
		<b>Report on Effectiveness of Internal Controls, Risk Management and Governance</b>
1	2023/2024	Lack of a Fixed Asset Register and Ownership Documents
2	2023/2024	Lack of Internal Audit Review and Audit Committee
3	2023/2024	Lack of Risk Management Strategies

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County Government of Kericho  
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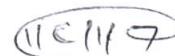
**14. Statement of Financial Performance for The Year Ended 30 June 2025.**

Description	Note	2024/2025	FY 2023/2024
		FY	Kshs.
<b>Revenue from non-exchange transactions</b>		<b>Kshs.</b>	<b>Kshs.</b>
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	46,177,879	12,408,572
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues ( <i>Specify</i> )	9	-	-
		<b>46,177,879</b>	<b>12,408,572</b>
<b>Revenue from exchange transactions</b>			
Interest income	10	-	-
Miscellaneous Income	11	-	-
<b>Total revenue</b>		<b>46,177,879</b>	<b>12,408,572</b>
<b>Expenditure</b>			
Use of goods and services	12	9,527,621	13,369,086
Staff costs	13	1,747,821	-
Board expenses	14	695,500	1,706,400
Finance costs	15	-	-
Depreciation and amortization	16	-	-
Repairs and maintenance	17	-	-
<b>Total expenses</b>		<b>11,970,942</b>	<b>15,075,486</b>
<b>Other gains/losses</b>		<b>-</b>	<b>-</b>
Gain/loss on disposal of assets	18	-	-
<b>Surplus/(deficit) for the period</b>		<b>34,206,937</b>	<b>(2,666,914)</b>

The notes set out on pages 8 to 36 form an integral part of these Financial Statements. The entity financial statements were approved on 27<sup>th</sup> August, 2025 and signed by:



.....  
Name: Philemon Kosgei  
Municipality Manager




.....  
Name: Kevin Lang'at  
Municipality Accountant  
ICPAK M/No. 30625

## 15. Statement of Financial Position As At 30 June 2025


Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	19	15,625	32,286
Receivables from exchange transactions	20	-	-
Receivables from non-exchange transactions	21	22,500,000	-
Prepayments	22	-	-
Inventories	23	73,440	-
<b>Total current assets</b>		<b>22,589,065</b>	<b>32,286</b>
<b>Non-current assets</b>			
Property, plant, and equipment	24	23,682,242	10,757,604
Intangible assets	25	-	-
Biological assets	26	-	-
<b>Total Non-current Assets</b>		<b>23,682,242</b>	<b>10,757,604</b>
<b>Total assets (A)</b>		<b>46,271,307</b>	<b><u>10,789,889</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	27	1,184,481	-
Refundable deposits from customers	28	-	-
Provisions	29	-	-
Borrowings	30	-	-
Employee benefit obligations	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
<b>Total current liabilities</b>		<b>1,184,481</b>	<b>-</b>
<b>Non-current liabilities</b>			
Provisions	29	-	-
Borrowings	30	-	-
Non-current employee benefit obligation	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
<b>Total liabilities (B)</b>		<b>1,184,481</b>	<b>-</b>

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Net Assets (A-B)		<u>45,086,826</u>	<u>10,789,889</u>
<b>Represented by:</b>			
Capital/Development Grants/Fund		3,657,900	3,532,922
Reserves		-	
Accumulated surplus		41,428,926	7,256,967
<b>Net Assets/Equity</b>		<u>45,086,826</u>	<u>10,789,889</u>

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 27th August, 2025 and signed by:



.....  
Name: Philemon Kosgei  
Municipality Manager



.....  
Name: Kevin Lang'at  
Municipality Accountant  
ICPAK M/No. 30625

16. Statement of Changes in Net Assets For the Year Ended 30 June 2025

Description	Capital/	Revaluation	Accumulated	Total
	Development Grants/Fund	Reserve	surplus	Kshs.
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2023	3,034,978	-	6,888,903	9,923,881
Surplus/(deficit) for the year	-	-	(2,666,914)	(2,666,914)
Revaluation gain/loss	-	-	-	-
Capital Fund	3,532,922.00			3,532,922
<b>Balance as at 30 June 2024</b>	<b>3,657,900</b>	<b>-</b>	<b>7,221,989</b>	<b>10,789,889</b>
Bal as at 1 July 2024	3,657,900	-	7,221,989	10,879,889
Surplus/(deficit) for the year	-	-	34,206,937	34,206,937
Funds received during the year		-	-	-
Revaluation gain/loss	-	-	-	-
<b>Balance as at 30 June 2025</b>	<b>3,657,900</b>	<b>-</b>	<b>41,428,926</b>	<b>45,086,826</b>



Name: Philemon Kosgei  
Municipality Manager



Name: Kevin Lang'at  
Municipality Accountant  
ICPAK M/No. 30625

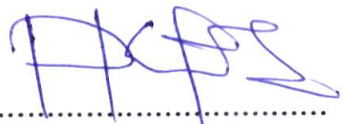
**17. Statement Of Cash Flows for The Year Ended 30 June 2025**

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		23,677,879	18,053,972
Public contributions and donations		-	-
Interest received		-	-
Miscellaneous receipts ( <i>Specify</i> )		-	-
<b>Total Receipts</b>		<b>23,677,879</b>	<b>18,053,972</b>
<b>Payments</b>		-	
Use of goods and services		9,511,062.90	13,369,085
Staff costs		1,747,821	1,706,400
Board expenses		695,500	-
Finance costs			-
<b>Total Payments</b>		<b>11,954,383.90</b>	<b>15,075,485</b>
<b>Net cash flows from operating activities</b>	34	<b>11,723.495.10</b>	<b>2,978,487</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets		(12,294,638)	(3,018,175)
Proceeds from sale of PPE		-	-
<b>Net cash flows used in investing activities</b>		<b>(12,294,638)</b>	<b>(3,018,175)</b>
<b>Cash flows from financing activities</b>			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in Retention</b>		<b>1,184,481</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(16,662)</b>	<b>(39,688)</b>
Cash And Cash Equivalents At 1st July 2024	18	<b>32,286</b>	<b>71,975</b>
Cash And Cash Equivalents At 30 <sup>th</sup> June 2025	18	<b>15,624</b>	<b>32,286</b>

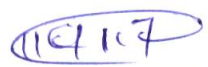
**County Government of Kericho**  
**Litein Municipality**  
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*(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).  
Comparative FY refers to the financial year preceding the current year.*



.....  
**Name: Philemon Kosgei**  
**Municipality Manager**



.....  
**Name: Kevin Lang'at**  
**Municipality Accountant**  
**ICPAK M/No. 30625**

*Litein Municipality*  
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**18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2025**

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
Budget carryovers from the previous year*	-	-	-	32,285.65	(32,285.65)	-
<b>Receipts</b>					-	
Transfers from the County Government	23,677,879.00	22,500,000.00	46,177,879.00	23,677,879.00	22,500,000.00	51
Public contributions and donations	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous income ( <i>specify</i> )	-	-	-	-	-	-
<b>Total Receipts</b>	<b>23,677,879.00</b>	<b>22,500,000.00</b>	<b>46,177,879.00</b>	<b>23,710,164.65</b>	<b>22,467,714.35</b>	<b>51</b>
<b>Payments</b>					-	-
Use of goods and services	9,534,358.00	-	9,534,358.00	9,527,621.00	6,737.00	100
Board expenses	695,700.00	-	695,700.00	695,500.00	200.00	100
Staff Costs	1,747,821.00	-	1,747,821.00	1,747,821.00	-	100
Finance costs	-	-	-	-	-	-

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 Litein Municipality  
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Total expenditure Payments	11,977,879.00	-	11,977,879.00	11,970,942.00	6937.00	100
Capital Expenditure Payments	11,700,000	22,500,000.00	11,700,000	12,294,638.00	21,905,362.00	36
Surplus for the period	-	-	-	(555,415.35)	555,415.35	-

*(Budget carryovers\* This is for entities whose budget lapses at year-end, but the surpluses are not legally required to be remitted to the CRF. The funds need to be budgeted afresh. Budget carryovers should not include third-party funds such as contractors' retention.)*

*(Entities can present the Statement of Comparison of Budget & Actual amounts in a different format/categorization as approved by the governing body.)*

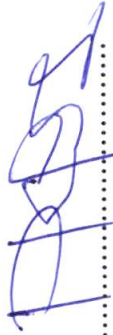
**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	-
1	Reason for differences	-
2	Reason for differences	-
3	Reason for differences	-
4	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	-

*County Government of Kericho  
Litein Municipality*

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.....  
Name: Philemon Kibgei  
Municipality Manager



.....  
Name: Kevin Lang'at  
Municipality Accountant  
ICPAK M/No. 30625

**19. Notes to the Financial Statements**

**1. General Information**

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

The entity's principal activity is Service delivery.

**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 Litein Municipality.

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

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

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

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

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

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

	<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>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<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>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year

**4. Significant Accounting Policies**

**a) Revenue recognition**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset like 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 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 2024/25 was approved by the County Assembly on June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget.

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

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

**c) Property, plant and equipment**

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

**d) Intangible assets**

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

**e) Financial instruments**

**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 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 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 Municipality of financial assets that can be reliably estimated asset or the entity of financial assets that can be reliably estimated.

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

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 Municipality.

*(Significant accounting policies continued)*

**g) Provisions**

Provisions are recognized when the Municipality has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the 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 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 Municipality does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured

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

**j) Nature and purpose of reserves**

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

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

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

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

The Municipality provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the Municipality does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to scheme obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefits are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**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

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

**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 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 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 Municipality based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Municipality. Such changes are reflected in the assumptions when they occur.

**Useful lives and residual values**

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

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

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 Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	6,677,879.00	12,408,572
Payments by County on behalf of the entity		-
Unconditional development grants	39,500,000.00	-
<b>Total</b>	<b>46,177,879.00</b>	<b>12,408,572.00</b>

(Provide brief explanation for this revenue)

(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 recognized in capital fund.	Total grant income during the year	FY 2023/2024
			Kshs	Kshs	Kshs
County Government of Kericho- Recurrent	6,677,879.00	22,500,000.00	-	-	-
County Government of Kericho- Development	17,000,000.00		-	-	-
<b>Total</b>	<b>23,677,879.00</b>	<b>22,500,000.00</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 2

**7. Public Contributions and Donations**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	-	-

**8. Levies, Fines and penalties**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Levies	-	-
Fines	-	-
Penalties	-	-
Others ( <i>indicate and specify</i> )	-	-
<b>Total</b>	-	-

**9. Other Revenues**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfers from other government entities	-	-
Transfers from other government entities	-	-
Others ( <i>kusp uig</i> )		

(Provide a brief explanation for this revenue)

**10. Interest income**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Interest income from investments	-	-
Interest income on bank deposits	-	-
Others ( <i>Specify</i> )	-	-
<b>Total interest income</b>	-	-

(Provide brief explanation for this revenue)

**11. Miscellaneous income**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Income from sale of tender documents	-	-
Others ( <i>specify</i> )	-	-
<b>Total other income</b>	-	-

**12. Use of Goods and Services**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	3,080,700.00	7,654,829.90
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	-	-
Rent and rates	-	-
Training expenses	-	-
Hospitality supplies and services	375,150.00	-
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	563,210.00	45,668.00
Fuel, oil and lubricants	200,000.00	-
Other operating expenses ( <i>Specify</i> )	4,000.00	-
Routine maintenance	-	-
- vehicles and other equipment	-	-

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Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Routine maintenance – other assets	1,270,000	-
Contracted Professional Services	-	-
Audit fees	-	-
Hire of Transport, equipment etc		-
Bank Charges	39,250.90	3,040.00
Social Benefit expenses*	-	-
Beautification of Litein Town	2,095,600	
Construction of Bodaboda shades	1,899,710	-
Unblocking and repair of drainages		5,665,548.00
<b>Total</b>	<b>9,527,621</b>	<b>13,369,085.90</b>

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

### 13. Staff costs

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Salaries and wages	1,324,262.00	-
Staff gratuity	383,000.00	-
Social security contribution	40,559.00	-
Other staff costs ( <i>Specify</i> )	-	-
<b>Total</b>	<b>1,747,821.00</b>	<b>-</b>

**14. Board expenses**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	695,500.00	1,706,400
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	-
Conference Costs	-	-
Other allowances ( <i>Specify</i> )	-	-
<b>Total</b>	<b>695,500.00</b>	<b>1,706,400.00</b>

**15. Finance costs**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**16. Depreciation and amortization**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total depreciation and amortization</b>	<b>-</b>	<b>-</b>

**17. Repairs and Maintenance**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Property- Buildings	-	-
Office equipment	-	-
Furniture and fittings	-	-
Motor vehicle expenses	-	-
Maintenance of civil works	-	-
<b>Total repairs and maintenance</b>	-	-

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

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Property- Buildings	-	-
Office equipment	-	-
Furniture and fittings	-	-

**19. Cash and cash equivalents**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	15,624.65	32,285.65
Others( <i>specify</i> )	-	-
<b>Total cash and cash equivalents</b>	<b>15,624.65</b>	<b>32,285.65</b>

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

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

Financial institution	Account number	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
a) 0			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
<b>Sub- total</b>		-	-
b) b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
c) c) Current account			
SBM Bank	472382700001	6,585.90	11,727
SBM Bank	472382692001	9,038.75	20,558.65
<b>Sub- total</b>		<b>15,624.65</b>	<b>32,285.65</b>
d) d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>15,624.65</b>	<b>32,285.65</b>

20. Receivables from exchange transactions

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
<b>Current Receivables</b>		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Current receivables (a)</b>	-	-
<b>Non-Current receivables</b>		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-

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Total Non- current receivables (b)	-	-
<b>Total</b>	-	-

Ageing analysis for Receivables from exchange transactions

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

21. Receivables from Non-Exchange transaction

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfer from County Executive	22,500,000.00	-
Transfer from Donor	-	-
<b>Total</b>	<b>22,500,000.00</b>	<b>-</b>

Ageing analysis for Receivables from non-exchange transactions

Description	Insert Current FY		Insert Comparative FY	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	22,500,000	100.00	-	%
Between 1- 2 years	-	-	-	%
Between 2-3 years	-	-	-	%

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Over 3 years	-	-	-	%
<b>Total</b>	<b>22,500,000.00</b>	100.00	-	%

22. Prepayments

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Other ( <i>specify</i> )	-	-
<b>Total</b>	-	-

23. Inventories

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Consumable stores	73,440	-
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Less: allowance for impairment	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	<b>73,440.00</b>	-

(Provide brief explanation on inventories)

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Detailed Disclosure on Inventories

	FY 2024/2025	FY 2023/2024
<b>Opening balance</b>	<b>Kshs.</b>	<b>Kshs.</b>
Opening balance	-	-
Additional Inventory in the year	73,440.00	-
Inventory expensed in the year		-
Write-downs in the year	-	-
Others specify	-	-
<b>Closing balance</b>	<b>73,440.00</b>	<b>-</b>

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24. Property, Plant and Equipment

Description	Land	Building	Furniture and fittings	Computers	infrastructure	Capital	Other Assets	Total
	Shs	Shs	Shs	Shs		Work in progress		
Depreciation Rate	Shs	Shs	Shs	Shs	Shs	Shs		Shs
Depreciation Rate		-	-	0	-			
As at 1 July 2023 (previous year)	-	-	-	-	-	-	7,739,429	7,739,429
Additions	-	-	-	-	-	-	3,018,175	3,018,175
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2024</b>	-	-	-	-	-	-	<b>10,757,604</b>	<b>10,757,604</b>
Additions for the year	-	-	-	-	12,294,638	-		12,294,638
Disposals for the year	-	-	-	-	-	-		-
Transfer/adjustments	-	-	-	-	-	-		-

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Description	Land	Building	Furniture and fittings	Computers	Infrastructure	Capital	Other Assets	Total
	Shs	Shs	Shs	Shs	Shs	Work in progress	Shs	Shs
Depreciation Rate	Shs	Shs	Shs	Shs	Shs	Shs		Shs
Revaluation Adjustment	-	-	-	-	-	-		-
As at 30th June 2025 (current year)	-	-	-	-	12,294,638	-	10,757,604	23,052,242
Depreciation and impairment								-
At 1 July 2023 (previous year)	-	-	-	-	-	-		-
Depreciation	-	-	-	-	-	-		-
Impairment	-	-	-	-	-	-		-
Transfers/ Adjustments	-	-	-	-	-	-		-
As at 30 June 2024	-	-	-	-	-	-		-
Depreciation for the year	-	-	-	-	-	-		-
Disposals for the year	-	-	-	-	-	-		-
Impairment for the year	-	-	-	-	-	-		-

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Description	Land	Building	Furniture and fittings	Computers	infrastructure	Capital	Other Assets	Total
	Shs	Shs	Shs	Shs		Work in progress		
Depreciation Rate	Shs	Shs	Shs	Shs	Shs	Shs		Shs
Transfer/adjustment	-	-	-	-	-	-		-
As at 30 <sup>th</sup> June 2025 (current year)	-	-	-	-	-	-	-	-
NBV as at 30 <sup>th</sup> Jun 2024 (previous year)	-	-	-	-	-	-	10,757,604	10,757,604
NBV as at 30 <sup>th</sup> Jun 2025 (current year)	-	-	-	-	12,294,638	-	10,757,604	23,052,242

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

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25. Intangible assets

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

26. Biological Assets

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-

27. Trade and Other Payables

Description	FY 2024/2025		FY 2023/2024	
	Kshs.		Kshs.	
Trade payables	-		-	
Retentions	1,184,480.60		-	
Accrued expenses	-		-	
Other payables ( <i>Specify</i> )	-		-	
<b>Total trade and other payables</b>	<b>1,184,480.60</b>		<b>-</b>	
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	-	-	-	-

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1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	-	-	-	-

28. Refundable deposits and prepayments from customers

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Rent deposits	-		-	
Prepayments	-		-	
Others ( <i>specify</i> )	-		-	
<b>Total</b>	-		-	
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	-	-	-	-

29. Provisions

Description	FY 2024/2025	FY 2023/2024
	Kshs.	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>	-	-

30. Borrowings

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

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	-	-

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

Description	FY 2024/2025	FY 2023/2024
	Kshs.	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 2024/2025	FY 2023/2024
	Kshs.	Kshs.
<b>Borrowings</b>		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	-	-

31. 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</b>	-	-	-	-

**32. Deferred Income**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
National/County Government	-	-
International Funding Bodies	-	-
Public Contributions and Donations	-	-
<b>Total Deferred Income</b>	-	-

The deferred income movement is as follows:

Description	County government	International funders/donors	Public contributions and donations	Total
	Kshs	Kshs	Kshs	Kshs
Balance brought forward	-	-	-	-
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>	-

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**33. Social Benefit Liabilities**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
PWD benefit scheme	-	-
Elderly social benefit scheme	-	-
<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 the unemployed or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g. poverty, age, unemployment among others.*

**34. Cash generated from operations**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	<b>34,206,936.90</b>	-
<b>Adjusted for:</b>		-
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
<b>Working Capital adjustments</b>		-
Increase in inventory	-	-
Increase in receivables	(22,500,000.00)	-
Increase in payables	16,558	-
<b>Net cash flow from operating activities</b>	<b>11,723,494.90</b>	-

**35. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the Litein 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 Litein Municipality 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 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfers from related parties'	23,677,879	12,408,572
Transfers to related parties	-	-

**c) Key management remuneration**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Board Members	695,500	-
Key Management Compensation	1,747,821	-
<b>Total</b>	<b>2,443,321</b>	<b>-</b>

**d) Due from related parties**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Due from parent Ministry	-	-
Due from County Government	22,500,000	-
Due from County Assembly	-	-
<b>Total</b>	<b>22,500,000</b>	<b>-</b>

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e) Due to related parties

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
<b>Total</b>	-	-

36. Contingent liabilities

Contingent liabilities	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Court case xxx against the entity	-	-
Bank guarantees	-	-
<b>Total</b>	-	-

(Give details)

37. Contingent Assets

Contingent liabilities	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Court case xxx against the entity	-	-
Others Specify	-	-
<b>Total</b>	-	-

**38. Financial risk management**

The Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Municipality's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The 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 Municipality's financial risk management objectives and policies are detailed below:

**I. Credit risk**

The Municipality has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the 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 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 2025</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2024</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Municipality has recognised in the financial statements is

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considered adequate to cover any potentially irrecoverable amounts. The Municipality has significant concentration of credit risk on amounts due from xxx.

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

**II. Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 Jun 2025</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 Jun 2025</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**III. Market risk**

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

**IV. Foreign currency risk**

The Municipality has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the 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 2025</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
<b>Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Municipality'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>2025</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2024</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 municipality'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.

**VI. Capital risk management.**

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

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital/Development Grants/City/Municipality	-	-
Accumulated surplus	34,206,936.90	-
<b>Total Funds</b>	<b>34,206,936.90</b>	-
Total borrowings	-	-
Less: cash and bank balances	15,624.68	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	<b>34,191,312.22</b>	-

**38. Program for Results (PforR) Disclosure**

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

<b>Name of the PforR: xxxxxxxx</b>	
<b>Financing Partners: xxxxxxxxxxxx</b>	
<b>Purpose of the PforR: xxxxx</b>	
<b>Expenditure Details</b>	<b>Amount in Kshs</b>
Cumulative actual expenditures for the previous years	xxx
Actual expenditure in the current financial year.	
1. Employee Cost	xxx
2. Use of goods and Services	xxx
3. Grants and Subsidies	xxx
4. Building of ECDE facilities	xxx
5. Others (specify)	xxx
<b>Sub-total</b>	<b>xxx</b>
<b>Cumulative Actual Expenditures to date</b>	<b>xxx</b>

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**20. Appendices**

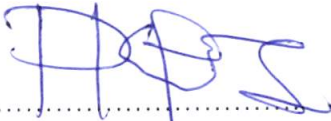
**Appendix 1. Progress on Follow up of Auditors Recommendations.**

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

Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracies in Financial Statements	Noted and Action Taken	Ongoing	
2	Unsupported expenditure	Noted and Action Taken	Ongoing	
3	Misstatement of Board Allowances	The issue has been resolved	Ongoing	
4	Property, plant and equipment	The issue has been resolved	Ongoing	
6	Lack of internal audit review	The issue has been resolved	Ongoing	

*Guidance Notes:*

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



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



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Appendix 2: Inter-Entity Transfers*

CITY/MUNICIPALITY NAME: LITEIN MUNICIPALITY					
Breakdown of Transfers from the County Executive of Kericho County					
	FY 20xx/20xx			Amount (Kshs.)	Indicate the FY to which the amounts relate
a.	Recurrent Grants	Bank Statement Date			
		27.09.2024		3,338,939.50	2024/2025
		10.02.2025		3,338,939.50	2024/2025
	<b>Total</b>			<b>6,677,879</b>	
b.	Development Grants	Bank Statement Date		Amount (Kshs.)	Indicate the FY to which the amounts relate
		08.01.2025		8,500,000	2024/2025
		20.03.2025		8,500,000	2024/2025
				-	
	<b>Total</b>			<b>17,000,000</b>	
c.	Direct Payments	Bank Statement Date		Amount (Kshs.)	Indicate the FY to which the amounts relate
				-	
				-	
	<b>Total</b>			<b>XXX</b>	

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

.....  
  
 .....

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

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**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