

REPUBLIC OF KENYA



*Enhancing Accountability*

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**REPORT**



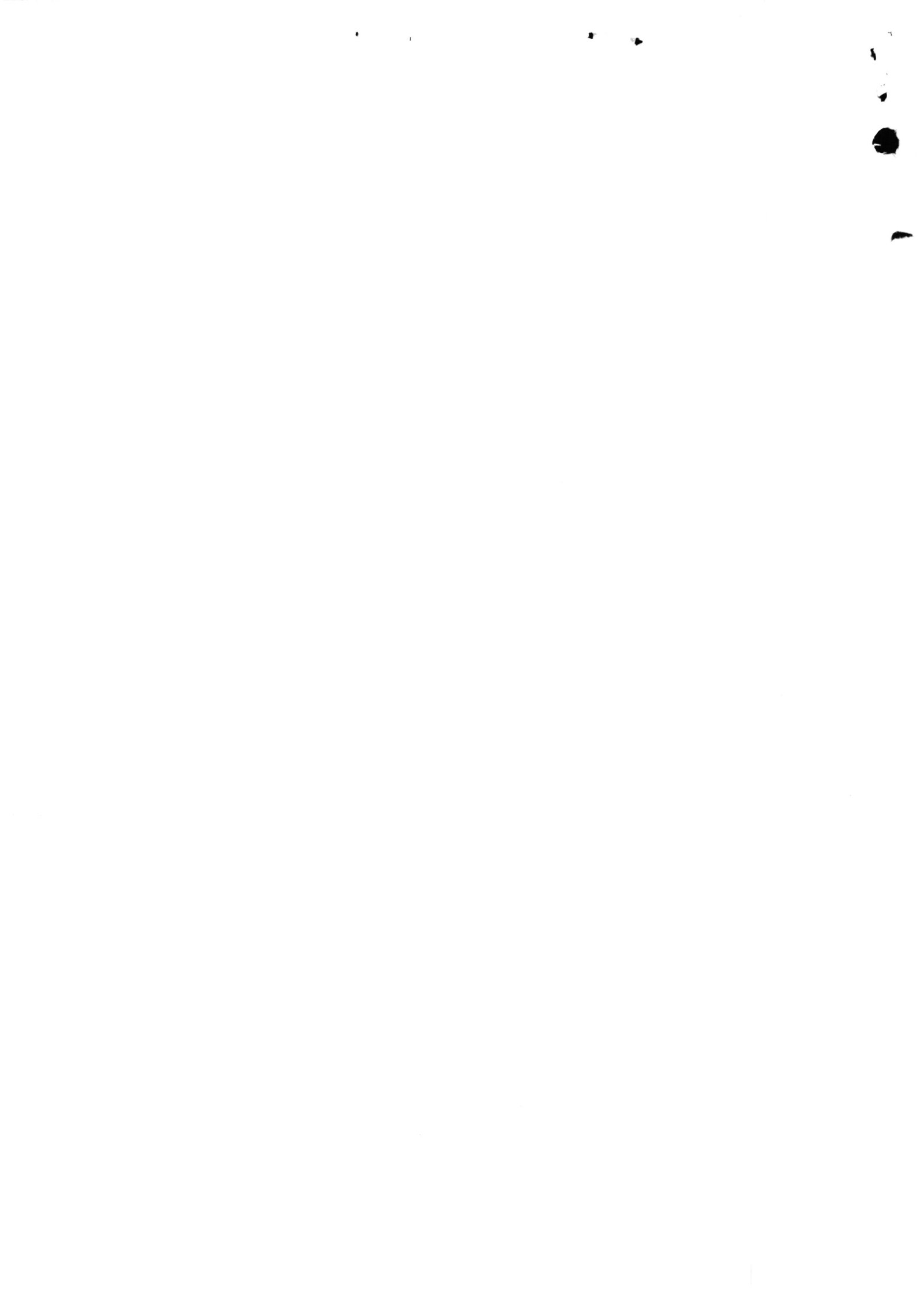
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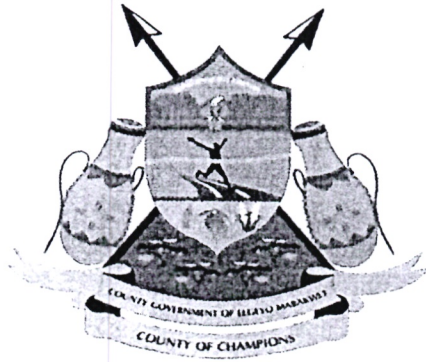
**THE AUDITOR-GENERAL**

**ON**

**ITEN MUNICIPALITY**

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





OFFICE OF THE AUDITOR -GENERAL  
CENTRAL RIFT REGIONAL OFFICE

18 JAN 2023

**RECEIVED**

P. O. Box 2774 - 30100, ELDORET

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# ITEN MUNICIPALITY

*County Government of Elgeyo Marakwet*

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30<sup>TH</sup> JUNE 2021

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

**County Government of Elgeyo Marakwet  
Iten Municipality  
Annual Report and Financial Statements for the year ended June 30, 2021**

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**1. Key Entity Information and Management**

**a) Background information**

Iten Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Municipal Charter that was granted through gazette notice no.13268 dated 28<sup>th</sup> December,2018.The Municipality is under the County Government of *Elgeyo Marakwet* and is domiciled in Kenya.

**b) Principal Activities**

The principal activity of the Municipality is to enhance and transform service delivery and promote infrastructural development within the municipality.

**VISION**

A town of choice for sports, tourism and investment

**MISSION**

To transform the delivery of services by ensuring equitable access, development and excellence at all levels and harness the soci-economic contributions that can create a liveable environment for all residents.

**CORE OBJECTIVES**

Key objects of the Municipality are:

- 1) Promoting and undertaking infrastructural development within the Municipality
- 2) Development and enforcement of municipal plans and development controls
- 3) Transforming and enhancing service delivery within the Municipality

**c) Municipality Board**

Ref	Position	Name
1.	Chairman of the Board	Michael Kures Chesikari
2.	County Executive Committee Member responsible for Cities and Urban areas.	Abraham Kipchirchir Barsosio
3.	Board Member 1	Kenneth K. Kemboi
4.	Board Member 2	Lilian Jepkurgat Chesire
5.	Board Member 3	Robert Kipkosgei Kilimo

**County Government of Elgeyo Marakwet  
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**Annual Report and Financial Statements for the year ended June 30, 2021**

6.	Board Member 4	Joseph Kiprono Maswan
7.	Board Member 5	Rose Jerop
8.	Board Member 6	Kimutai Chemitei
9.	Municipality Manager	Raymond Omonei

**d) Key Management**

<b>Ref</b>	<b>Position</b>	<b>Name</b>
1	Municipality Manager	Raymond Omonei
2	John Keen Murkeu	Director Accounting services
3	Josphat Kerich	Town administrator
4	Hillary Chelal	Accountant

**County Government of Elgeyo Marakwet  
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**e) Fiduciary Oversight Arrangements**

The key fiduciary oversight arrangements of the Municipal include:

- i) The county internal audit department responsible for ensuring appropriate internal controls are adhered to and proper recording of all books of accounts.
- ii) County assembly committee in charge of urban areas provide oversight role.
- iii) Audit and finance of the municipal board also perform the role of oversight.

**f) Registered Offices**

P.O. Box 220,30700  
Municipal Building  
Kapsowar Road  
Iten, KENYA

**g) Contacts**

Telephone: (+254) 0721802399

E-mail: [iten.municipality@gmail.com](mailto:iten.municipality@gmail.com)

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

**h) Bankers**

Central bank of Kenya;

- 1) **Account name:**Elgeyo Marakwet county ke urb ins p(kes)

**Account no.**1000413905

- 2) **Account name:**Iten municipality urban dev grant(kes)

**Account no.**1000372238

Kenya commercial bank;

1. **Account name:**EMC KUSP UIG FUND ACCT

**Account no.** 1260823156

**i) Independent Auditor**

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**j) Principal Legal Adviser**

The Attorney General

State Law Office





Harambee Avenue

P.O. Box 40112




City Square 00200

Nairobi, Kenya

2. Municipality Board

Name	Details of qualifications and experience
<p>1. Michael Kures Chesikari</p> 	<p><i>Age: 50 Years</i></p> <p><b>Academic qualification:</b> Bachelor of education  <b>Work experience:</b> 20 years working as a senior lecturer at Eldoret polytechnic                      (Independent)</p>
<p>2. Kenneth K. Kemboi</p> 	<p><i>Age: 44 Years</i></p> <p><b>Academic qualification:</b> Bachelor of science in sociology  <b>Work experience:</b> 14 Years work experience as programme officer - World vision kenya                      (Independent)</p>
<p>3. Lilian Jepkurgat Chesire</p> 	<p><i>Age: 46 Years Age</i></p> <p><b>Academic qualification:</b> Bachelor of commerce  <b>Work experience:</b> Business lady                      (Independent)</p>
<p>4. Robert Kipkosgei Kilimo</p> 	<p><i>Age: 51 Years</i></p> <p><b>Academic qualification:</b> Bachelor of science in Surveying  <b>Work experience:</b> 20 Years working as surveyor in the ministry of roads and energy                      (Independent)</p>

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<p>5. Joseph Kiprono Maswan</p> 	<p><b>Age:</b>60 Years <b>Academic qualification:</b> Bachelor of architecture <b>Work experience:</b>29 Years working with Telcom Kenya as architect (Independent)</p>
<p>6. Kimutai Chemitei</p> 	<p><b>Age:</b>32 Years <b>Academic qualification:</b>Degree in business admistration <b>Work experience:</b>Steering committee member open government partnerships since 2016 (Independent)</p>
<p>7. Rose Jerop</p> 	<p><b>Age:</b>57 years <b>Academic qualification:</b>Diploma in county governance <b>Work experience:</b>Former MCA Kapchemutwa ward 2013-2017 (Independent)</p>

**County Government of Elgeyo Marakwet  
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**3. Management Team**

<b>Name</b>	<b>Details of qualifications and experience</b>
1. Raymond Omonei	<b>Date of birth:</b> 17-01-1976 <b>Academic qualification:</b> Bachelor of Education <b>Work experience:</b> 11 years teaching,deputy headteacher for three years and ward admistrator For five years.
2. Johnkeen Murkeu	<b>Date of birth:</b> 12-02-1969 <b>Academic qualification:</b> MBA-Finance,CPA(K) <b>Work experience:</b> 30years in public service
3. Josphat Kerich	<b>Date of birth:</b> 29-06-1980 <b>Academic qualification:</b> Postgratuate diploma in procurement,Bachelor of education arts <b>Work experience:</b> 9 years in public service
4. Hillary Chelal	<b>Date of birth:</b> 12-10-1977 <b>Academic qualification:</b> BBM (Accounting),CPA(K) <b>Work experience:</b> 15 years in public service

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

##### **Foreword:-**

On 27<sup>th</sup> august, 2010, Kenya promulgated a new constitution. The constitution introduced a new system of governance. This was the devolved system of governance. Here sovereignty is assigned to National Governments and County Governments respectively.

The two levels of government conduct their affairs as stipulated in the fourth schedule of the constitution 2010.

In furtherance of the principles of giving powers of self-governance to the people and recognizing the rights of communities to manage their own affairs. The County Government of E.M.C has decentralized her functions and provision of services to wards and urban areas.

Iten Municipality is the headquarters of the Elgeyo Marakwet County and it's headed by a Municipality Board as stipulated in the Urban Areas & Cities Act 2011.

As a Municipality we are committed to Achieving our own vision of "A TOWN OF CHOICE FOR SPORTS, TOURISM AND INVESTMENT".

##### **SUCCESS MADE IN ITEN MUNICIPALITY.**

On being sworn into office on March 2019, we did organized and planned for the municipality and developed an Integrated Development Plan for Iten Municipality

With the help of SUED we did also development an Economic Investment Guide for Municipality with aim of attracting Investors into the municipality.

As a Municipality Board, with the support of the World Bank KUSP we have managed to roll out the following projects:

- i. Cabro works for car parks
- ii. Construction of 4km to bitumen standards of streets within the CBD.
- iii. Construction of green park
- iv. Construction of drainages
- v. Construction of footpaths
- vi. Building of fire station and disaster centre
- vii. Purchase of garbage collection truck (compactor).

##### **MUNICIPALITY BOARD'S PERFORMANCE**

Iten municipality board members meet quarterly and our management, coordination and supervision of services and projects is satisfactory.

##### **CHALLENGES**

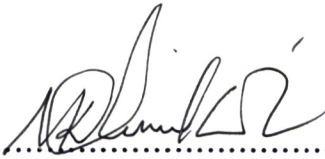
The municipality is not yet autonomous. Majority of her chartered functions are still being controlled from the executive departments.

##### **CHANGES IN MUNICIPALITY BOARD DURING THE YEAR:**

There was no change in municipality board membership in the financial year 2020/2021.

**FUTURE OUTLOOK OF ITEN MUNICIPALITY**

Iten municipality subscribes to the vision 2030 development strategy. Thus need to put in place plans and policies that shall accelerate sustainable socio-economic growth, reduce inequality and manage resource scarcity.



.....  
**Name:** Michael Kures Chesikari  
**Chairperson of the Board**

**5. Report of the Municipality Manager**

Iten as an urban area was granted a Municipality status on 28th December 2018, Iten was granted the Municipal status because it is a County headquarters as per the amendment of the Urban Areas and Cities Act 2011. Iten was awarded a World Heritage Centre for athletics awarded in May 2019.. The Municipality adopted the boundaries of defunct Iten-Tambach Town Council. The Municipality has 10 Board Members; Cec, Co, Manager, 3 Men, 2 Women, One Youth, One PWD.

Iten municipality has received development funds(UDG) from KUSP for the last two years amounting to **kshs 154,032,046** and recurrent funds(UIG) amounting to **kshs 50,000,000**.

UIG funds utilised in capacity building,office operationalization,public participation and renovation of municipal offices

The UDG funds has been utilised in the following eligible projects:

s/no	Name of contractor	Activity	Budget Execution				Comments
			Budget (Kshs)	Contract Amount (Kshs)	Expenditure to date (Kshs)	Budget execution (%)	
1.	Patrego invest.Ltd	Construction of Parking lots and Cabros	20,000,000	19,577,720	19,577,720	97.9%	complete
2.	Hardcore bulders Ltd	Improvement of Roads in Iten to Municipality to Bitumen Standards.	40,000,000	39,979,122	39,979,121	99.9%	complete
3.	Lydro construction Ltd	Recreation Park and Greenery of Urban Spaces	19,402,100	18,743,277	18,743,277	96.6%	complete
4.	Environ Kenya Ltd	Pre- Feasibility, Feasibility and Appraisal Studies	10,400,000	3,970,000	3,970,000	38.17%	complete
5.	Oilken Ltd	-Construction of and walkways -Establishment of fire station -Supply of Garbage truck ,bins and skips	93,298,101	84,924,410	61,249,350	65.6%	ongoing

## County Government of Elgeyo Marakwet

### Iten Municipality

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

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Most of the above projects are fully functional and benefiting the community and therefore there is value for money.

Main challenges are;

1. Delay in disbursement of funds and failure by the county government to allocate funds to the municipal.
2. Adverse weather conditions thus hindering timely implementation of our projects
3. Public encroachment to public land and road reserve

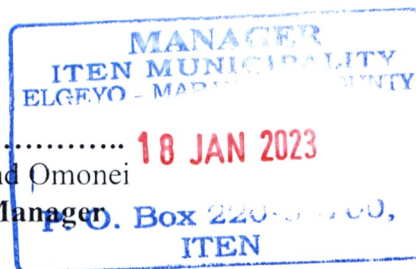
#### The Key Risk Management Strategies are as follows:-

- **Operational Risk** –This is where the Functions have not been transferred to Municipality. The municipality has few staff and works with the seconded staff which hinder its functionality. The Municipality board members are working for the municipality to be autonomous and deliver its mandate as per Urban Areas and Cities Act, 2011.
- **Compliance and Regulatory Risk**-Resource allocation to the municipality is minimal and still controlled by the executive thus making it hard to discharge its mandate as required by the regulatory bodies such as National Environment Management Authority on waste management regulation 2006. The Municipality intends to be compliant on waste management.



Name: Raymond Omonei

Municipality Manager



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

**Introduction**

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

- a) Provide quality physical infrastructure within Iten municipality.
- b) Support Urban planning
- c) Urban institutions are established and operational
- d) Promote provision of quality and efficient

Below we provide the progress on attaining the stated objectives:

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Roads and drainages	To improve transport system within the municipality	Improved accessibility within the municipality	Kilo meters of roads Tarmacked and drainage improved within the municipality	We have in F/Y 2018/19 tarmacked 2 KMs of roads and Improved drainage of 2KMs in F/Y 2019/20
Public parks and green urban space rehabilitation	To develop social facilities within the municipal	Availability of social facilities within the municipal	Number of public parks and green spaces constructed and rehabilitated	One green space rehabilitated in F/Y 2018/19

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Disaster management centre	To improve disaster preparedness, response and mitigation measures	Effective and efficient delivery emergency services	Number of disaster centres constructed.	One disaster centre construction within the municipality ongoing
Non motorised transport facility(parking)	To improve transport system within the municipality	Improved accessibility	Number of parking lots constructed	Over two hundred parking lots constructed in F/Y 2018/19
Non-motorised transport facility(walkways)	To improve transport system within the municipality	Reduced congestion	Number of kilometres of walkways	2.1 kilometers of walkway constructed

## 7. Corporate Governance Statement

### a) Process of appointment and removal of board members

In appointing member of the municipality, the County Executive Committee shall ensure gender equity, representation of persons with disability, youth and marginalized groups. The removal of a board member of the Municipality shall cease to hold office if the member:-

- Is unable to perform the functions by reasons of mental or physical infirmity.
- Is declared or becomes bankrupt or insolvent.
- Is convicted of criminal offence and sentenced to a term of imprisonment of six months or more.
- Engages in any gross misconduct
- Fails to declare his/her interest in any matter being considered or to be considered by the board or board committee.
- Is disqualified from holding a public office under the Constitution.
- Is found guilty of professional misconduct by a professional body.
- Without reasonable cause, the member is absent from three consecutive meetings of the board or committee of the board of the municipality within one financial year.
- Resigns in writing to the County Governor.

### b) Roles and functions of the Municipality Board members are as follows:-

- a. Oversee the affairs of the Municipality.
- b. Develop or adopt policies, plans, strategies and programmes and set targets for service delivery.
- c. Formulate and implement an integrated development plan.
- d. Control land, land sub-division, land development and zoning by public and private sectors for any purpose.

### c) **Induction and training Municipality board members was undertaken**-The municipal undertook induction and training of its board members in order to acquaint them of there functions and responsibilities.

### d) This financial year the Board were able to have three quarterly sittings and one special meeting. In all these meetings, quorum was attained.

**County Government of Elgeyo Marakwet**

**Iten Municipality**

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

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- e) Currently the municipality has no documented succession plan.
- f) As a Municipality there is existence of a service charter.
- g) Board members should always, express their interest in any matter being considered or to be considered by the board or board committee.

## 8. Management Discussion and Analysis

Iten municipality has received funding from world bank under the Kenya urban support program(KUSP) amounting to **Kshs229,604,200**.The amount received under urban development grant(UDG) and urban institutional grant(UIG) amounted to **Kshs 179,604,200** and **Kshs50,000,000** respectively.

Projects undertaken in the financial year 2018/19 under UDG include construction of parking lots and cabro, improvement of urban roads in Iten municipality to bitumen standards and construction of recreational park greenery of urban space.These projects are complete and operational.

In the financial year 2019/2020 the municipality utilised UDG to undertake construction of disaster management centre(fire station),construction of storm water drainage system along 2KM tarmac,construction of walkways and supply and delivery of compactor truck,skip loaders and litter pins.Impementation of these projects is ongoing.

The Municipality utilised urban institutional grants (UIG) mainly on capacity building, office operationalization,renovation of municipal offices and public participation meetings within the municipal.

## **9. Environmental and Sustainability Reporting**

Iten 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 the following key 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 Municipality intends to lobby for more funds from government agencies, donors and income from its revenue sources. It also seeks to adhere to all laws and international practices.

### **2. Environmental performance**

The Municipality endeavours to ensure environmental conservation and to this end it will adopt the recently gazetted Elgeyo Marakwet sustainable forestry and tree ground Bill 2020, the Municipality has also adopted a waste management policy to reduce environmental pollution, we are currently installing litter bins, skip containers and intend to purchase a waste compactor truck, however we have a disadvantage of limited resources.

### **3. Employee welfare**

The Municipality endeavours to adhere all related laws in the recruitment process including the gender rule. It will also advocate for the same to its partners and contractors. The organization also discloses safety and compliance with occupational safety and Health act of 2007 (OSHA)

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

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

The municipality has trained some of the staff in fair administrative justice and ethical/corruption prevention measures by EACC staff, the organization is fair in its dealings regarding competitors.

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

The municipality adheres to all procurement and disposal act 2015 laws, and ensures the supplier are paid as per the contract agreement.

**c) Responsible marketing and advertisement**

The organization ensures that all its advertisement is done using the right channels and within the law.

**d) Product stewardship**

The municipality will ensure that consumer rights and interests are always safeguarded.

**5. Community Engagements**

- The organization has scheduled periodic clean-up within the municipality and also we give tree seedlings to various groups and other public institutions.
- It also gave face masks during the covid-19 pandemic.
- It also provided water and hand washing equipment to its residents during the covid-19 pandemic.
- The staff were also trained on Monitoring and Evaluation(M&E)

## **10. Report of the Municipality Board**

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

### **Principal activities**

The principal activities of the Municipality are to enhance service delivery and improve infrastructural development within the municipality.

### **Performance**

The performance of the Municipality for the year ended June 30, 2022 are set out on pages 1 and

### **Board Members**

The members of the Board who served during the year are shown on pages vii and viii . There was no changes in board membership during the year.

### **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: Raymond Omonei

Secretary of the Board



## 11. Statement of Management's Responsibilities

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

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

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

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

**County Government of Elgeyo Marakwet**  
**Iten Municipality**  
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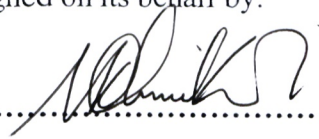
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assessed the Municipality's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the Municipality 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 Municipal financial statements were approved by the Board on 16<sup>th</sup> September, 2022 and signed on its behalf by:

  
.....

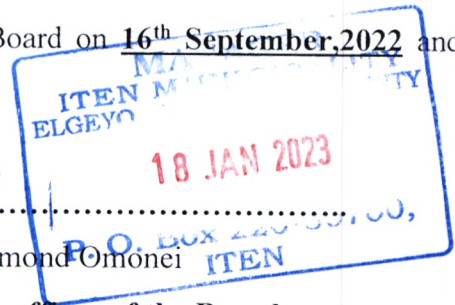
**Name:** Michael Kures Chesikari

**Chairperson of the Board**

  
.....

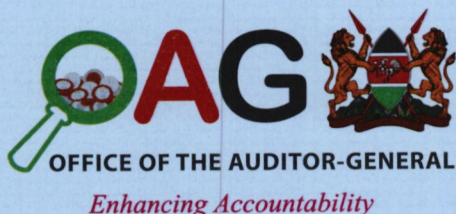
**Name:** Raymond Omonei

**Accounting officer of the Board**



# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

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

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Iten Municipality set out on pages 1 to 43, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Iten Municipality as at 30 June, 2021, and 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**

#### **Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.116,676,540 as disclosed in Note 22 to the financial statements. Included in this balance is other assets (civil works) balance of Kshs.66,590,914.

However, as previously reported, examination of the supporting documents provided and physical verification of the project in the month of December, 2022 revealed that, the ablution block had been vandalized, all the toilet doors, wash basins and sinks were not in place. In addition, the curio shops were not in use three years after the completion of the project, and the recreational park is not being used by the public due to stench emanating from waste disposal in the adjacent land.

In the circumstances, the valuation and completeness of other assets (civil works) of Kshs.66,590,914 could not be confirmed.

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

#### **Key Audit Matters**

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

#### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects actual revenue of Kshs.25,572,154 against the actual expenditure of Kshs.8,433,362 resulting to under-expenditure of Kshs.17,138,792 or a 67% of the actual revenue.

The under-expenditure affected the planned activities and might have impacted negatively on service delivery to the public.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

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

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

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

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

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

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

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

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

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


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

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

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

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

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

  
CPA Nancy Gatundu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**24 April, 2023**

County Government of Elgeyo Marakwet  
Iten Municipality  
Annual Report and Financial Statements for the year ended June 30, 2021

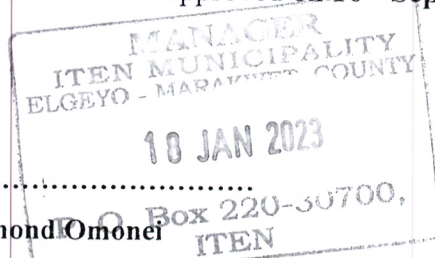
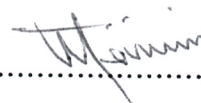
13. Statement of Financial Performance for The Year Ended 30 June 2021.

	Notes	2020/21	2019/20
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	-	-
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues-World bank grants(KUSP)	9	25,572,154	204,032,046
		<b>25,572,154</b>	<b>204,032,046</b>
<b>Revenue from exchange transactions</b>			
Interest income	10	-	-
Other Income	11	-	-
<b>Total revenue</b>		<b>25,572,154</b>	<b>204,032,046</b>
<b>Expenditure</b>			
Use of goods and services	12	18,731,252	43,211,475
Staff costs	13	-	-
Board expenses	14	-	-
Finance costs	15	-	-
<b>Total expenses</b>		<b>18,731,252</b>	<b>43,211,475</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	16	-	-
<b>Surplus for the period</b>		<b>6,840,902</b>	<b>160,820,571</b>

The notes set out on pages 1 to 6 form an integral part of these Financial Statements. The entity financial statements were approved on 16<sup>th</sup> September, 2022 and signed by:



Name: Raymond Omonel  
Municipality Manager

Name: Johnkeen Murkeu Jairo  
Head of Finance  
ICPAK M/No 8112

14. Statement of Financial Position As At 30 June 2021

	Note	2020/21 Kshs.	2019/20 Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	50,984,933	81,401,619
Receivables from exchange transactions	18	-	-
Receivables from Non- exchange transactions	19	-	-
Prepayments	20	-	-
Inventories	21	-	-
<b>Non-current assets</b>			
Property, plant, and equipment	22	116,676,540	79,418,952
Intangible assets	23	-	-
<b>Total Non-current Assets</b>		<b>116,676,540</b>	<b>79,418,952</b>
<b>Total assets</b>		<b>167,661,473</b>	<b>160,820,571</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	24	-	-
Provisions	25	-	-
Borrowings	26	-	-
Employee benefit obligations	27	-	-
		-	-
<b>Non-current liabilities</b>			
Provisions	25	-	-
Borrowings	26	-	-
Non-current employee benefit obligation	27	-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>167,661,473</b>	<b>160,820,571</b>
<b>Capital/Development Grants/Fund</b>		<b>-</b>	<b>-</b>
Reserves		-	-
Accumulated surplus		167,661,473	160,820,571
<b>Total net assets and liabilities</b>		<b>167,661,473</b>	<b>160,820,571</b>

**County Government of Elgeyo Marakwet  
Iten Municipality  
Annual Report and Financial Statements for the year ended June 30, 2021**

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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 **16<sup>th</sup> September 2022** and signed by:



.....  
Name: Raymond Omonoi  
City/Municipality Manager  
Date:



.....  
Name: John Keen Murkeu Jairo  
Head of Finance  
ICPAK M/No 8112  
Date:

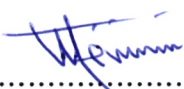
**15. Statement of Changes In Net Assets As At 30 June 2021**

	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
<b>Balance as at 1 July 2019</b>	-	-	-	-
Surplus/(deficit) for the period		-	160,820,571	160,820,571
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2020</b>	-	-	160,820,571	160,820,571
<b>Balance as at 1 July 2020</b>	-	-	160,820,571	160,820,571
Surplus/(deficit) for the period		-	6,840,902	6,840,902
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2021</b>	-	-	167,661,473	167,661,473



**MANAGER**  
**ITEN MUNICIPALITY**  
**ELGEYO - MARAKWET COUNTY**  
**18 JAN 2023**  
**P. O. Box 220-30700,**  
**ITEN**

Name: Raymond Omonoi  
Municipality Manager



Name: John Keen Murkeu Jairo  
Head of Finance  
ICPAK M/No.8112

*Iten Municipality*  
*County Government of Elgeyo marakwet*  
*Annual Report and Financial Statements for the year ended June 30, 2021*

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

	Note	2020/21 Kshs.	2019/20 Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		-	-
Public contributions and donations		-	-
Interest received		-	-
<i>Other receipts -world bank grants(UDG)</i>		<b>25,572,154</b>	<b>204,032,046</b>
<b>Total Receipts</b>		<b>25,572,154</b>	<b>204,032,046</b>
<b>Payments</b>			
Use of goods and services		8,499,309	35,547,581
Staff costs		-	-
Board expenses		-	-
Finance costs		-	-
<b>Total Payments</b>		<b>(8,499,309)</b>	<b>35,547,581</b>
<b>Net cash flows from operating activities</b>	28	<b>17,072,845</b>	<b>168,484,465</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets		(47,489,531)	(87,082,846)
Proceeds from sale of PPE		-	-
<b>Net cash flows used in investing activities</b>		<b>(30,416,686)</b>	<b>81,401,619</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 cash &amp; cash equivalents</b>		<b>(30,416,686)</b>	<b>81,401,619</b>
Cash And Cash Equivalents At 1 July	17	<b>81,401,619</b>	-
<b>Cash And Cash Equivalents At 30 June</b>	17	<b>50,984,933</b>	<b>81,401,619</b>



Name: Raymond Omondi

City/Municipality Manager



Name: Johnkeen Murkeu Jairo

Head of Finance

ICPAK M/No: 8112

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

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	c=(a+b)	d	e=(c-d)	f=d/c
<b>Revenue</b>		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Other income-World bank(UDG)	89,802,100	-	89,802,100	25,572,154	64,229,946	28%
<b>Total Revenue</b>	<b>89,802,100</b>	<b>-</b>	<b>89,802,100</b>	<b>25,572,154</b>		<b>-</b>
<b>Expenses</b>						
Use of goods and services	8,800,000	-	8,800,000	8,433,362	366,638	90%
Board expenses	-	-	-	-	-	-
Staff Costs	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>8,800,000</b>	<b>-</b>	<b>8,800,000</b>	<b>8,433,362</b>	<b>366,638</b>	
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,138,792</b>	<b>-</b>	
<b>Capital Expenditure</b>	<b>93,293,101</b>	<b>-</b>	<b>93,293,101</b>	<b>47,489,531</b>	<b>45,803,570</b>	<b>50%</b>

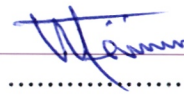
Iten Municipality

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



Name: Raymond Omonoi  
Municipality Manager

Date:



Name: Johnkeen Murkeu Jairo  
Head of Finance

ICPAK M/No: 8112

Date: 18/1/23

## **18. Notes to the Financial Statements**

### **1. General Information**

Iten Municipality is established by and derives its authority and accountability from urban areas and cities Act. The Municipality is under Elgeyo Marakwet County Government and is domiciled in Kenya.

The entity's principal activity is to enhance service delivery and promote development of basic infrastructure within the municipality.

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

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

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

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

*(Notes to financial statements continued)*

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

***i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022***

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 2022.*

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> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> </ul>

	(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><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></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>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully</p>

	<p>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 cash flows 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><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2021/2022

*(Notes to financial statements continued)*

#### **4. Significant Accounting Policies**

##### **a) Revenue recognition**

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

##### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (*cash, goods, services and property*) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Municipality and can be measured reliably.

##### **ii) Revenue from exchange transactions**

##### ***Interest income***

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

##### **b) Budget information**

The original budget for FY 2021/22 was approved by the County Assembly on **9<sup>th</sup> June, 2021**. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. There were no additional appropriations 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

*(Significant accounting policies continued)*

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

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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.

Depreciation of property plant have been computed on straight line basis. The annual rates applied per class of asset are:

Furniture	12.5% (8 years)
Computers and printers	33.3% (3 years)
Building	2,5% (40 years)
Civil works	10% (10 years)

A full year depreciation is recognised in the year of asset purchase but not in the year of asset disposal.

**d) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated

amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

*(Significant accounting policies continued)*

**e) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

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

**Loans and receivables**

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

**Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the 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.

*(Significant accounting policies continued)*

Evidence of impairment may include the following indicators:

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

**Financial liabilities**

**Initial recognition and measurement**

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

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

**Loans and borrowing**

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

**f) Inventories**

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

Raw materials: purchase cost using the weighted average cost method

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

*(Significant accounting policies continued)*

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

*(Significant accounting policies continued)*

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

**j) Nature and purpose of reserves**

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

**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.

**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.

(Notes to the Financial Statements)

6. Transfers from the County Government

Description	2020/21	2019/20
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	-	-
Payments by County on behalf of the entity	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

7. Public Contributions and Donations

Description	2020/21	2019/20
	Kshs.	Kshs.
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

8. Levies, Fines and penalties

Description	2020/21	2019/20
	Kshs.	Kshs.
Levies	-	-
Fines	-	-
Penalties	-	-
Others ( <i>indicate and specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

9. Other Revenues from Non-Exchange Transactions

Description	2020/21	2019/20
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others ( <i>KUSP</i> )-UDG	25,572,154	154,032,046
( <i>KUSP</i> )-UIG	-	50,000,000
<b>Total</b>	<b>25,572,154</b>	<b>204,032,046</b>



(Notes To the Financial Statements (Continued))

10. Interest income

Description	2021/22	2020/21
	Kshs.	Kshs.
Interest income from investments	-	-
Interest income on bank deposits	-	-
Others ( <i>Specify</i> )	-	-
<b>Total interest income</b>	-	-

11. Other income

Description	2021/22	2020/21
	Kshs.	Kshs.
Income from sale of tender documents	-	-
Others ( <i>specify</i> )	-	-
<b>Total other income</b>	-	-

12. Use of Goods and Services

Description	2020/21	2019/20
	Kshs.	Kshs.
Utilities, supplies and services	-	-
Communication, supplies and services	2,580,000	2,604,705
Domestic travel and subsistence	1,333,362	15,318,825
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	1,400,000	3,000,000
Rent and rates	-	-
Training expenses	3,000,000	6,866,890
Hospitality supplies and services	-	4,000,000
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	120,000	3,900,000
Fuel, oil and lubricants	-	-
Other operating expenses ( <i>Specify</i> )	-	-
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	-	-
Audit fees	-	-

Description	2020/21	2019/20
	Kshs.	Kshs.
Hire of Transport, equipment etc	-	
Bank Charges	-	
Depreciation and amortisation	10,231,943	7,663,894
<b>Total</b>	<b>18,731,252</b>	<b>43,211,475</b>

### 13. Staff costs

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

### 14. Board expenses

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

### 15. Finance costs

Description	2021/22	2020/21
	Kshs.	Kshs.
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

(Notes To the Financial Statements Continued)

16. Gain/(loss) on disposal of assets

Description	2021/22	2020/21
	Kshs.	Kshs.
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	-	-

17. Cash and cash equivalents

Description	2020/21	2019/20
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others (Special purpose account)	50,984,933	81,401,619
<b>Total cash and cash equivalents</b>	<b>50,984,933</b>	<b>81,401,619</b>

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

Financial institution	Account number	2020/21	2019/20
		Kshs.	Kshs.
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>d) Others(special purpose account)</b>			
Central bank of Kenya	1000372238	50,208,569	71,762,498
Central bank of Kenya	1000413905	699,470	9,496,282
Kenya commercial bank(UIG)	1260823156	76,894	142,839
<b>Sub- total</b>		<b>50,984,933</b>	<b>81,401,619</b>
<b>Grand total</b>		<b>50,984,933</b>	<b>81,401,619</b>

### 18. Receivables from exchange transactions

Description	2021/22	2020/21
	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	-	-
<b>Total Non- current receivables (b)</b>	-	-
<b>Total receivables from exchange transactions</b>	-	-

### 19. Receivables from Non-Exchange transaction

Description	2021/22	2020/21
	Kshs.	Kshs.
Transfer from County Executive	-	-
Transfer from -Fund	-	-
<b>Total receivables from non-exchange transactions</b>	-	-

### 20. Prepayments

Description	2021/22	2020/21
	Kshs.	Kshs.
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments( <i>specify</i> )	-	-
<b>Total</b>	-	-

(Notes To The Financial Statements Continued)}

21. Inventories

Description	2021/22	2020/21
	Kshs.	Kshs.
Stationery	-	-
Consumables	-	-
Other inventories( <i>specify</i> )	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-

(Notes to the Financial Statements Continued)

22. Property, Plant and Equipment

	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (Civil works)	Capital Work in progress	Total
Description	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>As at 1 July 2019</b>	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2020</b>	-	19,743,046	-	3,296,500	1,516,820	62,526,480	-	87,082,846
Additions	-	29,078,720	-	-	-	18,410,811	-	47,489,531
Disposals	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2021</b>	-	48,821,766	-	3,296,500	1,516,820	80,937,291	-	134,572,377
<b>Depreciation and impairment</b>								
<b>At 1 July 2019</b>		-	-	-	-	-	-	-
Depreciation		493,576	-	412,063	505,607	6,252,648		7,663,894
Impairment		-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-

	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (Civil works)	Capital Work in progress	Total
Description	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 30 June 2020		493,576	-	412,063	505,607	6,252,648		7,663,894
Depreciation		1,220,544	-	412,063	505,607	8,093,729		10,231,943
Disposals		-	-	-	-	-	-	-
Impairment		-	-	-	-	-	-	-
Transfer/adjustment	-		-	-	-	-	-	-
As at 30 <sup>th</sup> June 2021	-	1,714,120	-	824,126	1,011,214	14,346,377	-	17,895,837
NBV as at 30 <sup>th</sup> June 2020	-	19,249,470	-	2,884,437	1,011,213	56,273,832	-	79,418,952
NBV as at 30 <sup>th</sup> June 2021		47,107,646		2,472,373	505,607	66,590,914		116,676,540

(Notes to The Financial Statements Continued)

23. Intangible assets

Description	2021/22	2020/21
	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	-	-

24. Trade and other payables from exchange transactions

Description	2020/21	2019/20
	Kshs.	Kshs.
Trade payables	-	-
Refundable deposits (Retentions, court bonds etc)	-	-
Accrued expenses	-	-
Other payables ( <i>Specify</i> )	-	-
<b>Total trade and other payables</b>	-	-

25. Provisions

Description	2020/21	2019/20
	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>	-	-

*(Notes To The Financial Statements Continued)*

**26. Borrowings**

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

<b>Description</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>Kshs.</b>	<b>Kshs.</b>
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

<b>Description</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<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>	<b>-</b>	<b>-</b>

The table below shows the Distribution of borrowings:

	<b>2020/21</b>	<b>2019/20</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<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>	<b>-</b>	<b>-</b>

*(Notes To The Financial Statements Continued)*

**27. Employee benefit obligations**

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

**28. Cash generated from operations**

	<b>2020/21</b>	<b>2019/20</b>
	<b>Kshs.</b>	<b>Kshs.</b>
<b>Surplus/ (deficit) for the year before tax</b>	<b>6,840,902</b>	<b>168,820,571</b>
<b>Adjusted for:</b>		
Depreciation	10,231,943	7,663,894
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	<b>17,072,845</b>	<b>168,484,465</b>

**Other Disclosures**

**29. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the 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 Municipality/scheme is related to the following entities:

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

**b) Related party transactions**

	2021/22	2020/21
	Kshs.	Kshs.
Transfers from related parties'	-	-
Transfers to related parties	-	-

**c) Key management remuneration**

	2021/22	2020/21
	Kshs.	Kshs.
Board of Board Members	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

	2021/22	2020/21
	Kshs.	Kshs.
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
<b>Total</b>	-	-

*(Other Disclosures continued)*

**e) Due to related parties**

	2021/22	2020/21
	Kshs.	Kshs.
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
<b>Total</b>	-	-

**30. Contingent liabilities**

<b>Contingent liabilities</b>	2021/22	2020/21
	Kshs.	Kshs.
Court case against the entity	-	-
Bank guarantees	-	-
<b>Total</b>	-	-

*(Give details)*

**31. Contingent Assets**

<b>Contingent liabilities</b>	2021/22	2020/21
	Kshs.	Kshs.
Court case against the entity	-	-
Others Specify	-	-
<b>Total</b>	-	-

**32. 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 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:

*(Other Disclosures Continued)*

**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 assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the 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:

	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June 2022</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2021</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

*(Other Disclosures Continued)*

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

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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 June 2022</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2021</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

*(Other Disclosures continued)*

### **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:

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

### **Foreign currency sensitivity analysis**

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

	<b>Change in currency rate</b>	<b>Effect on surplus/ deficit</b>	<b>Effect on equity</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>20xx</b>			
Euro	10%	-	-
USD	10%	-	-
<b>20xx-1</b>			
Euro	10%	-	-
USD	10%	-	-

### **V. Interest rate risk**

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

### **Management of interest rate risk**

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

*(Other Disclosures continued)*

**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's:

	2020/21	2019/20
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital/Development Grants/City/Municipality	-	-
Accumulated surplus	185,480,416	168,341,626
<b>Total Funds</b>	<b>185,480,416</b>	<b>168,341,626</b>
Total borrowings	-	-
Less: cash and bank balances	50,908,039	<b>81,258,780</b>
Net debt/(excess cash and cash equivalents)	(50,908,039)	<b>(81,258,780)</b>
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

**19. Annexes**

**Annex 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)
3.3				
3.0				

  
 .....  
 Raymond Omenei  
 Municipal manager



Annex 2: Inter Entity Transfers

CITY/MUNICIPALITY NAME:				
Breakdown of Transfers from the County Executive of Elgeyo marakwet County				
FY 2021/2022				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		<b>Total</b>	-	



Raymond Omonoi  
Municipal Manager

**MANAGER**  
**ITEN MUNICIPALITY**  
**ELGEYO - MARAKWET COUNTY**

**18 JAN 2023**

**P. O. Box 220-30700,**  
**ITEN**



Johnkeen Murkeu Jairo  
Head of accounts

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

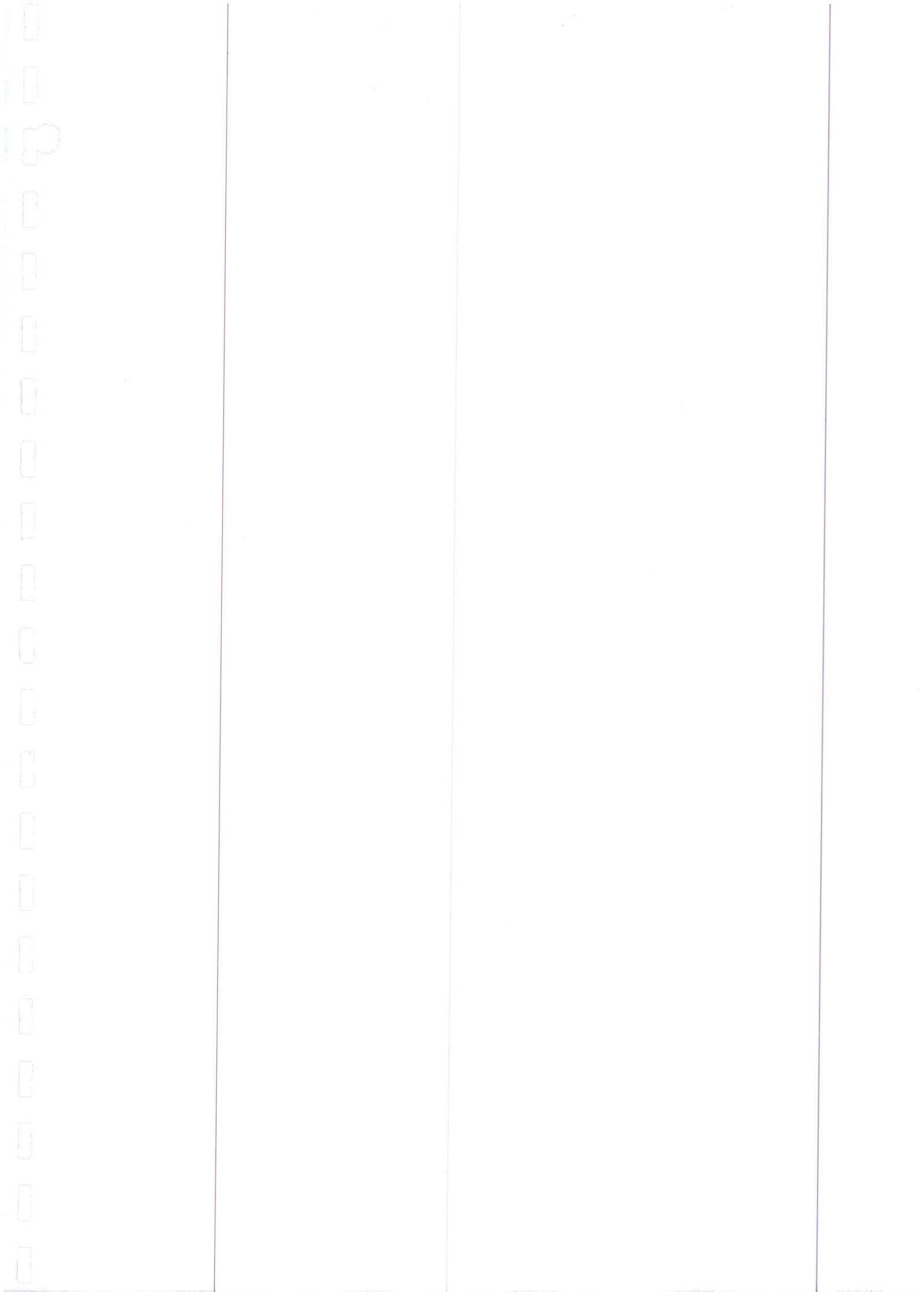
Name of the Organization: Iten municipality  
 Telephone Number: (+254) 0721802399  
 Email Address: municipality@gmail.go.ke  
 Name of CEO/MD/Head: Raymond Omonei

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

**Annex 4: Disaster Expenditure Reporting Template**

Entity: Iten Municipality

Period to which this report refers (FY)	Year: 2021/2022			Quarter:		
Name of Reporting Officer	Raymond Omonei					
Contact details of the reporting officer	Email: iten.municipality@gmail.co.ke			Telephone: (+254) 0721802399		
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
				NIL	NIL	No expenditure on disaster



Handwritten notes in blue and red ink, possibly a list or a set of instructions, located in the upper left quadrant of the page.

