

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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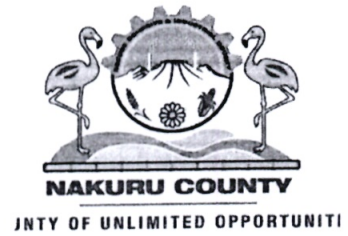
ON

NAIVASHA MUNICIPALITY

**FOR THE YEAR ENDED
30 JUNE, 2023**

COUNTY GOVERNMENT OF NAKURU

Revised 30th June 2023



MUNICIPALITY OF NAIVASHA

County Government of Nakuru

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023**

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

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1. Acronyms & Glossary of Terms

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

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
ADP	Annual Development Plan
APR	Annual progress report
CG	County Government
CIDP	County Integrated Development Plan
CRF	County Revenue Fund
FY	Financial Year
HR	Human Resource
IFMIS	Integrated Financial Management Information Systems
KUSP	Kenya Urban Support Programme
MTEF	Medium Term Expenditure Framework
OSR	Own Source Revenue
PFM	Public Finance Management Act

2. Key Entity Information and Management

a) Background information

Naivasha Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 13TH FEBRUARY 2019. The City/ Municipality is under the County Government of NAKURU and is domiciled in Kenya.

b) Principal Activities

The Municipality's vision, Mission and Core Values are outlined as follows:

VISION

A prosperous and hospitable green city

MISSION

Provide affordable, high quality municipal services and responsive accessible local governance ensuring all persons the opportunity to enjoy contributing to and being part of municipality community.

CORE VALUES

Service excellence

Integrity

Accountability

Customer focused service

Innovation

Stewardship

Mandate/functions of Municipality of Naivasha

Based on the Urban Areas and Cities Amendment Act 2019 and the Naivasha Municipal Charter, the Municipal Board of Naivasha performs the following delegated functions within the Municipality.

- a) Promotion, regulation and provision of refuse collection and solid waste management

Services.

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

c) Key Management

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

- County department - Lands Housing Physical Planning and Urban Development
- Board of Management
- Accounting Officer/ City/Municipality Manager
- Sectional Heads of Departments

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	City/Municipality Manager	D.M.NDIRITU
	Directors/Head of departments	
2	HEAD OF ACCOUNTING UNIT	MARY KAGONYA
3	HEAD OF ACCOUNTING UNIT	CAROLINE KAMAU
4	ADMINISTRATOR	DANIEL NDUNGU

e) Fiduciary Oversight Arrangements

i) Audit and Risk Management Committee

In order to ensure effective governance risk management and compliance within the municipal administration the committee is composed of qualified and knowledgeable members with relevant expertise in finance risk management and related areas.

The committee is concerned with the Risk Oversight, internal Controls and is constantly seeking to keep the municipality compliant with relevant laws and regulations. The committee also monitors finance activities to unearth any fraud, misconduct, unethical behaviour and non-compliance.

The committee provides regular reports to the Board summarizing findings and recommendations for further action.

ii) County Assembly committees

The county assembly in discharging its mandate of oversight over the county entities takes the following steps:

- Form a dedicated oversight committee within the county assembly responsible for financial matters related to the municipality.
- Develop terms of reference outlining the committee's purpose, composition, responsibilities, authority, and reporting mechanisms.
- Ensure the oversight committee comprises members with financial expertise, legal knowledge, and a good understanding of municipal operations.
- Conduct regular reviews and audits of the municipality's financial statements, budgets, expenditures, and financial management practices.
- Scrutinize and approve the municipality's budget, ensuring alignment with the municipality's strategic goals and compliance with financial regulations.
- Monitor revenue collection processes, disbursements, and expenditures to ensure compliance with the approved budget and financial regulations.
- Monitor contract awards, procurement processes, and compliance with procurement regulations to prevent fraud, corruption, or any malpractice.

- Provide regular reports to the county assembly summarizing the committee's activities, financial findings, and recommendations for improvements or corrective actions.

iii) Committees of the Senate

The Senate receives the report of the auditor general and proceeds to take any further inquiry on raised issues and to recommend the matters to relevant agencies.

f) Registered Offices

P.O. Box 126

Municipal Council Offices Building/

Naivasha Mai Mahiu Highway

Naivasha, KENYA

g) Contacts

Telephone: (+051)2214142

E-mail: www.Nakuru.go.ke.

Website: www.Nakuru.go.ke

h) Bankers

Commercial Banks

Naivasha Municipality Urban Development Grant Account

Kenya Commercial Bank

Kenyatta Avenue Branch Nakuru

AC. NO.1261585429

i) Independent Auditor

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

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P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office






Harambee Avenue




P.O. Box 40112

City Square 00200




Nairobi, Kenya

3. Naivasha Municipality Board

Serial No.	Name	Details of qualifications and experience
1	 Mr Sam Weru - Chairman	Age: 52 Profession: Wildlife Management Attainment: PhD Biology of Conservation Position: Board Chairperson
2	 Ms Peninnah Muigai	Age: 49 years Profession: Law Attainment: Bachelor's LLB Position: Non-executive Board Member and vice chairperson of the Board
3	 Mr Daniel Mbogo Ndiritu	Age: 53 Profession: Human Resource Management Attainment: Master's Degree Position: Municipal Manager
4	 Mr Francis Mwangi	Age: 43 Profession: Finance Attainment: Bachelor's Degree Position: Non executive Board Member and chair of finance and administration committee
5	 Mr Gerald Ndungu	Age: 40 Profession: Architecture Attainment: Bachelor's degree Architecture Position: Non-executive Board Member and chair of Infrastructure Committee

6	 Mr Absalom Mukuusi	Age: 50 Profession: Urban area Management Attainment: Master's Degree Urban Management Position: Non-executive Board Member and chair of Municipal services committee
7	 Mr. Ismael Iugaria Abisai	Age: 55 Profession: Electrical Engineer Attainment: Master's degree Electrical Engineering Position: Non-executive Board Member
8	 Mr. Benson Nyenjeri	Age: 43 Profession: Law Attainment: Bachelor's LLB Position: Non-executive Board Member

4. Key Management Team

Serial No	Name	Details of qualifications and experience
1.	 <p>Daniel Mbogo Ndiritu Board Secretary/Municipal Manager</p>	<p>Municipal Manager Overall head who oversees the day to day running of the Board. Accounting officer in charge of the Board</p>
2.	 <p>CPA Caroline Kamau</p>	<p>HEAD OF ACCOUNTING UNIT (1/07/2022-1/12/2022) Oversees all financial matters of the board</p>
3.	 <p>CPA Mary Kagonya</p>	<p>HEAD OF ACCOUNTING UNIT (30/01/2023 - 30/06/2023) Oversees all financial matters pertaining the board</p>

1. City/Municipality Board Chairperson's Report

Municipality of Naivasha was established in April 2019 as a culmination of a lengthy process; from public participation through an adhoc committee, resolution of the County Assembly of Nakuru, granting of the Municipal Charter, and establishment of the Municipal Board, in fulfilment of requirements of article 48 of the Constitution, County Government Act section 148, Urban Areas and Cities Act 2011 (Amendment 2019) and other applicable laws.

Naivasha Modern Market is one of the projects implemented by the Municipality under the World Bank funded Kenya Urban Support Program. The successful implementation of the project in both Phase 1 and Phase 2 has changed the landscape of Naivasha with a land mark structure. The market has in a short time become a beehive of activity since commissioning of the facility by H.E President on 14th June 2023.

The Municipality has also established a Municipal Park at the middle of the CBD, giving the residents the much-needed resting and recreational facility at close vicinity. The facility comprises an events podium and toilet facilities, benches and green spaces suitable for multiple uses by different urban space users both young and old

We also successfully constructed a 500-meter 1.2 Meter diameter heavy duty concrete drainage which has greatly reduced the perennial flooding along Biashara Street and Kariuki Chotara Road. The positive impact of the drainage system has improved access to neighboring businesses and restored the surface previously

Other projects include;

- Construction of the 3.7 KM, Industrial Area, Site and Service, Kabati Road
- Construction of 2.1KM Lake View Road
- Paved Parking along Biashara Street
- None Motorized Transport along Kenyatta Avenue and around Municipal Park
- Cabro paved roads around the Municipal Park and covered drains

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In order to facilitate implementation of the Municipal functions outlined in the charter, the Board has developed and adopted the following key policy documents.

- 20yr Integrated Strategic Urban Development Plan (spatial plan)
- 5yr Integrated Development Plan (IDEP)
- 5yr Solid Waste Management Plan
- 21 no. draft reviewed by-laws
- Naivasha Regeneration Plan 2020
- Draft guidelines for allocation of market stalls
- Draft guidelines for management of Municipality public Sanitation facilities
- Draft performance contract

These tools lay a foundation for a fully-fledged Municipality capable of delivering all functions anticipated in the Urban Areas and Cities Act and the Municipal Charter effectively.

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Chairperson of the Board

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2. Report of the Municipality Manager

In the year under review the Municipality budget was as outlined;

Sub Programme (SP)	Estimates 2022/2023
PROGRAMME 1: ADMINISTRATION PLANNING AND SUPPORT SERVICES	
SP 1.1: Administration and Planning	18,349,280
SP 1.2: Personnel Services	9,388,787
SP 1.3: Financial Services	600,000
Total Expenditure Prog 1	28,338,067
PROGRAMME 2: NAIVASHA MUNICIPAL SERVICES	
S.P 2.1: Planning and Infrastructure	310,585,772
S.P 2.2: Environmental Management and Sanitation	900,000
S.P 2.3: Naivasha Social Services	900,000
S.P 2.4: Tourism, Investment and Trade	800,000
Total Expenditure Prog 2	313,185,772
Total Expenditure of Vote	341,523,839

The Municipality's key achievements in the financial year 2022/2023 were as follows:

- i) Construction of 3.7Km Road in Industrial Area, Site and Service and Kabati Estates Ksh 188m. This project is 100% complete and in use. The road serves more than 30,000 residents of the three estates, improving connectivity and supporting businesses that have sprung up along its entire length.
- ii) Construction of Naivasha Wholesale Market Phase 1 and Phase II 430m. The market houses more than 700 traders and is estimated to house more than 1500 traders at its full capacity. This is a remarkable achievement given that only 403 traders were trading at the site before construction of the market.
- iii) Construction of Naivasha Municipality Park, improvement of Abutting Roads, Drainage, Paved Parking Bays and Non-Motorized transport. Ksh 69m. The facility comprises an events podium and toilet facilities, benches and green spaces suitable for multiple uses by different urban space users both young and old

We also successfully constructed a 500-meter 1.2 Meter diameter heavy duty concrete drainage which has greatly reduced the perennial flooding along Biashara Street and Kariuki Chotara Road. The positive impact of the drainage system has improved access to neighboring businesses and restored the surface previously

- iv) Construction to Bitumen standards of 2km roads in Lakeview estate Ksh 83.2m. The project benefits more than 20,000 residents having completed a loop of the road connecting all Naivasha town estates. It also serves as a by-pass of the Kenyatta Avenue which is prone to traffic congestion

In order to facilitate implementation of the Municipal functions outlined in the charter, the Board has developed and adopted the following key policy documents.

1) 20yr Integrated Strategic Urban Development Plan

This report presents the final Integrated Strategic Urban Development Plan (2014 -2035) for Naivasha. The main purpose of the strategic urban development plan is to formulate a framework to guide the development of Naivasha to 2034. The plan strives to contribute towards achieving the national and local development aspirations as enshrined in the Sustainable Development Goals (post 2015) and also elaborated in the Kenya Vision 2030. The document largely aligns to the boundaries espoused in the Municipal charter hence very reliable. The document needs review to accommodate recent development trends and changing realities

2) 5yr Integrated Development Plan (IDEP)

Preparation of Naivasha IDEP 2019-2023 was guided by existing development plans including CIDP 2018-2022, the MTP 2018-2022, Integrated Spatial Plans and Kenya Vision 2030 as well as other relevant international commitments. The document is due for review.

3) 5yr Solid Waste Management Plan

This Naivasha Municipal Solid Waste Management Strategy (NMSWMS) seeks to establish a common platform for action between stakeholders to improve systematically waste management in the Municipality. The Strategy lays the framework for improved waste management. The document was therefore prepared through intensive stakeholder engagement

4) 21 No. Draft reviewed By-Laws

The Municipality drafted the above by-laws based on the defunct Municipal Council by-laws and other county legislation. The by-laws are due for discussion with office of County Attorney before seeking necessary approvals.

5) Performance Contract

Naivasha Municipality Performance contract is due for execution between the CECM Lands, Physical Planning, Housing and urban Development. The plan is already under implementation based on Municipality work plan.

The municipal Management is recommending the following actions to accelerate and improve service delivery:

- a) Need for delegation of functions in line with the Municipal Charter and UACA (Urban Areas and Cities Act)
- b) Recruitment or transfer of key technical staff in order to enhance technical capacity and service deliver through units of the Municipality Structure.
- c) Enhanced budget support, capacity building and training of Municipal Board and Municipality staff


Daniel Ndiritu
Municipal Manager

.....
Name: Daniel Mbogo Ndiritu
City/Municipality Manager

7. Statement of Performance against Predetermined Objectives for the FY 2022/2023

The key development objectives of Naivasha Municipality during the financial year were:

- To Administer the affairs of Municipality
- To staff the Municipal Administration
- To manage municipality finances
- To improve municipal infrastructure
- To maintain a healthy municipality
- To improve community awareness
- To promote economic prosperity

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
PROGRAMME 1: Administration, planning and support services				
Administration and Planning	To Administer the affairs of Municipality	To ensure effective and efficient service delivery	number of board resolutions made, number of draft by-laws drafted,	21 by-laws drafted, 32 board resolutions made
Personnel Services	To staff the Municipal Administration	To ensure a motivated, equipped and trained municipal workforce	number of casual workers hired, number of trainings done	14 casual workers hired for environmental work in the municipality, four training workshops conducted
Financial Services	To manage municipality finances	To ensure the municipality has functioning financial Apparatus	number of finance committee held	there were four finance committee meetings held
PROGRAMME 2: Naivasha Municipal Services				

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Planning and Infrastructure	To improve municipal infrastructure	To ensure a well-planned municipality with adequate social facilities for Residents	number of markets built, number of municipal parks built/rehabilitated, length of roads tarmacked/murrammed, length of drainage constructed, length of pedestrian walkway constructed	one municipal market constructed, one municipal park rehabilitated, 3.7 km access roads under improvement to bitumen standards in lakeview estate, one box drainage constructed from park to the Kenyatta avenue
Environmental Management and Sanitation	To maintain a healthy municipality	To ensure a healthy living environment for municipal residents	amount of solid waste collected, number of skip bins procured in use, length of drainage cleaned	4km drainage cleaned, 15 tons solid waste collected
Naivasha Social Services	To improve community awareness	To ensure municipal residents are well informed	number of community awareness events held	3 public participation events held in conjunction with department of economic planning
Tourism, Investment and Trade	To promote economic prosperity	To improve the investment environment in the municipality	number of consultative meetings with stakeholders	two consultative meetings held with lake Naivasha growers association

8. Corporate Governance Statement

Process of appointment of Board Members:

1. **Nomination or Selection:** Potential candidates for the board are nominated through various channels, such as public nominations, political parties, civic organizations, or other relevant bodies.
2. **Application and Screening:** Candidates typically submit their applications or nominations along with relevant qualifications and experience. A screening process may be conducted to ensure that candidates meet the necessary criteria.
3. **Interview or Assessment:** Shortlisted candidates may undergo interviews or assessments to evaluate their suitability for the position. This could involve evaluating their skills, knowledge, and understanding of the responsibilities associated with being a board member.
4. **Selection:** Based on the assessment, a selection committee or relevant authority may choose the candidates who will be appointed to the board. The selection process may involve voting or consensus among committee members.
5. **Appointment:** The selected candidates are officially appointed as board members through an official appointment letter or similar formal documentation. The appointment may be subject to approval by higher-level authorities or governing bodies.

Removal of Board Members:

1. **Resignation:** A board member may choose to resign from their position voluntarily for personal or professional reasons. They would submit a formal resignation letter to the appointing authority.
2. **Vote of No Confidence:** The county assembly may hold a vote of no confidence against a board member due to issues like misconduct, negligence, or failure to perform their duties effectively. If a majority votes in favor, the board member may be removed.

3. Violation of Terms or Laws: If a board member violates the terms of their appointment or relevant laws, they may be subject to removal through legal or disciplinary procedures.
4. Expiration of Term: Board members may serve a specified term, after which they may need to be reappointed or replaced. If not reappointed, their position becomes vacant.
5. Impeachment or Legal Proceedings: In some cases, a board member may face impeachment or legal proceedings due to serious violations of the law, corruption, or other unethical conduct. If found guilty, they may be removed from office.

The roles and functions of the municipal board members are as outlined:

1. Participating in the formulation and establishment of policies and strategies to guide the municipality's growth, development, and service delivery.
2. Reviewing and approving the municipality's budget, ensuring financial resources are allocated efficiently and effectively to meet the municipality's goals and priorities.
3. Overseeing and contributing to the planning and development of infrastructure, services, and facilities to improve the overall well-being and quality of life for residents.
4. Ensuring that the municipality operates in compliance with local, state/provincial, and national laws, regulations, and guidelines relevant to local governance and administration.
5. Representing the interests and concerns of constituents to higher-level government bodies, advocating for necessary resources and support for the municipality.
6. Engaging with the community to understand their needs, concerns, and aspirations, and incorporating this feedback into decision-making processes.
7. Upholding principles of transparency and accountability by providing access to information, ensuring proper reporting mechanisms, and fostering ethical conduct.
8. Overseeing and evaluating the performance of municipal staff, including the municipal manager or chief executive officer, and providing guidance and direction.

9. Ensuring compliance with legal and policy requirements in all municipal operations, contracts, and agreements.
10. Collaborating with relevant authorities to plan and respond to emergencies, natural disasters, and other crises to ensure the safety and well-being of the municipality's residents.
11. Overseeing the provision of essential public services such as water, sanitation, waste management, transportation, and public health, ensuring they meet the needs of the community.
12. Promoting and implementing measures to ensure sustainable environmental practices, including waste reduction, energy efficiency, and conservation of natural resources.
13. Collaborating with other municipalities, government agencies, non-profit organizations, and private sector entities to address common challenges and promote regional development.

To improve and maintain service delivery, the board members undergo training in the form of the following:

Pre-Appointment Orientation:

Provide prospective board members with information about the municipality, its structure, functions, policies, and challenges. This can help them make an informed decision before accepting the position.

Orientation Upon Appointment:

Conduct an orientation program immediately after appointment to familiarize board members with their roles, responsibilities, legal obligations, and code of conduct. Explain the municipality's vision, mission, and values to ensure alignment with the board's actions.

Training:

Assess the specific needs and knowledge gaps of each board member to tailor training programs accordingly. Offer training modules on relevant topics, such as municipal governance, financial management, legal frameworks, community engagement, and strategic planning.

Workshops and Seminars:

Arrange workshops, seminars, and webinars with experts, practitioners, and seasoned board members to provide practical insights and experiences. Encourage participation in conferences related to municipal governance for exposure to emerging trends and best practices.

The municipality in the financial year 2022/2023 held four full board meetings, two special board meetings and held committee meetings for its four committees namely:

1. Municipal services committee – 4 meetings
2. Finance and administration committee – 4 meetings
3. Tourism and social services committee – 2 meetings
4. Infrastructure and investment committee - 2 meetings

The Municipality is committed to the following standards of service:

1. **Service Quality:** To deliver services of the highest quality that meet or exceeds the needs of the municipal residents
2. **Problem Resolution:** we pledge to work diligently to resolve municipal residents' concerns to their satisfaction within a reasonable timeframe.
3. **Accessibility:** We are committed to making our services accessible to all, regardless of abilities or circumstances.
4. **Public Education:** We commit to provide with necessary information and resources to help you make informed decisions about our services.
5. **Ethical Conduct:** We conduct our business with integrity, honesty, and professionalism, ensuring compliance with all applicable laws and regulations.
6. **Community Engagement:** We actively engage with the community and contribute to its well-being through various initiatives and partnerships.
7. **Environmental Responsibility:** We are committed to environmentally responsible practices and aim to minimize our environmental footprint.

1. Management Discussion and Analysis

The following discussion and analysis of the financial and operational performance of Naivasha Municipality provides an overview of municipal activities and results for the fiscal year ended 30/06/2023. This Management Discussion and Analysis should be read in conjunction with the accompanying financial statements and notes.

Financial Highlights

The municipality received a total budget allocation of Kshs 341,523,839 from the county government of Nakuru which was allocated as per the chart below

amount



- SP 1.1: Administration and Planning 18,349,280.00
- SP 1.2: Personnel Services 9,388,787.00
- SP 1.3: Financial Services 600,000.00
- S.P 2.1: Planning and Infrastructure 310,585,772.00
- S.P 2.2: Environmental Management and Sanitation 900,000.00
- S.P 2.3: Naivasha Social Services 900,000.00
- S.P 2.4: Tourism, Investment and Trade 800,000.00

The expenditure for the year was as follows:

amount spent



- Administration and Planning 10,742,248.4
- Financial Services 350,000
- Environmental Management and Sanitation 600,000
- Tourism investment and Infrastructure 0
- Personell Services 7,183,488
- Planning and Infrastructure 195,110,521.02
- Naivasha Social Services 720,000

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Total operating expenditures amounted to kshs 208,253,601, reflecting investments in infrastructure, public safety, and community development projects.

Key Initiatives and Achievements

1. Infrastructure Development and Maintenance

During the fiscal year, the Municipality continued its focus on enhancing critical infrastructure. Notable achievements include:

- Construction of Municipal Park and abutting roads
- Construction of Box Drainage culvert from municipal park to Kenyatta Avenue
- Construction of Naivasha wholesale Market
- Construction of 3.7 km roads to bitumen standards in Lakeview estate.

2. Environmental Sustainability

In line with our commitment to sustainability, environmental initiatives were pursued:

Launched a waste management program promoting solid waste collection recycling and reducing landfill waste.

Implemented energy-efficient measures across municipal buildings, reducing our carbon footprint by 15%.

The Municipality hired casual staff to maintain the drainage facilities in the municipality

Challenges and Future Outlook

1. Financial Sustainability

The Municipality acknowledges the challenge of maintaining financial sustainability amidst growing demands for services and limited resources. We remain committed to prudent financial management and exploring revenue diversification strategies.

2. Community Engagement and Participation

Enhancing community engagement is a priority. We aim to foster a stronger sense of community by involving residents in decision-making processes, seeking their input, and addressing their concerns effectively.

3. Regulatory Compliance

Staying compliant with evolving laws and regulations remains critical. We will continue to monitor legal developments and adapt our policies and procedures accordingly.

Conclusion

The Municipality remains dedicated to enhancing the quality of life for our residents. We are committed to effective financial stewardship, sustainable development, and fostering a vibrant and inclusive community. We express our gratitude to all stakeholders for their ongoing support.

10. Environmental And Sustainability Reporting

1. Sustainability strategy and profile

The draft Naivasha Municipality Sustainability Plan (NMSP), is a comprehensive document that outlines a municipality's approach to achieving environmental, social, and economic sustainability. It serves as a roadmap for addressing pressing sustainability challenges, enhance the quality of life for residents, and promote responsible and resilient community development. Here are the key components found in the Municipal Sustainability Plan:

Vision: A Resilient, Inclusive and Vibrant Sustainable Municipality

Baseline Assessment: A comprehensive assessment of the municipality's current sustainability performance is being conducted. This assessment includes the evaluation of environmental, social, and economic indicators to understand the current state of affairs. Indicators include greenhouse gas emissions, energy consumption, waste generation, air and water quality, poverty rates, unemployment, and economic development metrics. Engagement with key stakeholders, including residents, businesses, community organizations, and government agencies, is crucial. Stakeholder input is gathered through surveys, public consultations, and other engagement methods to ensure that the plan reflects the needs and desires of the community.

Key Focus Areas: The plan identifies specific areas of focus for sustainability efforts, which often include:

- reducing carbon emissions, conserving natural resources, promoting clean energy, and improving air and water quality.
- enhancing community well-being, affordable housing, healthcare, education, and social equity.
- fostering economic growth, job creation, supporting local businesses, and economic diversification.

Strategies and Initiatives: The plan outlines the strategies and initiatives the municipality will undertake to achieve its sustainability goals. These could include:

- Implementing energy efficiency programs.
- Developing green transportation infrastructure.
- Promoting recycling and waste reduction.
- Investing in affordable housing.
- Enhancing public transportation.
- Supporting local businesses and entrepreneurship.
- Investing in renewable energy projects.
- Strengthening social services and community engagement.

2. *Environmental performance*

The Municipality of Naivasha is committed to environmental sustainability and the mandate is expressed in the Municipal Charter. The Specific environmental goals and objectives are defined to articulate what the municipality aims to achieve in terms of sustainability. These goals encompass areas such as air quality, water quality, waste reduction, energy efficiency, biodiversity conservation, and more.

Legal and Regulatory Compliance: The municipality has an obligation to adhere to all relevant environmental laws, regulations, and standards. This includes conducting environmental impact assessments before undertaking projects. It underscores the municipality's commitment to meeting or exceeding these requirements.

Responsibilities and Accountability: The municipality has an environmental department staffed with an environmental officer, a supervisor and support staff who engage in the maintenance of greenery and solid waste collection and disposal in addition to the regular maintenance of drains. In the financial year 2022/2023, the municipality constructed the Naivasha municipal park and drainage structures and intends to conduct a tree planting exercise in the year 2023/2024.

Environmental Protection and Resource Conservation: The municipality made efforts to reduce energy consumption, conserve water, minimize waste generation, and promote sustainable land use and development practices.

Environmental Education and Awareness: Recognizing the importance of public education, the municipality emphasized efforts to raise environmental awareness, promote sustainability education, and engage residents in environmental initiatives.

3. Employee welfare

The municipality hired a total of 14 casual workers in the financial year 2022/2023 of which a total of 6 were women. The municipality followed the procedure for casual engagement after getting authority from the county public service board. The Municipality has to its best efforts followed the regulations of the labour act 2007 and the accompanying occupation health and safety regulations.

4. Market place practices

The organisation should outline its efforts to:

a) Responsible competition practice.

The municipality undertakes to:

Transparency and Openness:

Clearly define procurement requirements, criteria, and evaluation methods in tender documents to provide a level playing field for all bidders. Publicly advertise opportunities, ensuring that interested parties have equal access to information about tenders and procurement processes.

Equal Treatment and Non-Discrimination:

Treat all potential bidders equally, without any bias or discrimination based on size, location, ownership, or other factors unrelated to qualifications and capabilities.

Conflict of Interest Management:

Establish and enforce clear conflict of interest policies to prevent conflicts among staff involved in procurement processes. Require disclosure of any potential conflicts of interest by individuals participating in the procurement process.

Ethical Conduct:

Uphold high ethical standards by prohibiting bribery, corruption, kickbacks, and any unethical practices during the procurement process. Train staff involved in procurement on ethical conduct, emphasizing the importance of integrity, honesty, and impartiality.

Fair Evaluation and Selection:

Develop evaluation criteria based on objective, measurable, and relevant factors that are directly related to the project or service being procured. Ensure a well-defined evaluation process, involving multiple evaluators to minimize bias and enhance fairness.

Confidentiality and Data Protection:

Safeguard the confidentiality of sensitive bid information and protect bidder data in compliance with applicable privacy laws and regulations.

Prompt and Clear Communication:

Communicate procurement decisions promptly, providing clear feedback to unsuccessful bidders on the reasons for their disqualification or non-selection.

Appeals and Dispute Resolution:

Establish a transparent process for handling appeals and disputes related to procurement decisions, ensuring that bidders have an avenue to voice their concerns and seek resolution.

b) Responsible Supply chain and supplier relations

The municipality takes the following actions in this regard:

Clear Procurement Policies and Guidelines:

Develop and communicate clear procurement policies and guidelines that outline the municipality's expectations regarding responsible supplier conduct, ethical standards, and sustainable practices.

Supplier Code of Conduct:

Establish a supplier code of conduct that clearly articulates expected behaviours, such as ethical sourcing, environmental responsibility, fair labour practices, and compliance with relevant laws and regulations.

Transparency and Communication:

Maintain open and transparent communication with suppliers to ensure they fully understand the municipality's requirements, expectations, and performance metrics.

Fair and Equitable Treatment:

Treat all suppliers fairly and equitably, regardless of their size, location, or ownership, ensuring a level playing field in procurement processes.

Competitive Bidding and Supplier Diversity:

Encourage competition and supplier diversity by regularly seeking new vendors, especially from underrepresented groups, to promote a diverse and inclusive supplier base.

Conflict Resolution Mechanism:

Establish a clear and fair process for addressing disputes or conflicts that may arise during the course of the relationship, ensuring conflicts are resolved swiftly and amicably.

Payment Terms and Timely Payments:

Adhere to agreed payment terms and make timely payments to suppliers to maintain a positive relationship and ensure suppliers' financial sustainability.

c) Responsible marketing and advertisement

The municipality uses national advertisers to maximize reach and ensure all stakeholders have equal rights to information.

d) Product stewardship

By implementing these measures, a municipality can actively work to safeguard consumer rights and interests, promoting a fair and ethical marketplace within its jurisdiction.

1. Education and Awareness Programs:

Conduct educational campaigns and workshops to inform consumers about their rights, responsibilities, and avenues for complaint redressal.

2. Regular Inspections and Quality Control:

Implement routine inspections of businesses to ensure compliance with quality standards and consumer protection laws, especially in sectors such as food, healthcare, and consumer goods.

3. Enforcing Legal Compliance:

Collaborate with relevant authorities to enforce laws and regulations that protect consumer rights, taking legal action against violators when necessary.

4. Resolution of Consumer Complaints:

Establish a mechanism for consumers to file complaints, investigate grievances, and mediate disputes between consumers and businesses to ensure fair resolution.

5. Product Safety Standards:

Advocate for and enforce strict safety standards for products sold within the municipality to protect consumers from unsafe or harmful goods.

6. Collaboration with Consumer Organizations:

Partner with consumer organizations to jointly conduct awareness campaigns, educational programs, and workshops on consumer rights and responsibilities. Advocate for strong regulations and practices that protect consumers in the online marketplace, including data privacy, secure transactions, and clear product information.

7. Community Engagements

Acknowledging the importance of community engagement and collaboration, the municipality involved residents, businesses, community organizations, and other stakeholders in environmental decision-making and initiatives. In the financial year 2022/20233 the Municipality partnered with the Lake Naivasha Growers' Association to do greening and botanical beautification within Naivasha town.

11. Report of the City/Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the City/Municipality affairs.

Principal activities

The principal activities of the Naivasha Municipality continue to be:

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

Performance

The performance of the City/Municipality for the year ended June 30, 2023 are set out on page xii

Board Members

The members of the Board who served during the year are shown on page viii.

Auditors

The Auditor General is responsible for the statutory audit of the Naivasha Municipality in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. In lieu of the above the office of the auditor general has conducted the audit

By Order of the Board


Daniel Ndiritu
Municipal Manager

.....
Name:

Secretary of the Board

12. Statement of Management's Responsibilities

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

The Naivasha Municipality manager is responsible for the preparation and presentation of the City/Municipality's financial statements, which give a true and fair view of the state of affairs of the City/Municipality for and as at the end of the financial year ended on June 30, 2023. 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 NAIVASHA Municipality,
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud,
- (iv) Safeguarding the assets of the City/Municipality,
- (v) Selecting and applying appropriate accounting policies, and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The NAIVASHA 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 NAIVASHA Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of City/Municipality's transactions during the financial year ended June 30, 2023, and the financial position as at that date.

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

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

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

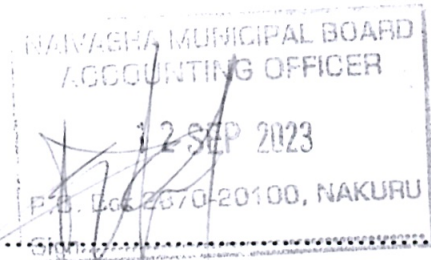
Approval of the financial statements

The Naivasha Municipal's financial statements were approved by the Board on 12th September 2023 and signed on its behalf by:

.....

Name:

Chairperson of the Board



NAIVASHA MUNICIPAL BOARD
ACCOUNTING OFFICER
12 SEP 2023
P.O. Box 2070-20100, NAKURU

Name:

Accounting officer of the Board

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NAIVASHA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF NAKURU

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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion 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

Adverse Opinion

I have audited the accompanying financial statements of Naivasha Municipality - County Government of Nakuru set out on pages 1 to 47, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance,

Report of the Auditor-General on Naivasha Municipality for the year ended 30 June, 2023 – County Government of Nakuru

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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Naivasha Municipality as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Urban Areas and Cities No. 13 of 2011 (Amended Act, 2019), and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Inaccuracies in the Financial Statements

Review of financial statements submitted for audit revealed the following inaccuracies;

- i. The statement of changes in net assets for the year ended 30 June, 2023 reflect nil surplus/deficit for the year while the statement of financial performance reflects a deficit of Kshs.195,110,521.
- ii. The report of the Municipal Manager reflects total expenditure budget of Kshs.341,523,839 whereas the statement of comparison of budget and actual amounts indicate final budget of Kshs.293,948,893 resulting in a variance of Kshs.47,574,946 which has not been explained or reconciled.
- iii. The report on Management discussion and analysis at page xxiii of the financial statements indicated the Municipality received a total budget allocation of Kshs.341,523,839 from the County Government of Nakuru. However, the statement of financial performance reflects Nil transfer from the County Government.
- iv. The statement of financial performance reflects expenditure on use of goods and services expenditure of Kshs.195,110,521 as disclosed in Note 12 to the financial statements. However, the amount excludes recurrent expenditure paid from equitable funds of Kshs.12,481,548.
- v. The statement of comparison of budget and actual amounts reflects expenditure budget of Kshs.293,948,893. However, the statement does not indicate the budgeted income to finance the expenditure. Further review of the approved budget for County Government of Nakuru under Naivasha Municipality reveal that the Municipality was allocated Kshs.36,554,320 for recurrent and Kshs.306,533,272 for development, all totalling Kshs.343,087,592. The variance of Kshs.49,138,699 has not been reconciled. In addition, the statement reflects expenditure budget of Kshs.293,948,893 without any budgeted income.

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

2. Unsupported Development Grants

The statement of changes in net assets reflects opening development grants balance as at 1 July, 2022 of Kshs.293,948,893. However, supporting documents for the balance were not provided for audit. Further, it is not clear how the balance changed from Kshs.293,948,893 reflected as balance as at 1 July, 2022 to the closing balance of Kshs.65,396,780 as at 30 June, 2023.

In the circumstances, the propriety, completeness and accuracy of development grants could not be confirmed.

3. Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.98,838,372 as disclosed in Note 19 to the financial statements. However, the balance excluded a cash book balance of Kshs.34,864,054 in respect of the Naivasha Municipality equitable share bank account.

Further, the Municipality operated a project bank account that was not an interest-bearing account contrary to Clause 2.4.3 of the KUSP Financial Management Procedures Manual, 2017 which states that the operations of a project bank account would be from an interest-bearing account as per Treasury policies and PFM Act.

In the circumstances, the completeness and accuracy of cash and cash equivalent balance of Kshs.98,838,372 could not be confirmed.

4. Presentation of Financial Statements

The Annual Report and financial statements submitted for audit had the following errors:

- i. The title of the financial statements indicated "Municipality of Naivasha" instead of "Naivasha Municipality" as per the annual reporting template.
- ii. The table of content on page i indicated the statement of performance against predetermined objectives, the statement of financial performance, statement of financial position, statement of changes in net assets, statement of cash flow and statement of comparison of budget and actual amounts for the years ended 20xx instead of 2023.
- iii. The statement of management responsibilities was not signed by the Chairperson of the Board. Further, the name of the accounting officer was not indicated against the signature.
- iv. The report of the City/Municipality Board Members was signed by the Secretary of the Board. However, the name of the Secretary was not indicated against the signature.

- v. Fiduciary oversight arrangements at page vi of the financial statements under paragraph (i) indicated the existence of an audit and risk management committee. However, no evidence was provided to show the existence or appointments of such committee through appointment letters. Further, no audit and risk management committee reports were availed for audit verification.
- vi. The financial statements are not sequentially numbered from page xi onwards.
- vii. The Board Chairpersons report at page xiv of the financial statements indicated that the municipal has developed and implemented the following nine tools, 20 year integrated strategic urban development plan, 5-year integrated development plan, 5-year solid waste management plan, 21No draft reviewed by laws. Naivasha regeneration plan 2020, draft guidelines for allocation of market stalls, draft guidelines for management of municipality public sanitation facilities and draft performance contract. However, no evidence was provided to show that the above were ever developed and implemented.
- viii. Environmental and sustainability reporting paragraph 3, on employee welfare, the report indicated that the Municipality hired a total of fourteen (14) casual workers. However, the statement of financial performance indicated Nil employee costs.
- ix. The chairperson of the Board did not indicate his name and sign the financial statements at page xxxv.

In the circumstances, the financial statements presented for audit do not comply with the Public Sector Accounting Standards reporting guidelines for June, 2023.

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

Key Audit Matter

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with Law on Independence of Naivasha Municipality

Naivasha Municipality was granted Municipality Charter on 13 February, 2019 which granted operational independence from the County Government of Nakuru. However, the County Government has continued to perform functions which were transferred to the Municipality as provided for through Gazette Notice No. 3844 dated 16/03/2023 such as (a) Development controls (development approvals, development compliance surveillance, enforcement and control of outdoor advertisement) (b) Solid waste management and (c) On Street Parking. Further, the Municipality's budget was prepared and controlled by the County Executive and there was no budget approval by the Municipality Board. This is contravention of Section 12(1) of the Urban Areas and Cities Act, 2011, which states that the Management of a Municipality shall be vested in the County Government and administered on its behalf by a Board, a Manager and staff constituted and appointed in accordance with the Act.

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

2. Non-Compliance with Law on Integrated Development Plan

The Board of Municipality of Naivasha failed to develop and adopt a 20 year Integrated strategic urban development plan and 5-year Integrated development plan contrary to Section 20(1) of the Urban Areas and Cities Act, 2011 which states that subject to the provisions of this Act, a Board of any Municipality or Municipality shall formulate and implement an integrated development plan.

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

3. Non-Compliance with the Grant Conditions

Review of records revealed that the Municipality had a Manager, Head of Accounting Unit and an administrator being the key personnel who held office during the year under review. However, their salaries were not disclosed in the financial statements contrary to Section 4.2 of the Kenya Urban Support Programme Operations Manual, under the minimum condition number UDG/MC-3 which requires a Municipality to have in place a fully functional municipal administration including a Municipal Manager together with all staff whose salaries are to be met from the Municipal budget vote.

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

4. Non-Compliance with the Procurement Laws

The statement of financial performance reflects use of goods and services amount of Kshs.195,110,521 as disclosed in Note 12 to the financial statements. The following procurement irregularities were noted;

- i. Examination of the supporting procurement documents revealed that the Evaluation Committee Members appointed by the Accounting Officer were not staff members from within the Municipality of Naivasha. This was contrary to Section 46(1) of the Public Procurement and Asset Disposal Act, 2015.

- ii. The amount includes an amount of Kshs.29,324,247 paid to Construction Company for the proposed tarmacking of lake view roads. However, review of the procurement records revealed that the Company was issued with notification of award on 9/3/2022 while the contract agreement was signed on 16/3/2022 which is 8 days from the date of award contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which states that written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that a contract shall be signed within the tender validity period.
- iii. The amount includes Kshs.6,131,103 paid to a contractor as final retention money for construction of Naivasha Market phase1. Another contractor was also contracted at a contract sum of Kshs.302,973,477 to construct Naivasha Market Phase 2. The contract sum included an amount of Kshs.50,000,000 as provisional amount for completion of phase 1 of the project which was not completed by the first contractor. There is no evidence that the Municipality seized the performance security to remedy the entity of the loss occasioned from the incomplete works.
- iv. The Board entered into a contract with a contractor on 1 July, 2021 for a construction project at a contract cost of Kshs.260,000,000. The contract sum was revised downwards by Kshs.50,000,000. The revision was fifteen (15) days after the contract was signed contrary to Section 139(4) of the Public Procurement and Asset Disposal Act, 2015 which states that any variation of a contract shall only be considered after twelve months from the date of signing the contract.

In the circumstances, value for money on expenditure on use of goods and services of Kshs.195,110,521 could not be confirmed. Further, Management was in breach of the law.

5. Lack of Municipality Budget Approval

The statement of comparison of budget and actual amounts reflect expenditure budget of Kshs.293,948,893. However, approval of the budget as required by Section 20(1) of the Urban Areas and Cities Act, 2011 which states that subject to the provisions of this Act a board of any city or municipality shall prepare and submit its annual budget estimates to the relevant County Treasury for consideration and submission to the County Assembly was not provided for audit.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Audit Committee Function

During the year under review the Naivasha Municipality Board did not have an Audit Committee in place. This was contrary to Regulation 167 (1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to establish an audit committee. Further, the head of internal audit reports directly to the accounting officer hence the operational independence of the internal audit unit could not be guaranteed. In addition, there was no follow-up on the implementation of the recommendations of internal and external auditors.

In the circumstances, the effectiveness of the Board with regard to governance and assurance could not be confirmed.

2. Lack of a Risk Management Policy

The Municipality Manager had not put in place a risk management policy, strategies and a risk register to mitigate against risk. This is in contravention of Regulation 158 (1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the Accounting Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of the Board with regard to risk management could not be confirmed.

3. Lack of IT Strategy Committee

Review of information technology revealed that the Municipality has not established an IT strategy committee and also lacked approved IT strategic plan which provide governance on information technology matters, IT strategic plan and IT security policy. Further the Municipality lacks back-up retention strategy and there are no formal documented and approved processes to manage upgrades. In addition, the Municipality lacks a formal documented emergency procedure to guide in case of an emergency.

In the circumstances, the effectiveness of Management strategy on information technology and associated controls could not be confirmed.

4. Weak Internal Controls Over Cash Management

Review of the payment vouchers and associated transaction cycle revealed weak internal controls as the payment voucher preparer was the same person who examined the vouchers. Further the payment vouchers were not numbered contrary to Regulation 104 (1) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, the effectiveness of internal controls over cash management could not be confirmed.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal 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.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Municipality's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 March, 2024

14. Statement of Financial Performance for The Year Ended 30 June 2023.

Description	Note	FY 2022/2023	FY 2021/2022
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	-	-
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues (<i>Specify</i>)	9	-	-
		-	-
Revenue from exchange transactions			
Interest income	10	-	-
Miscellaneous Income	11	-	-
		-	-
Total revenue		-	-
Expenditure			
Use of goods and services	12	195,110,521.02	-
Staff costs	13	-	-
Board expenses	14	-	-
Finance costs	15	-	-
Depreciation and amortization	16	-	-
Repairs and maintenance	17	-	-
Total expenses		195,110,521.02	-
Other gains/losses			
Gain/loss on disposal of assets	18	-	-
Surplus/(deficit) for the period		(195,110,521.02)	-

The notes set out on pages 7 to 42 form an integral part of these Financial Statements. The entity financial statements were approved on 24th July 2023 and signed by:

Daniel Ndiritu
 Municipal Manager
 Name:
 City/Municipality Manager

MARY KAGONYA
 Name:
 Head of Finance
 ICPAK M/No 12447

County Government of Nakuru

Naivasha Municipality

Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position as At 30 June 2023

Assets			
Current assets			
Cash and cash equivalents	19	98,838,372.60	-
Receivables from exchange transactions	20	-	-
Receivables from Non- exchange transactions	21	-	-
Prepayments	22	-	-
Inventories	23	-	-
Total current assets		98,838,372.60	-
Non-current assets		-	-
Property, plant, and equipment	24	-	-
Intangible assets	25	-	-
Total Non-current Assets		-	-
Total assets		98,838,372.60	-
Liabilities			
Current liabilities			
Trade and other payables	26	33,441,592.36	-
Refundable deposits from customers	27	-	-
Provisions	28	-	-
Borrowings	29	-	-
Employee benefit obligations	30	-	-
Deferred Income	31	-	-
Social Benefits	32	-	-
Total current liabilities		33,441,592.36	-
Non-current liabilities			
Provisions	28	-	-
Borrowings	29	-	-
Non-current employee benefit obligation	30	-	-
Deferred Income	31	-	-
Social Benefits	32	-	-
Total liabilities		33,441,592.36	-

County Government of Nakuru

Naivasha Municipality

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Description	Note	FY 2022/2023	FY 2021/2022
		Kshs.	Kshs.
Net assets			
Capital/Development Grants/Fund		65,396,780.24	-
Reserves		-	-
Accumulated surplus		-	-
Total net assets and liabilities		65,396,780.24	-


The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27th July 2023 and signed by:

Daniel Ndiritu
Municipal Manager

Name:

City/Municipality Manager

Date:

.....

Name: MARY KAGONYA

Head of Finance

ICPAK M/No 12447

Date: 27/07/2023

Comparative FY refers to the financial year preceding the current year.

County Government of Nakuru

Naivasha Municipality

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16. Statement of Changes in Net Assets for the Year Ended 30 June 2023

Description	Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2021	-	-	-	-
Surplus/(deficit) for the year				-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Bal as at 30 Jun 2022	-	-	-	-
Bal as at 1 July 2022	293,948,893.60	-	-	293,948,893.60
Surplus/(deficit) for the year		-	-	-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2023	65,396,780.24	-	-	65,396,780.24

The balance as at 30th June 2023 constitute amounts for contracted works for which certificates of completion are yet to be issued by the Contractors. All the amount is in the form of bank deposit at the Bank aforementioned.

17. Statement Of Cash Flows for The Year Ended 30 June 2023

Description	Note	FY 2022/2023	FY 2021/2022
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		-	-
Public contributions and donations		-	-
Interest received		-	-
Miscellaneous receipts (<i>Specify</i>)		-	-
Total Receipts		-	-
Payments			
Use of goods and services		195,110,521.02	-
Staff costs		-	-
Board expenses		-	-
Finance costs		-	-
Total Payments		195,110,521.02	-
Net cash flows from operating activities	33	(195,110,521.02)	-
Cash flows from investing activities			
Purchase of PPE & intangible assets		-	-
Proceeds from sale of PPE		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash equivalents		(195,110,521.02)	-
Cash And Cash Equivalents At 1 July	19	293,948,893.60	-
Cash And Cash Equivalents At 30 June	19	98,838,642.38	-

Comparative FY refers to the financial year preceding the current year.

18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2023

Description	Original budget	Adjustment	Revised budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	-	-	-	-	-	0%
Public contributions and donations	-	-	-	-	-	0%
Interest income	-	-	-	-	-	0%
Miscellaneous income (<i>specify</i>)	-	-	-	-	-	0%
Total Revenue	-	-	-	-	-	0%
Expenses						
Use of goods and services	293,948,893.60	-	293,948,893.60	195,110,521.02	98,838,372.58	66%
Board expenses	-	-	-	-	-	0%
Staff Costs	-	-	-	-	-	0%
Finance costs	-	-	-	-	-	0%
Total Expenditure	293,948,893.60	-	293,948,893.60	195,110,521.02	98,838,372.58	66%
Surplus for the period	(293,948,893.60)	-	(293,948,893.60)	(195,110,521.02)	(98,838,372.58)	66%
Capital Expenditure	293,948,893.60	-	293,948,893.60	195,110,521.02	98,838,372.58	66%

19. Notes to the Financial Statements

1. General Information

NAIVASHA Municipality is established by and derives its authority and accountability from the Urban Areas and cities Act. The City/Municipality is under the NAKURU County Government and is domiciled in Kenya.

The *entity's* principal activity is Urban Area Management including infrastructure development

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 *Naivasha Municipality* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

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

County Government of NAKURU

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3. Application of New and revised standards (IPSAS)

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

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

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

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

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

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial.

(Notes to financial statements continued)

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2022/23 was approved by the County Assembly on 08/06/2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the City/Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the City/Municipality recorded additional appropriations of (0.00) on 02/05/2023 following the governing body's approval.

The City/Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on

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

c) Property, plant and equipment

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

d) Intangible assets

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

(Significant accounting policies continued)

e) Financial instruments

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

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

Financial assets

Classification of financial assets

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

(Significant accounting policies continued)

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

(Significant accounting policies continued)

Impairment

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

Financial liabilities

Classification

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

f) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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

(Significant accounting policies continued)

g) Provisions

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

h) Social Benefits

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

i) Contingent liabilities

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

(Significant accounting policies continued)

j) Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

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

(Significant accounting policies continued)

n) Foreign currency transactions

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

o) Borrowing costs

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

p) Related parties

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

q) Cash and cash equivalents

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

(Significant accounting policies continued)

r) Comparative figures

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

s) Events after the reporting period

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue.

Two types of events can be identified:

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

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

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

t) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made.

Estimates and assumptions.

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

Useful lives and residual values

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

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	-	-
Payments by County on behalf of the entity	-	-
Unconditional development grants	-	-
Total	-	-

(Provide brief explanation for this revenue)

(a) Transfers from County Government entities (Categorized)

Name Of The Entity	Amount recognized in Statement of Financial	Amount deferred under deferred	Amount recognised in capital fund.	Total grant income during the year	FY 2021/2022
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Total	-	-	-	-	-

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

7. Public Contributions and Donations

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

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Notes to the Financial Statements

8. Levies, Fines and penalties

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Levies	-	-
Fines	-	-
Penalties	-	-
Others (<i>indicate and specify</i>)	-	-
Total	-	-

9. Other Revenues from Non-Exchange Transactions

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others (<i>indicate and specify</i>)	-	-
Total	-	-

(Provide a brief explanation for this revenue)

10. Interest income

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Interest income from investments	-	-
Interest income on bank deposits	-	-
Others (<i>Specify</i>)	-	-
Total interest income	-	-

(Provide brief explanation for this revenue)

11. Miscellaneous income

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Income from sale of tender documents	-	-
Others (<i>specify</i>)	-	-
Total other income	-	-

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

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Notes to the Financial Statements

12. Use of Goods and Services

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Utilities, supplies and services	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	-	-
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	-	-
Rent and rates	-	-
Training expenses	-	-
Hospitality supplies and services	-	-
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	-	-
Fuel, oil and lubricants	-	-
Other operating expenses (<i>Specify</i>)	195,110,521.02	-
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	-	-
Audit fees	-	-
Hire of Transport, equipment etc	-	-
Bank Charges	-	-
Social Benefit expenses*	-	-
Total	195,110,521.02	-

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

13. Staff costs

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Salaries and wages	-	-
Staff gratuity	-	-
Social security contribution	-	-
Other staff costs (<i>Specify</i>)	-	-
Total	-	-

County Government of NAKURU
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Notes to the Financial Statements

14. Board expenses

	FY 2022/2023	FY 2021/2022
Chairman/Members' Honoraria	-	-
Sitting allowances	-	-
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	-
Conference Costs	-	-
Other allowances (<i>Specify</i>)	-	-
Total	-	-

15. Finance costs

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

16. Depreciation and amortization

Property, plant and equipment	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	-	-

Notes to the Financial Statements

17. Repairs and Maintenance

Description	FY 2022/2023	FY 2021/2022
	KShs	KShs
Property- Buildings	-	-
Office equipment	-	-
Furniture and fittings	-	-
Motor vehicle expenses	-	-
Maintenance of civil works	-	-
Total repairs and maintenance	-	-

18. Gain/(loss) on disposal of assets

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

19. Cash and cash equivalents

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others(<i>specify</i>)	-	-
Total cash and cash equivalents	98,838,372.60	

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

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Notes to the Financial Statements

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

Financial Institution	Account Number	Kshs.	Kshs.
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank	1261585429	98,838,372.60	-
Equity Bank - etc		-	-
Sub- total		98,838,372.60	-
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
Sub- total		-	-
Grand total		98,838,372.60	-

20. Receivables from exchange transactions

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Current Receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables (a)	-	-
Non-Current receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Non- current receivables (b)	-	-
Total receivables from exchange transactions	-	-

Ageing analysis for Receivables from exchange transactions

Description	FY 2022/2023		FY 2021/2022	
	Kshs		Kshs	
	FY 2022/2023	% of the total	FY 2021/2022	% of the total
Less than 1 year	-	0%	-	0%
Between 1- 2 years	-	0%	-	0%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total (a+b)	-	0%	-	0%

21. Receivables from Non-Exchange transaction

	FY 2022/2023	FY 2021/2022
Transfer from County Executive	-	-
Transfer from XXXX Fund	-	-
Total receivables from non-exchange transactions	-	-

Ageing analysis for Receivables from non-exchange transactions

Description	FY 2022/2023		FY 2021/2022	
	Kshs		Kshs	
	FY 2022/2023	% of the total	FY 2021/2022	% of the total
Less than 1 year	-	0%	-	0%
Between 1- 2 years	-	0%	-	0%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total	-	0%	-	0%

County Government of NAKURU
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22. Prepayments

Description	FY 2022/2023	FY 2021/2022
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(<i>specify</i>)	-	-
Total	-	-

23. Inventories

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Stationery	-	-
Consumables	-	-
Other inventories(<i>specify</i>)	-	-
Total inventories at the lower of cost and net realizable value	-	-

(Notes to the Financial Statements Continued)

24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fixtures	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 July 20XX (previous year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
As at 30th June 20XX	-	-	-	-	-	-	-	-
Additions for the year	-	-	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
As at 30th June 20XX (current year)	-	-	-	-	-	-	-	-
Depreciation and impairment								
At 1 July 20XX (previous year)	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-

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Description	Land	Bul	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 30 June 20XX	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
As at 30 th June 20XX (current year)	-	-	-	-	-	-	-	-
								-
NBV as at 30 th Jun 20XX (previous year)	-	-	-	-	-	-	-	-
NBV as at 30 th Jun 20XX (current year)	-	-	-	-	-	-	-	-

County Government of NAKURU
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(Notes to The Financial Statements Continued)

25. Intangible assets

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

26. Trade and other payables from exchange transactions

Description	FY 2022/2023		FY 2021/2022	
	Kshs.		Kshs.	
Trade payables	1,975,018.00			
Retentions	31,466,574.36			
Accrued expenses	-			
Other payables (Specify)	-			
Total trade and other payables	33,441,592.36			
	FY 2022/2023	% of the Total	FY 2021/2022	% of the Total
Ageing analysis:				
Under one year	33,441,592.36	100	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	33,441,592.36	100	-	%

Notes to the Financial Statements

27. Refundable deposits from customers

	FY 2022/2023		FY 2021/2022	
	KShs.		KShs.	
Rent deposits	-			
Others (<i>specify</i>)	-			
Total	-			
	Current FY	% of the Total	Comparative FY	% of the Total
Ageing analysis:				
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

28. Provisions

	FY 2022/2023	FY 2021/2022
Balance at the beginning of the year	-	-
Additional Provisions (<i>Specify</i>)	-	-
Provision utilised	-	-
Balance at the end of the year	-	-
Current Portion of provision	-	-
Long term portion of provision	-	-
Total Provisions	-	-

29. Borrowings

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

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	-

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

Description	FY	FY 2021/2022
	2022/2023	
	Kshs.	Kshs.
Balance at beginning of the period	-	-
Borrowings during the year	-	-
Repayments of borrowings during the period	-	-
Balance at end of the period	-	-

The table below shows the Distribution of borrowings:

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

30. Employee Benefit Obligations

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

County Government of NAKURU
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Notes to the Financial Statements

31. Deferred Income

National/County Government	-	-
International Funding Bodies	-	-
Public Contributions and Donations	-	-
Total Deferred Income	-	-

The deferred income movement is as follows:

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

Include columns as needed for the various sources of income deferred

Analysed as:

Description	Amount
	Kshs
Current	-
Non- Current	-
Total	-

Notes to the Financial Statements

32. Social Benefit Liabilities

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
People Living with disabilities benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

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

33. Cash generated from operations

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	(195,110,521.02)	-
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	(195,110,521.02)	-

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

*County Government of NAKURU
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Notes to the Financial Statements

34. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	FY 2022/2023 Kshs.	FY 2021/2022 Kshs.
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

Description	FY 2022/2023 Kshs.	FY 2021/2022 Kshs.
Board Members	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Description	FY 2022/2023 Kshs.	FY 2021/2022 Kshs.
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
Total	-	-

Notes to the Financial Statements

e) Due to related parties

Description	FY 2022/2023	FY 2021/2022
	Kshs.	Kshs.
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
Total	-	-

35. Contingent liabilities

	FY 2022/2023	FY
	Kshs.	Kshs.
Court case xxx against the entity	-	-
Bank guarantees	-	-
Total	-	-

(Give details)

36. Contingent Assets

	Kshs.	
Court case xxx against the entity	-	-
Others Specify	-	-
Total	-	-

Notes to the Financial Statements

37. Financial risk management

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

I. Credit risk

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

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

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2023 (current year)				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	98,838,372.60	98,838,372.60	-	-
Total	98,838,372.60	98,838,372.60	-	-
At 30 June 2022 (previous year)				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-

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

Notes to the Financial Statements

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

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

II. Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 3 months	Total
At 30 Jun 2023 (current year)				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 Jun 2022 (previous year)				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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Notes to the Financial Statements

III. Market risk

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

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

IV. Foreign currency risk

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

	KShs.	KShs.	KShs.
At 30 June 2023 (current year)			
Financial assets	-	-	-
Investments	-	-	-
Cash	98,838,372.60	-	98,838,372.60
Debtors/ receivables	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

Notes to the Financial Statements

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
2023 (current year)			
Euro	10%	-	-
USD	10%	-	-
2022 (previous year)			
Euro	10%	-	-
USD	10%	-	-

V. Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements

VI. Capital risk management.

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

Description	FY 2022/2023	FY
	Kshs.	2021/2022 Kshs.
Revaluation reserve	-	-
Capital/Development Grants/City/Municipality	98,838,372.60	-
Accumulated surplus	-	-
Total Funds	98,838,372.60	-
Total borrowings	-	-
Less: cash and bank balances	(98,838,372.60)	-
Net debt/(excess cash and cash equivalents)	(98,838,372.60)	-
Gearing	0.00%	0

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20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

on the external audit Report	Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (when you expect the issue to be resolved)

Guidance Notes:

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

.....

To be Signed by the Accounting officer of the Entity

County Government of NAKURU
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Appendix 2: Inter Entity Transfers

COUNTY GOVERNMENT OF NAKURU NAIVASHA MUNICIPALITY Transfers from the County Executive of Nakuru County				
	FY 2022/2023	Bank Statement Date	Amount (K sh.s.)	Indicate the FY to which the amounts relate
a.	Recurrent Grants		-	
	Total		-	
b.	Development Grants		Amount (K sh.s.)	Indicate the FY to which the amounts relate
			-	
	Total		-	
c.	Direct Payments		Amount (K sh.s.)	Indicate the FY to which the amounts relate
			-	
	Total		-	

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

.....

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

Appendix 3: Reporting of Climate Relevant Expenditures

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

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

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

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Appendix 4: Disaster Expenditure Reporting Template

Date:

Entity

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