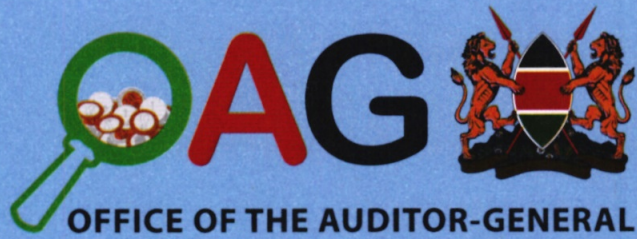


REPUBLIC OF KENYA



*Enhancing Accountability*

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## REPORT

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ON

**MAKUENI COUNTY SAND CONSERVATION  
AND UTILIZATION AUTHORITY**

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







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**MAKUENI COUNTY SAND CONSERVATION AND UTILIZATION AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2023**

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



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**1. Key Entity Information and Management**

**(a) Background information**

The Makueni County Sand Conservation and Utilization Authority was established by the Makueni County Sand Conservation and Utilization Act, 2015 of the County Assembly of Makueni on 13<sup>th</sup> February 2015. At cabinet level, the Authority is represented by the Executive Committee Member for Lands, who is responsible for the general policy and strategic direction of the Authority. The Authority is domiciled in Kenya and has its head office at Wote Town, Makueni

**(b) Principal Activities**

The principal activity of the Authority is to regulate and ensure sustainable conservation and utilization of sand and provide for protection of environment and equitable sharing of the accruing benefits.

**(c) Board of Directors**

	Names of Members	Names of Positions	Contract End Date
1.	Dr. Mussolini Kithome	Chairman appointed under section 7(1)(a) of the act.	30/11/2023
2.	Magdalene M. Kyalo	Director and Vice-Chairperson, non-public officer appointed under section 7 (1)(c) of the act,	13/01/2025
3.	Cosmas Maweu	Director non-public officer appointed under section 7 (1)(c) of the act.	30/04/2023
4.	Dr. Stephen N. Mailu	Director non-public officer appointed under section 7(1) (c) of the act.	30/04/2023
5.	Esther N. Kivindyo	Board Member representing the Department of Trade, Industry, Marketing, Tourism and Cooperative Development) representing Cooperatives — Section 7(1)(t)	13/01/2025
6.	Leonard Mutuku	Board Member(Representing the Department of Devolution County Administration, Public Service and Youth ) — Section 7 1)(g)	13/01/2025
7.	Nancy Kimutai	Board Member representing County Commissioner — Section 7(1)(h)	28/02/2025
8.	Stella M. Wamunyolo	Board Member (Water Resources Authority) representing WRUAs — Section 7(1)(e)	13/01/2025



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9.	Japeth Mutuku Klminza	Board Member (The Chief Officer, Environment and Climate Change) — Section	20/03/2026
10.	Kyee Mbatha	Representing Makueni County Environment Committee	24/06/2026
11.	Philip M. Nzei	Ag. Managing Director — Section of the act. In acting capacity, There is need for substantive holder of the office.	Acting

**(e) Key Management Team**

No.	Designation	Name
1.	Managing Director	<b>Philip M. Nzei</b>
2.	Head of Financial Services	<b>Joseph Mutuku</b>
3.	Head of Conservation & Utilisation	<b>Andrew Nyamu</b>

**(f) Fiduciary Oversight Arrangements**

**Audit Committee**

The committee plays a vital role in ensuring the integrity of financial statements prior to their review and approval by the Board. The committee reviews the accounting polies, financial reporting and regulatory compliance of the authority. The committee also continually evaluates the effectiveness of risk management programs.

The committee receives reports of the Internal and External Auditors and management’s corrective response to the findings.

The audit committee is composed of;



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SN	Position	Name
1	Chairman	Cosmas Maweu
2	Member	Leonard Tampushi
3	Member	Esther Kivindyo
4	Member	Nancy Kimutai
5	Member	Stellah Munini

**Finance, Administration and Strategy Committee**

The core functions of the Finance, Administration and Strategy Committee are;

1. Monitor and review the overall financial strategies and performance of the Authority
2. Monitor and review the current and projected levels of income and expenditure
3. Monitor and review performance against budgets and suggest any action necessary to ensure that the Authority remains within the annual approved budget.
4. Ensure there is an effective framework for the financial management

The committee is composed of;

1. Dr. Stephen Mailu-Chairperson
2. Leonard Mutuku
3. Japheth Kiminza
4. Martin Mutua
5. Magdalene Kyalo

**(g) Entity Headquarters**

Telkom Building  
P.O. Box 78-90300  
Wote, Makueni

**(h) Entity Contacts**

Telephone: (254) 708274961  
E-mail: [info@makuensandauthority.go.ke](mailto:info@makuensandauthority.go.ke)  
Website: [www.makuenisandauthority.go.ke](http://www.makuenisandauthority.go.ke)

**(i) Entity Bankers**

Kenya Commercial Bank  
Wote Branch  
Makueni.

**(j) Independent Auditors**

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**(k) Principal Legal Adviser**

The County Attorney

Government of Makueni




County

Wote, Makueni



## 2. The Board of Directors

The Directors who served the Authority during the year were as follows:

 <p><b>Dr. Mussolini Kithome Chairman</b></p>	<p>Date of Birth: 11<sup>th</sup> November 1958</p> <p>PhD (Agriculture, Environment and Natural Resource Management) with over 30 years' experience in environment and natural resource management.</p> <p>Appointed to the Board on 1<sup>st</sup> May 2017 as a Director. Appointed Board Chairman from 1<sup>st</sup> December 2017.</p>
 <p><b>s. Magdalene Mumbi Kyalo</b></p>	<p>Master of Arts in population studies with over 20yrs experience</p> <p>Appointed on 14<sup>th</sup> January 2022</p>
 <p><b>ch. Cosmas J.M. Maweu</b></p>	<p>Date of Birth: 15<sup>th</sup> April 1954</p> <p>MSc in Economics in Urban Development with 33 years in Civil Service.</p> <p>First appointed on 1st May 2017 and re-appointed on 1st May 2020.</p>

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Dr. Stephen Nzioki Mailu, Ph.D

Date of Birth: 23<sup>rd</sup> April, 1983  
 Ph.D. in Environmental Chemistry with over 10 years' experience in research.

First appointed on 1st May 2017 and re-appointed on 1st May 2020.



Philip Nzei

Born in 1978. Holds a Bachelor of Arts in Government and Public Administration, Post graduate Diploma in Paramilitary Science, Post Graduate Diploma in Conflict Management among others. Has served in the Public Service for over 16 years. Ag. Managing Director and Secretary to the Board

First appointed on 16<sup>th</sup> April, 2023.



Esther Kivindyo

Trade, Industry, Marketing, Tourism and Co-operative Development Representative



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Leonard Mutuku

Devolution, County Administration, Public Service & Youth Representative



Japheth Kiminza

Chief Officer - Environment and Climate Change



Nancy Kimutai

Office of the County Commissioner Representative



Serah Munguti

Co-Opted Member

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Stella Munini

Water Resources User Associations Representative



Martin Mutua

Co-opted Member



**3. Management Team**



Philip Nzei

Ag. Managing Director and Secretary to the Board



Andrew Nyamu

**Manager Conservation and Compliance**

He holds a BSc in Environmental science and currently pursuing master's degree in Environmental Planning and Management with 14 years' experience working in environmental, sustainable development and climate change.



Joseph Mutuku

**Head of Financial Services**

He holds MSc Development Finance, Bachelor of Commerce degree Hons (Finance) from KCA University. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK M/no 14398).

#### 4. Chairman's Statement

The financial year ended 30<sup>th</sup> June 2023 was marred by various prevailing factors that affect operations and general work of the Authority such as delayed disbursement of funds from treasury, and prolonged dry season being the key ones that impacted on the Authority particularly on revenue generation from the sand. However, the Authority strived to deliver on its mandate through the specific activities that were set out in the performance contracts signed for the year.

Specifically, the Authority registered the following key achievements;

1. **Revenue Generation:** The Authority raised a total of Ksh. 27,721,334 from own source revenue against the Ksh. 33,330,810 collected in the financial year 2021/2022. This is 8% decrease from the last year's own source revenue collection. The drop in revenue collection can be attributed to low sand deposits for the better part of last year, low enforcement and cess collection due to inadequate staff and heavy rains in the 3<sup>rd</sup> quarter of the year in the active sand harvesting wards of the county.
2. **Public sensitization and awareness creation:** Civic education on the importance of conservation and sustainable utilization of sand as a natural resource has been regarded as a requisite pillar of co-management of natural resources and the Authority has prioritized this as a continuous activity.
3. **Strategic partnerships and linkage creation:** Through joint funding involving the Authority, Africa Sand Dam Foundation (ASDF), two (2) sand dams were constructed in this financial year.
4. **Conservation activities:** Various sand conservation activities such as regulating sand harvesting, construction of sand dams, catchment conservation were carried out in the financial year. Compliance with the sand harvesting guidelines are increasingly being adhered.
5. **Review of the Act:** A Bill seeking to amend the Act in order to provide clarity for the effective implementation of this Act was submitted and tabled in the cabinet, approved and assented to by the Governor. This will assist to strengthen the legislative powers of the authority.

#### Challenges

The Authority worked under a challenging period during the year due to diminishing sand deposits across the county and inadequate staffing. It also faces budget cuts from the ex-chequer to support the ambitious plans of the Authority.

#### Future Outlook

The Authority has set its growth trajectory aiming at achieving a balance between conservation and sustainable utilization of sand resources. In the short to medium term, the Authority is laying out mechanisms to increase its effort in construction of sand dams, gabions, terracing, tree growing and riparian land protection. This includes through fundraising from development partners and sale of excess sand at a commercial scale to generate revenue that can be ploughed back into sand dam construction and rehabilitation of sand harvesting sites. Sand dams have been tried and proven to significantly boost water retention in river channels through holding sand. Increased water retention and recharging of aquifers has enabled



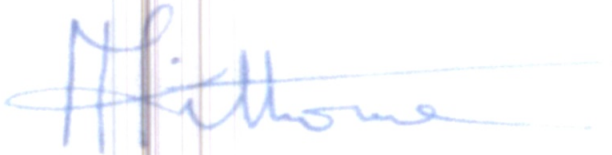
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Agribusiness along the rivers boosting socio-economic development. The sand ~~ambed~~ at the sand dams can be harvested to a sustainable level to generate revenue for the County. In the long term, the Authority envisages a sand based flagship project that will focus on sand value addition.

I take this opportunity to thank my colleagues in the Board for supporting me in providing leadership. I also commend management and staff for working tirelessly to register the achievements witnessed. I am confident that we will continually attain and surpass the targets set for the new financial year.

I also appreciate the Government of Makueni County, the County Assembly of Makueni, the community at large and all other stakeholders for their continued support.



Dr. Mussolini Kithome  
**Chairman**

## 5. Report of the Chief Executive Officer

It is with great pleasure that I present the Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2023 for the Makueni County Sand Conservation and Utilization Authority on its 8<sup>th</sup> year since its incorporation in 2015.

In the reporting period of the financial year 2022/23, the Authority attained the following milestones:

- a. **Public sensitization and awareness creation:** Civic education on the importance of conservation and sustainable utilization of sand as a natural resource has been regarded as a requisite pillar of co-management of natural resources and the Sand Authority has continuously employed different approaches to carry out sensitization including:
  - i. **Sensitization meetings:** The Authority held a total of 20 sensitization meetings in the form of public *barazas* in various parts of the County, stakeholder engagement with key stakeholders such as sand dealers, other County and national government departments and the non-state actors.
  - ii. **Use of Media:** The Authority used Local FM stations such as Ene, County, Musyi and Mwatu stations and national *Dailies* to raise awareness on sand matters. The Authority also activated its social media pages on Facebook, Twitter and LinkedIn to educate and interact with the public.
  - iii. **Dissemination of copies of the Act and Information Communication and Education materials:** The Authority also distributed over 1000 copies of the Makueni County Sand Conservation and Utilization Act, 2015 and Regulations to various segments of the community including local community members, government officers and non-state actors.
  - iv. **Participating in International Days:** The Authority in collaboration with NEMA, CESPAD and the WRUA council participated in the marking the World Environment Day by planting trees at Mutiswa catchment area in Mbitini Ward. The Authority used the

forum to educate key stakeholders on sand management, created publicity for the Authority and gathered useful feedback.

- v. ***Dissemination of Information, Education and Communication Materials:*** The Authority printed and disseminated 1000 information brochures that summarizes the history, achievements of the Authority and a section on popular issues on the sand Act. Additionally, a service charter has been printed and displayed at the Authority's office and a webpage on the County's website. All these help in creating publicity and recognition for the institution as well as educating the public.
  
- b. **Strategic partnerships and linkage creation:** Through the tripartite agreement involving the Authority and ASDF, two (2) sand dams namely upper Kiboko and lower Kiboko along Kiboko river in Makindu ward were constructed in this financial year. The community model is a way of encouraging community driven investment where they commit to provide local materials and labour.. Though the process is slow, it creates deep sense of ownership of the projects more than in the top down kind of investment.
  
- c. **Conservation activities:**
  - i. ***Regulation of sand harvesting:*** The Authority designated 70 major sites for local use sand harvesting. Thus, dealers who are permitted to harvest sand for use within Makueni County are directed to the designated sites. Similarly, the Authority closed sites that had been optimally harvested to allow rejuvenation. Unregulated and unsustainable harvesting of sand has detrimental effects to the environment, causes water pollution and infrastructure destruction among others. The Act requires that sites for sand harvesting are assessed and designated. These areas should not be near water sources and at least 100 meters from infrastructure such as sand dams, bridges etc. Scooping on the banks is also prohibited to avoid weakening of the river banks that leads to erosion.



- ii. **Construction of sand dams:** The Authority constructed 2 sand dams within the 2022/2023 financial year. Such initiatives not only enhanced the name of the institution in supporting community initiatives but also contribute to the efforts the County and National governments are doing to mitigate climate change by increasing water availability.
  - iii. **Catchment conservation:** During the financial year, the Authority carried out conservation activities across the county through support of communities with tree seedlings for restoration purposes.
- d. **Enforcement and Compliance:** Illegal sand harvesting cases especially for use outside the County have been significantly controlled. The historical illegal sand harvesting hotspots such as Kilome Sub County especially Kiima Kiu Kalanzoni Ward, Kwa Mulu area in Emali, Tulimani in Mbooni and parts of Kibwezi East have had cases reported. Community policing has also been embraced manifested through community reporting any case of unregulated or illegal sand activities in their localities. There has also been increased compliance depicted by the increase in payment of cess as well as the increasing number of inquiries on procedures for acquiring sand for local use. As the local community understands the importance of co-management, enforcement drastically reduces.
- e. **Revenue generation:** With a total of 16 point of sale machines across the County, the Authority raised a total of Ksh. 27,721,334 from local sand cess against the Ksh. 33,330,810 for the financial year 2021/2022. This is 8% decrease from last year's revenue collection. The County experienced long periods of inadequate rainfalls leading to low deposits of sand across the county and inadequate staffing.

There is a great potential in raising revenue from regulated and sustainable sand harvesting that could be harnessed to support the County in conservation and supporting socio economic development initiatives.

- f. **Review of the Act:** Through a consultative approach, the Authority began the review of the Makueni County Sand Conservation and Utilization Act, 2015. A Bill seeking to amend the Act in order to provide clarity for the effective implementation of this Act was submitted and

tabled in cabinet and adopted. The amendments addressed salient issues that shall ensure conservation and sustainable utilization of sand resource and increased water availability as envisaged through effective administration of the Act.

I sincerely thank the Government of Makueni County, Board of Directors, the Authority's staff and the community as large for their support as well as their effort in making sure the Authority achieve its goals and objectives. I also appreciate our partners, mother department and service providers and all other stakeholders for their respective contributions to the Authority during the year.

I look forward to continued support as we strive to transform Makueni County and contribute to shaping the sand management debate nationally, regionally and globally.



Philip M. Nzei

**Ag. Managing Director**

**6. Statement of Performance against Predetermined Objectives for FY 2022/23**

The Authority’s strategic plan was still at draft stage as at the time of audit and therefore could not objectively compare the performance with the strategic plan as required.

However, the Authority is committed to ensure that it meets its quality objectives which is a core part of its Quality Management System.

The Quality Objectives are listed below:

<b>Quality Objective</b>	<b>Performance against objectives</b>
To provide the sustainable conservation and utilization of sand within Makueni County.	<ul style="list-style-type: none"> <li>- Constructed 2 sand dams</li> <li>- Designated 70 sand harvesting sites</li> </ul>
To enhance the community’s knowledge on importance of environmental protection and sustainable sand utilization.	<ul style="list-style-type: none"> <li>- Did 20 public sensitization through media, public forums</li> <li>- Distributed more than 1000 copies of the Act and regulations</li> <li>- Engaged with targeted stakeholders such as sand dealers across the county</li> </ul>
To promote socio-economic development through benefits accrued from the sale of sand.	<ul style="list-style-type: none"> <li>- Ploughed back of the revenue share to conservation projects as required by Section 35 of the Act</li> </ul>



## **7. Corporate Governance Statement**

The Authority consists of a Board responsible for governance and a Secretariat headed by the Managing Director responsible for the day to day execution of the affairs of the Authority.

The Board consists of;

- a. A Chairperson appointed by the Governor;
- b. The Chief Officer of the department for the time being responsible for matters relating to the Environment or an officer of that department designated in writing by the Chief Officer;
- c. Four members, not being public officers competitively appointed;
- d. One member of the County Environment Committee;
- e. One representatives of WRUAs;
- f. One representative from the department of trade appointed by the Executive Committee Member in charge of trade;
- g. One representative from the department of youth, gender and social services appointed by the Executive Committee Member in charge of youth, gender and social services
- h. The County Commissioner or his representative;
- i. The Managing Director appointed competitively.

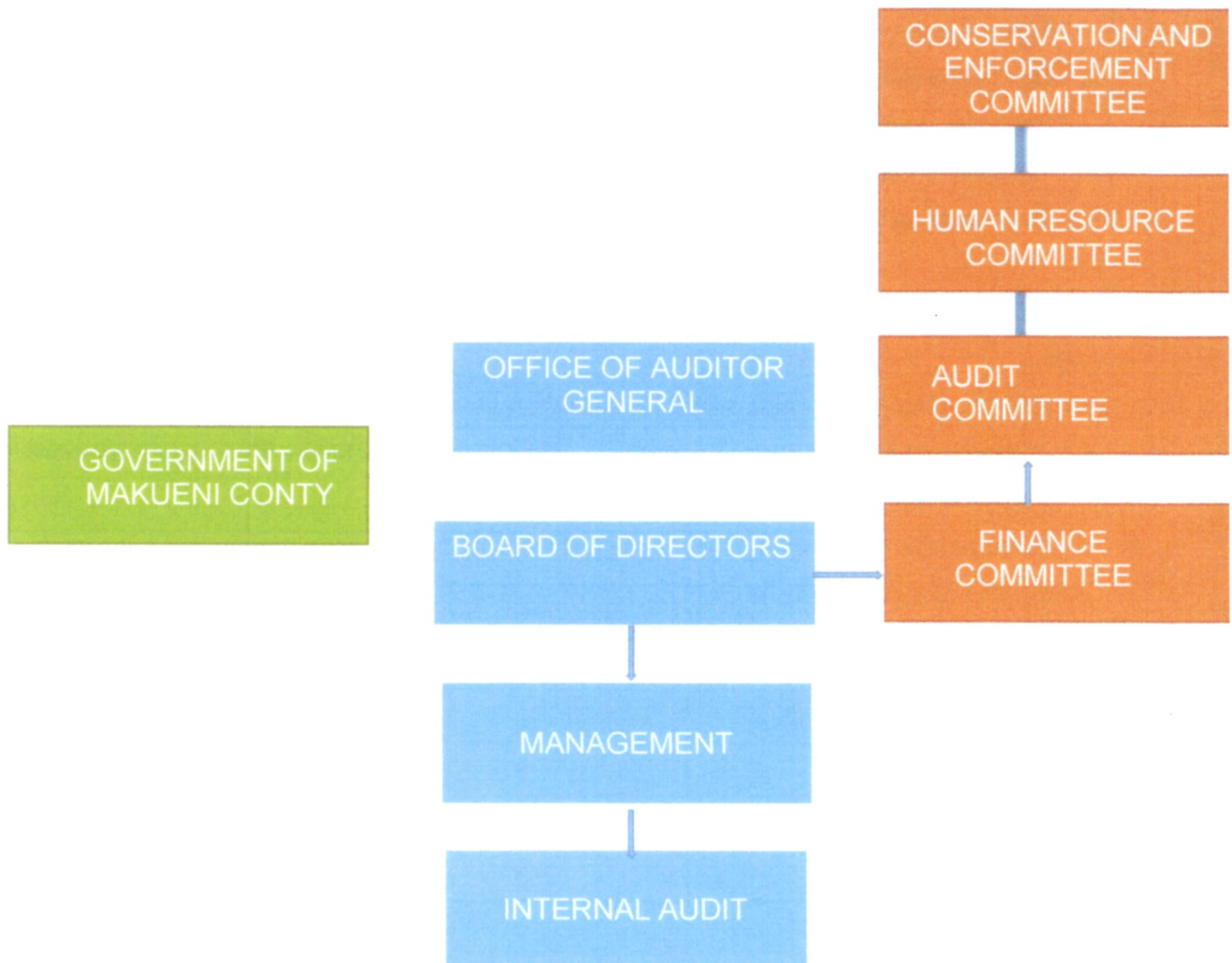
The appointment of a member of the Board may be terminated by the appointing authority where the member-

- a. is adjudged bankrupt or enters into a composition or scheme of arrangement with his creditors;
- b. is convicted of an offence and sentenced to imprisonment for a term of six months or more without the option of a fine;
- c. is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Authority; or
- d. Becomes, for any reason, incapable or incompetent of properly performing the functions of office.

The Authority's Board of Directors has the appropriate mix of skills, knowledge and experience to perform its role effectively. The areas of expertise of the current Board of Directors are projects management, natural resources management and conservation, public administration and economics among others.

In order to effectively and efficiently carry out its governance roles and responsibilities, the Board has established Committees. Currently, the Board has four standing Committees namely Audit committee, Finance Committee, Conservation and Enforcement committee and Human resource committee. Each committee has formal terms of reference which have been approved by the Board.

**Figure I: Governance structure.**



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**Board meetings.**

The following is a list of Board meetings held during the year and the attendance of each member.

**Table II: List of Full Board meetings and the attendance during the year**

<b>FULL BOARD MEETINGS FINANCIAL YEAR 2022/2023</b>			
<b>NO</b>	<b>NAME</b>	<b>DESIGNATION</b>	<b>NO OF MEETINGS ATTENDED</b>
1	Dr. Mussolini Kithome	Chair	11
2	Mumbi Kyalo	Board Member	11
3	Cosmas Maweu	Director	10
4	Leonard Mutuku	Board Member	10
5	Stella Munini	Board Member	10
6	Nancy Kimutai	Board Member	9
7	Martin Mutua	Board Member	8
8	Esther Kivindyo	Board Member	8
9	Dr. Daniel Ksee	Ag. Managing Director	8
10	Dr. Stephen Mailu	Board Member	7
11	Sera Munguti	Board Member	6
12	Japheth Mutuku	Chief Officer	5
13	Halinishi Yusuf	Managing Director	2
14	Leonard Tampushi	Board Member	2
15	Philp Nzei	Ag. Managing Director	1



### **Roles and functions of the Board.**

The Board is responsible for the governance of the Authority. The Authority's act 2015 stipulates the governance parameters within which the Board exists and operates. A summary of the Board responsibilities are as follows;

1. Determine the organization's mission, vision, purpose and core values.
2. Set and oversee the overall strategy and approve significant policies of the organization.
3. Ensure that the strategy is aligned with the purpose of the organization and the legitimate interests and expectations of its shareholders and other stakeholders.
4. Ensure that the strategy of the organization is aligned to the long-term goals of the organization on sustainability so as not to compromise the ability of future generations to meet their own needs.
5. Approve the organizational structure.
6. Approve the annual budget for the organization.
7. Monitor the organization's performance and ensure sustainability.
8. Enhance the corporate image of the organization.
9. Ensure availability of adequate resources for the achievement of the organization's objectives.
10. Hire the MD, on such terms and conditions of service as may be approved by the relevant government organ(s) and approve the appointment of senior management staff.
11. Ensure effective communication with stakeholders.

### **Board remuneration.**

The Board members are paid sitting allowances for each meeting attended as per the existing SRC circulars. The Board Chairman is paid a monthly taxable honorarium of Kshs 20,000.

### **Conflict of interest**

Directors have a statutory duty to avoid situations in which they have interests, which may conflict with the interests of the Authority. Upon presentation of the agenda items for the Committee or Board meetings, members present declare (non) existence of conflict of interest.

## 8. Management Discussion and Analysis

### 1. Financial Performance

The Authority collected Ksh. 27,721,334 from local sand cess against the Ksh. 33,000,000 target for the financial year 2022/2023, the performance was unfavorable by Kshs 2,278,666 or 8 % against the set target.

The under-performance can be attributed to decrease in sand deposits due to short rains and inadequate revenue and enforcement officers. There was also no commercial sand harvesting during the ended financial year.

Figure II: Analysis of revenue collection from July 2022 to June 2023.

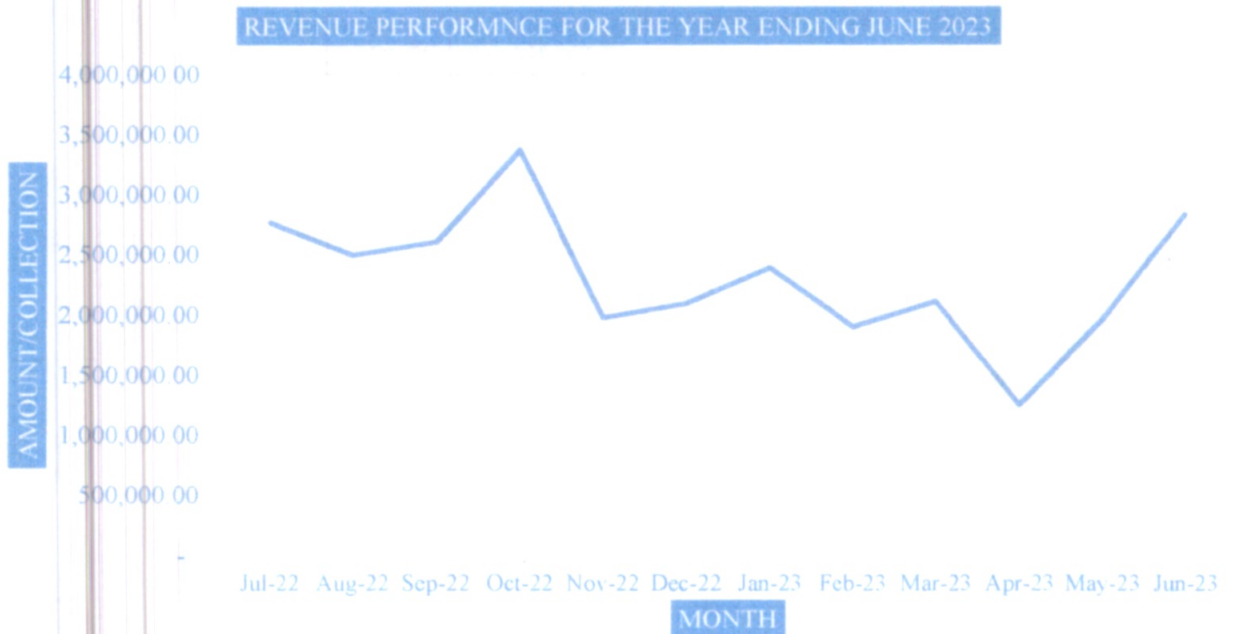
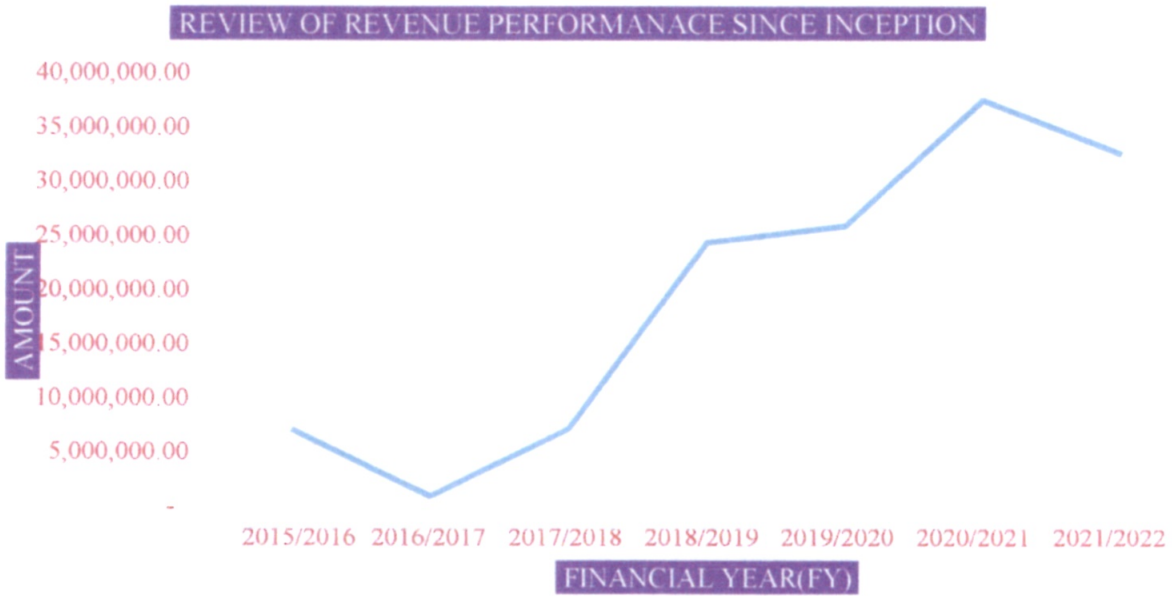


Figure III: Review of financial performance since inception in 2015



The revenue performance has been increasing steadily over the years. The increase is attributed to;

1. Dynamic public sensitization by the management over the years.
2. Increased number of revenue clerks and stations over the years.
3. Embracing automation in revenue collection.
4. Setting of annual and monthly revenue targets for each revenue stations.
5. Coordinated enforcement and compliance inspections.



## 2. Key Projects implemented during the year

Section 18 of the Sand Act stipulates that the Authority shall ensure that in all designated sand utilization sites, sand dams and gabions are constructed. Section 35 of the Act outlines how proceeds from sale of sand will be shared. Below is a list of projects undertaken by the Authority during the year as part of its conservation programmes.

**Table III: Key Projects implemented during the year**

NO	F/Y	PROJECT NAME	LOCATION	EXPENDITURE	IMPLEMENTATION STATUS
1	2022/2023	Upper Kiboko River Sand dam	Makindu ward	4,933,635	Completed
2	2022/2023	Lower Kiboko River sand dam	Makindu Ward	5,356,480	Completed

## 3. Induction of Sand Management Committees

Clause 12 of the Makueni County Sand Conservation and Utilisation Act, 2015 stipulates that the Authority shall establish Ward Sand Management committee in every ward. The ward sand committees shall be responsible for the proper and sustainable conservation and utilisation of all sand related activities within the ward.

During the year the Authority Inducted 9 Ward Sand Management Committees as shown.

**Table IV: List of Sand Management Committees inducted during the year**

S/No.	Ward	Date
1	Nguumo Ward Sand Management Committee	13 <sup>th</sup> April,2023
2	Mukaa Ward Sand Management Committee	15 <sup>th</sup> May,2023
3	Kima Kiu Kalanzoni Ward Sand Management Committee	15 <sup>th</sup> May, 2023
4	Thange Ward Sand Management Committee	25 <sup>th</sup> May,2023
5	Nguumo Ward Sand Management Committee	25 <sup>th</sup> May,2023
6	Ukia Ward Sand Management Committee	25 <sup>th</sup> May,2023
7	Kikumbulyu North Ward Sand Management Committee	9 <sup>th</sup> June,2023
8	Thange Ward Sand Management Committee	16 <sup>th</sup> June,2023
9	Kathonzweni Ward Sand Management Committee	23 <sup>rd</sup> June,2023

**4. Public sensitization Meetings.**

The Authority held 20 public sensitization meetings during the year across the County.

**Table V: List of public sensitization barazas held in the year**

S/No.	Name	Date
1	Kisau/kiteta	17/08/2021
2	Mbooni	13/08/2021
3	Kaluli market/ kima kiu kalanzoni	16/11/2021
4	Kilombo	3/11/2021
5	Iswii,kimakiu	22/09/2021
6	Kikumbulyu north	3/08/2022
7	Ingo'ini	19/01/2022
8	Ingo'ini	12/02/2022
9	Isuuni River	15/02/2022
10	Uvaani Public baraza	21/02/2022
11	Uvaani stakeholder baraza	24/02/2022
12	Ngwani ya Nzumuo	01/03/2022
13	Nzeveni Public participation	03/03/2022
14	Ikaasu earth dam	08/03/2022
15	Kiangini- Confluence kikuu/syethe	10/03/2022
16	Kathamblani	15/03/2022
17	Kathambalani	22/04/ 2022
18	Mbuvo	9/06/ 2022
19	Ukia junction	17/06,2022
20	Kee	10/06 2022

**Entity's compliance with statutory requirements**

During the year, the Authority submitted all deduction due to statutory bodies including NHIF, NSSF, KRA and HELB in time.

**Major Risks facing the entity**

**Operational risk:** The Authority's work is at times hampered by logistical issues such as lack of transport. Efficient and adequate mobility is critical for a Regulatory body like the Authority.

**Financial risk:** The Authority had been relying heavily on budgetary allocation from the County. Budget slashes, many a time, expose the Authority to financial constraints. The Authority is



increasingly collecting revenue from sand and exploring other sources of income such as private sector and development agencies to support its work.

**Legal risk:** Some gaps have been identified in the Makueni County Sand Conservation and Utilization Act, 2015 that hamper its implementation and expose the Authority to possible legal issues. Amendments have however been proposed and an amendment Bill submitted to the Makueni County Assembly for consideration.

**Political risk:** Sand issues are highly emotive and easily politicized due to the powerful cartels that used to control the resource before the enactment of the law. Often, issues are politicized and this adversely affects the Authority's progress. The Authority has however enhanced discussions and information sharing sessions with the members of the County Assembly as well as awareness creation for the Makueni Citizenry to enhance understanding of the tenets of the law.

#### **The entity's financial improbity and serious governance issues**

The Authority had no financial improbity or serious governance issues during the year.

Great milestones have so far been attained in the 8 years of the Authority's existence. Sanity in the sand sector has been restored with regulated harvesting being undertaken. Revenue that was benefitting a few is now collected and shared equitably. The period provided lessons that offer an opportunity for programs enhancement. These include:

- i. **Knowledge Development:** The Authority needs to carry out targeted studies. Key studies include a feasibility study on sand value chain development. This include value addition options such as developing products like blocks, ceramics, cabros etc. This could also offer an opportunity for private sector partnership to develop the sand industry. Additionally, initial linkage creation with potential partners such as National Construction Authority, Financial institutions, and academic institutions such as SEKU will be made.
- ii. **Project implementation model:** The Authority will use the community driven model partnership which ensures the community provide unskilled labour and local materials to create ownership as well as the fully funded approach where the Authority



pays the local community for local materials and unskilled labour. This model enables construction of more sand dams as costs are shared.

- iii. More targeted and deliberate collaboration with key departments and other external partners will be adopted to ensure efficiency and effectiveness in awareness creation. Partnerships with the civic education department to raise awareness will be instrumental in covering a larger audience. Partnership with the department of gender and youth affairs will also be explored to seek ways of synergizing our efforts. The youth are highly involved in sand activities thus partnering with the gender and youth department would be a win- win situation. All sand dams should have agricultural activities taking place as water is availed for domestic and small scale irrigation schemes. This will require close collaboration with the Agriculture department.
- iv. As an opportunity for negotiated approach, existing initiatives that can be built upon will be prioritized. Some Self Help Groups have built sand dams and are already doing some efforts towards conservation but require alignment to the legislations. The Authority and other partners will strengthen existing groups and linking them with the right support for mentorship. This will contribute to addressing other developmental issues with relevance to sand harvesting such as food security.
- v. Simple cost-benefit analysis to ensure value for money was done through internal controls in procurement. Basic processes of identifying misuse or inefficient use of financial resources, the identification of errors in allocations of expenditure or income are in place. Within the reporting period, the overall operational and financial performance was satisfactory.

**9. Environmental and Sustainability Reporting**

The Authority promotes sustainable sand management through community driven approach for mutual environmental and socio-economic benefits. Sand is, to an extent, a renewable resource, created as rivers erode upstream and deposit sediment farther downstream. The Authority regulates the amount mined, to be “within the natural variability of the sediment load of the system.” In 2015, a Sand Act was passed by the Makueni County assembly which enabled Sand Conservation in all rivers in the County. Since then, sand harvesting is done in quantities that do not exceed the rate of resupply from the upstream hence the rivers have recharges with water and sand is available for utilization.

**i) Sustainability strategy and profile -**

Sand mining is the world’s largest mining endeavour, responsible for 85 percent of all mineral extraction. It is also the least regulated, and quite possibly the most corrupt and environmentally destructive. By far, the mining endeavour globally is mainly for the concrete that goes into buildings. But this little-noticed and largely unregulated activity has serious costs, damaging rivers, wreaking havoc on coastal ecosystems, and even wiping away entire islands.

**ii) Table VI: Environmental performance versus the applicable laws.**

i.	Compliance with Forest Conservation and Management Act of 2016 (10%)	According to the forest act 2016, the goal of this policy is to develop a vibrant bamboo industry benefitting the present and future generations through sustainable management, increasing area grown with bamboo and enabling commercialization and value edition	Kisayani River, Kikumbulyu north ward the sand committee collaborated with KEFRI since it is their land for investment especially the bamboo tree.
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ii.	Compliance Makueni Sand Conservation and Utilization Act 2015 and the Regulations (20%)	<p>Section 12- Sand Management committees</p> <p>Section 19- Licensing of Sand harvesters</p> <p>Section 18- Construction of Sand dams and gabions</p> <p>Section 27- sand utilisation sites and conservation sites.</p> <p>Section 35- Revenue sharing</p> <p>Section 36- Monitoring and restoration of sand harvesting sites</p>	<p>9 new ward sand management committees inducted</p> <p>Licensed 641 sand dealers.</p> <p>2 sand dams constructed</p> <p>70 sand harvesting sites designated</p> <p>Communities were assisted with tree seedlings for conservation purposes</p> <p>4 Access roads maintained, katilini check dam restoration, repair of nzeveni sand dam</p>
Iii.	Water act 2016	<p>Water act has extensive provisions on conservation and management of water on water basins and catchments areas.</p> <p>Although most sand mining in Kenya occurs in or next to water rivers, the act plays a limited role mining despite the</p>	<p>Majority of designated sites in Makueni county are along the water catchment area.</p> <p>The sand dealers complied with the water act on where the sand should be harvested to avoid pressure to the water especially by not harvesting sand near the drifts and water sources.</p>



		clear threat to water resources at regulating sand.	
iv	EMCA Act 1999	The Integrated National Land use guidelines, 2011 prepared by NEMA places on Environmental power to control all activities regarding sand harvesting requiring all the users to form voluntary societies and to be licenced in accordance with the EMCA.	Makueni sand Authority ensured those EMCA regulations where being adhered by ensuring all the sand dealers where being issued permits for the sake of environmental and sustainable development.

**iii) Employee welfare**

The Authority is finalizing the development of Human Resource Policies and Procedures that will guide in all human resources management and development issues. The development process has been consultative and a robust stakeholder involvement before finalization is planned for. The Authority has however been relying on the guidelines provided by the national human resource management policies, has a clear job descriptions and competitively recruits for vacant positions. The Authority observes the gender rule and promotes national cohesion by hiring from other ethnicities and religious affiliations.

**Improvement of skills and managing careers, appraisal and reward systems**

The Authority allocates a budget for training to enhance staff competence and capacity to deliver effectively and efficiently. The Authority has embraced performance management and all staff sign performance contracts every year and they commit to achieve their set out targets. Appraisal is done and the best performing staff are recognised and awarded and sanctions instilled for poor performance.

### **Policy on safety and compliance with Occupational Safety**

A safe work environment is necessary for a productive workforce. The Authority complies with the Occupational Safety and Health Act of 2007(OSHA) through the following efforts:

1. Training of staff on handling fire emergencies;
2. Having First Aid Kits and emphasize on the need for personal responsibility culminating in social responsibility;
3. Having a Fire Assembly Point and are in touch with the County Fire Response team in case of emergency.
4. Implementing COVID – 19 and Ministry of Health protocols in place and emphasize on having personal protective equipment at all times in the workplace.

The Authority continues to invest in its human capital (HC) considering they are a primary asset. We continually improve and uphold organisational culture, traditions that add value to our HC and spur continued productivity.

#### **iv) Market place practices-**

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

The Sand Authority although not strictly doing business, plays a significant role in the Sand market within Makueni County. To this end the Authority encounters stakeholders in the Sand commodity market and must have in place, as a regulatory body, measures to ensure responsible competition practices. The following measures are applied by the Authority:

##### **1. Internal measures**

The Authority is keen on the integrity of its staff which will inadvertently reflect on the integrity of the Authority. To this end the Authority, through its management conducts staff anti-corruption training at least once a year and mandates the management to sign and adhere to the Public servants ethics and integrity code.

##### **2. External Measures**

The Authority relates with the public and other stakeholders and has in place stakeholder engagement forums and feedback platforms. The Authority is alive to the



fact that unrestricted sand market would have devastating impacts to the environment. To ensure no environment damage is done or at least minimize the damage, the Authority has Environmental officers sitting in the Ward Sand Committees to designate appropriate sites for utilization and close damaged or overly utilized sites.

The Authority also through its enforcement officers and Revenue clerks ensures that all who access Sand in Makueni pay for license and cess without exception. The Authority is non-political and aims at ensuring a level playing field for all actors and respect for competition amongst all stakeholders.

**b) Responsible Supply Chain and Supplier relations**

The Authority is keen to observe principles of procurement as outlined by the Public Procurement and Asset Disposal Act, 2015. It does this by:

1. Having a well constituted procurement and asset disposal committees namely opening, evaluation and inspection committees.
2. Preparing procurement plans for each financial year in conformity with medium term fiscal framework and fiscal policy objectives.
3. Promoting good business practices by providing the relevant information relating to tenders and specifications of works. The Authority reserves 30% of the procurable budget to youth, women and people living with disability.
4. The Authority also ensures invoices are paid within a period of one month, and has committed to reduce the pending bills to less than 1% for every financial year subject to availability of funds.

**c) Responsible Marketing and Advertisement**

The Authority ensures responsible marketing and advertisement through:

1. Ensuring there is equity and fairness in provision of information to suppliers on the required goods, works and services.
2. Ensuring confidentiality of the information received from suppliers about their businesses and bids submitted in accordance with PPDA of 2015.



3. Ensuring the suppliers are notified of the proceeding resulting from the tender they submitted in accordance with the regulation and act.
4. Ensuring there is transparency in evaluation of suppliers and awarding of tenders based on the evaluation criteria described in solicitation document.
5. Ensuring the organization gets value for their money and at the same time the supplier benefits from the service, good or work rendered to the organization.

**d) Product Stewardship**

The Authority ensures that consumer rights and interests are safeguarded through:

1. Advising the County Government on applicable licences and rates in relation to sand harvesting which in turn is subjected to public participation.
2. Ensuring that public participation is embraced during opening and closing of designated sand harvesting sites.

**v) Corporate Social Responsibility / Community Engagements**

While dispensing our mandate as the lead agency in all matters to sand in the County, the Authority has made efforts to also give back to the community. The Authority does not have a structured way of carrying out CSR activities but simply responds to requests by sections of the community.

In the 2022/2023 FY, the Authority assisted community self-help groups involved in construction of sand dams through providing transport to ferry local materials.eg hard core to the construction site. This helped a lot to speed up the completion of the sand dams and ease the work of the community members who are required to offer their contribution through provision of labour and local materials.The authority again bought and distributed tree seedlings to community groups for conservation purposes.

**10. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the *Authority's* affairs.

**i) Principal activities**

The principal activity of the Authority is to regulate and ensure sustainable conservation and utilisation of sand and provide for protection of environment and equitable sharing of the accruing benefits.

**ii) Results**

The results of the Authority for the year ended June 30, 2023, are set out on page 1-7.

**iii) Directors**

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

**iv) Surplus remission**

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Being a County Corporation, the Authority did not remit any funds to the Consolidated Fund because the funds were reallocated in the subsequent year and there is an act which guides on distribution of the resources.

**v) Auditors**

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

By Order of the Board:

Name: Philip M. Nzei

Signature: ...  .....

Date: .....

**Secretary to the Board**



## 11. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and (section 10) of the Makueni County Sand Conservation and Utilization Act, 2015 require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authorities financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2021. 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 entity; (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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authorities financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the Authorities financial statements give a true and fair view of the state of the Authorities transactions during the financial year ended June 30, 2022, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority 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 Authority's financial statements were approved by the Board on 22<sup>nd</sup> September, 2023 and signed on its behalf by:

**Signature:**

**Name:** Dr. Mussolini Kithome

**Chairperson of the Board**

**Signature:** ...

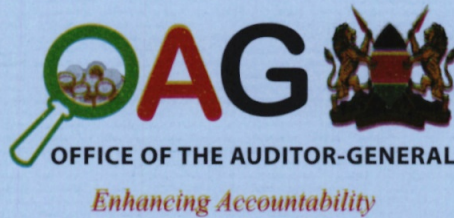
**Name:** Philip M.nzei

**Accounting officer**



# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON MAKUENI COUNTY SAND CONSERVATION AND UTILIZATION AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Makueni County Sand Conservation and Utilization Authority set out on pages 1 to 42, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement

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*Report of the Auditor-General on Makueni County Sand Conservation and Utilization Authority for the year ended 30 June, 2023*



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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Makueni County Sand Conservation and Utilization Authority 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 comply with the Makueni County Sand Conservation and Utilization Act, 2015 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unconfirmed Use of Goods and Services Expenditure**

The statement of financial performance and, as disclosed in Note 16 to the financial statements, reflects an amount of Kshs.51,219,760 in respect of use of goods and services. However, the following anomalies were noted.

- i. The amount includes an amount of Kshs.953,360 in respect of staff training and development. However, the ledger provided in support of the expenditure reflects an amount of Kshs.932,160 resulting into an unexplained and unreconciled variance of Kshs.21,200.
- ii. The amount includes an amount of Kshs.164,760 which has been erroneously classified as staff training and development expenditure instead of amounts of Kshs.21,300 and Kshs.143,400 in respect of expenditure on subscriptions and daily subsistence allowances, respectively.
- iii. The amount includes staff training and development expenses totalling Kshs.377,920 that were not supported with back to office reports and certificates.
- iv. The amount includes an amount of Kshs.1,011,002 that is disclosed in Note 16 to the financial statements as a direct deposit to County Government. Review of revenue records revealed that the amount was in respect of revenue that had been erroneously misclassified under use of goods and services instead of being posted as a receivable from non-exchange transaction. Further, as at the time of the audit, this amount had not been reimbursed to the Authority.
- v. This amount includes an amount of Kshs.2,993,379 in respect of domestic subsistence and travel allowances out of which, however, an amount of Kshs.2,781,820 had been charged to other general expenses.

In the circumstances, the accuracy and completeness of use of goods and services expenditure of Kshs.51,219,760 could not be confirmed.



## **2. Unsupported Revenue Collection Streams**

The statement of financial performance and, as disclosed in Note 7 to the financial statements, reflects revenue from levies, fines and penalties of Kshs.27,721,334. Review of financial records revealed that revenue collected was recorded on a summarized daily basis and described as cess. However, detailed analysis showing the actual collections across different revenue streams was not provided for audit review.

In the circumstances, the accuracy and completeness of the revenue totalling Kshs.27,721,334 in respect of levies, fines and penalties could not be confirmed.

## **3. Unconfirmed Ownership of Assets**

The statement of financial position reflects a balance of Kshs.16,081,176 in respect of property, plant and equipment which, as disclosed in Note 33 to the financial statements, includes a balance of Kshs.9,735,158.83 in respect of motor vehicles. However, review of ownership documents revealed that Management did not have log-books with respect to one (1) motor vehicle and five (5) motorcycles. Further, an Enterprise Resource Planning (ERP) system which was acquired during the year under review, and whose cost was not provided, was not capitalized as an intangible asset.

In the circumstances, the ownership, completeness and accuracy of property, plant and equipment balance of Kshs.16,081,176 could not be confirmed.

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

## **Emphasis of Matter**

### **Budget Control and Performance**

The statement of comparison of budget and actual amounts reflects budgeted revenue and actual revenue amount on comparable basis of Kshs.131,922,984 and Kshs.107,685,125 respectively, resulting in underfunding of Kshs.24,237,859 or 18% of the approved budget. Similarly, the reported total actual expenditure was Kshs.79,530,169 against budgeted expenditure of Kshs.101,922,984 resulting to under expenditure of Kshs.22,392,815 or 22% of the budget.

The underfunding and under expenditure may imply that some of the planned activities and programmes were not undertaken during the year and may have negatively affected the residents of Makueni County.

My opinion is not modified in respect of this matter.



## **Key Audit Matters**

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

## **Other Matter**

### **Unresolved Prior Year Matters**

In the previous year's audit report, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the financial reporting template issued by the Public Sector Accounting Standards Board (PSASB).

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Non-Compliance with Funding Requirements**

The statement of financial performance and, as disclosed in Note 6 to the financial statements, reflects transfer from County Government of Kshs.79,963,791 which, as revealed from a review of expenditure documents, was only 0.74% of the County's annual budget which was contrary to the provisions of Section 10(3)(a) of the Makueni County Sand Conservation and Utilization Act, 2015 which states that the funds of the Authority shall consist of 2.25% of the County annual budget appropriated by the County Assembly.

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

#### **2. Non-Compliance with Revenue Sharing Requirements**

The statement of financial performance reflects levies, fines and penalties of Kshs.27,721,334, as disclosed in Note 7 to the financial statements. However, the audit revealed that Management did not share revenue raised from sale of sand with Water Resource Users Associations and the community as required by Section 35(1)(c) and (d) of the Makueni County Sand Conservation and Utilization Act, 2015 that states revenue raised from the sale of sand shall be shared in the following proportion - 5% shall go to Water Resource Users Associations for conservation and operations and 10% shall go to the community.

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



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

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

### **Conclusion**

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

### **Basis for Conclusion**

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

### **Responsibilities of Management and the Board of Directors**

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

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

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

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

The Board of Directors is responsible for overseeing the Authority'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 Authority's policies and procedures may deteriorate.

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

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




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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to sustain 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 Authority 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 Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and 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**

**21 March, 2024**

**Makueni County Sand Conservation and Utilization Authority**  
**Annual Report and Financial Statements**  
**for the year ended June 30, 2023.**

**13. Statement of Financial Performance for the year ended 30<sup>th</sup> June 2023**

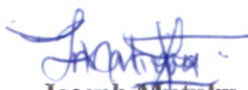
	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from County Government	6	79,963,790.65	25,228,082.00
Levies, Fines, and penalties	7	27,721,334.00	33,330,810.00
Public Contributions and Donations	8		226,317.95
<b>Revenue from exchange transactions</b>			
Other income	15		2,025.00
<b>Total revenue</b>		<b>107,685,124.65</b>	<b>58,787,234.95</b>
<b>Expenses</b>			
Use of goods and services	16	51,219,760.25	33,727,466.81
Employee costs	17	16,567,879.20	16,849,229.00
Board Expenses	18	3,982,497.00	2,117,522.00
Depreciation and amortization expense	19	5,154,482.88	2,519,272.41
Repairs and maintenance	20	2,605,549.97	1,494,103.00
<b>Total expenses</b>		<b>79,530,169.30</b>	<b>56,707,593.22</b>
<b>Surplus/(deficit) for the period/year</b>		<b>28,154,955.35</b>	<b>2,079,641.73</b>

The notes set out on pages 8 to 39 form an integral part of these Financial Statements.


The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:

  
**Philip M. Nzei**  
**Managing Director**

Date: 22.09.2023

  
**Joseph Mutuku**  
**Head of Finance**  
**ICPAK M/No: 14398**

Date: 22.09.2023

  
**Dr. Mussolini Kithome**  
**Chairman of the Board**

Date: 22.09.2023.....



*Makueni County Sand Conservation and Utilization Authority*  
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**14 Statement of Financial Position as at 30<sup>th</sup> June 2023**

	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	28	20,161,457.48	9,107,874.52
Receivables from Non-Exchange Transactions	30	11,173,839.00	84,632.00
Inventories	31	0.00	28,263.01
<b>Total Current Assets</b>		<b>31,335,296.48</b>	<b>9,220,769.53</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	33	16,081,175.99	9,549,902.78
<b>Total Non- Current Assets</b>		<b>16,081,175.99</b>	<b>9,549,902.78</b>
<b>Total Assets</b>		<b>47,416,472.47</b>	<b>18,770,672.31</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	36	2,690,974.51	2,195,130.20
Refundable Deposits from Customers	37		5,000.00
<b>Total Current Liabilities</b>		<b>2,690,974.51</b>	<b>2,200,130.20</b>
<b>Net Assets</b>			
Reserves		11,421,768.00	11,421,767.50
Accumulated Surplus		33,303,729.96	5,148,774.61
Capital Fund			
<b>Total Net Assets</b>		<b>44,725,497.96</b>	<b>16,570,542.11</b>
<b>Total Net Assets and Liabilities</b>		<b>47,416,472.47</b>	<b>18,770,672.31</b>

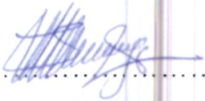
The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:



**Annual Report and Financial Statements**

**for the year ended June 30, 2023.**

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**Philip M. Nzei**  
**Managing Director**

Date: ... 22.09.2023.....



**Joseph Mutuku**  
**Head of Finance**  
**ICPAK M/No: 14398**

Date: 22.09.2023...



**Dr. Mussolini Kithome**  
**Chairman of the Board**

Date: 22.09.2023.....

*Makueni County Sand Conservation and Utilization Authority*  
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**15 Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June 2023**

	Retained Earnings	Capital/Development Grants/Fund	Total
	Kshs	Kshs	Kshs
at July 1, 2020	(16,126,332.00)	11,421,768.00	(4,704,564.00)
plus/ deficit for the year	28,572,265.86	-	28,572,265.86
at June 30, 2021	12,445,933.86	11,421,768.00	23,867,701.86
at July 1, 2021	3,069,132.88	11,421,768.00	23,867,701.86
plus/ deficit for the year	2,079,641.73		2,079,641.73
at June 30, 2022	5,148,774.61	11,421,768.00	25,947,343.59
at July 1, 2022	5,148,774.61	11,421,768.00	16,570,542.73
plus/ deficit for the year	28,154,955.35		28,154,955.35
at June 30, 2023	33,303,729.96	11,421,768.00	44,725,498.08




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**16. Statement of Cash Flows for the year ended 30<sup>th</sup> June 2023**

		2022 2023	2021 2022
	NOTES	KSH	KSH
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	47	22,687,812.53	16,958,697.33
<b>Net cash generated from/(used in) operating activities</b>		<b>22,687,812.53</b>	<b>16,958,697.33</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	33	(11,634,229.57)	(8,962,400.00)
<b>Net cash generated from/(used in) investing activities</b>		<b>(11,634,229.57)</b>	<b>(8,962,400.00)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Net cash generated from/(used in) financing Activities			
Increase/(Decrease) In Cash and Cash Equivalents		11,053,582.96	7,996,297.33
Cash and Cash Equivalents at Beginning of Year	32	9,107,874.52	1,111,577.19
<b>Cash and Cash Equivalents at end of the year</b>	32	<b>20,161,457.48</b>	<b>9,107,874.52</b>

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:



Philip M.Nzei



Joseph Mutuku



Dr. Mussolini Kithome

**Managing Director**

**Head of Finance**

**Chairman of the Board**

**ICPAK M/No: 14398**

Date: ... 22.09.2023.....

Date: 22.09.2023.....

Date: ... 22.09.2023

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**17. Statement of Comparison of Budget and Actual amounts for the year ended 30<sup>th</sup> June 2023**

<b>Description</b>	<b>Original budget</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>% of utilization</b>
	2022-2023	2022-2023	2022-2023		
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>%</b>
Non-Operating Revenue	40,000,000.00	30,000,000.00	27,721,334.00	(2,278,666.00)	(8)
Other Non-Operating Revenue					
Grants	106,840,823.57	101,922,984.33	79,963,790.65	(21,959,193.68)	(22)
<b>Total Revenue</b>	<b>146,840,823.57</b>	<b>131,922,984.33</b>	<b>107,685,124.65</b>	<b>(24,237,859.68)</b>	
<b>EXPENSES</b>					
Staff Costs	<b>20,847,150.57</b>	20,847,150.57	16,567,879.20	4,279,271.37	21
Board Expenses	4,500,000.00	4,000,000.00	3,982,497.00	17,503.00	0
General and operations Expenses	42,875,225.00	40,257,385.75	28,135,705.44	12,121,680.31	30
Maintenance	3,000,000.00	2,700,000.00	2,605,549.97	94,450.03	3
Depreciation and amortization			5,154,482.88	(5,154,482.88)	
<b>Total Recurrent Expenditure</b>	<b>71,222,375.57</b>	<b>67,804,536.32</b>	<b>56,446,114.49</b>	<b>11,358,421.83</b>	
Surplus/Deficit					
<b>Capital Expenditure</b>	<b>35,618,448.00</b>	<b>34,118,448.00</b>	23,084,054.81	11,034,393.19	32
<b>Total Expenditure</b>	<b>106,840,823.57</b>	<b>101,922,984.32</b>	<b>79,530,169.30</b>	<b>22,392,815.02</b>	



**Explanation of budget variances higher/lower than 10%**

**Non-operating Revenue**

The Authority had budgeted own source revenue at Kshs 30M but managed to collect Kshs 27.7M with a deficit of Kshs2.2M. During the year, the county experienced very low amounts of rainfall and there was no sufficient sand for local construction coupled with inadequate staffing of revenue and enforcement officers.

**Grants**

Out of the projected grant of Kshs 101M from the County Government, the Authority only received Kshs 79.9M representing unfavorable deficit of Kshs 21.1M. The County Treasury explained that this was due to delay in disbursement of funds by the exchequer.

**Staff Costs**

The Authority had budgeted Kshs 20.8M on employee compensation but spent only Kshs 16.5M representing a favorable difference of Kshs 4.2M. The management did not employ key staff as planned for during the year.

**Board Expenses**

The Authority had budget a compensation of Kshs 4M to the Board members but spent only Kshs 3.98M board expenses. The board held 11 sittings in the ended FY.

**General and operations expenses.**

The Authority had planned to incur Kshs 40.2M on general and operational activities but spent only Kshs 28.1M with a deficit of Kshs12.1M. This was attributed due to the delay in disbursement of funds by the County Government. Several projects could not kickoff.

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

### **1. General Information**

Makueni County Sand Conservation & Utilisation Authority is established by and derives its authority and accountability from Makueni County Sand Conservation & Utilisation Act 2015. The entity is wholly owned by the Government of Makueni and is domiciled in Kenya. The entity's principal activity is Sand Conservation.

The balance sheet is represented by the statement of financial position and the profit and loss account by the Statement of Financial Performance in these financial statements.

### **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 judgement in the process of applying the *Authority's* accounting policies. The areas involving a higher degree of judgement 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 *Authority*.

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



**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

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

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

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

Standard	Effective date and Impact:
<b>IPSAS 41:</b> Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><b>Impact</b></p> <p>The Standard had no impact to the Authority's financial statements</p>

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Standard	Effective date and impact:
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul> <p style="text-align: center;"><b>Impact</b></p> <p>The Standard had no impact to the Authority's financial statements</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p style="text-align: center;"><b>Impact</b></p> <p>The Standard had no impact to the Authority's financial statements</p>



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Standard	Effective date and impact:
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> <p style="text-align: center;"><b>Impact</b></p> <p>The Authority is yet to adopt the standard.</p>
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p style="text-align: center;"><b>Impact</b></p> <p>The Authority is yet to adopt the standard.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of</p>

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Standard	Effective date and impact:
	discontinued operations to be presented separately in the statement of financial performance.  <b>Impact</b> The Authority is yet to adopt the standard.

**iii. *Early adoption of standards***

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



**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

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

**Fees, taxes and fines**

The Entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

**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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

**ii) Revenue from exchange transactions**

**Rendering of services**

The Entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Entity.

**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 each period.

**b) Budget information**

The original budget for FY 2022-2023 was approved by the County Assembly on June 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 entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.



**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at

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each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Entity and the same taxation authority.

**Sales tax**

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included  
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an ~~xx~~-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.



**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**e) 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 Entity 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.

**f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**g) 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.

**h) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**i) Financial instruments**

**a) Financial assets**

**Initial recognition and measurement**

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



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**Notes to the Financial Statements (Continued)**  
**Summary of Significant Accounting Policies (Continued)**

**Loans and receivables**

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

**Held-to-maturity.**

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

**Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an Entity of financial assets is impaired. A financial asset or an Entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

Notes to the Financial Statements (Continued)  
Summary of Significant Accounting Policies (Continued)

**b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**Loans and borrowing**

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

**j) 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:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) 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 *Entity*.



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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**k) Provisions**

Provisions are recognized when the Entity 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 Entity 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.

**l) Contingent liabilities**

The Entity 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.

**m) Contingent assets**

The Entity 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 Entity 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.

**n) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. Currently the Authority has no provisions in place.

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

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

**p) Employee benefits**

**Retirement benefit plans**

The Authority provides retirement benefits for its employees and directors. Currently the Authority pays the contract staff gratuity at 31% of the annual basic pay.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**q) 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 at 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.

**r) 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.

**s) Related parties**

The *Entity* 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 *Entity*, or vice versa. Members of key management are regarded as related parties and comprise *the directors, the MD and managers*.

**t) Service concession arrangements**

The *Entity* analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.



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**Notes to the Financial Statements (Continued)**  
**Summary of Significant Accounting Policies (Continued)**

**u) 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 the Central Bank of Kenya and 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.

**v) Comparative figures**

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

**w) Subsequent events**

There has been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Entity'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 Entity 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Notes to the Financial Statements (Continued)**

**Significant Judgments and Sources of Estimation Uncertainty (Continued)**

**Useful lives and residual value**

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

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The Authority had no applicable provisions as at the date of reporting.



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**Notes to the Financial Statements (Continued)**

**6. Transfers from County Government**

Description	2022-2023	2021-2022
	KShs	KShs
<b>Unconditional Grants</b>		
Operational Grant	79,963,790.65	25,228,082.00
<b>Total Government Grants And Subsidies</b>	<b>79,963,790.65</b>	<b>25,228,082.00</b>

The funding is to support the Authority operations.

**b) Transfers from the County Government**

Name Of The Entity Awarding The Grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total transfers 2022-2023	Prior year 2021-2022
	KShs	KShs	KShs	KShs	KShs
County Government of Makueni	79,963,790.65			79,963,790.65	25,228,082.00
<b>Total</b>	<b>79,963,790.65</b>			<b>79,963,790.65</b>	<b>25,228,082.00</b>

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**Notes to the Financial Statements (Continued)**

**7. Levies, Fines and Penalties**

Description	2022-2023	2021-2022
	Kshs	Kshs
Building Materials		26,500.00
Impounding Fees	965,500.00	621,000.00
Sand Cess	17,815,834.00	32,623,310.00
Licensing	8,940,000.00	60,000.00
Fines		
<b>Total</b>	<b>27,721,334.00</b>	<b>33,330,810.00</b>

The Authority charges taxes to local sand harvesters which are approved through the finance act.

**8. Public Contributions and Donations**

Description	2022-2023	2021-2022
	Kshs	Kshs
World Wildlife Fund Grant		226,317.95
<b>Total</b>		<b>226,317.95</b>

**9. Property Taxes Revenue**

The Authority did not receive an revenue from property during the year.

**10. Licenses, Fees and Permits**

The Licenses, Fees and Permits income received are explained in note 7.

**11. Rendering of Services**

The Authority did not receive revenue from rendering of services during the year.

**12. Sale of Goods**

The Authority is a regulatory body and does not receive revenue from sale of goods.



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**13. Rental Revenue from Facilities and Equipment**

The Authority did not receive revenue from facilities and equipment during the period under audit.

**14. Finance Income**

The Authority did not receive revenue from finance income during the year under audit.

**15. Other Income**

Description	2022-2023	2021-2022
	Kshs	Kshs
Sale of Tender		
Other misc. incomes		
<b>Total other income</b>		

**16. Use of Goods and Services**

Description	2022-2023	2021-2022
	Kshs	Kshs
Water and sewerage charges	105,275.99	41,300.00
Telephone, Telex, Facsimile and Mobile Phone Services	394,140.00	524,079.00
Internet Connections	388,080.00	93,664.00
Advertising, Awareness ,Communication & Publicity Campaigns:	408,404.00	440,280.00
Webhosting	799,410.00	35,314.00
Domestic travelling and subsistence	2,993,379.00	3,401,267.68
Travel costs	299,343.00	657,670.10
Rent expenses	682,200.00	558,092.71
Staff training and development	953,360.00	878,960.00
Hospitality supplies and services	2,478,933.45	1,462,260.00
Bank charges and commissions	245,100.39	228,130.81
Office and general supplies and services	1,299,735.01	1,144,010.99
Refined fuels, Oils & Lubricants	2,795,620.00	1,913,000.00
Direct deposit to county government	1,011,002.00	
Other General Expenses	36,365,777.41	22,349,437.52
<b>Total Use of Goods and Services</b>	<b>51,219,760.25</b>	<b>33,727,466.81</b>

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**17. Employee Costs**

Description	2022/2023	2021/2022
Basic Pay	8,608,755.20	12,119,129.00
House Allowance	1,837,913.33	906,500.00
Commuter Allowance	1,792,266.67	884,000.00
Hardship Allowance	2,635,680.00	1,330,300.00
NSSF Contribution	292,320.00	95,800.00
Staff welfare contribution		175,500.00
Staff Gratuity	972,668.00	1,079,688.00
Transfer Allowance	173,220.00	258,312.00
Acting Allowance	79,056.00	
Leave allowance	176,000.00	
<b>Total Staff Cost</b>	<b>16,567,879.20</b>	<b>16,849,229.00</b>

**18. Board Expenses**

Description	2022-2023	2021-2022
Chairman/Directors' Honoraria		134,000.00
Board Meeting Expenses	3,982,497.00	1,983,522.00
<b>Total</b>	<b>3,982,497.00</b>	<b>2,117,522.00</b>

**19. Depreciation and Amortization Expense**

Description	2022-2023	2021-2022
Motor vehicle Depreciation	3,245,052.94	2,193,437.29
Computer and accessories Depreciation	134,551.92	285,096.04
Office equipment Depreciation	525,964.01	13,179.05
Furniture Depreciation		27,560.03
Office container, store & ablution block	1,248,914.00	
<b>Total depreciation and amortization</b>	<b>5,154,482.88</b>	<b>2,519,272.41</b>



**Notes to the Financial Statements (Continued)**

**20. Repairs and Maintenance**

Description	2022-2023	2021-2022
	Kshs	Kshs
Vehicles	2,107,409.97	1,479,863.00
Maintenance of buildings	498,140.00	14,240.00
<b>Total Repairs and Maintenance</b>	<b>2,605,549.97</b>	<b>1,494,103.00</b>

**21. Contracted Services**

The Authority did not pay for contracted services during the year.

**22. Grants and Subsidies**

The Authority did not issue grants and subsidies during the year under audit.

**23. Finance Costs**

The Authority did not incur finance costs during the year under audit.

**24. Gain on Sale of Assets**

The Authority did not dispose any assets during the year under audit.

**25. Unrealized Gain on Fair Value Investments**

The Authority did not recognize any unrealized gain on fair value investments during the year under audit.

**26. Impairment Loss**

The Authority did not recognise impairment loss during the year.

**27. Taxation**

The Authority did not recognise taxation cost during the year.

**28. Cash and Cash Equivalents**

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Account	14,716,316.48	5,049,319.52
Others-MPESA Paybill	5,445,141.00	4,058,555.00
<b>Total Cash And Cash Equivalents</b>	<b>20,161,457.48</b>	<b>9,107,874.52</b>

Notes to the Financial Statements (Continued)

28 (a) Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Current Account			
Kenya Commercial Bank	1174872071	14,616,873.98	2,315,933
Kenya Commercial Bank	1173940030	99,442.50	2,733,387
<b>Sub- Total</b>		<b>14,716,316.48</b>	<b>5,049,320</b>
b) Others(Specify)			
Mobile Money Accounts	172564	5,445,141.00	4,058,555.00
<b>Sub- Total</b>		<b>5,445,141.00</b>	<b>4,058,555.00</b>
<b>Grand Total</b>		<b>20,161,457.48</b>	<b>9,107,874.52</b>

29 Receivables from Exchange Transactions

The Authority did not recognise receivables from exchange transactions during the year.

30 Receivables from Non-Exchange Transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Other debtors (non-exchange transactions)	11,173,839.00	84,632.00
Less: impairment allowance		
<b>Total current receivables</b>	<b>11,173,839.00</b>	<b>84,632.00</b>

30 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions

The Authority did not recognise Impairment Allowance on Receivables from Non-Exchange Transactions during the year.

31 Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
Consumable stores		28,263.01
<b>Total inventories at the lower of cost and net realizable value</b>		<b>28,263.01</b>



**Notes to the Financial Statements (Continued)**

**32 Investments**

The Authority did not recognise any Investments during the year.

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**Notes to the Financial Statements (Continued)**  
**33 Property, Plant and Equipment**

	25%	8%	33%	25%	Amount
	Motor vehicles	Office equipment, furniture and fittings	Computers and related equipment	Office container, store and ablation block	Kshs
<b>COST OR VALUATION</b>					
As at 01 July 2020	9,748,000.00	689,717.50	1,115,000.00		11,552,717.50
Additions		4,000.00	404,000.00		408,000.00
Disposal					
Adjustments					
<b>As at 30 June 2021</b>	<b>9,748,000.00</b>	<b>693,717.50</b>	<b>1,519,000.00</b>		<b>11,960,717.50</b>
<b>DEPRECIATION</b>					
As at 01 July 2020	6,913,667.97	155,958.69	789,567.90		7,859,194.56
Eliminated on disposal					
Revaluation/Adjustments					
Charge for the year	708,583.01	.43,020.70	243,144.03		994,747.75
<b>As at 30 June 2021</b>	<b>7,622,250.98</b>	<b>198,979.40</b>	<b>1,032,711.93</b>		<b>8,853,942.31</b>
<b>NET BOOK VALUE At June 30, 2021</b>	<b>2,125,749.02</b>	<b>494,738.10</b>	<b>486,288.07</b>		<b>3,106,775.19</b>
As at 01 July 2021	9,748,000.00	693,717.50	1,519,000.00		11,960,717.50
Additions	6,648,000.00	14,500.00	369,000.00		8,962,400.00
Disposal					
Adjustments					
<b>As at 30 June 2022</b>	<b>16,396,000.00</b>	<b>708,217.50</b>	<b>1,888,000.00</b>	<b>1,930,900.00</b>	<b>20,923,117.50</b>
<b>DEPRECIATION</b>					



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As at 01 July 2021	7,622,250.98	198,979.40	1,032,711.93	8,853,942.31
Eliminated on disposal				
Revaluation/Adjustments				
Charge for the year	2,193,437.26	40,739.05	285,096.02	2,519,272.33
As at 30 June 2022	9,815,688.23	239,718.44	1,317,807.96	11,373,214.63
<b>NET BOOK VALUE At June 30, 2022</b>	<b>6,580,311.77</b>	<b>468,499.06</b>	<b>570,192.04</b>	<b>9,549,902.87</b>
As at 01 July 2022	16,396,000.00	708,217.50	1,888,000.00	20,923,117.50
Additions	6,399,900.00	1,213,400.00	1,007,700.00	3,064,756.00
Disposal				
Adjustments				
As at 30 June 2023	22,795,900.00	1,921,617.50	2,895,700.00	4,995,656.00
<b>DEPRECIATION</b>				<b>32,608,873.50</b>
As at 01 July 2022	9,815,688.23	239,718.44	1,317,807.96	11,373,214.63
Eliminated on disposal				
Revaluation/Adjustments				
Charge for the year	3,245,052.94	134,551.92	525,964.01	5,154,482.88
As at 30 June 2023	13,060,741.17	374,270.37	1,843,771.97	1,248,914.00
<b>NET BOOK VALUE At June 30, 2023</b>	<b>9,735,158.83</b>	<b>1,547,347.13</b>	<b>1,051,928.03</b>	<b>3,746,742.00</b>
				<b>16,081,175.99</b>

WIP represents refurbished container which was still had the instillation phase during the reporting period.

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**Notes to the Financial Statements (Continued)**

**Valuation**

The Authority did not value the equipment during the year under reporting.

**33 (b) Property, Plant and Equipment at Cost**

The assets were reported at historical cost basis.

Property plant and Equipment includes the following assets that are fully depreciated:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>NBV</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Buildings	4,995,656.00	1,248,914	3,746,742.00
Motor Vehicles, Including Motorcycles	22,795,000.00	13,060,741.17	9,735,158.83
Computers And Related Equipment	2,895,700.00	1,843,771.97	1,051,928.03
Office Equipment, Furniture, And Fittings	1,921,617.50	374,270.37	1,547,347.13
<b>Total</b>	<b>32,608,873.50</b>	<b>16,527,697.51</b>	<b>16,081,175.99</b>



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**Notes to the Financial Statements (Continued)**

**34 Intangible Assets**

The Authority did not recognize Intangible Assets during the year.

**35 Investment Property**

The Authority did not recognize Investment Property during the year.

**36 Trade and Other Payables**

Description	2022-2023	2021-2022
Trade payables	1,151,312.00	1,417,100.00
Employee payables	426,860.45	487,475.20
Withholding Tax Liability	47,472.06	
Other payables	1,065,330.00	290,555.00
<b>Total trade and other payables</b>	<b>2,690,974.51</b>	<b>2,195,130.20</b>

**37 Refundable Deposits and Prepayments from Customers**

Description	2022-2023	2021-2022
Customer deposits	Kshs	Kshs
Prepayments		5,000.00
Other deposits		
Payments received in advance		
<b>Total deposits</b>		<b>5,000.00</b>

**38 Current Provisions**

The Authority did not recognize any Provisions during the year.

**39 Finance Lease Obligation**

The Authority did not recognize any Finance Lease Obligation during the year.

**40 Deferred Income**

The Authority did not recognize Deferred Income during the year.

**41 Employee Benefit Obligations**

The Authority did not recognize Employee Benefit Obligations during the year.

The Entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Entity's obligation under the scheme is limited to specific contributions legislated from time to time.

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**Notes to the Financial Statements (Continued)**

**42 Non-Current Provisions**

The Authority did not recognise Non-Current provisions during the year.

**43 Borrowings**

The Authority did not recognise any Borrowings during the year.

**44 Service Concession Arrangements**

The Authority did not recognize any Service Concession Arrangements during the year.

**45 Cash Generated from Operations**

	2022-2023	2021-2022
	Kshs	Kshs
<b>Surplus for the year before tax</b>	<b>28,154,955.35</b>	<b>2,079,641.73</b>
<b>Adjusted for:</b>		
Depreciation	5,154,482.88	2,519,272.41
<b>Working capital adjustments</b>		
(Increase)/decrease in inventories	(28,263.01)	(2,573.01)
(Increase)/decrease in trade and other receivables	(11,089,207.00)	20,170,303.00
Increase/(decrease) in current trade and other payables	495,844.31	(7,644,741.80)
Increase/(decrease) in current retirement benefit obligations		
Increase/(decrease) in payments received in advance		(163,205.00)
<b>Net cash flow from operating activities</b>	<b>22,687,812.53</b>	<b>16,958,697.33</b>

**46 Financial Risk Management**

The Entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity'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.

**i) Credit risk**

The Authority is not exposed to Credit Risk



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**ii) Liquidity risk management**

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

**iii) Market risk**

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

**Capital Risk Management**

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

	2022-2023	2021-2022
	Kshs	Kshs
Retained Earnings	28,154,955.35	5,148,774.61
Capital Reserve	11,421,768.00	11,421,768.00
<b>Total Funds</b>	<b>28,154,955.35</b>	<b>16,570,542.61</b>
Total Borrowings	-	-
Less: Cash And Bank Balances	20,161,457.48	-9,107,874.52
Net Debt/(Excess Cash And Cash Equivalents)	20,161,457.48	7,462,668.09
<b>Gearing</b>	<b>0.72</b>	<b>0.45</b>

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**Notes to the Financial Statements (Continued)**

**47 Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the *Authority* 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.

**County Government of Makueni**

The County Government of Makueni is the principal shareholder of the *Authority*, holding 100% of the *Entity's* equity interest. The County Government has provided full guarantees to all long-term lenders of the *Entity*, both domestic and external.

**Other related parties include:**

- i) Key management.
- ii) Board of directors.

	2022-2023	2021-2022
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Grants /transfers from the county government</b>		
Grants from county government	79,963,839.65	25,228,082.00
<b>Total</b>	<b>79,963,839.65</b>	<b>25,228,082.00</b>
<b>b) Key management compensation</b>		
Directors' emoluments		2,117,522.00
Compensation to key management	3,982,497	2,748,336.00
<b>Total</b>	<b>3,982,497</b>	<b>4,865,858.00</b>

**48 Segment Information**

The Authority operates from the Head Quarters and has no other branches.

**49 Contingent Assets and Contingent Liabilities**

The Authority did not recognize any Contingent Assets and Contingent Liabilities during the year.



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**Notes to the Financial Statements (Continued)**

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**50 Capital Commitments**

The Authority did not recognise any Capital Commitments during the year.

**51 Surplus Remission**

The Makueni County Sand Conservation and Utilisation Act 2015 states how funds collected by the Authority will be shared during the year. When the Authority is not able to implement the distribution during the year, the funds are reallocated to the subsequent year budget through supplementary budget.

**52 Taxation**

The Authority did not recognise taxation expense during the year.

**53 Deferred Tax Liability**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%.

The Authority did not recognise Deferred Tax Liability during the year.

**54 Events after the Reporting Period**

There were no material adjusting and non- adjusting events after the reporting period.

**55 Ultimate and Holding Entity**

The Entity is a Semi- Autonomous County Government Agency under Makueni County Government.

**56 Currency**

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

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**19. Appendix**

- I. Implementation Status of Auditor-General's Recommendations
- II. Projects implemented by the Authority
- III. Transfers from Other Government Entities
- IV. Receivables from Non-Exchange Transactions Aging Report
- V. Trade and Other Payables Aging Report
- VI. Customer Deposits Aging Report



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**Appendix I: Implementation Status of Auditor-General's Recommendations**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3	<p><b>Unconfirmed ownership of Assets:</b></p> <p>Review of ownership documents indicated that although the assets were registered in the name of the Authority, the vehicles registration number plates were those of the County Government of Makueni</p>	<p>Management has initiated the process of changing the number plates from the County Government of Makueni initials to corporate's number plate. So far, we have changed four number plates.</p>	Partially Resolved	
3	<p><b>Unconfirmed ownership of Assets:</b> Procurement of mandatory insurance cover for all vehicles owned by the Authority was done collectively by the County government of Makueni despite the expected policy holder being the Authority.</p>	<p>Due to budget constraints, the Authority relies on the County Government of support on payment of the insurance cover</p>	Not resolved	
	REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES			
	<p><b>Irregular Expenditure on Oil and Fuel:</b> Review of the contractual framework agreement between Makueni County Sand Conservation and Utilization Authority revealed that the</p>	<p>We have a current valid framework contract</p>	Resolved	

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	<p>framework agreement expired on 30 April, 2022 and that there was no evidence of renewal or extension of the agreement.</p>			
	<p><b>Lack of Segregation of Duties:</b> The Authority conducted several procurements. However, the Authority did not have a licensed supplies practitioner or alternatively engaged the services of licensed procurement agent. Management confirmed that the Assistant Accountant had been carrying out both accounting and procurement duties.</p>	<p>We have a licensed procurement officer in place</p>	<p>Resolved</p>	
	<p><b>Lack of Segregation of Duties:</b> there was no internal Audit function or committee in place during the year under review. In the absence of an effective internal audit function, the Authority is exposed to the risk of not being able to identify and mitigate on the risks faced by the Authority</p>	<p>We have requested the County Treasury to second an Internal Audit personnel to the Sand Authority</p>	<p>Not Resolved</p>	

Philip Nzei

Sign:   
**Managing Director**



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**Appendix II: Projects implemented by the Authority**  
Projects implemented by the State Corporation/ S.A.G.A Funded by development partners and/ or the Government.


S/NO	F/Y	PROJECT NAME	LOCATION	EXPENDITURE	IMPLEMENTATION STATUS
1	2022/2023	Upper Kiboko River Sand dam	Makindu ward	4,933,635	Completed
2	2022/2023	Lower Kiboko River sand dam	Makindu Ward	5,356,480	Completed

Appendix III: Transfers from Other Government Entities

Name of the County/MIDA/Do nor Transfer	Date received as per bank statement	Nature: Recurrent/Development/ Other	Total Amount	Where Recorded/recognized				Total Transfers during the Year
				Statement of Comprehensive	Capital F	Deferred Income	Receiv	
Makueni County Government	30-Sep-22	Recurrent	1,365,852.00	1,365,852.00				1,365,852.00
Makueni County Government	30-Sep-22	Recurrent	1,538,126.00	1,538,126.00				1,538,126.00
Makueni County Government	30-Sep-22	Recurrent	1,558,999.00	1,558,999.00				1,558,999.00
Makueni County Government	07-Nov-22	Recurrent	1,475,643.00	1,475,643.00				1,475,643.00
Makueni County Government	21-Nov-22	Recurrent	1,514,953.00	1,514,953.00				1,514,953.00
Makueni County Government	21-Dec-22	Recurrent	1,266,765.50	1,266,765.50				1,266,765.50
Makueni County Government	22-Dec-22	Recurrent	6,485,291.65	6,485,291.65				6,485,291.65
Makueni County Government	28-Dec-22	Development	5,000,000.00	5,000,000.00				5,000,000.00
Makueni County Government	13-Feb-23	Recurrent	9,517,937.50	9,517,937.50				9,517,937.50
Makueni County Government	27-Feb-23	Recurrent	1,269,449.00	1,269,449.00				1,269,449.00
Makueni County Government	27-Feb-23	Recurrent	1,453,589.00	1,453,589.00				1,453,589.00
Makueni County Government	18-Apr-23	Recurrent	1,303,224.00	1,303,224.00				1,303,224.00
Makueni County Government	09-May-23	Recurrent	1,289,508.00	1,289,508.00				1,289,508.00
Makueni County Government	11-May-23	Development	10,000,000.00	10,000,000.00				10,000,000.00
Makueni County Government	02-Jun-23	Recurrent	11,713,836.00	11,713,836.00				11,713,836.00
Makueni County Government	23-Jun-23	Recurrent	1,297,943.00	1,297,943.00				1,297,943.00
Makueni County Government	30-Jun-23	Recurrent	10,738,835.00	10,738,835.00				10,738,835.00
Makueni County Government	30-Jul-23	Recurrent	11,173,888.00	11,173,888.00				11,173,888.00
Makueni County Government			79,963,839.65	79,963,839.65				79,963,839.65

  
Philip Muzzi  
A/g. Managing Director  
Date 13<sup>th</sup> JULY, 2023

  
Joseph Mutuku  
Senior Accountant  
Date 13<sup>th</sup> JULY, 2023

  
John Ngugi  
Chief officer- Financial services  
Date 13<sup>th</sup> JULY, 2023