*Revised 30th June 2023*



*Add the Entity’s Logo*

**XXX CITY/MUNICIPALITY**

***County Government of xxx***

*(Indicate the actual name of the County Government and City/Municipality)*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30TH JUNE 20XX**

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

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# Acronyms & Glossary of Terms

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

PSASB Public Sector Accounting Standards Board

FY Financial Year

OSHA Occupational Safety & Heath Act

Fiduciary Management Key management personnel who have financial responsibility in the entity.

# Key Entity Information and Management

1. **Background information**

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

1. **Principal Activities**

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

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

1. **Key Management**

The *City/Municipality’s* management is under the following key organs:

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

1. **Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 20xx and who had direct fiduciary responsibility were:

|  |  |  |
| --- | --- | --- |
| **Ref** | **Position** | **Name** |
| 1 | City/Municipality Manager |  |
| 2 | Directors/Head of departments |  |
| 3 | …. |  |

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

1. **Fiduciary Oversight Arrangements**

*[Provide a high-level description of the key fiduciary oversight arrangements covering (say*)]:

1. Audit and Risk Management Committee
2. County Assembly committees
3. Committees of the Senate
4. **Registered Offices**

P.O. Box XXXXX

XXX Building/House/Plaza

XXX Avenue/Road/Highway

XXX, KENYA

1. **Contacts**

Telephone: (+254) XXXXXXXX

E-mail: xxx.com

Website: xxx.go.ke

1. **Bankers**

Commercial Banks

…

...

*(List the all the bank details where the City/Municipality has accounts)*

1. **Independent Auditor**

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

1. **Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

# City/Municipality Board

|  |  |  |
| --- | --- | --- |
| **Serial No.** | **Name** | **Details of qualifications and experience** |
| 1 | Board Member 1  *(Insert each Board Member’s passport-size photo and name0* | *Provide a concise description of each Board Member’s age, key academic and professional qualifications and work experience. Indicate whether the Board Member is independent or an executive director and which committee of the Board the Member chairs where applicable.* |
| 2 | Board Member 2 |  |
| 3 | Board Member 3 |  |
| 4 | Board Member 4 |  |

# Key Management Team

|  |  |  |
| --- | --- | --- |
| **Serial No** | **Name** | **Details of qualifications and experience** |
| 1. | Manager 1:  (*Insert each key Manager’s passport-size photo and name)* | *Also, indicate the main area of responsibility – without details* |
| 2. | Manager 2 |  |
| 3. | Manager 3 |  |
| 4. | Manager 4 |  |

*(Note: The City/Municipality Manager will feature under both the ‘Board’ and ‘Management’.)*

# City/Municipality Board Chairperson’s Report

*(One -two pages)*

*Include a foreword note by the Chairperson of the governing body responsible for the City/Municipality Board. May include information such as:*

* *Successes made.*
* *Review of the City/Municipality Board’s performance*
* *Challenges faced*
* *Changes in the City/Municipality Board during the year (in terms of the board or key management team)*
* *Future outlook of the City/Municipality Board*
* *Any other matters deemed necessary.*

*(The report to be signed by the chairperson of the board.)*

|  |
| --- |
| **……………………………………………….** |
| **Name:** |
| **Chairperson of the Board** |

# Report Of the City/Municipality Manager

*2 to 3 pages*

*(Under this section, the City/Municipality Manager will give his report, which highlights the same issues* ***as the Chairperson in a more detailed format.****. The City/Municipality Manager may also mention at a high level the financial performance of the City/Municipality).*

*You may include the following among other relevant matters:*

* + *Mention the budget performance against actual amounts for current year and for cumulative to-date based on programmes, (make use of pictures, tables pie charts and graphs)*
  + *Physical progress based on outputs, outcomes, and impacts since the establishment of* *City/Municipality, (encouraged to use actual figures and percentages)*
  + *Comment on each of the programs implemented by the City/Municipality and how they have been achieved.*
  + *Comment on value-for-money achievements,*
  + *List the implementation challenges of strategic objectives for the City/Municipality and the entity’s future outlook (here you could mention the budget allocation for the coming year and the programs that the entity wishes to undertake in line with the City/Municipality’s strategic plan).*
  + *Highlight key risk management strategies*

*(The City/Municipality Manager should sign the report).*

**…………………………………………………….**

**Name:**

**City/Municipality Manager**

# Statement of Performance Against Predetermined Objectives for the FY 20xx/20xx

***Guidance***

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

*[Refer to the City/Municipality’s annual budget and program plan report on the extent of the City/Municipality’s progress in attaining the plan. Report on the metrics met, objectives yet to be met, challenges and opportunities of the City/Municipality in implementation of its program plan. Refer to the strategic plan if the entity has one.] (This guidance statement should be removed in the final set of financial statements).*

The key development objectives of the XXX City/Municipality (state the period of the strategic document/plan) plan are to:

1. Provide quality physical infrastructure.
2. Urban planning.
3. Urban governance and administration
4. xxx

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

Below we provide the progress on attaining the stated objectives:

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

| **Program** | **Objective** | **Outcome** | **Indicator** | **Performance** |
| --- | --- | --- | --- | --- |
| **Urban planning** | To control urban development | To create orderly development in urban areas | Number of developments  conforming with rules and regulations governing urban development | In FY under review we increased Housing unit by xx%. |
| Program 2 | - | - | - | **-** |

# Corporate Governance Statement

***(Two-to-three pages)***

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

1. *Process of appointment and removal of Board members.*
2. *Roles and functions of the City/Municipality Board members,*
3. *Induction and training, City/Municipality Board members and member’s performance,*
4. *Number of* *City/Municipality Board meetings held and the attendance to those meetings by members,*
5. *Succession plan,*
6. *Existence of a service charter,*
7. *Conflict of interest,*
8. *Board remuneration,*
9. *Ethics and conduct as well as governance audit undertaken if any*

# Management Discussion and Analysis

***(2- 3 pages)***

*Under this section, the management shall give a report:*

1. *On the operational and financial performance of the City/Municipality during the period,*
2. *Entity’s key projects or investments decision implemented or ongoing,*
3. *City/Municipality’s compliance with statutory requirements,*
4. *Major risks facing the City/Municipality, material arrears in statutory and other financial obligations, and*
5. *Any other information considered relevant to the users of the financial statements.)*

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

# Environmental And Sustainability Reporting

***(Two-to-three pages)***

1. ***Sustainability strategy and profile***

*Include an Introductory paragraph on the main mandate of the organization and its strategy on sustainability. Sustainability being the ability to maintain or continue offering services to the citizens of the country over the long- term. The top management especially the Accounting Officer should make reference to sustainable efforts, broad trends in political and macroeconomic factors affecting sustainability priorities, reference to international best practices and key achievements and failure.*

1. ***Environmental performance***

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

1. ***Employee welfare***

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

1. ***Market place practices***

*The organisation should outline its efforts to:*

1. ***Responsible competition practice.***

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

1. ***Responsible Supply chain and supplier relations***

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

1. ***Responsible marketing and advertisement***

*Outline efforts to maintain ethical marketing practices*

1. ***Product stewardship***

*Outline efforts to safeguard consumer rights and interests*

1. ***Community Engagements***

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

# Report of theCity/Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 20XX which show the state of the City/Municipality affairs.

**Principal activities**

The principal activities of the City/Municipality are *(continue to be)* ….

**Performance**

The performance of the City/Municipality for the year ended June 30, 20XX are set out on page xx

**Board Members**

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

**Auditors**

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

OR

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

By Order of the Board

**………………………………………….**

**Name:**

**Secretary of the Board**

# Statement of Management’s Responsibilities

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

The City/Municipality manager is responsible for the preparation and presentation of the City/Municipality’s financial statements, which give a true and fair view of the state of affairs of the City/Municipality for and as at the end of the financial year ended on June 30, 20XX. This responsibility includes: (i)maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the City/Municipality, (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv)Safeguarding the assets of the City/Municipality, (v)Selecting and applying appropriate accounting policies, and (vi)Making accounting estimates that are reasonable in the circumstances.

The City/Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban* Areas and Cities Act No. 13 of 2011*.* The City/Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of City/Municipality’s transactions during the financial year ended June 30, 20XX, and the financial position as at that date.

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

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

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

**Approval of the financial statements**

The City/Municipal/City*’s* financial statements were approved by the Board on \_\_\_ 20XX and signed on its behalf by:

|  |  |
| --- | --- |
| **…………………………………..** | **………………………………………..** |
| **Name:** | **Name:** |
| **Chairperson of the Board** | **Accounting officer of the Board** |

# Report of the Independent Auditor (Specify Entity)

# Statement of Financial Performance for The Year Ended 30 June 20XX.

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

The notes set out on pages xxx to xxx form an integral part of these Financial Statements. The entity financial statements were approved on \_\_\_\_\_\_\_\_\_\_\_ 20XX and signed by:

|  |  |
| --- | --- |
| **……………………………………** | **…………………………………** |
| **Name:** | **Name:** |
| **City/Municipality Manager** | **Head of Finance** |
|  | **ICPAK M/No** |

# Statement of Financial Position As At 30 June 20XX

| **Description** | **Note** | **Insert Current FY** | **Insert Comparative FY** |
| --- | --- | --- | --- |
|  | **Kshs.** | **Kshs.** |
| **Assets** |  |  |  |
| **Current** **assets** |  |  |  |
| Cash and cash equivalents | 19 | xxx | xxx |
| Receivables from exchange transactions | 20 | xxx | xxx |
| Receivables from Non- exchange transactions | 21 | xxx | xxx |
| Prepayments | 22 | xxx | xxx |
| Inventories | 23 | xxx | xxx |
| **Total current assets** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Non-current** **assets** |  |  |  |
| Property, plant, and equipment | 24 | xxx | xxx |
| Intangible assets | 25 | xxx | xxx |
| **Total Non-current Assets** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Total** **assets** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Liabilities** |  |  |  |
| **Current** **liabilities** |  |  |  |
| Trade and other payables | 26 | xxx | xxx |
| Refundable deposits from customers | 27 | xxx | xxx |
| Provisions | 28 | xxx | xxx |
| Borrowings | 29 | xxx | xxx |
| Employee benefit obligations | 30 | xxx | xxx |
| Deferred Income | 31 | xxx | xxx |
| Social Benefits | 32 | xxx | xxx |
| **Total current liabilities** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Non-current** **liabilities** |  |  |  |
| Provisions | 28 | xxx | xxx |
| Borrowings | 29 | xxx | xxx |
| Non-current employee benefit obligation | 30 | xxx | xxx |
| Deferred Income | 31 | xxx | xxx |
| Social Benefits | 32 | xxx | xxx |
| **Total** **liabilities** |  | **xxx** | **xxx** |
|  |  |  |  |
|  |  |  |  |
| **Net** **assets** |  |  |  |
| Capital/Development Grants/Fund |  | xxx | xxx |
| Reserves |  | xxx | xxx |
| Accumulated surplus |  | xxx | xxx |
| **Total** **net** **assets** **and** **liabilities** |  | **xxx** | **xxx** |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_\_\_\_\_\_\_ 20XX and signed by:

|  |  |
| --- | --- |
| **……………………………………** | **…………………………………** |
| **Name:** | **Name:** |
| **City/Municipality Manager** | **Head of Finance** |
| **Date:** | **ICPAK M/No** |
|  | **Date:** |

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

# Statement of Changes In Net Assets For the Year Ended 30 June 20XX

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Description | **Capital/**  **Development Grants/Fund** | **Revaluation**  **Reserve** | **Accumulated**  **surplus** | **Total** |
|  | **Kshs.** | **Kshs.** | **Kshs.** |
|  |  |  |  |  |
| **Bal as at 1 July 20XX** (previous year) | Xxx | xxx | xxx | xxx |
| Surplus/(deficit) for the year |  | - | xxx | xxx |
| Funds received during the year | Xxx | - | - | xxx |
| Revaluation gain | - | xxx | - | xxx |
| **Bal** **as** **at** **30 Jun 20XX** | **Xxx** | **xxx** | **xxx** | **xxx** |
|  |  |  |  |  |
| **Bal as at 1 July 20XX (current year)** | **Xxx** | **xxx** | **xxx** | **xxx** |
| Surplus/(deficit) for the year |  | - | xxx | xxx |
| Funds received during the year | xxx | - | - | xxx |
| Revaluation gain | - | xxx | - | xxx |
| **Balance** **as** **at** **30 June 20XX** | **xxx** | **xxx** | **xxx** | **xxx** |

(*Provide details on the nature and purpose of reserves)*

# Statement Of Cash Flows for The Year Ended 30 June 20XX

| Description | **Note** | **Insert Current FY** | **Insert Comparative FY** |
| --- | --- | --- | --- |
|  | **Kshs.** | **Kshs.** |
| **Cash** **flows** **from** **operating** **activities** |  |  |  |
| **Receipts** |  |  |  |
| Transfers from the County Government |  | Xxx | xxx |
| Public contributions and donations |  | Xxx | xxx |
| Interest received |  | Xxx | xxx |
| Miscellaneous receipts *(Specify)* |  | Xxx | xxx |
| **Total Receipts** |  | **Xxx** | **xxx** |
| **Payments** |  |  |  |
| Use of goods and services |  | Xxx | xxx |
| Staff costs |  | Xxx | xxx |
| Board expenses |  | Xxx | xxx |
| Finance costs |  | Xxx | xxx |
| **Total Payments** |  | **(xxx)** | **(xxx)** |
| **Net** **cash** **flows** **from** **operating** **activities** | 33 | **Xxx** | **xxx** |
|  |  |  |  |
| **Cash flows from investing activities** |  |  |  |
| Purchase of PPE & intangible assets |  | (xxx) | (xxx) |
| Proceeds from sale of PPE |  | Xxx | xxx |
| **Net** **cash** **flows** **used** **in** **investing** **activities** |  | **(xxx)** | **(xxx)** |
|  |  |  |  |
| **Cash** **flows** **from** **financing** **activities** |  |  |  |
| Receipts from Capital grants |  | Xxx | xxx |
| Proceeds from borrowings |  | Xxx | xxx |
| Repayment of borrowings |  | (xxx) | (xxx) |
| **Net** **cash** **flows** **used** **in** **financing** **activities** |  | **(xxx)** | **(xxx)** |
| **Net** **increase/(decrease)** **in** **cash** & **cash equivalents** |  | **Xxx** | **xxx** |
| Cash And Cash Equivalents At 1 July | 19 | Xxx | xxx |
| **Cash** **And** **Cash** **Equivalents** **At** **30 June** | 19 | **Xxx** | **xxx** |

*(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).*

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

# Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 20XX

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Description | **Original** **budget** | **Adjustments** | **Final** **budget** | **Actual** **on comparable basis** | **Performance difference** | **% of utilisation** |
| **Kshs.** | **Kshs.** | **Kshs.** | **Kshs.** | **Kshs.** |  |
|  | **a** | **b** | **c=(a+b)** | **d** | **e=(c-d)** | **f=d/c** |
| **Revenue** |  | **Kshs.** | **Kshs.** | **Kshs.** | **Kshs.** |  |
| Transfers from the County Government | xxx | (xxx) | Xxx | xxx | (xxx) | **%** |
| Public contributions and donations | xxx | (xxx) | Xxx | xxx | (xxx) | **%** |
| Interest income | xxx | (xxx) | Xxx | xxx | (xxx) | **%** |
| Miscellaneous income (*specify*) | xxx | (xxx) | Xxx | xxx | (xxx) | **%** |
| **Total** Revenue |  | **xxx** | **Xxx** | **xxx** | **xxx** | **%** |
| **Expenses** |  |  |  |  |  |  |
| Use of goods and services | xxx | (xxx) | Xxx | xxx | (xxx) | **%** |
| Board expenses | xxx | (xxx) | Xxx | xxx | (xxx) | **%** |
| Staff Costs | xxx | (xxx) | Xxx | xxx | (xxx) | **%** |
| Finance costs | xxx | (xxx) | Xxx | xxx | (xxx) | **%** |
| **Total Expenditure** | xxx | (xxx) | Xxx | xxx | (xxx) | **%** |
| **Surplus** **for** **the** **period** | **xxx** | **xxx** | **Xxx** | **xxx** | **xxx** |  |
|  |  |  |  |  |  |  |
| **Capital Expenditure** | **xxx** | **(xxx)** | **Xxx** | **xxx** | **(xxx)** | **%** |

**Budget notes**

*[Provide an explanation of differences between actual and budgeted amounts (any over utilisation and underutilisation of below 90%)]*

*(Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes.*

*Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.)*

# Notes to the Financial Statements

1. **General Information**

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

The *entity’s* principal activity is xxx

1. **Statement of Compliance and Basis of Preparation**

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

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

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

1. **Application of New and revised standards (IPSAS)**
2. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023*.

| **Standard** | **Effective date and impact:** |
| --- | --- |
| **IPSAS 41:** Financial Instruments | **Applicable: 1st January 2023:**  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:  • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;  • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and  • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.  ***(State the impact of the standard to the Entity if relevant)*** |
| **IPSAS 42:** Social Benefits | **Applicable: 1st January 2023**  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:  (a) The nature of such social benefits provided by the Entity.  (b) The key features of the operation of those social benefit schemes; and  (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.  ***(State the impact of the standard to the Entity if relevant)*** |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | **Applicable: 1st January 2023:**   1. Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. 2. Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. 3. Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 4. 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.   ***(State the impact of the standard to the Entity if relevant)*** |
| Other improvements to IPSAS | ***Applicable 1st January 2023***   * *IPSAS 22 Disclosure of Financial Information about the General Government Sector****.*** Amendments to refer to the latest System of National Accounts (SNA 2008). * *IPSAS 39: Employee Benefits* Now deletes the term composite social security benefits as it is no longer defined in IPSAS. * *IPSAS 29: Financial instruments: Recognition and Measurement* Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.   ***State the impact of the standard to the Entity if relevant*** |

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

| **Standard** | **Effective date and impact:** |
| --- | --- |
| IPSAS 43 | ***Applicable 1st January 2025***  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.  The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.  ***State the expected impact of the standard to the Entity if relevant*** |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations | ***Applicable 1st January 2025***  The Standard requires,  Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:  Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.  ***State the expected impact of the standard to the Entity if relevant*** |

*iii. Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity’s financial statements.)*

***(Notes to financial statements continued)***

1. **Significant Accounting Policies**
   * + 1. **Revenue recognition**
2. **Revenue from non-exchange transactions**

***Transfers from other government entities***

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

1. **Revenue from exchange transactions**

***Interest income***

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

* + - 1. **Budget information**

The original budget for FY 20XX/XX was approved by the County Assembly on xxx (Date). Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the City/Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the City/Municipality recorded additional appropriations of xxxxx (Amount) on xxxx (Date) following the governing body’s approval.

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

statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts,

prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

* + - 1. **Property, plant and equipment**

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

* + - 1. **Intangible assets**

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

***(Significant accounting policies continued)***

* + - 1. **Financial instruments**

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

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

**Financial assets**

**Classification of financial assets**

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

***(Significant accounting policies continued)***

**Subsequent measurement**

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

**Amortized cost**

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

***(Significant accounting policies continued)***

**Impairment**

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

**Financial liabilities**

**Classification**

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

* + - 1. **Inventories**

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

Raw materials: purchase cost using the weighted average cost method

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

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

***(Significant accounting policies continued)***

* + - 1. **Provisions**

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

* + - 1. **Social Benefits**

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

* + - 1. **Contingent liabilities**

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

***(Significant accounting policies continued)***

* + - 1. **Contingent assets**

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

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

* + - 1. **Nature and purpose of reserves**

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

* + - 1. **Changes in accounting policies and estimates**

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

* + - 1. **Employee benefits – Retirement benefit plans**

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

***(Significant accounting policies continued)***

* + - 1. **Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported in the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting

of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

* + - 1. **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.

* + - 1. **Related parties**

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

* + - 1. **Cash and cash equivalents**

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

***(Significant accounting policies continued)***

* + - 1. **Comparative figures**

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

* + - 1. **Events after the reporting period**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

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

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

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

* + - 1. **Currency**

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

1. **Significant judgments and sources of estimation uncertainty**

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

State all judgements, estimates and assumptions made.

**Estimates and assumptions.**

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

**Useful lives and residual values**

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

1. The condition of the asset based on the assessment of experts employed by the City/Municipality.
2. The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
3. The nature of the processes in which the asset is deployed.
4. Availability of funds to replace the asset.
5. Changes in the market in relation to the asset.

***Notes to the Financial Statements***

1. **Transfers from the County Government**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Transfers from County Govt. – Recurrent | xxx | Xxx |
| Payments by County on behalf of the entity | xxx | Xxx |
| Unconditional development grants | xxx | Xxx |
| **Total** | **xxx** | **Xxx** |

*(Provide brief explanation for this revenue)*

**(a)Transfers from County Government entities (Categorized)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name Of The Entity Sending The Grant** | **Amount recognized to Statement of financial performance\***  **Kshs** | **Amount deferred under deferred income**  **Kshs** | **Amount recognised in capital fund.** | **Total grant income during the year** | **Insert Comparative FY** |
|  |  |  |
| **Kshs** | **Kshs** | **Kshs** |
| xx State Department | xx | Xx | xx | xx | xx |
| XX Ministry | xx | Xx | xx | xx | xx |
|  |  |  |  |  |  |
| **Total** | **xx** | **Xx** | **xx** | **xx** | **xx** |

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

*The details of the reconciliation have been included under appendix xxx*

1. **Public Contributions and Donations**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Donation from development partners | xxx | xxx |
| Contributions from the public | xxx | xxx |
| **Total** | **xxx** | **xxx** |

***Notes to the Financial Statements***

1. **Levies, Fines and penalties**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Levies | xxx | xxx |
| Fines | xxx | xxx |
| Penalties | xxx | xxx |
| Others *(indicate and specify)* | xxx | xxx |
| **Total** | **xxx** | **xxx** |

1. **Other Revenues from Non-Exchange Transactions**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Transfers from other government entities | xxx | xxx |
| Others *(indicate and specify)* | xxx | xxx |
| **Total** | **xxx** | **xxx** |

(*Provide a brief explanation for this revenue*)

1. **Interest income**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Interest income from investments | xxx | xxx |
| Interest income on bank deposits | xxx | xxx |
| Others *(Specify)* | xxx | xxx |
| **Total** **interest income** | **xxx** | **xxx** |

*(Provide brief explanation for this revenue)*

1. **Miscellaneous income**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Income from sale of tender documents | xxx | xxx |
| Others *(specify)* | xxx | xxx |
| **Total** **other** **income** | **xxx** | **xxx** |

*(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified*

*Any writebacks or recoveries from write offs).*

***Notes to the Financial Statements***

1. **Use of Goods and Services**

| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| --- | --- | --- |
| **Kshs.** | **Kshs.** |
| Utilities, supplies and services | xxx | xxx |
| Communication, supplies and services | xxx | xxx |
| Domestic travel and subsistence | xxx | xxx |
| Foreign travel and subsistence | xxx | xxx |
| Printing, advertising, supplies & services | xxx | xxx |
| Rent and rates | xxx | xxx |
| Training expenses | xxx | xxx |
| Hospitality supplies and services | xxx | xxx |
| Insurance costs | xxx | xxx |
| Specialized materials and services | xxx | xxx |
| Office and general supplies and services | xxx | xxx |
| Fuel, oil and lubricants | xxx | xxx |
| Other operating expenses (*Specify*) | xxx | xxx |
| Routine maintenance – vehicles and other equipment | xxx | xxx |
| Routine maintenance – other assets | xxx | xxx |
| Contracted Professional Services | xxx | xxx |
| Audit fees | xxx | xxx |
| Hire of Transport, equipment etc | xxx | xxx |
| Bank Charges | xxx | xxx |
| Social Benefit expenses\* | xxx | xxx |
| **Total** | **xxx** | **xxx** |

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

1. **Staff costs**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Salaries and wages | xxx | xxx |
| Staff gratuity | xxx | xxx |
| Social security contribution | xxx | xxx |
| Other staff costs *(Specify)* | xxx | xxx |
| **Total** | **xxx** | **xxx** |

***Notes to the Financial Statements***

1. **Board expenses**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Chairman/Members’ Honoraria | xxx | xxx |
| Sitting allowances | xxx | xxx |
| Medical Insurance | xxx | xxx |
| Induction and Training | xxx | xxx |
| Travel and accommodation | xxx | xxx |
| Conference Costs | xxx | xxx |
| Other allowances (*Specify)* | xxx | xxx |
| **Total** | **xxx** | **xxx** |

1. **Finance costs**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Interest on Bank overdrafts | xxx | xxx |
| Interest on loans from banks | xxx | xxx |
| **Total** | **xxx** | **xxx** |

1. **Depreciation and amortization**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **KShs** | **KShs** |
| Property, plant and equipment | xxx | xxx |
| Intangible assets | xxx | xxx |
| Investment property carried at cost | xxx | xxx |
| **Total** **depreciation** **and** **amortization** | **xxx** | **xxx** |

***Notes to the Financial Statements***

1. **Repairs and Maintenance**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **KShs** | **KShs** |
| Property- Buildings | xxx | xxx |
| Office equipment | xxx | xxx |
| Furniture and fittings | xxx | xxx |
| Motor vehicle expenses | xxx | xxx |
| Maintenance of civil works | xxx | xxx |
| **Total** **repairs** **and** **maintenance** | **xxx** | **xxx** |

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Property, plant and equipment | xxx | xxx |
| Intangible assets | xxx | xxx |
| **Total** | **xxx** | **xxx** |

1. **Cash and cash equivalents**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Fixed deposits account | xxx | xxx |
| On – call deposits | xxx | xxx |
| Current account | xxx | xxx |
| Others(*specify*) | xxx | xxx |
| **Total** **cash** **and** **cash** **equivalents** | **xxx** | **xxx** |

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

***Notes to the Financial Statements***

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

| **Financial institution** | **Account number** | **Insert Current FY** | **Insert Comparative FY** |
| --- | --- | --- | --- |
| **Kshs.** | **Kshs.** |
| 1. **Fixed deposits account** |  |  |  |
| Kenya Commercial bank |  | xxx | xxx |
| Equity Bank, etc |  | xxx | xxx |
| **Sub- total** |  | **xxx** | **xxx** |
| 1. **On - call deposits** |  |  |  |
| Kenya Commercial bank |  | xxx | xxx |
| Equity Bank - etc |  | xxx | xxx |
| **Sub- total** |  | **xxx** | **xxx** |
| 1. **Current account** |  |  |  |
| Kenya Commercial bank |  | xxx | xxx |
| Equity Bank - etc |  | xxx | xxx |
| **Sub- total** |  | **xxx** | **xxx** |
| 1. **Others(specify)** |  | xxx | xxx |
| Cash in transit |  | xxx | xxx |
| Cash in hand |  | xxx | xxx |
| Mobile Money |  | xxx | xxx |
| **Sub- total** |  | **xxx** | **xxx** |
| **Grand total** |  | **xxx** | **xxx** |

1. **Receivables from exchange transactions**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| **Current Receivables** |  |  |
| Service, water and electricity debtors | xxx | xxx |
| Other exchange debtors | xxx | xxx |
| Less: impairment allowance | (xxx) | (xxx) |
| **Total Current receivables (a)** | **xxx** | **xxx** |
|  |  |  |
| **Non-Current receivables** |  |  |
| Service, water and electricity debtors | xxx | xxx |
| Other exchange debtors | xxx | xxx |
| Less: impairment allowance | (xxx) | (xxx) |
| **Total Non- current receivables (b)** | **xxx** | **xxx** |
| **Total** **receivables from exchange transactions** | **xxx** | **xxx** |

**Ageing analysis for Receivables from exchange transactions**

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

1. **Receivables from Non-Exchange transaction**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Transfer from County Executive | xxx | xxx |
| Transfer from XXXX Fund | xxx | xxx |
| **Total** **receivables from non-exchange transactions** | **xxx** | **xxx** |

**Ageing analysis for Receivables from non-exchange transactions**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Insert Current FY** | | **Insert**  **Comparative FY** | |
| **Kshs** | | **Kshs** | |
|  | **Current FY** | **% of the total** | **Comparative**  **FY** | **% of the total** |
| Less than 1 year | xxx | % | xxx | % |
| Between 1- 2 years | xxx | % | xxx | % |
| Between 2-3 years | xxx | % | xxx | % |
| Over 3 years | xxx | % | xxx | % |
| **Total** | **xxx** | **%** | **xxx** | **%** |

1. **Prepayments**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Prepaid rent | xxx | xxx |
| Prepaid insurance | xxx | xxx |
| Prepaid electricity costs | xxx | xxx |
| Other prepayments*(specify)* | xxx | xxx |
| **Total** | **xxx** | **xxx** |

1. **Inventories**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Stationery | xxx | xxx |
| Consumables | xxx | xxx |
| Other inventories(*specify*) | xxx | xxx |
| **Total** **inventories** **at** **the** **lower** **of** **cost** **and** **net** **realizable** **value** | **xxx** | **xxx** |

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

1. **Property, Plant and Equipment**

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

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

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

1. **Intangible assets**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| **Cost** |  |  |
| **At beginning of the year** | xxx | xxx |
| Additions | xxx | xxx |
| **At end of the year** | **xxx** | **xxx** |
|  |  |  |
| **Amortization and impairment** | xxx | xx |
| **At beginning of the year** | xxx | xxx |
| Amortization | xxx | xxx |
| **At end of the year** | xxx | xxx |
| Impairment loss | xxx | xxx |
| **At end of the year** | **xxx** | **xxx** |
| **NBV** | **xxx** | **xxx** |

1. **Trade and other payables from exchange transactions**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Insert Current FY** | | **Insert Comparative FY** | |
| **Kshs.** | | **Kshs.** | |
| Trade payables | xxx | | xxx | |
| Retentions | xxx | | xxx | |
| Accrued expenses | xxx | | xxx | |
| Other payables *(Specify)* | xxx | | xxx | |
| **Total** **trade** **and** **other** **payables** | **xxx** | | **xxx** | |
|  |  | |  | |
| **Ageing analysis:** | **Current FY** | **% of the Total** | **Comparative FY** | **% of the Total** |
| Under one year | xxx | % | xxx | % |
| 1-2 years | xxx | % | xxx | % |
| 2-3 years | xxx | % | xxx | % |
| Over 3 years | xxx | % | xxx | % |
| **Total** | **xxx** | **%** | **xxx** | **%** |

***Notes to the Financial Statements***

1. **Refundable deposits from customers**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Insert Current FY** | | **Insert Comparative FY** | |
| **KShs** | | **KShs** | |
| Rent deposits | xxx | | xxx | |
| Others (*specify*) | xxx | | xxx | |
| **Total** | **xxx** | | **xxx** | |
|  |  | |  | |
| **Ageing analysis:** | **Current FY** | **% of the Total** | **Comparative FY** | **% of the Total** |
| Under one year | xxx | % | xxx | % |
| 1-2 years | xxx | % | xxx | % |
| 2-3 years | xxx | % | xxx | % |
| Over 3 years | xxx | % | xxx | % |
| **Total** | **xxx** | **%** | **xxx** | **%** |

1. **Provisions**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Balance at the beginning of the year | xxx | xxx |
| Additional Provisions (*Specify)* | xxx | xxx |
| Provision utilised | (xxx) | (xxx) |
| **Balance at the end of the year** | **xxx** | **xxx** |
|  |  |  |
| Current Portion of provision | xxx | xxx |
| Long term portion of provision | xxx | xxx |
| **Total Provisions** | **xxx** | **xxx** |

1. **Borrowings**

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Short term borrowings (current portion) | xxx | xxx |
| Long term borrowings | xxx | xxx |
| **Total** | **xxx** | **xxx** |

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

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| **Balance at beginning of the period** | **xxx** | **xxx** |
| Borrowings during the year | xxx | xxx |
| Repayments of borrowings during the period | (xxx) | (xxx) |
| **Balance at end of the period** | **xxx** | **xxx** |

The table below shows the Distribution of borrowings:

|  |  |  |
| --- | --- | --- |
| Description | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| **Borrowings** |  |  |
| Kenya Shilling loan from KCB | xxx | xxx |
| Kenya Shilling loan from Barclays Bank | xxx | xxx |
| Kenya Shilling loan from Consolidated Bank | xxx | xxx |
| Borrowings from other government institutions | xxx | xxx |
| **Total balance at end of the year** | **xxx** | **xxx** |

1. **Employee Benefit Obligations**

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

***Notes to the Financial Statements***

1. **Deferred Income**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs** | **Kshs** |
| National/County Government | xxx | xxx |
| International Funding Bodies | xxx | xxx |
| Public Contributions and Donations | xxx | xxx |
| **Total** **Deferred** **Income** | xxx | xxx |

**The deferred income movement is as follows:**

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

*Include columns as needed for the various sources of income deferred*

***Analysed as:***

|  |  |
| --- | --- |
| **Description** | **Amount** |
| **Kshs** |
| Current | xxx |
| Non- Current | xxx |
| **Total** | **xxx** |

***Notes to the Financial Statements***

1. **Social Benefit Liabilities**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert previous FY** |
| **Kshs** | **Kshs** |
| Health social benefit scheme | xxx | xxx |
| Unemployment social benefit scheme | xxx | xxx |
| Orphaned and vulnerable benefit scheme | xxx | xxx |
| People Living with disabilities benefit scheme |  |  |
| Elderly social benefit scheme | xxx | xxx |
| Bursary social benefits | xxx | xxx |
| **Total** | **xxx** | **xxx** |
|  |  |  |
| Current social benefits | xxx | xxx |
| Non- current social benefits | xxx | xxx |
| **Total (tie to totals above)** | **xxx** | **xxx** |

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

1. **Cash generated from operations**

|  |  |  |
| --- | --- | --- |
| **Description** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| **Surplus/ (deficit) for the year before tax** | **xxx** | **xxx** |
| **Adjusted for:** |  |  |
| Depreciation | xxx | xxx |
| Amortisation | xxx | xxx |
| Gains/ losses on disposal of assets | (xxx) | (xxx) |
| **Working Capital adjustments** |  |  |
| Increase in inventory | (xxx) | (xxx) |
| Increase in receivables | (xxx) | (xxx) |
| Increase in payables | xxx | xxx |
| **Net cash flow from operating activities** | **xxx** | **xxx** |

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

***Notes to the Financial Statements***

1. **Related party balances**
2. **Nature of related party relationships**

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

1. The County Government.
2. The Parent County Government Ministry.
3. County Assembly.
4. Key management.
5. City/Municipality Board; etc.
6. **Related party transactions**

|  |  |  |
| --- | --- | --- |
| Description | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Transfers from related parties’ | xxx | xxx |
| Transfers to related parties | xxx | xxx |

1. **Key management remuneration**

|  |  |  |
| --- | --- | --- |
| Description | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Board Members | xxx | xxx |
| Key Management Compensation | xxx | xxx |
| **Total** | **xxx** | **xxx** |

1. **Due from related parties**

|  |  |  |
| --- | --- | --- |
| Description | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Due from parent Ministry | xxx | xxx |
| Due from County Government | xxx | xxx |
| Due from County Assembly | xxx | xxx |
| **Total** | **xxx** | **xxx** |

***Notes to the Financial Statements***

1. **Due to related parties**

|  |  |  |
| --- | --- | --- |
| Description | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Due to parent Ministry | xxx | xxx |
| Due to County Government | xxx | xxx |
| Due to Key management personnel | xxx | xxx |
| Due to County Assembly | xxx | xxx |
| **Total** | **xxx** | **xxx** |

1. **Contingent liabilities**

|  |  |  |
| --- | --- | --- |
| **Contingent liabilities** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Court case xxx against the entity | xxx | xxx |
| Bank guarantees | xxx | xxx |
| **Total** | **xxx** | **xxx** |

*(Give details)*

1. **Contingent Assets**

|  |  |  |
| --- | --- | --- |
| **Contingent liabilities** | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Court case xxx against the entity | xxx | xxx |
| Others Specify | xxx | xxx |
| **Total** | **xxx** | **xxx** |

***Notes to the Financial Statements***

1. **Financial risk management**

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

The City/Municipality’s financial risk management objectives and policies are detailed below:

1. **Credit risk**

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

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Description | **Total amount**  **Kshs.** | **Fully performing**  **Kshs.** | **Past due**  **Kshs.** | **Impaired**  **Kshs.** |
| **At 30 June 20XX (current year)** |  |  |  |  |
| Receivables from exchange transactions | xxx | xxx | xxx | xxx |
| Receivables from non-exchange transactions | xxx | xxx | xxx | xxx |
| Bank balances | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |
|  |  |  |  |  |
| **At 30 June 20XX (previous year)** |  |  |  |  |
| Receivables from exchange transactions | xxx | xxx | xxx | xxx |
| Receivables from non-exchange transactions | xxx | xxx | xxx | xxx |
| Bank balances | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |

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

***Notes to the Financial Statements***

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

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

1. **Liquidity risk management**

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

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Description | **Less than 1 month** | **Between 1-3 months** | **Over 5 months** | **Total** |
| **Kshs.** | **Kshs.** | **Kshs.** | **Kshs.** |
| **At 30 Jun 20XX (current year)** |  |  |  |  |
| Trade payables | xxx | xxx | xxx | xxx |
| Current portion of borrowings | xxx | xxx | xxx | xxx |
| Provisions | xxx | xxx | xxx | xxx |
| Employee benefit obligation | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |
| **At 30 Jun 20XX (previous year)** |  |  |  |  |
| Trade payables | xxx | xxx | xxx | xxx |
| Current portion of borrowings | xxx | xxx | xxx | xxx |
| Provisions | xxx | xxx | xxx | xxx |
| Employee benefit obligation | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |

***Notes to the Financial Statements***

1. **Market risk**

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

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

1. **Foreign currency risk**

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

|  |  |  |  |
| --- | --- | --- | --- |
| Description |  | **Other currencies** | **Total** |
| **Kshs.** | **Kshs.** | **Kshs.** |
| **At 30 June 20XX (current year)** |  |  |  |
| Financial assets | xxx | xxx | xxx |
| Investments | xxx | xxx | xxx |
| Cash | xxx | xxx | xxx |
| Debtors/ receivables | xxx | xxx | xxx |
| **Liabilities** |  |  |  |
| Trade and other payables | xxx | xxx | xxx |
| Borrowings | xxx | xxx | xxx |
| Net foreign currency asset/(liability) | **xxx** | **xxx** | **xxx** |

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

***Notes to the Financial Statements***

**Foreign currency sensitivity analysis**

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

|  |  |  |  |
| --- | --- | --- | --- |
| Description | **Change in**  **currency rate** | **Effect on surplus/ deficit** | **Effect on**  **equity** |
| **Kshs.** | **Kshs.** | **Kshs.** |
| **20XX (current year)** |  |  |  |
| Euro | 10% | xxx | xxx |
| USD | 10% | xxx | xxx |
| **20XX (previous year)** |  |  |  |
| Euro | 10% | xxx | xxx |
| USD | 10% | xxx | xxx |

1. **Interest rate risk**

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

***Management of interest rate risk***

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

***Notes to the Financial Statements***

1. **Capital risk management.**

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

|  |  |  |
| --- | --- | --- |
| Description | **Insert Current FY** | **Insert Comparative FY** |
| **Kshs.** | **Kshs.** |
| Revaluation reserve | xxx | xxx |
| Capital/Development Grants/City/Municipality | xxx | xxx |
| Accumulated surplus | xxx | xxx |
| **Total Funds** | **xxx** | **xxx** |
|  |  |  |
| Total borrowings | xxx | xxx |
| Less: cash and bank balances | (xxx) | (xxx) |
| Net debt/(excess cash and cash equivalents) | xxx | xxx |
| **Gearing** | xx% | xx% |

# Appendices

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

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

| **Reference No. on the external audit Report** | **Issue / Observations from Auditor** | **Management comments** | **Status:**  ***(Resolved / Not Resolved)*** | **Timeframe:**  ***(Put a date when you expect the issue to be resolved)*** |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

***Guidance Notes:***

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

……………………………..

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

**Appendix 2: Inter Entity Transfers**

|  | **CITY/MUNICIPALITY NAME:** | | | |
| --- | --- | --- | --- | --- |
|  | **Breakdown of Transfers from the County Executive of xxx County** | | | |
|  | **FY 20xx/20xx** |  |  |  |
| a. | Recurrent Grants | Bank Statement Date | Amount (Kshs.) | Indicate the FY to which the amounts relate |
|  |  |  | xx |  |
|  |  |  | xx |  |
|  |  | **Total** | **XXX** |  |
| b. | Development Grants | Bank Statement Date | Amount (Kshs.) | Indicate the FY to which the amounts relate |
|  |  |  | xx |  |
|  |  |  | xx |  |
|  |  |  | xx |  |
|  |  | **Total** | **XXX** |  |
| c. | Direct Payments | Bank Statement Date | Amount (Kshs.) | Indicate the FY to which the amounts relate |
|  |  |  | xx |  |
|  |  |  | xx |  |
|  |  | **Total** | **XXX** |  |

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

*………………………………………. ………………………………….*

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

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

Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

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

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Project Name | Project Description | Project Objectives | Project Activities |  | | | | Source Of Funds | Implementing Partners |
|  |  |  |  | **Q1** | **Q2** | **Q3** | **Q4** |  |  |
|  |  |  |  |  |  |  |  |  |  |
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**Appendix 4: Disaster Expenditure Reporting Template**

|  |
| --- |
| Date: |
| Entity |
| |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Column I | Column II | Column III | Column IV | Column V | Column VI | Column VII | | Programme | Sub-programme | Disaster Type | Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness) | Expenditure item | Amount (Kshs.) | Comments | |  |  |  |  |  |  |  | |  |  |  |  |  |  |  | |  |  |  |  |  |  |  | |