***Issued on 30th September 2024***



*(Insert the County Entity Logo)*

*(Indicate the name of the County Executive/Assembly)*

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED**

**30TH JUNE 20XX**

**Transitional Financial Statements /Prepared in accordance with the Accrual Basis of Accounting Method Under International Public Sector Accounting Standards (IPSAS)**

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# Acronyms, Abbreviations and Definition of Key Terms

1. **Acronyms and Abbreviations**

*ADP Annual Development Plan*

*AIE Authority to Incur Expenditure*

*CA County Assembly*

*CARA County Allocation of Revenue Act*

*CBK* *Central Bank of Kenya*

*CECM County Executive Committee Member*

*CE County Executive*

*CG County Government*

*CIDP County Integrated Development Plan*

*COG Council of Governors*

*CRA Commission on Revenue Allocation*

*CRF County Revenue Fund*

*CT County Treasury*

*IPSAS International Public Sector Accounting Standards*

*MCA Member of County Assembly*

*OAG Office of the Auditor General*

*OCOB Office of the Controller of Budget*

*OSR Own Source Revenue*

*PFM Public Finance Management*

*PSASB Public Sector Accounting Standards Board*

*NT National Treasury*

*WB World Bank*

*KRB Kenya Roads Board*

*Kshs Kenya Shillings*

*FY Financial Year*

1. **Definition of Key Terms**

*Example*

*Fiduciary Management The key management personnel who had financial responsibility*

*(This list is an indication of acronyms, abbreviations, and key terms; the County entity should include all from the annual report and financial statements prepared)*

# Key Entity Information and Management

***(County Executive)***

1. **Background information**

The County Executive is constituted as per article 176 of the Constitution of Kenya 2010. It is headed by the Governor, who is responsible for the general policy and strategic direction of the County. The County Executive is comprised of the following departments:

| **No.** | **Department** | **Major Responsibility** |
| --- | --- | --- |
| 1. | Finance and Economic Planning | Management of County Treasury and Planning |
| 2. | Agriculture and Livestock and Fisheries | Overseeing County Agriculture, animal husbandry and Fish farming |
| 3. |  |  |
| 4. |  |  |
| 5. |  |  |

1. **Key Management team**

The *County Executive’s* day-to-day management is under the following key organs:

| **No.** | **Designation** | **Name** |
| --- | --- | --- |
| 1. | Office of the Governor | **-** |
| 2. | Head of Departments | **-** |
| 3. | County Attorney | **-** |
| 4. |  | **-** |

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: (***Include all the accounting officers of departments within the County)***

| **No.** | **Designation** | **Name** |
| --- | --- | --- |
| 1. | CECM Finance and Economic Planning | **-** |
| 2. | Accounting Officer-xx Department | **-** |
| 3. | xx | **-** |
| 4. | xx | **-** |
| 5. | xx | **-** |

***(County Assembly)***

1. **Background information**

The County Assembly is constituted as per article 177 of the Constitution of Kenya 2010. It is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The County Assembly constitutes xxx (*indicate the number*) Members of County Assembly (MCAs) elected/ nominated to represent members of the public from their respective wards. The MCAs are responsible for making laws for effective performance of the County Government, approving plans and policies, and playing the oversight role over the County Executive.

1. **Key Management Team**

The *entity’s* day-to-day management is under the following key organs:

| **No.** | **Designation** | **Name** |
| --- | --- | --- |
| 1. | Speaker of the County Assembly | **-** |
| 2. | Clerk of the County Assembly | **-** |
| 3. | Head of Departments | **-** |
| 4. |  | **-** |

1. **Fiduciary Management**

The key management personnel who held office during the year ended XXXXXX and who had direct fiduciary responsibility were:

| **No.** | **Designation** | **Name** |
| --- | --- | --- |
|  | Accounting Officer- Clerk | **-** |
|  | Chief Finance Officer | **-** |
|  | Finance Director | **-** |
|  | Principal Accountant | **-** |

1. **Fiduciary Oversight Arrangements**

*Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):*

* *Audit and finance committee activities*
* *Parliamentary committee activities*
* *County Assembly*
* *Development partner oversight activities*

*(Provide a brief explanation on fiduciary activities undertaken during the financial year)*

1. **County Executive/Assembly Headquarters**

P.O. Box XXXXX

XXX Building/House/Plaza

XXX Avenue/Road/Highway

**NAIROBI, KENYA**

1. **County Executive/Assembly Contacts**

Telephone: (254) XXXXXXXX

E-mail: xxxx@xxx.com

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

1. **County Executive/Assembly Bankers**
2. Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

**NAIROBI, KENYA**

1. Other Commercial Banks

***(List details of other commercial banks*)**

…

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 and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

**NAIROBI, KENYA**

1. **County Attorney/County Assembly Legal Advisor.**

*(List details of other County Attorneys/Legal advisor if any.)*

# Governance Statement

**(County Executive)**

*ABC* County is established as per Section 176 of the Constitution of Kenya, 2010. The County is headed by the Governor, who is responsible for the general policy and strategic direction of the County.

The County Executive is structured in terms of departments, headed by a County Executive Committee Member (CECMs). The CECMs support the Governor and the Deputy Governor in executing the mandate of the County Government as stipulated in the Constitution. The County Secretary heads county public service and is responsible for arranging the business of county executive committee.

**The County Executive**

1. Indicate the membership of the cabinet/County Executive Governance Structures *(entity* ***to*** *tabulate and include photos of the Governor, Deputy Governor, the CECMs and County Secretary).*
2. Brief discussions of how the County deals with its stakeholders especially on matters that require public participation, whether there are policies on communication, stakeholder engagement and whistle blowing.
3. Safeguards against unethical conduct and corruption.
4. Indicate your engagement with the County Assembly through its committees and the Senate including number of bills sponsored by the executive and any other matters presented for deliberations.
5. Risk management
   * Are there effective arrangements for risk management and internal control?
   * Are there formal processes to identify and assess risks?
   * Are there formal processed to analyse risks as a basis for how they should be managed?
   * Are there formal processes to assess changes in the internal and external environments which could give rise to risks?
   * Are risks identified and analysed in the period and how they were managed?
6. Brief descriptions of appointment operation and membership of the audit committee and its charter.
7. Compliance

The entity should identify the laws and regulations that governs it and disclose its compliance to these laws. There should also be a disclosure whether reports emanating from such compliance are prepared and discussed at the relevant levels or other government offices.

1. Any other Governance issue include committees that the county may need to disclose.

**(The County Assembly)**

1. **Background and roles**

The County Assembly is constituted by the MCAs of xxx county government. It is headed by the Speaker who is elected by the MCAs. The speaker is also the chairperson of the county assembly service board while the county assembly clerk is the secretary. Section 10 (4) of the County Governments Act 2012 provides that a county assembly shall observe the following order of precedence.

1. The speaker of the county assembly.
2. The leader of the majority party; and
3. The leader of the minority party.

The Roles of the county assembly are outlined in Section 8 of the County Governments Act 2012, and they include:

1. Vet and approve nominees for appointment to county public office as may be provided for in this Act or any other law.
2. Perform the roles set out under Article 185 of the Constitution.
3. Approve the budget and expenditure of the county government in accordance with Article 207 of the Constitution, and the legislation contemplated in Article 220(2) of the Constitution, guided by Articles 201 and 203 of the Constitution.
4. Approve the borrowing by the county government in accordance with Article 212 of the Constitution.
5. Approve county development planning; and
6. Perform any other role as may be set out under the Constitution or legislation.
7. **Profiles**

Insert the profiles for the Speaker, Majority leader, minority leader and the Clerk (***insert their photos and qualifications in a tabular format)***

1. **Sectoral Committees**

The mandate of Sectoral Committees is in respect to the subject matter assigned by the Standing Orders and is exercised within the limits contemplated under Part 2 of the Fourth Schedule to the Constitution.

The County Assembly has the following Select and Sectoral committees:

1. Committee of Powers and Privileges
2. Audit Committee
3. Public Accounts/Investment Committee
4. Budget and Appropriations Committee
5. xxx committee
6. **Select Committees**

Select committees are generally responsible for overseeing the work of county departments and agencies.

1. **Committee of Powers and Privileges**

There is established committee known as the Committee of Powers and Privileges consisting of the Speaker, who shall be the chairperson of the Committee; and such other members of the county assembly as may be provided in the Standing Orders of the county assembly. The functions of the Committee of Powers and Privileges shall be to inquire into the conduct of a member whose conduct is alleged to constitute a breach of privileges accorded to the county assembly members by any legislation or standing orders and perform such other functions as may be specified by enabling legislation. The committee held xxx meetings in FY 20xx. The committee members during FY 20xx were:

|  |  |  |
| --- | --- | --- |
| **Name** | **Designation** | **Ward** |
|  |  |  |
|  |  |  |

1. **Public Accounts/Investment Committee**

The committee was formed to provide oversight on the County’s finances. The committee held quarterly mandatory meetings during the year. Additionally, it also held xxx extra sittings to deal with arising matters. The members who served in the committee during the year were:

|  |  |  |
| --- | --- | --- |
| **Name** | **Designation** | **Ward** |
|  |  |  |
|  |  |  |

1. **Budget and Appropriations Committee**

The budget and appropriations committee provides guidance in the budgetary process. It is charged with the budget making process and ensuring that there is public participation in the budget process. The members who served in the committee during the period were:

|  |  |  |
| --- | --- | --- |
| **Name** | **Designation** | **Ward** |
|  |  |  |
|  |  |  |

1. **XXX Committee**

The xxx committee provides guidance for xxx. *(Explain the functions of the committee in the same format as above)*

|  |  |  |
| --- | --- | --- |
| **Name** | **Designation** | **Ward** |
|  |  |  |
|  |  |  |

1. **Communication with all Stakeholders**

The County is committed to ensuring that all its stakeholders are provided with full and timely information about its programmes and performance. They are also given an opportunity to give feedback. In this regard, the County held an Annual consultative meeting in xxx where the different stakeholders were invited for information sharing. This communication is important in ensuring that stakeholder expectations are aligned to the County’s service delivery charter.

The County Assembly also subjected xxx bills through public participation (*a table with the bills may be included)*

1. **Risk management**

* Are there effective arrangements for risk management and internal control?
* Are there formal processes to identify and assess risks?
* Are there formal processed to analyse risks as a basis for how they should be managed?
* Are there formal processes to assess changes in the internal and external environments which could give rise to risks?
* Risks identified and analysed in the period and how they were managed.

1. **Compliance**

The entity should identify the relevant laws and regulations that governs it and disclose its compliance to these laws. There should also be a disclosure whether reports emanating from such compliance are prepared and discussed at the relevant levels or other government offices.

# Foreword by CECM Finance and Economic Planning/Clerk of the County Assembly

***(Foreword by CECM Finance).***

Include a brief description of the following:

* 1. Functions of the County Government as per the County Government Act.
  2. Mention the budget performance against actual amounts for current year for the county government entity.
  3. Physical progress based on outputs, outcomes and impacts since establishment of County Government, (encouraged to use actual figures and percentages)
  4. Comment on each of the County flagship projects and how they have been achieved.
  5. Comment on value-for-money achievements,
  6. List the implementation challenges of strategic objectives for the County and the County’s outlook (here you could mention the budget allocation for the coming year and the projects that the County wishes to undertake in line with the County’s strategic plan).
  7. Highlight key risk management strategies applied by the County Executive/

|  |
| --- |
| **…………………………………………………..** |
| **CECM Finance and Economic Planning** |
| **County Government of XXX** |

**Foreword By the Clerk of The Assembly**

***Include the following among others:***

* 1. **Budget performance**

Here explain how the County Assembly has performed in terms of its budget against actual amounts for year based on programmes**. *(Under this section, include tables, graphs, pie charts and detailed explanation of budget utilisation and execution****)*

* 1. **Operational Performance**

*Under this section, include:*

1. How many laws and policies were passed by the Members of the Assembly during the and how they areexpected to improve efficiency of operations at the County Government as well as benefit the population of the County.
2. Indicate the process of dates when the County Budget was passed including the supplementary budgets.
3. Indicate the names of the Assembly committees, their mandates and highlight successes over the period.
4. Include highlights on the oversight role of the County Assembly.
   1. **Performance of key development projects**
5. Give a narrative on physical progress based on outputs, outcomes and impacts of major programmes of the County Assembly. These largely borrow from the key development projects that the County Assembly planned to undertake.
6. List the key development projects included in the Assembly’s strategic plan, procurement plan and work plan and indicate the progress made and how if completed, will improve the effectiveness and efficiency of operations.
7. Describe efforts outlined to ensure responsible competition practices (issues include Anti-corruption, responsible political involvement, fair competition, respect for competitors and their products. Efforts by the County Assembly to treat its own suppliers responsibly (honouring contracts, respecting payment schedules etc.)
   1. **Comment on value-for-money achievements**

Give specific examples of how some of the projects undertaken as listed above have positively improved the lives of the citizens of the County.

* 1. **Challenges and recommended way forward**

List some of the implementation challenges of strategic objectives for the County Assembly and recommended way forward. What were the key factors that caused the county assembly not to fully achieve its goals and how can these be handled in order to get the Assembly’s key development agenda back on track? *E.g. effect the economy on the activities of the Assembly. Indicate* the future outlook of the County Assembly as laid out in the strategic plan. Highlight policies put in place to ensure employee welfare in the assembly ranging from hiring, gender ratio, assembly’s approach on improving employee skills, safety at work and employee turnover if it’s a challenge.

|  |
| --- |
| **………………………………………** |
| **Name:** |
| **Clerk of the County Assembly** |

# Statement of Performance against Predetermined Objectives

**(County Executive)**

***Guidance***

*Refer to the CIDP which informs the annual budget and the annual development plan and report on the extent of the county executive’s progress in attaining the development plan. Report on the metrics met, objectives yet to be met, challenges and opportunities of the County in implementation of its CIDP. Enumerate all the objectives of the County as per the CIDP.*

*Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity’s performance against predetermined objectives.(This guidance should be removed in the final set of financial statements)*

**Strategic development objectives** (***Customize as per specific county)***

The County’s xxx CIDP (*specify the period*) has identified xxx key strategic development objectives. Broadly, these objectives have been identified through a participatory process that reviewed the development priorities of the Governor’s Manifesto, the National Government’s Vision 2030, SDGs and the MTP III. (*insert any other document of reference).*

The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and development aspirations in these policy frameworks.

The key development objectives of the XXX County’s CIDP are to:

1. xxx
2. xxx
3. xxx

Below we present the progress made in attaining the objectives of the xxx CIDP (*specify period*) for xxx County.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***S/No*** | ***Strategic Objective as per CIDP (present the objectives on a high and strategic level)*** | ***Targeted Outcome*** | ***Performance/Progress made up since inception from the latest CIDP*** | ***Remarks (Explain***  ***the***  ***reasons underperformance/ Overperformance)*** |
| 1 | Provide quality physical infrastructure in the County. | xxx | xxx |  |
| 2 | xxx | xxx | xxx |  |
|  | xxx | xxx | xxx |  |

**Progress on Attainment of Development Objectives from Annual Development Plan for FY 20xx*- Customize as per specific county.***

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

1. **PUBLIC WORKS ROADS AND TRANSPORT** (*each department to have its own table or presented in a more suitable format to the county’s operations)*

*N/B: Data and information provided here should be verifiable against the ADP.*

***Table xx1: Programme performance***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Program** | **Strategic Objective** | **Outcome** | **Output** | **Output indicator** | **Achievement for the FY** | | | **Cumulative Achievement by end of FY** | | | **Remarks** |
| **Target** | **Actual** | **Variance** | **Target** | **Actual** | **Variance** |
| Public Works, Roads & Transport  **(this is an example)** | To develop and maintain roads and storm water drainage to global standards | Increased efficient transportation of people, goods and services | Roads upgraded to bitumen standards | No of Kilometres of newly upgraded to bitumen standards | 200 | 150 | 50 | 500 | 300 | 200 | Delays in disbursement from KRB. |
| XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX |

**County Assembly**

*Refer to the assembly’s program on oversight, representation, and legislation. Report on bills enacted. Borrow objective from the County Assembly Program based budget. Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity’s performance against predetermined objectives.(This guidance should be removed in the final set of financial statements)*

**Strategic development objectives** (***Customize as per specific County Assembly)***

The key mandate of the County Assembly of XXXX is legislation, oversight, and representation. To achieve this, the Assembly’s program was documented in terms of objective, key performance indicators, and output. Below is the performance of the Assembly in FY 20xx.

*(NB: entities may use a presentation format more relevant to their operations or use the table below)*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Program 1** | **Strategic Objective** | **Outcome** | **Indicator** | **Performance** | ***Remarks (Explain***  ***the***  ***reasons underperformance/ Overperformance*** |
| Legislation, oversight and representation | XX Bills passed into Acts of the County Assembly | Improved service delivery to citizens | No of bills passed in the County Assembly | In FY 20XX xx number of bills were passed xxx |  |
| Enhanced professional development of MCAs – Review standing orders | Review standing orders | % Increase in efficient Assembly operation | XX standing orders were reviewed and resulted to xxx |  |
| **Program 2** | **xxx** | **xxx** | **xxx** |  | **xxx** |

# Environmental and Sustainability Reporting

*(Two-to-three pages)*

*(Include an Introductory paragraph on the main mandate of the organisation and its strategy on sustainability. Sustainability being the ability to maintain or continue offering services to the citizens of the county over the long- term focuses mainly on the five areas indicated below.)*

1. **Sustainability strategy and profile**

The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic 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 consider 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 organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.). How is the entity treating its staff to ensure that talent is retained to continue offering the services needed by the citizenry.

1. **Marketplace practices-**

The organisation should outline its efforts to:

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 ethical practices-**

Corruption free environment

1. **Stewardship of goods and services**

Outline efforts to safeguard the rights and interests of its citizens

1. **Community Engagements**

Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community social responsibility The statement may also include how the organisation promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives)

# Management Discussion and Analysis

**(**Two- three pages)

*Under this section, the management gives a report on the operational and financial performance of the organisation for the last 3-5 years as per the guidance below.*

* *Entity’s key Programs/projects or investment decisions implemented or ongoing,*
* *Entity’s compliance with statutory requirements.*
* *Major risks facing the organisation.*
* *Material arrears in statutory and other financial obligations.*
* *Review of the economy and sector.*
* *Future developments*
* *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.)*

# Statement of Management Responsibilities

Section 164 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of a County Government Entity to prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The County Executive Committee (CEC) member for Finance and Economic planning of the County Government/Clerk of the County Assembly is responsible for the preparation and presentation of the County Executive’s/Assembly financial statements, which give a true and fair view of the state of affairs of the County Executive/Assembly 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 county Executive/assembly; (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 county Executive; (v)Selecting and applying appropriate accounting policies; and (iv)Making accounting estimates that are reasonable in the circumstances.

The CEC member for finance/The Clerk accepts responsibility for the County Executive’s/Assembly’s financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The CEC member for finance/The Clerk is of the opinion that the County Executive’s/Assembly financial statements give a true and fair view of the state of the County Executive’s/Assembly’s transactions during the financial year ended June 30, 20xx, and of its financial position as at that date.

The CEC member for finance/The Clerk further confirms the completeness of the accounting records maintained for the County Executive/Assembly which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control.

The CEC member for finance/Clerk confirms that the County Executive/Assembly has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Executive’s/Assembly funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Further the CEC member for finance/Clerk confirms that the County Executive’s/Assembly’s financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The County *entity’s* financial statements were approved and signed by the CEC member/Clerk for finance on \_\_\_\_\_\_\_\_\_\_\_\_ 20xx.

|  |
| --- |
| **………………………………………………..** |
| **CECM – Finance and Economic Planning/Clerk of County Assembly** |
|  |

# Report of the Independent Auditor for the (*Specify Entity Name*)

# Statement of Financial Performance for the year ended 30 June 20xx

|  | **Notes** | ***Insert Current FY*** |
| --- | --- | --- |
|  |  | **Kshs** |
| **Revenue** **from** **non-exchange** **transactions** |  |  |
| Transfers from CRF | 6 | xxx |
| Miscellaneous Revenue | 7 | xxx |
| **Total** |  | **xxx** |
|  |  |  |
| **Revenue** **from** **exchange** **transactions** |  |  |
| Other income | 8 | xxx |
| **Total** **revenue** |  | **xxx** |
|  |  |  |
| **Expenses** |  |  |
| Employee costs | 9 | xxx |
| Use of goods and services | 10 | xxx |
| Transfers to other Government Entities | 11 | xxx |
| Depreciation and amortization expense | 12 | xxx |
| Other Grants and Subsidies | 13 | xxx |
| Finance costs | 14 | xxx |
| Social Benefits | 15 | xxx |
| **Total** **expenses** |  | **xxx** |
| Gain/(loss) on sale of assets | 16 | xxx/(xxx) |
| Gain/Loss on Foreign Exchange | 17 | xxx/(xxx) |
| Gain/Loss on fair value of investments | 18 | xxx |
| Impairment loss | 19 | (xxx) |
| **Surplus/Deficit for the year** |  | **xxx** |
| Taxation | 20 | xxx |
| **Net Surplus/Deficit** |  | **xxx** |

The Financial Statements set out on pages xxx to xxx were signed by:

|  |  |  |
| --- | --- | --- |
| **………………………………** |  | **………………………………** |
| **Name** |  | **Name** |
| **Chief Officer Finance/ Clerk of The County Assembly** |  | **Director Accounting Services /CFO** |
|  |  | **ICPAK M/No………….** |

*(Paragraph 79 of IPSAS 33 allows for the election by an entity to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of adoption of the accrual basis of accounting. In preparing this financial reporting template, this election has been made, and therefore, there are no comparatives in the first year of transition.)*

# Statement of Financial Position as at 30 June 20xx

|  | **Notes** | ***Insert Current FY*** | ***Opening Statement***  ***1st July 20XX*** |
| --- | --- | --- | --- |
|  |  | **Kshs** | **Kshs** |
| **Assets** |  |  |  |
| **Current** **Assets** |  |  |  |
| Cash and Cash equivalents | 21 | xxx | xxx |
| Receivables from Exchange Transactions | 22 | xxx | xxx |
| Receivables from Non-Exchange Transactions | 23 | xxx | xxx |
| Inventories | 24 | xxx | xxx |
| Current portion of investments | 25 | xxx | xxx |
| **Total Current Assets** |  | **xxx** | **xxx** |
|  |  |  |  |
|  |  |  |  |
| **Non-Current** **Assets** |  |  |  |
| Receivables from Exchange Transactions | 22(b) | xxx | xxx |
| Non- Current portion of investments | 25 | xx | xx |
| Property, Plant and Equipment | 26 | xxx | xxx |
| Intangible Assets | 27 | xxx | xxx |
| Investment Property | 28 | xxx | xxx |
| Right-of-use assets | 29 | xxx | xx |
| Biological Assets | 30 | xxx | xxx |
| Tangible Natural Resources | 31 | xxx | xxx |
| **Total Non- Current Assets** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Total** **Assets (A)** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Liabilities** |  |  |  |
| **Current** **Liabilities** |  |  |  |
| Trade and Other Payables | 32 | xxx | xxx |
| Refundable Deposits and Prepayments | 33 | xxx | xxx |
| Current Provision | 34 | xxx | xxx |
| Lease Liabilities | 35 | xxx | xxx |
| Deferred Income | 36 | xxx | xxx |
| Employee Benefit Obligation | 37 | xxx | xxx |
| Current Portion of Borrowings | 38 | xxx | xxx |
| **Total Current Liabilities** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Non-Current** **Liabilities** |  |  |  |
| Non-Current Provisions | 34 | xxx | xxx |
| Lease Liabilities | 35 | xxx | xxx |
| Deferred Income | 36 | xxx | xxx |
| Non-Current Employee Benefit Obligation | 37 | xxx | xxx |
| Borrowings – Non-Current Portion | 38 | xxx | xxx |
| Service Concession Liability | 39 | xxx | xxx |
| **Total Non- Current Liabilities** |  | **xxx** | **xxx** |
| **Total** **Liabilities (B)** |  | **xxx** | **xxx** |
|  |  |  |  |
| **Net** **Assets(A-B)** |  |  |  |
|  |  |  |  |
| **Represented By:** |  |  |  |
| Reserves |  | xxx | xxx |
| Accumulated Surplus |  | xxx | xxx |
| Capital Fund |  | xxx | xxx |
| **Net Assets** |  | **xxx** | **xxx** |

The financial statements set out on pages xxx to xxx were signed by:

|  |  |  |
| --- | --- | --- |
| **………………………………** |  | **………………………………** |
| **Name** |  | **Name** |
| **Chief Officer Finance/ Clerk of The County Assembly** |  | **Director Accounting Services /CFO** |
|  |  | **ICPAK M/No………….** |

# Statement of Changes in Net Assets for the year ended 30 June 20xx

|  | **Accumulated Surplus** | **Reserves** | **Capital Fund** | **Total** |
| --- | --- | --- | --- | --- |
| **As at 30th June 2024 (cash basis)** | **xxx** |  |  | **xxx** |
| Adjustments: (to recognize assets and liabilities) | xx/(xx) |  |  | **xxx** |
| **As at July 1, 20xx** | **xxx** | **xxx** | **xxx** | **xxx** |
| Return to CRF | **xxx** |  |  | xxx |
| Surplus/ deficit for the year | xxx |  |  | xxx |
| Other changes (specify) |  | xxx | xxx | xxx |
| **As at June 30, 2025** | **xxx** | **xxx** | **xxx** | **xxx** |

*Note:*

1. *For items that are not common in the financial statements, the Entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.*
2. *Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.*
3. *Entities have liberty to add additional reserves as appropriate. For all reserves presented provide the nature and purpose.*

# Statement of Cash Flows for the year ended 30 June 20xx

|  |  | ***Insert Current FY*** |
| --- | --- | --- |
|  | **Notes** | **Kshs** |
| **Cash** **flows** **from** **operating** **activities** |  |  |
| **Receipts** |  |  |
| Transfers from CRF |  | xxx |
| Miscellaneous Revenue |  | xxx |
| Other income |  | xxx |
| **Total receipts** |  | **xxx** |
| **Payments** |  |  |
| Employee costs |  | xxx |
| Use of goods and services |  | xxx |
| Transfers to other Government Entities |  | xxx |
| Other Grants and Subsidies |  | xxx |
| Finance costs |  | xxx |
| Social Benefits |  | xxx |
| **Total payments** |  | **xxx** |
| **Net** **cash** **flows** **from/(used in)** **operating** **activities** | 40 | **xxx** |
|  |  |  |
| **Cash flows from investing activities** |  |  |
| Purchase of PPE |  | (xxx) |
| Purchase Intangible assets |  | (xxx) |
| Proceeds from sale of PPE |  | xxx |
| Proceeds from sale of Biological Assets |  | xxx |
| Purchase of investments |  | (xxx) |
| Sale of investments |  | xxx |
| **Net** **cash** **flows from/(used** **in)** **investing** **activities** |  | **xxx** |
|  |  |  |
| **Cash** **flows** **from** **financing** **activities** |  |  |
| Returns to CRF |  | (xxx) |
| Proceeds from borrowings |  | xxx |
| Repayment of borrowings |  | (xxx) |
| **Net cash flows from financing Activities** |  | **xxx** |
|  |  |  |
| **Net** **increase/(decrease)** **in** **cash** &  **Cash equivalents** |  | **xxx** |
| Cash and cash equivalents at 1 July | 21 | xxx |
| **Cash** **and** **cash** **equivalents** **at** **30 June** | 21 | **xxx** |

*(PSASB has prescribed the use of direct method for cashflow preparation)*

# Statement of Comparison of Budget and Actual Amounts for the Year ended 30 June 20xx

**Recurrent and Development Budgets Combined**

| **Revenue/expense item** | **Original budget** | **Adjustments** | **Final budget** | **Actual on comparable basis** | **Budget utilization difference** | **% of utilization** |
| --- | --- | --- | --- | --- | --- | --- |
|  | **A** | **B** | **C=(a+b)** | **D** | **E=(c-d)** | **F=d/c \*100** |
| **Revenues** |  |  |  |  |  |  |
| Opening balance (Non-refundable special purpose accounts) | xx | xx | xx | xx | xx | xx |
| Transfers from CRF | xx | xx | xx | xx | xx | xx |
| Miscellaneous Revenue | xx | xx | xx | xx | xx | xx |
| Other income | xx | xx | xx | xx | xx | xx |
| **Total revenues** | **xx** | **xx** | **xx** | **xx** | **xx** | **xx** |
| **Expenses** |  |  |  |  |  |  |
| Employee costs | xx | xx | xx | xx | xx | xx |
| Use of goods and services | xx | xx | xx | xx | xx | xx |
| Transfers to other Government Entities | xx | xx | xx | xx | xx | xx |
| Other Grants and Subsidies | xx | xx | xx | xx | xx | xx |
| Finance costs | xx | xx | xx | xx | xx | xx |
| Social Benefits | xx | xx | xx | xx | xx | xx |
| **Capital items** |  |  |  |  |  |  |
| Acquisition of PPE | xx | xx | xx | xx | xx | **x%** |
| Acquisition of Intangible assets | xx | xx | xx | xx | xx | **x%** |
| Purchase of investments | xx | xx | xx | xx | xx | **x%** |
| Repayment of borrowings | xx | xx | xx | xx | xx | **x%** |
| **Total expenses Development** | **xx** | **xx** | **xx** | **xx** | **xx** | **x%** |
| **Total Expenses** | **xx** | **xx** | **xx** | **xx** | **xx** | **xx** |
| **Surplus/ deficit** | xx | xx | xx | xx | xx | xx |

**Reconciliation table**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | ***Operating*** | ***Financing*** | ***Investing*** | ***total*** |
| *Actual amounts on comparable basis presented in the budget and actual comparative statement* | *xx* | *xx* | *xx* | *xx* |
| *Basis difference* | *xx* | *xx* | *xx* | *Xx* |
| *Timing differences* | *xx* | *xx* | *xx* | *xx* |
| *Entity differences* | *xx* | *xx* | *xx* | *xx* |
| *Classification differences* | *xx* | *xx* | *xx* | *xx* |
| *Actual in the statement of cashflows* | ***xx*** | ***xx*** | ***xx*** | ***xx*** |

***Budget Notes***

1. *Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14).*
2. *Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29).*
3. *Where the total of actual on comparable basis does not tie to the statement of cash flows totals due to differences in accounting basis, classification, entity and timing differences provide a reconciliation.*

# Notes to the Financial Statements

1. **General Information**

xxx Entity is established by and derives its authority and accountability from The Constitution of Kenya 2010. The Entity is domiciled in Kenya and its principal activities are xxx.

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

**Statement of compliance**

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

***Guiding note during the transition period:***

*The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), or the entity has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1st/ 2nd/ 3rd/ years financial statements are transitional financial statements and the following elements of the financial statements have not been recognised as the entity has taken advantage of the transition provisions outlined in IPSAS 33. (entity to state the transitional provisions it has applied and the steps being towards full compliance with IPSAS Accrual).*

*These financial statements were authorised for issue by the accounting officer on xxxx*

**Basis of Preparation**

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period. These financial statements have been prepared on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Entity. The accounting policies adopted have been consistently applied to all the years presented.

**Reporting period**

The reporting period for these financial statements is for the period ended xxxx.

**Notes to the financial statements**

**Critical accounting judgements**

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

Recognition of revenue

Revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

Recognition of non-exchange expenses and liabilities

A liability is a present obligation of an entity for an outflow of resources that results from a past event.Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgement is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The *entity* pursues a number of policy targets and outcomes. However the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the *entity*is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the *entity* policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the *entity’s* future actions, expenses (and other related liabilities) are recognized for that policy.

Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

Climate change obligations

Kenya’s current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO2eq. Entities commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

Physical assets

An asset is a resource presently controlled by the eneity as a result of a past event. The primary reason for holding property, plant and equipment and other assets is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of assets used by public sector entities including roads, national parks, heritage buildings etc are specialized in nature. There may be a limited market for such assets and so judgement is required on measurement. Judgment is also required whether assets are held for commercial purposes or public benefit purposes.

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

1. **Adoption of New and Revised Standards**
2. ***New and amended standards and interpretations in issue effective in the year ended 30 June 2025*.**

| **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*** | |
| IPSAS 45- Property Plant and Equipment | ***Applicable 1st January 2025***  The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.  ***State the expected impact of the standard to the Entity if relevant*** | |
| IPSAS 46  Measurement | ***Applicable 1st January 2025***  The objective of this standard was to improve measurement guidance across IPSAS by:   1. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. 2. Clarifying transaction costs guidance to enhance consistency across IPSAS; 3. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.   The standard also introduces a public sector specific measurement bases called the current operational value.  ***State the expected impact of the standard to the Entity if relevant*** | |

1. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025***

| **Standard** | **Effective date and impact:** | |
| --- | --- | --- |
| IPSAS 47- Revenue | | ***Applicable 1st January 2026***  This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.  ***State the expected impact of the standard to the Entity if relevant*** | |
| IPSAS 48- Transfer Expenses | | ***Applicable 1st January 2026***  The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.  ***State the expected impact of the standard to the Entity if relevant*** | |
| IPSAS 49- Retirement Benefit Plans | | ***Applicable 1st January 2026***  The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.  ***State the expected impact of the standard to the Entity if relevant*** | |

1. ***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 the Financial Statements (Continued)**

1. **Summary of Significant Accounting Policies**
2. **Revenue recognition**
3. **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. Recurrent grants are recognized in the statement of financial performance. Development/Capital grants are recognized in the statement of financial performance after meeting revenue recognition criteria. Conditional grants are recognized as revenue upon fulfilment of the set conditions.

**ii) Revenue from exchange transactions**

**Interest income**

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

**Dividends**

Dividends or similar distributions must be recognized when the shareholder’s or the Entity’s right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

1. **Budget information**

The original budget for FY 20xx/xx was approved by the County Assembly on *xxxx*. 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. Accordingly, the Entity recorded additional appropriations of *xxxx* on the 20xx/xx budget following the governing body’s approval. The Entity’s budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements.

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

**Budget information (continued)**

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. 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 cash flows has been presented under section *xxx* of these financial statements.

1. **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.

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 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

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

1. **Right of use asset**

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IPSAS 21 or IPSAS 26. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

1. **Tangible Natural Resources**

The entity recognises a tangible natural resource recognized if, and only if: It is probable that service potential associated with the natural resource will flow to the entity; the entity controls the tangible natural resource as a result of past events; and The tangible natural resource can be measured reliably. Where this criterion is not met, the entity discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. An entity shall apply IPSAS 46, Measurement, when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange transaction shall be measured at its cost. Historical cost model is applied after initial recognition less any depreciation and impairment losses.

**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.

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

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.

1. **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:

1. The technical feasibility of completing the asset so that the asset will be available for use or sale;
2. Its intention to complete and its ability to use or sell the asset;
3. How the asset will generate future economic benefits or service potential;
4. The availability of resources to complete the asset;
5. 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.

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.

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

* 1. **Financial assets**

**Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortized 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.

**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.

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

**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.

**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.

**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.

**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.

* 1. **Financial liabilities**

**Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through surplus or deficit

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

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:

1. Raw materials: purchase cost using the weighted average cost method.
2. 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.*

1. **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.

1. **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.

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

1. **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.

1. **Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. (*Entity to state the reserves maintained and appropriate policies adopted).*

1. **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.

1. **Employee benefits**

**Retirement benefit plans**

The *Entity* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund 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 benefit funds 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.

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 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.

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

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 *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 Governor, Deputy governor, County Secretary, County Executive Committee Members and Chief Officers, Speaker of the county assembly and, Clerk of the county Assembly, Directors and senior managers. (Entity to amend accordingly)*

1. **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.

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 the Central Bank of Kenya and at various commercial banks at the end of the financial year.

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

1. **Comparative figures**

In preparing these financial statements the entity has elected to apply paragraph 79 of IPSAS 33, which allows for the election by an entity to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first time adoption of the accrual basis of accounting.

1. **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20xx.

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

1. **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 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.

**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:

1. The condition of the asset based on the assessment of experts employed by the Entity.
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 funding to replace the asset.
5. 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 xx. 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.

***(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).***

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

1. **Transfers from CRF**

|  |  |  |  |
| --- | --- | --- | --- |
| **Nature of Transfer** | **Amount recognized to Statement of financial performance.**  **Kshs** | **Amount deferred under deferred income.**  **Kshs** | **Total transfers**  **Current FY** |
| **Kshs** |
| Recurrent | xxx | xxx | xxx |
| Development | xxx | xxx | xxx |
| Special purpose transfers | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** |

1. **Miscellaneous Revenue**

|  |  |
| --- | --- |
| **Nature of Revenue** | **Insert**  **Current FY** |
| **Kshs** |
| In kind grants and donations | xxx |
| Refunds & Reimbursements | xxx |
| Revenues not classified anywhere else | xxx |
| **Total** | xxx |

1. **Other Incomes**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Insurance recoveries | xxx |
| Sale of tender documents | xxx |
| Services concession income | xxx |
| Other incomes not specified elsewhere | xxx |
| **Total** **other** **income** | **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*).

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

1. **Employee Costs**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Basic salaries of permanent employees | xxx |
| Basic wages of temporary employees | xxx |
| Personal allowances – part of salary | xxx |
| Pension and other social security contributions | xxx |
| Employer contributions to compulsory national social security schemes | xxx |
| Employer contributions to compulsory national health insurance schemes | xxx |
| Employer contribution to compulsory housing scheme | xxx |
| Other social benefit schemes | xxx |
| Other personnel costs | xxx |
| **Toal Employee** **costs** | **xxx** |

\* *Other personnel costs- please provide a brief explanation for these costs*

1. **Use of Goods and Services**

| **Description** | ***Insert Current FY*** |
| --- | --- |
|  | **Kshs** |
| Utilities, supplies and services | xxx |
| Communication, supplies and services | xxx |
| Domestic travel and subsistence | xxx |
| Foreign travel and subsistence | xxx |
| Printing, advertising, and information supplies & services | xxx |
| Rentals of produced assets | xxx |
| Training expenses | xxx |
| Hospitality supplies and services | xxx |
| Insurance costs | xxx |
| Specialized materials and services | xxx |
| Other operating expenses *including bank Charges* | xxx |
| Office and general supplies and services | xxx |
| Fuel Oil and Lubricants | xxx |
| Routine maintenance – vehicles and other transport equipment | xxx |
| Routine maintenance – other assets | xxx |
| **Total** | **xxx** |

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

1. **Transfers to Other Government Entities**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Transfers to other County Government entities | xxx |
| Transfers to self-reporting projects | xxx |
| Transfers to car loan and mortgage schemes | xxx |
| Others (specify) | xxx |
| **Total** | **xxx** |

1. **Depreciation and Amortization Expense**

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

1. **Other Grants and Subsidies**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Membership dues and subscriptions to international organizations | xxx |
| Scholarships and other educational benefits | xxx |
| Emergency relief and refugee assistance | xxx |
| Grants to small businesses, cooperatives, and self employed | xxx |
| Subsidies to Public entities | xxx |
| Subsidies to Private entities | xxx |
| **Total** **Grants** **and** **Subsidies** | **xxx** |

1. **Finance Costs**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Interest Payments on Guaranteed Debt Taken over by Govt | xxx |
| Interest on Domestic Borrowings (Non-Govt) | xxx |
| Interest on Borrowings from Other Government Units | xxx |
| Interest on bank overdrafts | xxx |
| Interest on loans from commercial banks | xxx |
| **Total** **finance** **costs** | **xxx** |

*Borrowing costs that relate to interest expense on acquisition of non- current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)*

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

1. **Social Benefits**

|  |  |
| --- | --- |
| **Description** | **Insert Current FY** |
| **Kshs** |
| Transfers to the elderly | xxx |
| Transfers to orphans | xxx |
| Transfers to the physically challenged | xxx |
| *Add any other category* | xxx |
| **Total** **social benefit expenses** | **xxx** |

1. **Gain/Loss on Sale of Assets**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Property, plant and equipment | xxx |
| Intangible assets | xxx |
| Other assets not capitalised | xxx |
| **Total** **gain** **on** **sale** **of** **assets** | **xxx** |

1. **Gain/Loss on Foreign Exchange**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Gain or loss on foreign exchange transactions | xxx |
| Gain or loss on balances in foreign exchanges | xxx |
| **Total** | **xxx** |

1. **Gain/Loss on Fair Value Investments**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Investments at Fair Value | xxx |
| **Total** **Gain** | **xxx** |

1. **Impairment Loss**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| Property, Plant and Equipment | xxx |
| Intangible Assets | xxx |
| **Total** **Impairment** **Loss** | **xxx** |

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

1. **Taxation**

|  |  |
| --- | --- |
| **Description** | **Insert Current FY** |
| **Kshs** |
| Current income tax charge | xxx |
| Tax charged on rental income | xxx |
| Tax charged on interest income | xxx |
| Original and reversal of temporary differences | xxx |
| **Income tax expense reported in the statement of financial performance** | **xxx** |

1. **Cash and Cash Equivalents**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement***  ***1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| Recurrent Account | xxx | xxx |
| Development Account | xxx | xxx |
| Deposits Account | xxx | xxx |
| Special Purpose Accounts | xxx | xxx |
| Other operating commercial accounts (*Specify*) | xxx | xxx |
| **Total** | **xxx** | **xxx** |

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

**21 (a) Detailed Analysis of the Cash and Cash Equivalents**

|  |  | ***Insert Current FY*** | ***Opening Statement***  ***1st July 20XX*** |
| --- | --- | --- | --- |
| **Financial Institution** | **Account number** | **Kshs** | **Kshs** |
| Recurrent Accounts |  |  |  |
| *CBK00001* | 1000xxxx | xxx | xxx |
| Development Accounts |  |  |  |
| *CBK00002* | 1000xxxx | xxx | xxx |
| Deposits Accounts |  |  |  |
| *CBK00003* | 10000xxx | xxx | xxx |
| Special Purpose Accounts |  |  |  |
| *CBK00004* | 10000xxx | xxx | xxx |
| *CBK00005* | 10000xxx | xxx | xxx |
| Other operating commercial accounts (*Specify*) |  |  |  |
| *Cash on Hand* |  | xxx | xxx |
|  |  |  |  |
| **Total** |  | **xxx** | **xxx** |

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

1. **Receivables from Exchange Transactions**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement***  ***1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| **Total receivables** |  |  |
| Other exchange debtors (*Specify*) | xxx | xxx |
| Less: impairment allowance | (xxx) | (xxx) |
| **Total** **receivables** | **xxx** | **xxx** |
| 1. Current receivables | xxx | xxx |
| 1. Non-current receivables | xxx | xxx |
| **Total Receivables (a+b)** | **xxx** | **xxx** |

1. **Ageing analysis for Receivables**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Insert Current FY** | | ***Opening Statement***  ***1st July 20XX*** | |
| **Kshs** | | **Kshs** | |
|  | **Current FY** | **% of the total** | **Opening Balance** | **% 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. **Reconciliation for Impairment Allowance on Receivables from Exchange Transactions**

|  |  |
| --- | --- |
| **Impairment allowance** | ***Insert Current FY*** |
|  | **Kshs** |
| At the beginning of the year | xxx |
| Additional allowance during the year | xxx |
| Recovered during the year | (xxx) |
| Written off during the year | (xxx) |
| At the end of the year | **xxx** |

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

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Insert Current FY** | | ***Opening Statement***  ***1st July 20XX*** | |
| **Kshs** | | **Kshs** | |
| Other debtors (non-exchange transactions) | xxx | | xxx | |
| Less: impairment allowance | (xxx) | | (xxx) | |
| **Total** **receivables from non- exchange transactions** | **xxx** | | **xxx** | |
|  |  | |  | |
| **Ageing Analysis- Receivables from non-**  **exchange transactions** | **Insert Current FY** | **% of the total** | **Opening Balance** | **% of the total** |
| Less than 1 year | xxx | % | xxx | % |
| Between 1-2 years | xxx | % | xxx | % |
| Over 3 years | xxx | % | xxx | % |
| **Total** | xxx | % | xxx | % |

1. **Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| At the beginning of the year | xxx |
| Additional provisions during the year | xxx |
| Recovered during the year | (xxx) |
| Written off during the year | (xxx) |
| At the end of the year | **xxx** |

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

1. **Inventories**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement***  ***1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| Spare parts | xxx | xxx |
| Goods held for distribution | xxx | xxx |
| Less: allowance for impairment | (xxx) | (xxx) |
| **Total** | **xxx** | **xxx** |

1. **Investments**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement***  ***1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| 1. **Investment in Treasury bills and bonds** |  |  |
| Financial institution |  |  |
| CBK | xxx | xxx |
| CBK | xxx | xxx |
| Sub- total | **xxx** | **xxx** |
| 1. **Investment with Financial Institutions/ Banks** |  |  |
| Bank x | xxx | xxx |
| Bank y | xxx | xxx |
| Sub- total | **xxx** | **xxx** |
| 1. **Equity investments (specify)** |  |  |
| Equity/ shares in Entity xxx | xxx | xxx |
| Sub- total | **xxx** | **xxx** |
| Grand total | **xxx** | **xxx** |
| **Analysed as:** |  |  |
| Current portion of Investment | **xx** | **xx** |
| Non-current portion of investment | **xx** | **xx** |

1. **Movement of Equity Investments**

|  |  |
| --- | --- |
|  | ***Insert Current FY*** |
|  | **Kshs** |
| At the beginning of the year | xxx |
| Purchase of investments in the year | xxx |
| Sale of investments during the year | (xxx) |
| Increase /(decrease ) in fair value of investments | xxx |
| At the end of the year | **xxx** |

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

**e) Shareholding in other entities**

For investments in equity share listed under note 25 above, list down the equity investments under the following categories.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name of Entity where investment is held** | **No of shares** | | | **Nominal value of shares** | **Fair value of shares** | **Fair value of shares** |
|  | **Direct shareholding** | **Indirect shareholding** | **Effective shareholding** |  | **Current year** | ***Opening Statement***  ***1st July 20XX*** |
|  | **%** | **%** | **%** | **Kshs** | **Kshs** | **Kshs** |
| Entity A | xxx | xxx | xxx | xxx | xxx | xxx |
| Entity B | xxx | xxx | xxx | xxx | xxx | xxx |
| Entity C | xxx | xxx | xxx | xxx | xxx | xxx |
|  | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |

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

1. **Property, Plant and Equipment**

|  | **Land** | **Buildings** | **Motor vehicles** | **Infrastructure assets** | **Furniture and fittings** | **Computers & ICT Equipment** | **Heritage assets** | **Work in progress** | **Service concession assets** | **Total** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Depreciation Rate** |  | **2-10%** | **10-16.67%** | **2-20%** | **12.5%** | **33.3%** | **x%** |  |  |  |
| **Cost** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **Opening Bal as 1st July 20xx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| Additions | xxx | xxx | xxx | xxx | xxx | - | xxx | xxx | xxx | **xxx** |
| Disposals | (xxx) | (xxx) | - | (xxx) | - | - | (xxx) | (xxx) | (xxx) | **(xxx)** |
| Transfer/Adjustments | (xxx) | (xxx) | xxx | xxx | xxx | (xxx) | (xxx) | xxx | xxx | **(xxx)** |
| **As At /Jun 20xx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| **Depreciation And Impairment** |  |  |  |  |  |  |  |  |  |  |
| Depreciation for the year | - | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | (xxx) | - | - | **(xxx)** |
| Disposals | - | xxx | - | - | - | - | xxx | - | - | **xxx** |
| Impairment | - | (xxx) | (xxx) | (xxx) | - | - | (xxx) | - | - | **(xxx)** |
| Transfer/Adjustment | - |  | (xxx) | (xxx) | (xxx) | xxx | (xxx) | - | - | **xxx** |
| **As At Jun 20xx** | **-** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **-** | **-** | **xxx** |
| **Net Book Values** |  |  |  |  |  |  |  |  |  |  |
| **Opening Bal as at 1st July 20xx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** | **xxx** |
| **As At xx, 20xx** | **xxx** | **xxx** | **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*** |
|  | **Kshs** |
| **Cost/Opening balance at the beginning of the year** | xxx |
| Additions | xxx |
| Disposal | (xxx) |
| **At end of the year** | xxx |
| Additions–internal development | xxx |
| Disposal | (xxx) |
| **At end of the year** | xxx |
| **Amortization and impairment** |  |
| **At beginning of the year** | xxx |
| Amortization | xxx |
| **At end of the year** | xxx |
| Impairment loss | xxx |
| **At end of the year** | xxx |
| **NBV** | xxx |

1. **Investment Property**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| **Cost/Opening balance at the beginning of the year** | **xxx** |
| Additions | xxx |
| Disposal during the year | (xxx) |
| Depreciation | (xxx) |
| Impairment | (xxx) |
| **At end of the year** | **xxx** |

*(This note applies to investment property held at cost. For investment property held at fair value, changes in fair value should go through the statement of financial performance***).**

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

1. **Right-of-use assets**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | ***Buildings*** | **Motor vehicles** | ***Plant and equipment*** | ***Total*** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **Cost** |  |  |  |  |
| As at 1 July 20xx | xxx | xxx | xxx | xxx |
| Additions | xxx | xxx | xxx | xxx |
| As at June 20xx | xxx | xxx | xxx | xxx |
|  |  |  |  |  |
| **Accumulated Depreciation** |  |  |  |  |
| As at 1 July 20xx | xxx | xxx | xxx | xxx |
| Charge for the year | xxx | xxx | xxx | xxx |
| As at June 20xx | xxx | xxx | xxx | xxx |
|  |  |  |  |  |
| **Carrying Amount** |  |  |  |  |
| As at June 20xx | xxx | xxx | xxx | xxx |

1. **Biological Assets**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement***  ***1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| Specify | xxx | xxx |
| Specify | xxx | xxx |
|  |  |  |
| **Total** | **xxx** | **xxx** |

1. **Tangible Natural Resources**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Sub- soil assets** | **Water** | **Wildlife** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **Cost** |  |  |  |  |
| As at 1 July 20xx | xxx | xxx | xxx | xxx |
| Additions | xxx | xxx | xxx | xxx |
| As at June 20xx | xxx | xxx | xxx | xxx |
| **Accumulated Depreciation** |  |  |  |  |
| As at 1 July 20xx | xxx | xxx | xxx | xxx |
| Charge for the year | xxx | xxx | xxx | xxx |
| As at June 20xx | xxx | xxx | xxx | xxx |
| **Carrying Amount** |  |  |  |  |
| As at June 20xx | xxx | xxx | xxx | xxx |

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

1. **Trade and Other Payables**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Insert Current FY** | | ***Opening Statement***  ***1st July 20XX*** | |
| **Kshs** | | **Kshs** | |
| Trade payables | xxx | | xxx | |
| Payments received in advance | xxx | | xxx | |
| Employee payables | xxx | | xxx | |
| Third-party payments | xxx | | xxx | |
| Other payables | xxx | | xxx | |
| **Total** **trade** **and** **other** **payables** | **xxx** | | **xxx** | |
|  |  | |  | |
| **Ageing analysis:**  **(Trade and other payables)** | Current FY | % | **Opening balance** | % of the Total |
| Under one year | xxx | % | xxx | % |
| 1-2 years | xxx | % | xxx | % |
| 2-3 years | xxx | % | xxx | % |
| Over 3 years | xxx | % | xxx | % |
| **Total (tie to above total)** | **xxx** |  | **xxx** |  |

1. **Refundable Deposits and Prepayments**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Insert Current FY** | | ***Opening Statement***  ***1st July 20XX*** | |
| **Kshs** | | **Kshs** | |
| Customer deposits | xxx | | xxx | |
| Prepayments | xxx | | xxx | |
| Other deposits | xxx | | xxx | |
| **Total** **deposits** | **xxx** | | **xxx** | |
|  |  | |  | |
| **Ageing analysis: (Refundable deposits)** | Current FY | % of the Total | **Opening**  **Balance** | % 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 (Continued)**

1. **Provisions**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Leave provision** | **Gratuity**  **Provision** | **Other provision** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **Balance b/f** | **xxx** | **xxx** | **xxx** | **xxx** |
| Additional provisions | xxx | xxx | xxx | xxx |
| Provision utilised | (xxx) | (xxx) | (xxx) | (xxx) |
| Change due to discount and time value for money | (xxx) | (xxx) | (xxx) | (xxx) |
| **Total provisions year end** | **xxx** | **xxx** | **xxx** | **xxx** |
| Current Provisions | xxx | xxx | xxx | xxx |
| Non-Current Provisions | xxx | xxx | xxx | xxx |

1. **Lease Liabilities**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement***  ***1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| **Balance at the beginning of the year** | **xxx** | **xxx** |
| Discount interest on lease liability | xxx | xxx |
| Paid during the year | (xxx) | (xxx) |
| **At end of the year** | **xxx** | **xxx** |

**Maturity Analysis**

|  |  |
| --- | --- |
| **Period** | **Amount** |
| Year 1 | xxx |
| Year 2 | xxx |
| Year 3 | xxx |
| Year 4 | xxx |
| Year 5 and onwards | xxx |
| Less: unearned Interest | (xxx) |
|  | xxx |

**Analysed as:**

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

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

1. **Deferred Income**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement***  ***1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| National Government | xxx | xxx |
| International Funders | xxx | xxx |
| Public Contributions and Donations | xxx | xxx |
| **Total** **Deferred** **Income** | xxx | xxx |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **National government** | **International funders** | **Public contributions and donations** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| Balance Brought Forward | **xxx** | **xxx** | **xxx** | **xxx** |
| Additions | 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** |

**Analysed as:**

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

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

1. **Employee Benefit Obligations**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Defined benefit plan** | **Post-employment medical benefits** | **Other Benefits** | ***Insert Current FY*** | ***Opening Statement 1st July 20xx*** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| Current Benefit Obligation | xxx | xxx | xxx | xxx | xxx |
| Non-Current Benefit Obligation | xxx | xxx | xxx | xxx | xxx |
| **Total** **Employee Benefits Obligation** | xxx | xxx | xxx | xxx | xxx |

**Retirement benefit Asset/ Liability *(Applicable to Pensions)***

The Entity operates a defined benefit scheme for all full-time employees from July 1, 20XX. The scheme is administered by xxx while xxx are the custodians of the scheme. The scheme is based on xxx percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at xxx June xxx by xxx actuarial valuers On this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

|  |  |  |
| --- | --- | --- |
|  | ***Insert Current FY*** | ***Opening Statement 1st July 20xx*** |
|  |  |  |
| Discount Rates | x% | x% |
| Future Salary Increases | x% | x% |
| Future Pension Increases | x% | x% |
| Mortality (Pre- Retirement) | x% | x% |
| Mortality (post-retirement) | x% | x% |
| Withdrawals | xx | xx |
| Ill Health | xx | xx |
| Retirement | xx years | xx years |

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

**Recognition of Retirement Benefit Asset/ Liability**

1. Amounts recognised under other gains/ Losses in the statement of Financial Performance:

|  |  |  |
| --- | --- | --- |
|  | ***Insert Current FY*** | ***Opening Statement 1st July 20xx*** |
| **Description** | **Kshs** | **Kshs** |
| The return on defined plan assets | xxx | xxx |
| Actuarial gains/ losses arising from changes in demographic assumptions | xxx | xxx |
| Actuarial gains/ losses arising from changes in financial assumptions | xxx | xxx |
| Actuarial gains and losses arising from experience adjustments | xxx | xxx |
| Others (specify) | xxx | xxx |
| Adjustments for restrictions on the defined benefit asset | xxx | xxx |
| **Remeasurement of the net defined benefit liability (asset)** | xxx | xxx |

1. **Amounts recognized in the Statement of Financial Position**

|  |  |  |
| --- | --- | --- |
|  | ***Insert Current FY*** | ***Opening Statement 1st July 20xx*** |
| **Description** | **Kshs** | **Kshs** |
| Present value of defined benefit obligations(a) | xxx | xxx |
| Fair value of plan assets(b) | (xxx) | (xxx) |
| Funded status(=a-b) | **xxx** | **xxx** |
| Restrictions on asset recognised | xxx | xxx |
| Others | xxx | xxx |
| Net asset or liability arising from defined benefit obligation | **xxx** | **xxx** |

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 and is currently at KShs. XXX per employee per month. Other than NSSF the Entity also has a defined contribution scheme operated by XXX Pension Fund. Employees contribute xx% while employers contribute xx% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

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

1. **Borrowings**

|  |  |
| --- | --- |
| **Description** | ***Insert Current FY*** |
|  | **Kshs** |
| 1. **External borrowings** |  |
| Balance at beginning of the year | xxx |
| External borrowings during the year | xxx |
| Repayments of during the year | (xxx) |
| **Balance at end of the year** | **xxx** |
|  |  |
| 1. **Domestic borrowings** |  |
| Balance at beginning of the year | xxx |
| Domestic borrowings during the year | xxx |
| Repayments during the year | (xxx) |
| **Balance at end of the year** | **xxx** |
|  |  |
| **Balance at end of the period- domestic and**  **External borrowings c = (a+b)** | **xxx** |

The analyses of both external and domestic borrowings are as follows:

|  |  |  |
| --- | --- | --- |
|  | ***Insert Current FY*** | ***Opening Statement 1st July 20xx*** |
|  | **Kshs** | **Kshs** |
| **External Borrowings** |  |  |
| Dollar Denominated Loan From ‘X Organisation’ | xxx | xxx |
| Sterling Pound Denominated Loan From ‘Y Organisation’ | xxx | xxx |
| Euro Denominated Loan from Z Organisation’ | xxx | xxx |
| **Domestic Borrowings** |  |  |
| Kenya Shilling Loan From KCB | xxx | xxx |
| Kenya Shilling Loan from Barclays Bank | xxx | xxx |
| Kenya Shilling Loan from Consolidated Bank | xxx | xxx |
| **Total /Balance at end of The Year** | **xxx** | **xxx** |

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

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening***  ***Statement***  ***1st July 20xx*** |
|  | **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 41 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).*

1. **Service Concession Arrangements Liability**

|  |  |  |
| --- | --- | --- |
| **Description** | ***Insert Current FY*** | ***Opening Statement 1st July 20xx*** |
|  | **Kshs** | **Kshs** |
| Fair value of service concession assets recognized under PPE | xxx | xxx |
| Accumulated depreciation to date | (xxx) | (xxx) |
| Net carrying amount | **xxx** | **xxx** |
| Service concession liability at beginning of the year | xxx | xxx |
| Service concession revenue recognized | (xxx) | (xxx) |
| Service concession liability at end of the year | **xxx** | **xxx** |

1. **Cash Generated from Operations**

|  | ***Insert Current FY*** |
| --- | --- |
|  | **Kshs** |
| **Surplus for the year before tax** | **xxx** |
| **Adjusted for:** |  |
| Depreciation | xxx |
| Non-cash grants received | (xxx) |
| Contributed assets | (xxx) |
| Impairment | xxx |
| Gains and losses on disposal of assets | (xxx) |
| Contribution to provisions | xxx |
| Contribution to impairment allowance | xxx |
| **Working capital adjustments** |  |
| Increase in inventory | (xxx) |
| Increase in receivables | (xxx) |
| Increase in deferred income | xxx |
| Increase in payables | xxx |
| Increase in payments received in advance | xxx |
| **Net cash flow from operating activities** | **xxx** |

*(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)*

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

1. **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. The Entity 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 Entity’s financial risk management objectives and policies are detailed below:

* 1. **Credit risk**

The Entity 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 Entity’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 Entity’s maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Total amount** | **Fully performing** | **Past due** | **Impaired** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **As at 30 June 20xx** |  |  |  |  |
| 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 (Continued)**

**Financial Risk Management**

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 Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Entity has significant concentration of credit risk on amounts due from xxxx. The board of directors sets the Entity’s credit 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 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.

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

|  | **Less than 1 month** | **Between 1-3 months** | **Over 5 months** | **Total** |
| --- | --- | --- | --- | --- |
| **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **As at 30 June 20xx** |  |  |  |  |
| Trade payables | xxx | xxx | xxx | xxx |
| Current portion of borrowings | xxx | xxx | xxx | xxx |
| Provisions | xxx | xxx | xxx | xxx |
| Deferred income | xxx | xxx | xxx | xxx |
| Employee benefit obligation | xxx | xxx | xxx | xxx |
| **Total** | **xxx** | **xxx** | **xxx** | **xxx** |

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

**Financial Risk Management**

* 1. **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.

1. **Foreign currency risk**

The *Entity* 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 *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 (Continued)**

**Financial Risk Management**

The carrying amount of the *Entity’s* foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

**Current FY**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **In Kshs** | **Other currencies** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** |
| **As at 30 June 20xx** |  |  |  |
| **Financial Assets** | xxx | xxx | xxx |
| Investments | xxx | xxx | xxx |
| Cash | xxx | xxx | xxx |
| Debtors | xxx | xxx | xxx |
| **Total Financial Assets** | **xxx** | **xxx** | **xxx** |
| **Financial Liabilities** |  |  |  |
| Trade And Other Payables | xxx | xxx | xxx |
| Borrowings | xxx | xxx | xxx |
| **Total Financial Liabilities** | **xxx** | **xxx** | **xxx** |
| **Net Foreign Currency Asset/(Liability)** | **xxx** | **xxx** | **xxx** |

**Financial Risk Management**

The following table demonstrates the effect on the Entity’s statement of comprehensive income 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.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Change in**  **currency rate** | **Effect on Profit**  **before tax** | **Effect on**  **Equity/Net assets** |
|  | **Kshs** | **Kshs** | **Kshs** |
| **20xx** |  |  |  |
| Euro | 10% | xxx | xxx |
| USD | 10% | xxx | xxx |
| **20xx-1** |  |  |  |
| Euro | 10% | xxx | xxx |
| USD | 10% | xxx | xxx |

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

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 Entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Entity’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.

**Financial Risk Management**

**Sensitivity analysis**

The Entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (20xx – KShs xxx)

**Fair value of financial assets and liabilities**

1. **Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Entity’s* market assumptions. These two types of inputs have created the following fair value hierarchy:

* Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
* Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
* Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *Entity* considers relevant and observable market prices in its valuations where possible.

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

**Financial Risk Management**

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Level 1** | **Level 2** | **Level 3** | **Total** |
|  | **Kshs** | **Kshs** | **Kshs** | **Kshs** |
| **As at 30 June 20xx** |  |  |  |  |
| **Financial Assets** |  |  |  |  |
| Quoted Equity Investments | xxx | xxx | xxx | xxx |
| **Non- Financial Assets** |  |  |  |  |
| Investment Property | xxx | xxx | xxx | xxx |
| Land And Buildings | xxx | xxx | xxx | xxx |
|  | **xxx** | **xxx** | **xxx** | **xxx** |

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

**iv) 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:

|  |  |  |
| --- | --- | --- |
|  | ***Insert Current FY*** | ***Opening Statement***  ***1st July 20XX*** |
|  | **Kshs** | **Kshs** |
| Revaluation Reserve | xxx | xxx |
| Retained Earnings | xxx | xxx |
| Capital Reserve | 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% |

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

1. **Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the *Entity* 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.

**Government of Kenya**

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

**Other related parties include:**

1. County Government Entities
2. National Government Entities
3. Key management.

|  | ***Insert Current FY*** |
| --- | --- |
|  | **Kshs** |
| **Transactions with related parties** |  |
| 1. **Sales to related parties** |  |
| Others (specify) e.g. interest and bank charges | xxx |
| **Total** | **xxx** |
| **B) purchases from related parties** |  |
| Purchases of electricity from KPLC | xxx |
| Purchase of water from govt service providers | xxx |
| Rent expenses paid to govt agencies | xxx |
| Training and conference fees paid to govt. Agencies | xxx |
| Others (specify) | xxx |
| **Total** | **xxx** |
| 1. **Grants /transfers from the government** |  |
| Grants from national govt | xxx |
| Grants from county government | xxx |
| Donations in kind | xxx |
| **Total** | **xxx** |
| 1. **Expenses incurred on behalf of related party** |  |
| Payments of salaries and wages for xxx employees | xxx |
| Payments for goods and services for xxx | xxx |
| **Total** |  |
| 1. **Key management compensation** |  |
| Compensation to key management | xxx |
| **Total** | **xxx** |

1. **Segment Information**

*(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an Entity to present segmental information of each geographic region or department to enable users understand the Entity’s performance and allocation of resources to different segments)*

1. **Contingent Assets and Contingent Liabilities**

**Contingent Assets**

|  |  |
| --- | --- |
|  | ***Insert Current FY*** |
|  | **Kshs** |
| **Contingent Assets** |  |
| Insurance Reimbursements | xxx |
| Assets Arising from Determination Of Court Cases | xxx |
| Reimbursable Indemnities and Guarantees | xxx |
| Receivables From Other Government Entities | xxx |
| Others (Specify) | xxx |
| **Total** | xxx |

*(Give details)*

**Contingent Liabilities**

|  |  |
| --- | --- |
|  | ***Insert Current FY*** |
|  | **Kshs** |
| **Contingent Liabilities** | xxx |
| Court Case xx against the Entity | xxx |
| Bank Guarantees in Favour of Subsidiary | xxx |
| Contingent Liabilities arising from Contracts Including PPPs | xxx |
| Others (Specify) | xxx |
| **Total** | **xxx** |

*(Give details)*

1. **Capital Commitments**

|  |  |
| --- | --- |
| **Capital Commitments** | ***Insert Current FY*** |
|  | **Kshs** |
| Authorised for | xxx |
| Authorised and contracted for | xxx |
| **Total** | **xxx** |
|  |  |

*(NB: Capital commitments are commitments to be carried out in the next financial year and are disclosed in accordance with IPSAS 17. Capital commitments may be those that have been authorised by the board but at the end of the year had not been contracted or those already contracted for and ongoing)*

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

1. **Events after the Reporting Period**

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

1. **Ultimate And Holding Entity**

The Entity ultimate parent is the Government of Kenya.

1. **Currency**

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

# Appendix

**Appendix 1: Implementation Status of Auditor-General’s 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.

|  |
| --- |
| ……………………………………… |
| Accounting Officer |
| Date |

**Appendix II: Projects implemented by** *(The Entity)*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Project title** | **Project Number** | **Donor** | **Period/ duration** | **Donor commitment** | **Separate donor reporting required as per the donor agreement (Yes/No)** | **Consolidated in these financial statements**  **(Yes/No)** |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

**Status of Projects completion**

*(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Project** | **Total project Cost** | **Total expended to date** | **Completion % to date** | **Budget** | **Actual** | **Sources of funds** |
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**Appendix IV: Transfers from Other Government Entities**

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name of the MDA/Donor Transferring the funds** |  |  | |  |  | **Where Recorded/recognized** | | | |  |
| **Date received as per bank statement** | **Nature: Recurrent/Development/Others** | **Total Amount - KES** |  | **Statement of Financial Performance** |  | **Deferred Income** | **Receivables** | **Others - must be specific** | **Total Transfers during the Year** |
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**Appendix VI: Reporting of Climate Relevant Expenditures**

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 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 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |