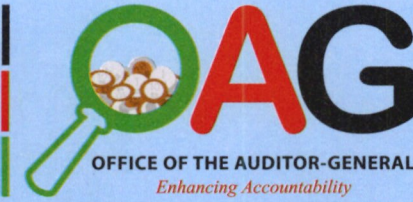
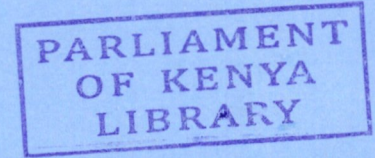


REPUBLIC OF KENYA



REPORT



OF

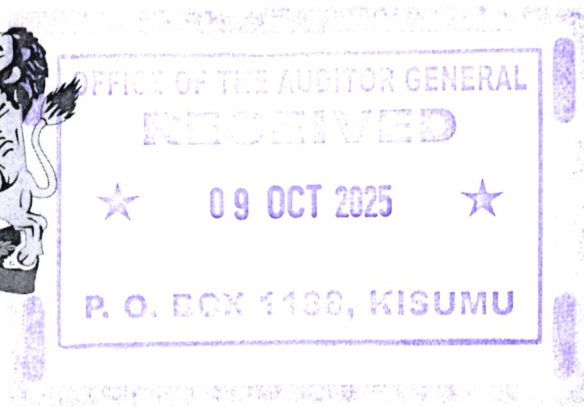
THE AUDITOR-GENERAL

ON

VIHIGA MUNICIPAL BOARD

**FOR THE YEAR ENDED
30 JUNE, 2025**

PAPERS LAID	
DATE	26/11/25.
TABLED BY	J.M.L
COMMITTEE	-
CLERK AT THE TABLE	Belinda



VIHIGA MUNICIPALITY
County Government of Vihiga

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025

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

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1. Acronyms and Definition of Key Terms

A. Acronyms

FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
UACA	Urban Areas and Cities Act
PFMA	Public financial management Act
PFMA	Public financial management Act
CGA	County Government Act
CUIDS	County Urban Institutional Development Strategy
IDEP	Integrated Development Plan
UDG	Urban Development Grant
UIG	Urban Institutional Grant
KSHS	Kenya Shillings
CBK	Central Bank of Kenya
AG	Acting Capacity
PROF	Professor
ENG	Engineer
ARTCH	Architect
CPA	Certified Public Accountant
KUSP	Kenya Urban Support Program

Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

2. Key Entity Information and Management

a) Background information

Vihiga Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on *2018 and revised in 2023*. The Municipality is under the County Government of Vihiga and is domiciled in Kenya.

b) Principal Activities

The Municipality principal activity aims to facilitate a sustainable urbanization process through an integrated urban and regional planning management framework of Kenyan urban centers and towns in line with UACA. Aligned to that goal, the MTP identifies a series of investment programs to enhance infrastructure, connectivity and accessibility, safety and security. Developing the basic institutions required for effective urban management is critical to deliver these investments and for urbanization to contribute to sustainable growth in Kenya

The Municipality objective of the Kenya Urban Support Program is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya. Economic growth has been accompanied by rapid urbanization. Nonetheless Kenya remains under-urbanized. This means Kenya can still leverage the benefits of urbanization for improving economic opportunities and living conditions. The Government of Kenya has recognized the need to manage urbanization as part of its overall development strategy.

Kenya Vision 2030 Highlights Rapid Urbanization. As one of the four key challenges facing the Country. Within The Over-arching framework of vision 2030, the urbanization component of the Second Medium Term Plan (MTP2)

Municipality Vision Statement To be a Vibrant and an Inclusive Municipality of Choice

c) Key Management

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

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

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

Ref	Position	
1	Municipal Manager & Board Secretary	Mr. Paul Ayodi
2	Accountant	CPA. Sheilla Lwali
3	Environmentalist	Mr. Okwaro James
4	Supply chain management officer	Mr. Vincent Juma
5	Internal auditor	CPA. Sammy Otwoma
6	Administrator	Mr. Muhando Benjamin
7	Engineer	Eng. Nerbert Omido
8	Economist	Mr. Lee Jumba
9	Sociologist	Mr. Chelimo Isaac
10.	Planner	Mr. Orimba Joseph
11	Fund manager	Mr. Omukuya Richard
12	ICT	Mrs. Apicha Mercy
13	Human Resource Manager	Mrs. Mirriam Amadi
14	CPCT- Co-ordinator	Arch. Wesley Asubwa
15	Communication Officer	Mr. Linet Nyagotha

e) Fiduciary Oversight Arrangements

i) Audit and Risk Management Committee

Vihiga Municipality have an audit and risk subcommittee that oversees the operations of the municipality. The Municipal Board is responsible for financial stewardship, guided by the Urban Areas and Cities Act and the Cities and Municipal Charter (2020). The Office of the Auditor General also conducts annual audits assessing; financial statement accuracy and lawfulness and effectiveness in use of public resources

ii) County Assembly committees

The Vihiga County Assembly plays a critical role in municipal oversight. The Public Accounts and Investments Committee reviews audit reports and ensures corrective actions are taken. Budget and appropriations Committee scrutinizes municipal budget allocations and expenditures, ensuring alignment with county priorities and public interest

iii) Committees of the Senate

The County Public Accounts and Investments committee reviews auditor general reports for all counties, including municipalities like Vihiga. Senate committees ensure counties adhere to national standards in financial management, urban planning, and service delivery

f) Registered Offices

P.O. Box 344-50300 Maragoli
Dawn Towers Plaza
Kakamega-Kisumu Highway
Mbale, KENYA

g) Contacts

Telephone: (+254) 722732230/719880506
Website: www.vihigacountygo.ke

h) Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000

City Square 00200

Nairobi, Kenya

Equity Bank of Kenya

Mbale branch

P.O. Box 60

Maragoli 50300

i) Independent Auditor

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya



k) County Attorney




Vihiga County Government

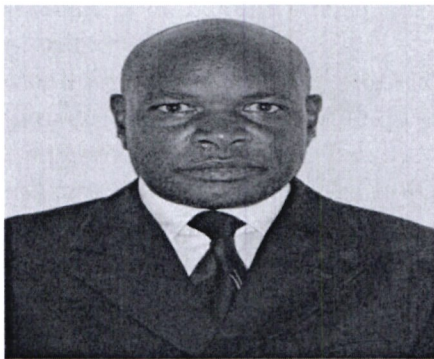
P.O Box 344-50300

Maragoli, Kenya

3. Municipality Board

Name	Details of qualifications and experience
 <p data-bbox="276 882 660 916">CPA.Patrick Oyondi Kirungu</p>	<p data-bbox="775 342 1442 416">The Board Chairman & independent member of the Board</p> <p data-bbox="775 454 1519 1077">CPA Patrick Oyondi Kirungu is a Certified Public Accountant (CPA-K), a Certified Professional Mediator, Certified Monitoring and Evaluation professional and Human resource master expert. He is a member of the institute of Certified Public Accountants of Kenya (ICPAK), Kenya Institute of Management, Institute of Internal Auditors of Kenya, Institute of Chartered Mediators and Conciliators. The Board Chair holds a master’s degree of Arts in leadership specializing in Business and Entrepreneurship. He has accumulative 30 years work experience, 22 of which is acquired having worked in various Audit Firms, He has wide experience in audit, Taxation, accounting and advisory. His zealous and superb performance has made him work as a member of various Boards of Management, He brings vast experience to Vihiga Municipal Board as the Chairperson, and in project Monitoring and Evaluation.</p>
 <p data-bbox="260 1503 628 1536">Mrs. Everlyne Iminza kisato</p>	<p data-bbox="775 1111 1465 1149">The Vice Chair Person &Independent Board Member</p> <p data-bbox="775 1187 1519 1442">Mrs. Everlyne Iminza Kisato serves as a Director at Andimi Hospital, Mungoma chemist and Mungoma Transporters and Logistics. She is the Chairperson of the following enties; Micro and Small Enterprises Association (Vihiga County) ,Vihiga Girl Child Fund and Sabatia Mulembe Women Congress. She holds a Diploma in Business Administration.</p>

	<p>Independent Board Member and Chairman -Human Resource and Administration Committee</p>
<p>Mr.Abraham Kugo Bwamu</p>	<p>Ibrahim Kugo Bwamu is a seasoned educationist who has served in various capacities under the Ministry of Education as a teacher and principal in various schools. He retired as a chief Principal at Nyang’ori Boys High School. He holds a Masters of Education (Planning and Administration). He brings on board a vast experience in Public Sector.</p>
	<p>Independent member of the Board &Chairperson Procurement</p>
<p>Mrs.Beatrice Ekaka Bagada</p>	<p>Principal Beatrice Ekaka Bagada is a highly experienced High School Administrator and Manager. She holds a Masters Philosophy of Education from Masinde Muliro University of Science and technology. She has undergone training in Administration and Management at Kenya Education Staff Institute and Kenya School of Government (KSG). she brings a wealth of experience & knowledge in Administration and Management to Vihiga Municipal Board</p>
	<p>Independent Board Member &Audit and Risk Committee Chairperson</p>
<p>CPA Dr. Mary Alwoka Andika PhD.</p>	<p>CPA Dr. Mary Alwoka Andika PhD She is a faculty member at the Multimedia University of Kenya. Mary has vast experience as an Accountant, Auditor and Procurement. She is also a reputable Consultant at IHR Solution firm specializing in Human Resource Management, Supply Chain Management Finance management and sustainability solutions for both private and public sector. She holds a PhD in Supply Chain Management from Jomo Kenyatta University of Agriculture &Technology.</p>



Planner Isaac Mamboh Nyamweno, PhD

Is Independent Board Member and chairman of the Technical Committee
Isaac is a seasoned Registered Planner, PhD holder in Urban and Regional Planning from Jaramogi Oginga Odinga University where he works as faculty member. He is also a lead expert in Environmental Impact assessment/Audit. He brings a wealth of experience in spatial planning and Project management to the Board.



Mr. Moses Akidadi

Independent Member of the Board & chairman of Finance Committee
He is a Journalist with a unique sense to details. He holds Bachelor of Arts Journalism and Mass Communication from Masinde Muliro University of Science and Technology. He served as Director of Communication & Events Committee Vihiga County Chamber of Commerce. He is also a Freelance writer for Nation Media Group and Standard Newspaper.



Hon. Grace Kadenge

CECM- Physical Planning Land & Housing & Executive Board Member
She is a career banker having worked for the several banks in Kenya in senior positions. She is also a reputable Consultant in matters Banking and Finance She brings on board vast managerial and public sector experience .



Mr. Paul Bahati Ayodi

Municipal Manager & Secretary of the Board.

Paul is a Career civil servant who brings on board vast experience having served initially as a director and Subsequently as an acting Chief Officer in the Department of Commerce, Tourism and Cooperatives within Vihiga County Government. He previously served as head of administrative services in the Department of Health and Sub County Administrator -Sabatia Sub-County. He has a Master's degree in Project Planning and Management.






Arch. Victor Cheye Kivaya

Chief Officer- Physical Planning Land & Housing
& Executive Board Member

Victor is career architect and a member of Architectural Association of Kenya. He brings in a vast knowledge and experience as a consultant, businessman and contractor. He is a holder of a Bachelor's degree in architecture

4. Key Management Team

Name	Details of qualifications and experience
 <p>Mr. Paul Bahati Ayodi</p>	<p>Municipal Manager & Secretary of the Board</p> <p>Mr. Paul is a Career civil servant who brings on board vast experience having served initially as a director and Subsequently as an acting Chief Officer in the Department of Commerce, Tourism and Cooperatives within Vihiga County Government. He previously served as head of administrative services in the Department of Health and Sub Administrator Sabatia Sub-County. He has a Master's degree in Project Planning and Management.</p>
 <p>Hon. Grace Kadenge</p>	<p>CECM Physical Planning Land & Housing & Executive Board Member</p> <p>She is a career banker having worked for the several banks in Kenya in senior positions. She is also a reputable Consultant in matters Banking and Finance She brings on board vast managerial and public sector experience.</p>
 <p>Arch. Victor Kivaya</p>	<p>Chief Officer- Physical Planning Land & Housing & Executive Board Member</p> <p>Victor is career architect and a member of Architectural Association of Kenya. He brings in a vast knowledge and experience as a consultant, businessman and contractor. He is a holder of a Bachelor's degree in architecture</p>

5. Municipality Board Chairperson’s Report

The Vihiga Municipal Board comprises of resourceful individuals e.g, reputable accountants, auditors, professor, planners, environmentalist, bankers, careered educationalists, Architect, career civil servants and Economist.

The Vihiga Municipal Board has envisaged targets set out in Corporate Governance, The municipal Strategic Plan, GIS based spatial plan, Urban Integrated Development and zoning Plan, Annual Investment Plan and Budget, County urban institution development. The municipality was established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 2020. The Municipality Charter defines roles, responsibilities and functions which are far reaching with respect to urban areas and cities act, 2011. I trust that the records will demonstrate a scorecard in enforcing the charter to deliver effective and efficient services and improved livelihoods of stakeholders of the urban area of Vihiga.

The FY 2024/2025 carried a lot of enthusiasm in laying strong foundations via planning budgeting & capacity building in readiness for partnerships with external donors, investments partners and development under the principal/ agency relationship with the Vihiga County Government. The Kenya urban support I (KUSP I) come to an end on 30th June, 2025 and the municipality is being assessed through the annual minimum conditions and performance standards framework set by the Donor World bank to assess the performance based funding to 73 municipality participating in the program of Kenya Urban Support Program II and unlocking funds through Urban Institutional Grant and Urban Development Grant under KUSP II program the funding will be based on urban population percentage and minimum conditions and performance standards met conditions and standards. I would like to thank the National Coordinating Project Team, County Project Coordinating Team, fiduciary oversight, Municipal administration and municipality stakeholders for offering technical, financial, timely support, feedback and insightful deliberation we have with stakeholders during public fora.

The Kenya urban support program (KUSP-1) had lapsed and consequently Kenya urban support program (KUSP-II) commenced. During the year key staff were employed/seconded to handle key areas in the municipal administration.

.....Elminza.....

Name: Everlyne Iminza Kisato

Chairperson of the Board

6. Report of the Municipality Manager

Mbale Town is within the Vihiga Municipality and a capital of Vihiga County. It has the best plans which are outlined in relation to its planning activities which in turn will transform its outer look in the long term. A plan that will encompass social-economic and technological aspects in its implementation. This shall open up areas of investment, provision of housing, development and maintenance of sewerage lines; provision of high standards of education, improvement and developing of non-motorized walkways; improving on the existing green spaces e.g. Mbale Municipal Park, provisional of social amenity services, fire hydrants and stations, control storm water and urban lighting, solid and liquid waste collection.

A vibrant and properly planned urban Centre not only entices residents, whereby they can access effective, efficient and quality services at their conveniences but also it provides many opportunities for investors and business.

On the above note; increased population of the Town (demographically), it would result to a growing economy of the town. It's imperative for a town to have working and strong economy as this will form a foundation for its development.

Urban investment is no longer tied to having a Central Business District whereby majorly all businesses take place from but virtually it has to encompass a wide range of opportunities i.e. for investment and development.

It's from this angle that we need to understand that higher demographic drives a higher demand for products and services. Thus, it would lead to a spillover effect of higher demand of e.g. Goods and services, housing among other essential services.

A smart town has to take care of its inhabitants thus had resulted in plans of upgrading of Mbale Municipal grounds into a recreational park. The park apart from offering relation atmosphere to the residents it will also be an income generating to the Municipality, upgrading of the existing walkways e.g. from Governor's office -Mbale-Equity to North End, construction of wetland behind Mbale prison, installation of High mast in the Municipality to improve on the security and improve also on the economy of the Town; Mbale, beautification of Majengo, Chavakali, & Mudete urban centers and other activities planned which were 100 percent Physical completed, this improved the living standards of residents of Vihiga as follows;

Construction of wetland and bio digester, installation of garbage bins across the urban area and purchase of compacting truck, skip loaders truck and exhauster trucks 10 tonnes has boasted on effects by the county government of ensuring the urban areas solid and liquid waste are managed and disposed responsibly and the bio gas produced by the digester act fuel for cooking at the county referral and Mbale Prison.

The high mast lights have enabled the urban areas to conduct business on 24 hour and boasted security. The beautification of urban roads and construction of drainage has encouraged residence to the non-motorized walk ways hence improving their health, beautify the urban area and controlled storm water.

The above-mentioned programs will be pursued with vigor and aggressiveness to ensure they are achieved in both short and long-term basis. The Municipality is committed and hence it calls for support from the concerned stakeholders within and outside the Municipality of Vihiga.

The Boundaries of the Urban Area overseen to be the Vihiga Municipal Board includes the towns of Mbale (County HQs), Majengo, Chavakali and Mudete amongst many smaller markets and business centers.

The Vihiga Municipal Board secured a budget vote within the budget ceiling of the Department of physical Planning, Lands and Housing in the County budget of 2024/25 during the 1st supplementary budget.

The Vihiga Municipal Board has:

- (a) Prepared Integrated development plan and annual budget 2024/25 which was approved by Vihiga County Assembly.
- (b) Participated in the County Budget cycle for 2024/2025 & 2025/26 FY.
- (c) Prepared and worked towards implementing an annual Work plan:
 - (i) Transfer of functions.
 - (ii) Spatial Planning
 - (iii) Budgetary and administrative independence
 - (iv) Setting up efficient and accountable management structures.
 - (v) Preparation of strategic plan

.....
Name: PAUL ATODI
Municipality Manager



7. Statement of Performance Against Predetermined Objectives for the FY

Guidance

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

The key development objectives of the Vihiga Municipality 2023-2027 plan are to:

- a) Provide quality physical infrastructure.
- b) Urban planning.
- c) Urban governance and administration

County Government of Vihiga
Vihiga Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
General Administrative services	To enhance service delivery within the municipality	Improved efficient and effective service delivery	Municipal strategic plan	Enhanced service delivery
Urban Support Program	To provide urban infrastructure and environmental development	Improved urban infrastructure and environment	Number of high mast lights Length of Municipal roads in KMs Acreage of refuse management site procured Number of drainage paths constructed	High mast flood light installed Municipality roads upgraded to bituminous standards Enhanced municipal waste management Enhanced storm water management
Urban governance and administration	Manage urban governance and administration	Develop urban policy and programs that align to the mission, vision and objective of the municipal board	Acquire software and develop systems that will improve on governance & administration	During the FY under review the board developed several structures and systems

8. Corporate Governance Statement

The Vihiga Municipal Board is constituted under the **Urban Areas and Cities Act (2011, amended 2019)** and the **Cities and Municipal Charter (2020)**. Board members are appointed through a transparent process involving advertisement of vacancies, evaluation by a selection panel based on merit and professional qualifications, approval by county assembly.

The removal of directors is guided by provisions in the Urban Areas and Cities Act, based on misconduct, incapacity, or breach of fiduciary duty

The Board comprises diverse professionals including planners, financial experts and Monitoring and Evaluation experts and meets the gender balance.

The roles and functions of the board include;

- Approving municipal budgets and development plans
- Monitoring service delivery and infrastructure projects
- Overseeing risk and internal controls
- Ensuring prudent financial management

The board members underwent formal induction covering; governance principles and Municipal operations and the performance is evaluated using performance records, contributions to strategic decisions, compliance with standards.

In the last financial year the board held five meetings with good attendance from members and minutes and resolutions are well documented.

The boards plan on successions is aligned with county human resource policy and national governance standard. It ensures capacity building of junior staff.

The board enforces a conflict of interest policy requiring wealth declaration of public servants and any breaches are subject to disciplinary under the Public Officer Ethics Act.

The board remuneration is determined by the Salaries and Remuneration Commission and it includes sitting allowance and travel reimbursements.

The board adheres to the code of conduct based on

- Integrity
- Transparency
- Accountability
- Respect for public service value

The board maintains a communication policy that promotes stakeholder engagement and public access to information through the website.

The board operates through the following committee

- a. Finance and General Purpose Committee
- b. Technical/Strategy Committee
- c. Audit,Risk and Compliance committee

- d. Monitoring and Evaluation committee
- e. Human resource and Administration committee

Related party transactions need to have full disclosure of interests, independent audit and review and documentation in financial reports.

9. Management Discussion and Analysis

In the year, the Kenya Urban Support program (KUSP 1) was winding up, consequently, the municipality did not receive funds to carry out projects from the donor World bank under KUSP I, However, KUSP II has commenced and its objective is to strengthen the capacity of urban institutions through set performance standards and minimum conditions set for municipalities to meet, hence improving the delivery and resilience of urban services

10. Environmental And Sustainability Reporting

1. Sustainability strategy and profile

The Environment section within Vihiga Municipality recognizes that its mandate is closely aligned with both global sustainability priorities and local development objectives. At the global level, urgent issues such as climate change, biodiversity loss, urbanization, and resource depletion continue to shape the policy landscape. Macroeconomic pressures, including rising energy costs, waste management challenges, and the need for resilient infrastructure, further underscore the importance of embedding sustainability into local governance.

In line with international best practices, the Department has aligned its priorities with the Sustainable Development Goals (SDGs), particularly:

- **SDG 6:** Clean Water and Sanitation
- **SDG 11:** Sustainable Cities and Communities
- **SDG 12:** Responsible Consumption and Production
- **SDG 13:** Climate Action
- **SDG 15:** Life on Land

At the municipal level, the environment section's sustainability priorities are anchored in the Municipal Environmental Sustainability Framework, which emphasizes environmental conservation, green infrastructure, climate resilience, and inclusive community participation.

Key Achievements during the Reporting Period (FY 2024/25)

- The Municipal Environmental Officer, in collaboration with the county department of environment, coordinated 10 community clean-ups targeting markets, streets, and public spaces, clean environment and educating members of the public on solid waste management and improved sanitation.
- The environment section undertook tree planting and urban greening initiatives improving the aesthetic and ecological value of public spaces.
- The environment section drafted the Solid Waste Management Policy, now awaiting approval, to guide sustainable service delivery.
- The environment section has ongoing environmental awareness creation targeting youth, women, and schools to encourage recycling, tree planting, and climate-smart practices.

Challenges

- Inadequate funding for **operations and maintenance** of infrastructure such as skips, leading to occasional inefficiencies in operations.
- **Vandalism** of public facilities such as floodlights and waste bins, affecting sustainability of investments.
- Slow pace of policy adoption, delaying full institutionalization of environmental governance.

Mitigation Measures

- Strengthening community ownership through public participation forums and school-based awareness programs.
- Leveraging partnerships with private sector and NGOs for technical and financial support.
- Advocating for a dedicated environmental fund at the municipal level.

Service Delivery Charter and Contract Management

The Department adheres to the Municipality's Service Delivery Charter, which guarantees citizens' rights to timely waste collection, clean public spaces, and transparency in environmental services. In contracts management, the Municipality has prioritized inclusive procurement:

- 30% of contracts are allocated to special groups (youth, women, and persons with disabilities – PWDs), in line with the national Access to Government Procurement Opportunities (AGPO) framework.
- Majority of service providers for greening initiatives were local contractors and suppliers, reinforcing local economic empowerment.

2. Environmental performance

The Department of Environment is guided by the County Solid and Liquid Waste Management **Policy** and the County Climate Change Policy, which provide direction on pollution control, waste management, biodiversity conservation, and promotion of sustainable practices.

Evidence of Policy Implementation

- The Municipality, in collaboration with the county department of environment, has provided waste skips for waste collection in markets and offices.
- The Municipality, in partnership with the county department of environment, is spearheading the incorporation of CBOs and individual waste handlers in the waste sector
- The Municipality, in collaboration with the county department of environment, has undertaken awareness campaigns that have discouraged the use of single-use plastics during municipal events.

Successes

- Introduction of a bio-digester and constructed wetlands as a nature-based solution has improved the treatment of effluent from the urban center, reducing BOD, nitrates, and suspended solids before discharge.
- Tree planting and cabro-paved walkways have enhanced biodiversity and urban resilience.

Shortcomings

- Waste recycling initiatives remain small-scale and need scaling up.

- Limited capacity in biodiversity monitoring and enforcement of compliance in development control.

Mitigation Measures

- Partnering with the private sector and youth groups to establish larger recycling hubs.
- Continuous staff training on climate-smart technologies and environmental monitoring.

Climate Change Initiatives

- The Municipality is collaborating with the Clean Cooking Association to promote **eco-jikos** and other energy-saving cookstoves within community programs.
- Engagement with schools in tree planting to support **ecosystem restoration and reforestation.**

3. *Employee welfare*

The County Human Resource Policy ensures merit-based recruitment with the following workforce composition men, women youth and PWDs.

All recruitment adverts mandate clear statements on gender, youth, and PWD inclusion

Quarterly performance appraisals aligned to individual workplan as done and career development plans through training at the Kenya School of Government.

The Municipality complies with the Occupational Safety and Health Act

4. *Market place practices*

a) *Responsible competition practice.*

The Procurement Code prohibits any form of bribery or collusion. All tenders are advertised through open tendering, with transparent bid-evaluation committees.

The municipality procures for goods and services through E-procurement Platform and pays through IFMIS system. The management abides by the enabling legislations, the County Government Act, Urban Areas and Cities Act, Public Procurement and Disposal Act, Public Finance Management Act (PFMA) and Project Operation Manual (POM VOL. I&II

b) *Responsible Supply chain and supplier relations*

The municipality ensures it adheres to standard payment time, addresses the concerns of suppliers communicates back to suppliers giving reasons why they were not awarded the tender and practice fairness, non discrimination and confidentiality of supplier information.

c) *Responsible marketing and advertisement or Responsible engagement with the citizens*

The Municipality avoids exaggerated claims in public notices, It avoids anti-social advertisement, giving adequate information, respecting consumers. Outreach channels include Vihiga FM radio station announcements

d) *Product stewardship or Awareness creation*

Municipality usually safeguard consumer rights and interests by ensuring that there products are guided by professionals e.g. Engineers, Accountants, land Surveyors, Quantity Surveyors, economists, legal officers etc. authorize by signing at payment vouchers, certificates, site minutes, evaluation minutes and guides municipality project implementations

5. *Corporate Social Responsibility/Community Engagements*

The Municipality's CSR agenda focuses on education, health, and environmental stewardship within its mandate of urban management. The municipal has participated in monthly clean exercise.

There were public FORA across the municipality; the aim of the public FORA was to engage the community on selection from Municipality IDEP projects to be implemented in the next financial year

During beautification phase of Majengo, Mudete and Chavakali urban centers the spoilt Cut off soil was donated for free to brick making groups within the municipality

11. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the Municipality affairs.

Principal activities

The principal activities of the Municipality aim to facilitate a sustainable urbanization process through an integrated urban planning management framework of Vihiga urban centres and towns. Align to the goal; the MTP identifies a series of investment programs to enhance infrastructure, connectivity and accessibility safety and security. Developing the basic institutions required for effective urban management is critical to deliver these investments and for urbanization to contribute to sustainable growth in Vihiga Municipality

Performance

The performance of the Vihiga Municipality for the year ended June 30, 2025 are set out on page 1-7

Board Members

The members of the Board who served during the year are shown on page viii-x. There was no changes in the Board during the financial year.

Auditors

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

By Order of the Board

.....

Name: PAUL AYODI

Secretary of the Board

12. Statement of Management's Responsibilities

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

The Municipality manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30, 2025, and the financial position as at that date.

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

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern Nothing has come to the attention of the Municipality Manager to indicate that the


Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Municipal 's financial statements were approved by the Board on ___ 2025 and signed on its behalf by:

..... Elminza

Name: Everlynne Iminza Kicato
For
Chairperson of the Board

..... 

Name: PAUL ATODI
Accounting officer of the Board

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON VIHIGA MUNICIPAL BOARD FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Vihiga Municipal Board set out on pages 1 to 33, which comprise of the statement of financial position as at

30 June, 2025 and the statement of financial performance, statement of cash flows, statement of changes in net assets and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Vihiga Municipal Board as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and cities Act, 2011(Amended 2019) and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Un-Supported Property, Plant and Equipment

The statement of financial position and as disclosed in Note 8 to the financial statements reflects a balance of Kshs.574,044,658 in respect of property, plant and equipment which comprise of Kshs.541,201,572 for Infrastructure and Civil Works, Kshs.32,391,001 for Motor Vehicles and Kshs.452,000 for computers. However, Management did not maintain a standard asset register for infrastructure, motor vehicles, furniture and fittings and computer. Further, depreciation rates and charge on property, plant and equipment have not been disclosed in the financial statements.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.574,044,573 could not be confirmed.

2. Lack of Motor Vehicle Ownership Documents

The statement of financial position and as disclosed in Note 8 to the financial statements reflect a balance of Kshs.574,044,658 in respect of property, plant and equipment. Included in this balance are motor vehicles valued at cost amounting to Ksh.32,391,000. However, these motor vehicles are registered under County Government of Vihiga and not the Municipal Board. This is contrary to section 12(2)(b) of Urban Areas and Cities Act ,2011 which states that the board of an area granted the status of a city or municipality under this act shall be a body corporate with perpetual succession and a common seal and shall, in its corporate name be capable of taking, purchasing or otherwise, acquiring, holding, charging or disposing of movable or immovable property.

In the circumstances, the ownership of the motor vehicles balance of Kshs.32,391,000 could not be confirmed.

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

Emphasis of Matter

Sustainability and Delivery of Services

The statement of comparison of budget and actual amounts reflects a nil amount for actual funding during the year under review which cast doubt on the sustainability and delivery of the services to the residents as envisaged in the Municipality Charter.

In the circumstances, the functions of the Municipality may not be achieved.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

The following issues raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal controls, Risk management and governance implementation by the Vihiga Municipal Board in the previous audit reports remain unresolved;

	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the Financial Statements
2	2023/2024	Failure to Charge Depreciation on Property, Plant and Equipment
3	2023/2024	Unsupported Retention Monies
4	2023/2024	Lack of Motor Vehicle Ownership Documents
5	2023/2024	Failure to Meet Audit Committee Meeting Threshold
6	2023/2024	Failure to Conduct an Annual Performance Review of the Intergrated Development Plan

Other Information

Management is responsible for the Other Information set out on page iv to xv and i to x which comprise of Key Entity Information and Management, Key Management Team, Board Chairperson's Report, Statement of Performance against the Board Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Municipality Board Members, Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Board financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of the Management and Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error

and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 November, 2025

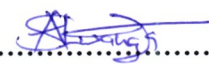
14. Statement of Financial Performance for The Year Ended 30 June 2025.

Description	Note	FY	FY
		2024/2025	2023/2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
		-	-
Revenue from exchange transactions			
Total revenue		-	-
Expenditure			
Use of goods and services	6	-	1,193,991
Total expenses		-	1,193,991
Other gains/losses			
Gain/loss on disposal of assets		-	-
Surplus/(deficit) for the period		-	(1,193,991)

The notes set out on pages 22 to 36 form an integral part of these Financial Statements. The entity financial statements were approved on 10/11/2025 and signed by:

.....


Name: PAUL AYODI
Municipality Manager

.....


Name: SHEILA LWALY
Head of Finance
ICPAK M/No 21964

15. Statement of Financial Position As At 30 June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	7	2,289	2,289
Total current assets		2,289	2,289
Non-current assets			
Property, plant, and equipment	8	574,044,658	574,044,658
Total Non-current Assets		574,044,658	-
Total assets (A)		574,046,947	574,046,947
Liabilities			
Current liabilities			
Retention monies	9	-	461,860
Total current liabilities		-	461,860
Net Assets (A-B)		574,046,947	573,585,087
Represented by:			
Capital/Development Grants/Fund		429,125,427	429,125,427
Reserves		-	-
Accumulated surplus		144,921,520	144,459,660
Net Assets/Equity		574,046,947	573,585,087

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10/11/2025 2025 and signed by:

.....

Name:
Municipality Manager
Date:



Name: SHEILA LWALI
Head of Finance
ICPAK M/No 31964
Date: 10/11/2024

16. Statement of Changes in Net Assets For the Year Ended 30 June 2025

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2023 (previous year)	429,125,427	-	145,653,651	574,779,078
Surplus/(deficit) for the year	-	-	(1,193,991)	(1,193,991)
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
Bal as at 30 Jun 2024	429,125,427	-	144,459,660	573,585,087
Bal as at 1 July 2024	429,125,427	-	144,459,660	573,585,087
Surplus/(deficit) for the year	-	-	-	-
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
Balance as at 30 June 2025	429,125,427	-	144,459,660	573,585,087

17. Statement Of Cash Flows for The Year Ended 30 June 2025

Description	Note	FY	FY
		2024/2025	2023/2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Total Receipts		-	-
Payments			
Use of goods and services		-	1,193,991
Total Payments		-	1,193,991
Net cash flows from operating activities		-	(1,193,991)
Cash flows from investing activities			
Purchase of PPE & intangible assets		-	-
Proceeds from sale of PPE		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash equivalents		-	1,193,991
Cash And Cash Equivalents At 1 July	7	2,289	1,196,280
Cash And Cash Equivalents At 30 June	7	2,289	2,289

18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Budget carryovers from the previous year*						
Receipts						
Transfers from the County Government	-	-	-	-	-	
Public contributions and donations	35,000,000	-	35,000,000	-	35,000,000	0%
Total Receipts	35,000,000	-	35,000,000	-	35,000,000	0%
Payments						
Use of goods and services	4,457,000	-	4,457,000	-	4,457,000	0%
Board expenses						
Staff Costs	20,275,511	-	20,275,511	-	20,275,511	0%
Infrastructure	20,000,000	-	20,000,000	-	20,000,000	0%
Total expenditure Payments	44,732,511	-	44,732,511	-	44,732,511	0%
Capital Expenditure Payments						
Surplus for the period						

(Budget carryovers This is for entities whose budget lapses at year-end, but the surpluses are not legally required to be remitted to the CRF. The funds need to be budgeted afresh. Budget carryovers should not include third-party funds such as contractors' retention.)*

19. Notes to the Financial Statements

1. General Information

Vihiga Municipality is established by and derives its authority and accountability from Urban and Cities Act 2016 The Municipality is under the Vihiga County Government and is domiciled in Kenya.

The entity's principal activities aim to facilitate a sustainable urbanization process through an integrated urban planning management framework of Vihiga urban centres and towns. Align to the goal; the MTP identifies a series of investment programs to enhance infrastructure, connectivity and accessibility safety and security. Developing the basic institutions required for effective urban management is critical to deliver these investments and for urbanization to contribute to sustainable growth in Vihiga Municipality

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Application of New and revised standards (IPSAS)

(When an IPSAS becomes effective on 1st January 2024, it is applicable in Kenya from 1st July 2024)

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

There were no new and amended standards issued in the financial year.

- ii. 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 43: Leases	<i>Applicable 1st January 2025</i> 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. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> 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. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> 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.

	<i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 46: Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 47: Revenue	<p><i>Applicable 1st January 2026</i></p> <p>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.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 48: Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>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.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>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.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 50: Exploration For & Evaluation of	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p>

Mineral Resources	<ul style="list-style-type: none">i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
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iii. Early adoption of standards

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

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/25 was approved by the County Assembly on 6th June 2024. 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 Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality did not record additional following the governing body's approval.

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

using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Cashflows has been presented under section 1 of these financial statements.

c) Property, plant and equipment

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

d) Intangible assets

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

e) Biological Assets

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

f) Financial instruments

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

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

Financial assets

Classification of financial assets

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

cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

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.

Financial liabilities

Classification

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

g) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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

or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Municipality.

h) Provisions

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

i) Social Benefits

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

j) Contingent liabilities

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

k) Contingent assets

The Municipality does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are

appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits – Retirement benefit plans

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

o) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

p) 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.

q) Related parties

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

s) Comparative figures

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

t) Events after the reporting period

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

Two types of events can be identified:

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

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

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

u) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made.

Estimates and assumptions.

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

Useful lives and residual values

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

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

Notes to the Financial Statements

6. Use of Goods and Services

Description	FY 2024/25	FY 2023/24
	Kshs.	Kshs.
Use of goods and services	-	1,193,991
Communication, supplies and services	-	-
Domestic travel and subsistence	-	-
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	-	-
Total	-	1,193,991

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

7. Cash and cash equivalents

Description	FY 2024/25	FY 2023/24
	Kshs.	Kshs.
Vihiga County KUSP UDG Account- CBK 1000388037	-	-
Vihiga County KUSP Account- CBK UIG 1000379917	-	-
Vihiga Municipality KUSP-UDG FUND - Equity bank 0960278950347	629	629
Vihiga Municipality KUSP-UIG FUND- Equity bank 0960278950377	1,660	1,660
Vihiga county (UIG) 1120285494472	-	-
Vihiga Municipality UDG-fund account 0960285494488	-	-
Total cash and cash equivalents	2,289	2,289

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

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

Financial institution	Account number	FY 2024/2025	FY 2023/24
		Kshs.	Kshs.
a) Current account			
Vihiga County KUSP UDG Account- CBK	1000388037	-	-
Vihiga County KUSP Account- CBK UIG	1000379917	-	-
Vihiga Municipality KUSP-UDG FUND -Equity bank	0960278950347	629	629
Vihiga Municipality KUSP-UIG FUND-Equity bank	0960278950377	1,660	1,660
Vihiga county (UIG)	1120285494472	-	-
Vihiga municipality UDG-fund account	0960285494488	-	-
Total cash and cash equivalent		2,289	2,289

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8. Property, Plant and Equipment

Description	Infrastructure and Civil works	Motor vehicles	Furniture and fittings	Computers	Other Assets	Total
	Shs	Shs	Shs	Shs	Shs	Shs
COST						
As at 1 July 2023	538,380,117	32,391,000	2,257,541	515,000	497,000	574,040,658
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-
As at 30th June 2024	538,380,117	32,391,000	2,257,541	515,000	497,000	574,040,658
Additions for the year	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-
As at 30th June 2025	538,380,117	32,391,000	2,257,541	515,000	497,000	574,040,658
NBV as at 30th Jun 2024 (previous year)	538,380,117	32,391,000	2,257,541	515,000	497,000	574,040,658
NBV as at 30th Jun 2025 (current year)	538,380,117	32,391,000	2,257,541	515,000	497,000	574,040,658

9. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	FY 2024/25	FY 2023/24
	Kshs.	Kshs.
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Due from related parties

	2024/25	2023/24
	Kshs.	Kshs.
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

c) Due to related parties

	2024/25	2023/24
	Kshs.	Kshs.
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
Due to contractors	-	(461,860)
Total	-	(461,860)

10. Financial risk management

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

I. Credit risk

The Municipality has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Municipality's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2025				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2024				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Municipality has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality has no significant concentration of credit risk

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

II. Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 Jun 2025				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 Jun 2024				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

III. Market risk

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

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

IV. Foreign currency risk

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

Description		Other currencies	Total
	Kshs.	Kshs.	Kshs.
At 30 June 2024			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

V. Interest rate risk

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

Management of interest rate risk

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

VI. Capital risk management.

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

Description	FY 2024/25	FY 2023/24
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital/Development Grants/Municipality	-	-
Accumulated surplus	-	-
Total Funds	-	-
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	%	-%

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

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)
1.	<p>Inaccuracies in the financial statements</p> <p>i) The County Government logo is not inserted and the cover page is not properly formatted.</p> <p>Comparative figure for retention monies for previous year is negative balance of (Kshs. 461,860) while the opening balance</p>	<p>The comparative figure on account of the retention money is due to a posting error in the prior year.</p>	Resolved	

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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)
	was Kshs.461,860. The adjustment could therefore not be confirmed			
2.	Failure to Charge Depreciation on Property, Plant and Equipment	The management will in the subsequent financial years adopt the National Treasury guidelines on Asset and Liability management (2020), the Public Sector Accounting Standards Board (PSASB), 2023 as read together with IPSAS 17, now IPSAS 45	Not resolved	
3.	Lack of motor vehicle ownership	There has been an inordinate delay in obtaining a Personal Identification Number (PIN) in the name of Vihiga Municipal Board. It follows from this that at the time of the purchase of the motor vehicles mentioned in the audit finding above, the Vihiga County Government PIN was used during the payment and processing of the log books	Not resolved	October
4.	Failure to Meet Audit Committee Meeting Threshold	The term of the former Vihiga Municipal Board that constitutes the Audit and Risk committee expired at the beginning of the year under review and thereafter the process of constituting a new	Resolved	

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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)
	<p>During the year under review, the Audit and Risk Committee did not hold any meeting contrary to Gazette No. 40 on frequency and timings of meetings that requires the Committee to meet at least quarterly. Its therefore not clear if the Audit and Risk Committee effectively performed their role in the governance process by providing an independent expert assessment of the activities of top management, the quality of the risk management, financial reporting, financial management and internal audit, to the executive management</p>	<p>board began in earnest through to the month of May 2024. Consequently, the committee meetings did not meet the threshold. Since then, the Vihiga municipal Board Sub -Committee on Audit and Risk was constituted and it is functional as expected</p>		

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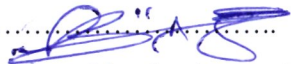
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
5.	<p>Failure to Conduct an Annual Performance Review of the Integrated Development Plan</p> <p>Review of the Integrated Development Plan revealed that it was not reviewed during the year contrary to Section 42 of the Urban Areas and Cities Act, 2011 which requires the city or municipal board to review its Integrated Development Plan annually to assess its performance in accordance with performance management tools set by it.</p>	<p>During the year under review, the management conducted an annual performance review of the Vihiga Municipality Integrated Development Plan 2023-2027.</p>	Resolved	

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

Guidance Notes:

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



To be Signed by the Accounting officer of the Entity

Appendix 2: Reporting of Climate Relevant Expenditures

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

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

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

Appendix 4: Disaster Expenditure Reporting Template

Date:

Entity

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



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