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REPORT

OF

THE AUDITOR-GENERAL

ON

KAKAMEGA MUNICIPALITY

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FOR THE YEAR ENDED
30 JUNE, 2025

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**KAKAMEGA MUNICIPALITY
COUNTY GOVERNMENT OF KAKAMEGA**

**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)**

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

1.	Acronyms and Definition of Key Terms	ii
2.	Key Entity Information and Management.....	iii
3.	Municipality Board.....	vii
4.	Key Management Team	xii
5.	Municipality Board Chairperson’s Report.....	xiii
6.	Report of the Municipality Manager	xv
7.	Statement of Performance Against Predetermined Objectives for the FY24/25.....	xvii
8.	Corporate Governance Statement.....	xviii
9.	Management Discussion and Analysis.....	xx
10.	Environmental And Sustainability Reporting	xxi
11.	Report of the Municipality Board Members	xxviii
12.	Statement of Management’s Responsibilities	xxx
13.	Report of the Auditor General on Financial Statements of Kakamega Municipality	xxxii
14.	Statement of Financial Performance for The Year Ended 30 June 2025.	1
15.	Statement of Financial Position As At 30 June 2025	2
16.	Statement of Changes In Net Assets For the Year Ended 30 June 2025.....	3
17.	Statement Of Cash Flows for The Year Ended 30 June 2025	4
18.	Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2025...5	
19.	Notes to the Financial Statements	7
20.	Appendices	34

1. Acronyms and Definition of Key Terms

A. Acronyms

- PSASB Public Sector Accounting Standards Board
- FY Financial Year
- OSHA Occupational Safety & Health Act
- KUSP Kenya Urban Support Programme
- UDG Urban Development Grant
- EIA/EA Environmental Impact assessment
- CBOs Community Based Organisations
- EMCA Environmental Management and Coordination Act.
- SHA Social Health Assurance
- NSSF National Social Security Fund
- KURA Kenya Urban Roads Authority
- KEBS Kenya Bureau of Standards
- CAA Community Area Administrators
- IPSAS International Public Sector Accounting Standards
- CPA Certified Public Accountant
- CRF County Revenue Fund
- NBV Net Book Value
- PWD Persons With Disabilities
- ADR Alternative Dispute Resolution.
- KACWASCO Kakamega Water and Sanitation company.
- PFM Public Finance Management

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

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

2. Key Entity Information and Management

a) Background information

Kakamega 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 dated 16th August 2019. The Municipality is under the County Government of Kakamega and is domiciled in Kenya.

b) Principal Activities

Vision - Kakamega Municipality

To be a leading Municipality in the Country through provision of quality services to general public and its residents.

Mission - Kakamega Municipality

To provide quality services that is affordable, accessible, acceptable, sustainable, effective and equitably distributed to all transparently.

c) Key Management

Ref	Position	Name
1	Chief officer Ministry of Lands Urban areas and physical planning	Mr. Shakir Dahir Adan
2	Municipality Manager	Ms. Violet Ofisi
3.	Finance Department	Mr Joseph Ngoko

Municipality Board

Ref	Position	Name
1.	Chairman of the Board	Elvira A Wilunda
2.	County Executive Committee Member responsible for Cities and Urban areas.	Angela Muchai
3.	Chief officer -Lands	Mr.Shakir Dahir Adan
4.	Board Member	Mrs. Catherine wandabwa bulinda
5.	Board Member	Ms Dorcas. A. Mwindi

County Government of Kakamega

Kakamega Municipality

Annual Report and Financial Statements for the year ended June 30, 2025

6.	Board Member	Mrs. Fatuma mary manyonge
7.	Board Member	Mr. Isaiah akola shikunzi
8.	Board Member	Mr. Timothy mudome
9.	Board Member	Johnson wycliffe ambani
10.	Municipality Manager-ex officio Member	Ms Violet Ofisi

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	Name
1	Municipality Manager	Ms. Violet Ofisi
2	Chief Officer Ministry of Lands, Housing, Urban Areas and Physical planning	Mr. Shakir Aden
3	Finance Department	Mr. Joseph Ngoko

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

e) Fiduciary Oversight Arrangements

Oversight arrangement

No	Entity	Role
1	Audit and Risk Management Committee	Monitoring and reviewing of audit reports, risk assessment mitigation and governance processes that have been established.
2	County Assembly committees	Legislation Oversight Representation
3	Committees of the Senate	Oversight and advisory Accountability Express opinion on books of account Offer quality assurance on fiscal and monetary matters.

f) Registered Offices

P.O. Box 277-50102

Mwanda Building/House/Plaza

Kakamega, KENYA

g) Contacts

Telephone: 056-030-222

Email: kakamegamunicipality@kakamega.go.ke

Website: www.kakamega.go.ke

P.O. Box 277-50102

h) Bankers

Commercial Banks

i) Commercial Banks

ii) KCB Group- Po Box 152 (50100) Kakamega

iii) Co-operative Bank-PO Box 595 (50100) Kakamega.

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) Kakamega County Attorney




P.O Box 36-50100 Kakamega

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



3. Municipality Board

Serial No.	Name	Details of qualifications and experience
1	 <p>ELVIRA WILUNDA CHAIRPERSON</p>	<p>Elvira A Wilunda is an Advocate of the High Court of Kenya and the Managing Partner at EA Wilunda & Co. Advocates, a Law Firm based within Kakamega County in the Republic of Kenya and she is 40 years old. Ms. Wilunda has a strong foundation in corporate field having worked with Private and Public Corporations. She also offers Strategy and policy advice to various entities in line with Corporate Governance as well as advising on Constitutional and legal compliance for organizations. At her Law Firm, she offers services in Civil Litigation, Conveyancing, Criminal Litigation, Family Law, Succession law, Environment and land Law as well as Labour law.</p> <p>Ms. Wilunda has a keen eye for details; she is self-motivated and believes in servant leadership. Academically, Ms. Wilunda holds Bachelor of Laws LLB (Hons) from Moi University, Eldoret, has a Post Graduate Diploma in Law (PGD Law) from Kenya School of Law and is currently studying for Certified Public Secretary (CPS). She has obtained thorough and extremely relevant trainings and Certification in Corporate Governance as well as Digital Forensics vis a vis the Law.</p>
2	 <p>Isaiah Akola Shikunzi Vice Chairperson</p>	<p>Mr. Isiaah Akola Shikunzi is 65 years old, holds a Diploma in Bible Correspondence, and a certificate in building a culture of peace and non-violence, Certificate in management course for social development workers and course leader, supervisory management, crime prevention, Disaster and conflict management course, Chiefs' security and Administrative and management skills among others.</p>



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

3	 <p>Angela Silima Muchai</p>	<p>Ms Angela Muchai is 45 years old. she is the CECM Lands, Housing, Urban Areas & Physical Planning at the County Government of Kakamega, she previously worked as the Acting Director for Communication and Information at the Kenya National Commission for UNESCO (KNATCOM). As Ag. Director, Ms Muchai has worked in both private and public sector in the communication field for over 20 Years. She is an Author, a researcher and a policy advocate in communication and media. She is currently undertaking Phd in Communication (Ongoing) MA, Communication;B.Ed,English/Literature. In addition to her assignment as CECM she is a board member of Kakamega municipality.</p>
4	 <p>Mr. Shakir Dahir Adan Chief Officer, Housing and Urban Planning</p>	<p>BSc Hons Financial Mathematics Worked as customer assistant at Nespresso central London UK Senior fiscal analyst Mandera County Government</p>
5	 <p>Ms. Violet Ofisi Municipal Manager and Secretary to the Board</p>	<p>Ms. Violet Ofisi is the current Municipal Manager Kakamega Municipality. Prior to her appointment as Kakamega Municipal manager she was the Municipal manager of Mumias Violet holds a PhD (ongoing) in Project Planning and Management and a Master's degree in Project Planning and Management from the University of Nairobi. She also holds a Bachelor of Education degree from Egerton University. Prior to her appointment as Mumias Municipal Manager, she was the Municipal Manager Kakamega Municipality. She has worked as a Part-time Lecturer University of Nairobi, Kenya</p>

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

		Institute of Management (KIM) and Mt. Kenya University (from 2010 to 2017)
6	 <p>Ms. Catherine Wandabwa</p>	<p>Mrs Catherine Wandabwa is 59 years old. She was nominated by the Kakamega County Residents Association (KARA). She holds a Bachelors of Education degree from MMUST, Diploma in Technical Education from Kenya Teachers College, Diploma in Agriculture from Egerton University and Certificate in Monitoring and Evaluation from Kenya Institute of Management.</p> <p>Ms. Wandabwa is currently the county election Manager, Nandi County. She is the of audit and risk committee</p>
7	 <p>Ms. Dorcas .A. Mwindi</p>	<p>Dorcas is 40 years old, she is a client oriented and a highly driven HR Professional with over 19 years' experience, passionate about personal development, total overall wellbeing of clients, assisting clients be self-aware enabling growth as a person and motivated while performing their tasks and duties</p> <p>She holds a Masters of Art in Counselling Studies from Manchester University (United Kingdom,) Bachelor of Science degree in Human Resource Management from Moi University, Higher Diploma in Counselling Psychology and a Diploma in Human Resource from Nairobi University.</p> <p>Dorcas is currently the CEO and HR Manager of Pambazuko Promotions Limited. Has worked with the Good Life Orphanage as a Psychological Therapist, SGS Kenya as a Human Resource Officer and Kenya Association of Professional Counsellors as a Counsellor.</p>

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

<p>8</p>	 <p>Mrs. Fatuma Mary Manyonge</p>	<p>Mrs. Fatuma Mary Manyonge is 62 years old, was nominated by the Business Community to the Kakamega. Ms. Manyonge has a certificate in Strategic Leadership from Kenya Institute of Management (KIM), a Diploma in Management from KEMI, a Bachelor Arts from Kenyatta University (1984-1987) and went to Mukumu Girls High School for her; A&O level Certificates.</p> <p>In relation, she has a vast experience as a teacher having served as a principal at Makunga S.A Bungoma (2019-2024), Principal Matunda S.A Kakamega (1999-2018), Deputy principal St. Anne's Nzoia (1995-1998), Deputy Principal Arch Bishop Njenga (1990-1994), Guiding and Counseling Mistress Kivaywa Boys High School (1987-1989) among other achievements. She also served as Board of Director, KACWASCO (2016-2022) and runs businesses within Kakamega.</p>
<p>9</p>	 <p>Mr. Johnson Ambani</p>	<p>Mr. Johnson Wycliffe Ambani is 66 years old. He is a Clinician (Paediatrics) by profession and a member Kenya Clinical Officers Association. He has served in Mumias Sugar Company medical department. M.C.H/F.P Section for 19 years, served on the board of Kenya Union of Savings and Credit Cooperatives (Kuscco) where he was chairperson of Western Kenya region, worked in Government in various capacities e.g Kapenguria Hospital Paediatrics department, kacheliba Rural Demonstration centre, lecturer Nakuru K.M.T.C in Paediatrics and pharmacology Department. He is the chair of finance, administration and gender mainstreaming committee.</p>

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

10





Mr. Timothy Mudome

Mr. Timothy Mudome is 40 years old. He is a nominee to Kakamega Municipality Board nominated by APSEA Architectural Association of Kenya. He is Registered Architect with Board of Registration of Architects & Quality Surveyors and a Member of Architectural Association of Kenya. Mr. Mudome holds a Bachelor Degree of Architecture from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and is currently pursuing a Master degree in Environmental Planning Management at Kenyatta University. He has worked as a Lecturer at Nairobi Institute of Technology and Jomo Kenyatta University of Agriculture and Technology (JKUAT). HE is chair of planning and development committee.

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

4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	 <p>Ms. Violet Ofisi Municipal Manager</p>	<p>The roles of the municipality manager include the following among others.</p> <ul style="list-style-type: none"> • Strategic leadership. • Financial management and budgeting • Policy development and implementation • Service delivery • Human resource management • Grant management • Community engagement • Legal and regulatory compliance • Reporting and accountability
2.	 <p>Mr. Joseph Magige Ngoko</p>	<p>Mr. Joseph Magige Ngoko is the current Head of Finance for Kakamega Municipality, He is a long serving accountant with the County Government of Kakamega.</p>

5. Municipality Board Chairperson's Report

Kakamega Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter dated 16th August 2019. The Municipality is under the County Government of Kakamega and is domiciled in Kenya. Kakamega Municipality Vision is to provide quality services that is affordable, accessible, acceptable, sustainable, effective and equitably distributed to all its citizens transparently.

Successes made.

Kakamega municipality has made several strides of successes among them;

- Enhanced solid waste management by purchasing a refuse track and construction of a refuse chamber at Shirere and Rosterman,
- Beautification and landscaping of the town to attract investors
- The municipality has constructed a market at Sichirai center that can accommodate approximately 2000 traders
- Constructed walkways to ease traffic congestion
- Upgraded and renovated a bus-park for ease of packing of public transport vehicles
- Constructed market stalls at Masingo market to ease on pressure to other main markets
- Constructed to bitumen standard roads approximately 15km within municipality
- Renovated and fabricated slaughter house to modern standard including solar heater system, fencing and proper drainage systems i.e. lagoons.

The Boards Performance

The Board of the Kakamega Municipality has been established and draws all its powers and functions from the Urban Areas and Cities Act, 2011 as amended 2019, and the County Government Act and the Municipality By-laws.

The Board has members who meet on quarterly basis.

The Municipality Board has taken into consideration the provisions of the law relating to appointment of PWDs and other sectorial representation on its board.

The municipality board has demarcated and gazetted Municipality boundaries

The Municipality board has also prepared and approved a strategic plan that runs to the year 2027

Challenges faced by the Municipality

Kakamega municipality despite the above sited achievements faces the following challenges;

- Late and delayed disbursements of funds from County Treasury.
- Under-staffing
- Inadequate budgetary provisions.
- The municipality has not yet achieved full autonomy
- Insufficient development partners.

There was no changes to the municipality board during the year under review.

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

The Municipality board has raft of measures that has been included in County Integrated Development Plan of turning the Municipality into a City status. The following have been proposed / implemented;

- Upgrading of Kakamega airstrip to an airport
- De-congestion of the urban traders' population from town centre to Sichirai market
- Expansion of the boundaries from the current
- Upgrading and expanding existing sewer lines
- Expand revenue base
- Proposal of full autonomy.

In view of the foregoing, the Municipality should endeavour to create a bigger impact on enterprise development in order to play its rightful role in the County and/or nation's development by rethinking its Service delivery model to reach more businesses efficiently, effectively and in a sustainable manner.

The Municipality must also be an attractive partner in youth and women economic empowerment to attract funding from all potential sources and win the confidence and goodwill of all Kakamega Citizens and business people. The Municipality's capacity to deliver on this strategy is critical. Its legal, policy, instructional, technological and competence frameworks shall be adequately strengthened over time and an environment conducive to attract and retain requisite skills created. To remain sustainable in the long run and reduce its dependence on government funding, the Municipality shall expand and restructure its Service portfolio, diversify its sources of funding and adopt a business approach in its overall operations.

In conclusion, I call upon all stakeholders to effectively play their part in supporting the Municipality to realize the prospects of its mandate. It will require a lot of dedication, success and hardworking on the part of all stakeholders to realise this big dream.

CONCLUSION

Kakamega Municipality recorded good progress in implementation of their agendas and projects. On behalf of Kakamega Municipality, I would like to thank H.E. The Governor, H.E. The Deputy Governor for the leadership and support they have provided during the period. Further, my sincere gratitude goes to the County Municipalities Board Members and staff for their continued efforts to realize the goals as set in the budget FY 2024/2025. I extend my gratitude to all other stake holders for pulling together and for their continued commitment, dedication and hard work to ensure service delivery to the people of Kakamega County. I would also like to thank the County Assembly under the leadership of the Speaker and the County Clerk for their co-operation and oversight role as well as donors who have continued to support us in implementing development of Kakamega municipality.

Finally, my sincere appreciation goes to all the citizens of Kakamega County for their continuous engagement with the County Government which has contributed to efficient service delivery and citizen centric development.



Name: ELVIRA WILUNDA

Chairperson of the Board

6. Report of the Municipality Manager

Budget Performance

The Kakamega Municipality had an approved budget of Kshs.88,925,460 and Kshs. 11,409,485 for Recurrent and Development Respectively and a balance brought forward of Kshs.12,718,228 for (KUSP) Kenya Urban Support programme, bringing the total development budget to kshs.24,127,713.

The Kakamega Municipality finances its operations through funds disbursed from parent ministry of Lands and donor funded programs like Kenya Urban Support Program (KUSP) and Urban Development Program (UDG).

Budget Absorption

The Kakamega Municipality's overall absorption was Kshs.89,502,993 for both recurrent and development expenditure translating to an absorption rate of 79 %

On behalf of the Board members (BOM) of the Kakamega Municipality, I have the honour to forward the Annual Report and Financial Statements for the Financial year ended 30th June 2025. The Board is fully alive to its mandate and the fact that Kakamega Municipality having been established, is still young and requires unequivocal support and guidance to lay a strong foundation for its future and sustainability through sound policies and strategies as well as full autonomy of its operations.

Physical Progress Based on Output

Kakamega Municipality aspires to be the best Municipality in the Country through the adoption of best sound policies and strategic practices as well as the development and use of key instruments necessary for successful corporate governance in line with Urban Areas and Cities Act of 2011 and Article 184 of the Constitution of Kenya 2010.

During the year under review, the Board executed its functions well through its committees namely Finance, Adhoc, legal and full board which held meetings quarterly as required by the law. The committees were vibrant throughout the year, followed by full board meetings. Under the Board's leadership, the Municipality developed a Strategic Plan. The strategic plan will enable the municipality work towards a common goal, while ensuring it to manage and reduce operations risks.

The projects that the municipality has undertaken within the financial year include maintenance of Rostaman dump-site, garbage and waste management which are critical to environmental sustainability.

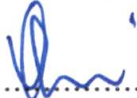
In general, the public is contented with the programs that have been undertaken by the Municipality and the goal congruence of achieving value for money enabled.

The Board is pleased with the operational and financial results delivered by management. However, being a young Municipality, Kakamega has faced several challenges, key among them, inadequate funding and delayed disbursement of funds, under-staffing and not functioning with full powers of

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

autonomy. The Board acknowledges the support it has received from H.E. the Governor and the County Executive Committee members in executing its mandate and functions. We are positive that this support will continue into successive years to enable the Municipality complete the construction and implementation of projects

The Board acknowledges the support and good working relationship with all Departments of County Executive and the county staff as a whole. We also acknowledge the immense support that the Municipality has and is receiving from donors.



.....
Name: VIOLET OFISI
Municipality Manager.

County Government of Kakamega

Kakamega Municipality

Annual Report and Financial Statements for the year ended June 30, 2025

7 Statement of Performance Against Predetermined Objectives for the FY 2024/2025

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 Kakamega Municipality in the financial year 2024-2025 are as shown in the table below;

Activities	Expected Output	Monitorable Indicators	Target	Performance	Challenges
Maintenance of Rosterman dumpsite	Maintained Rosterman dumpsite	Level of completion (%)	100	Done to satisfactory standard - (70%)	Lack of budget to put up transfer stations
Construction of municipality offices toilets	Complete municipality offices toilets	Level of completion (%)	100	Not done due to re-allocation of funds	Lack of funds
Installation of rainwater goods at the municipality offices	Complete rainwater goods	Level of completion (%)	100	Not done due to re-allocation of funds	Lack of funds
Sichirai market	Complete market	Level of completion (%)	100	Project completed - (100%)	Some works were not included in the BQ
Cleaning services in 3 Zones	Cleaned zones	Level of completion (%)	100	Done to satisfactory standard - (90%)	Lack of proper waste management by the residents.

8. Corporate Governance Statement

a. Process of appointment and removal of Board members

The current Board was competitively recruited and sworn in, in the Financial Year 2022/2023. Unless a petition is brought against the board members, the duly constituted board will continue serving until the term expires.

b. Roles and functions of the Municipality Board members,

- Overseeing the affairs of the Municipality.
- Exercising executive authority as may be delegated by the Municipal Board Committee.
- Developing and adopting policies, plans, strategies and programmes for the efficient running of the municipality
- Formulating and implementing integrated development plans.
- Controlling land use, land sub-division for various development purposes as may be delegated.
- Promoting and undertaking infrastructural development and services within the Municipality as may be delegated by the County Government.
- Developing and managing schemes, including site development in collaboration with the relevant National and County Agencies.
- Maintaining a comprehensive database and information system for the municipality.
- Enforcing the fees, levies and charges as may be authorized by the County Government for delivery of services.
- Ensuring the provision of services to its residents.

- Initiating new laws or making recommendations for issues to be included in the laws.
- Implementing national policies and policies of the County Executive Committees as they affect the Municipality.
- Enforcing compliance with Constitutional provisions on Consumer Rights, fair administrative action, Bill of Rights and Values and Principles of Public Service.
- Preparing the Annual Appropriation Bill and submitting it to the County Treasury for consideration and transmission to the County Assembly for approval.
- Coordinating and facilitating citizen participation in the development of policies and plans and delivery of services.
- Implementing policies for fire and disaster management.
- Promoting a safe and healthy environment.
- Performing such other functions as may be delegated from time to time.

c. Induction and training. Municipality Board members and member's performance,

Members are always inducted after engagement and are trained on need basis

d. Number of Municipality Board meetings held and the attendance to those meetings by members.

During the year under review the Kakamega municipality board held four meetings.

e. Succession plan

The Board members are always competitively recruited and legally constituted after their term has ended.

f. Existence of a service charter,

Currently there is a service charter, mounted at the entrance of Municipality offices. It is written in English and Kiswahili for ease of understanding by the Municipality residents and visitors.

g. Conflict of interest,

At the beginning of every board meeting, members are requested to declare if they have any conflict-of-interest issues on the agenda at hand. No conflict of interests was raised during board meetings.

h. Board remuneration,

The Board Chairman is entitled to a monthly honorarium allowance. Board members are paid sitting allowances when they attend Board meetings. Board members are also reimbursed travel allowance. This is done in line with Salaries and Remuneration Commission.

e. Ethics and conduct as well as governance audit undertaken if any

Ethics and conduct as well as governance audit is conducted during recruitment process of the board members as per public officers' ethics act.

9. Management Discussion and Analysis

a. On the operational and financial performance of the Municipality during the period,

The Kakamega Municipality had approved budget of Kshs.88,925,460 for Recurrent and Kshs.24,127,713 Development Respectively. The development amount comprises of a balance brought forward of Ksh.12,718,228 for (KUSP) Kenya Urban Support programme.

Budget Absorption

The Kakamega Municipality's overall absorption was Kshs89,502,993 for both recurrent and development expenditure respectively translating to 79%

b. Entity's key projects or investments decision implemented or on going,

Kakamega Municipality has achieved key projects in the betterment of service delivery to the citizens as highlighted below.

- Ongoing projects of Sichirai Market
- The projects that the municipality has undertaken within the financial year include maintenance of Rostaman dump-site, garbage and waste management which are critical to environmental sustainability

c. Municipality's compliance with statutory requirements

The Municipality has complied with the required statutory laws and rules that govern it.

Kakamega Municipality complies with rules, orders, regulations, directions, form, tariff of costs or fees, letters patent, commission, warrant, proclamation, by-law, resolution, guideline or other statutory instrument issued, made or established in the execution of a power conferred by or under an Act of Parliament under which that statutory instrument or subsidiary legislation is expressly authorized to be issued.

The Board of the Kakamega Municipality has been established and draw all their powers and perform all functions vested in boards of municipalities in accordance to the Urban Areas and Cities Act, the County Government Act and the Municipality By-laws.

d. Major risks facing the Municipality, material arrears in statutory and other financial obligations

The Major risk affecting Kakamega Municipality is delay and late disbursement in exchequer disbursements from the County Treasury as it's the Main source of funding to the Municipality.

The delays in receiving of the funds slowed down Project implementation.

e. Any other information considered relevant to the users of the financial statements.

The Municipality is in operation and is still picking up gradually to reach its potential.

10. Environmental And Sustainability Reporting

Sustainability strategy and profile

The municipality of Kakamega works with stakeholders within the county to undertake climate sustainability programs as below.

- 1) The municipality liaises with the County Forest Office to increase forest area to at least 10% of arable land or more.

To also fence and rehabilitate key natural forest (e.g., Kakamega Forest, riparian zones) to reduce deforestation rates.

- 2) To liaise with KACWASCO to ensure that 100% of households have reliable access to piped or treated water.

To solarise or use renewable energy for water pumping/treatment plants.

To collect, convey, and treat wastewater generated within municipality.

- 3) Through the supervision of cleaning companies to make sure that the municipality is totally clean.

- 4) To enforce environmental by-laws on waste disposal, air / noise pollution and land use.

- 5) Through practical Action to improve solid waste collection, sorting and disposal system to minimize pollution.

Encourage recycling, composting, and waste-to-energy solutions.

- 6) Through the support of World Bank to install air quality monitoring devices within municipality.

- 7) Through the County Public Service and Administration Department, establish early warning systems for floods, droughts, storms, and enforce land-use zoning to discourage risky development.

Objectives of Climate Change Action Within Kakamega Municipality

1. Through the department of Agriculture, we have supported and encouraged farmers to adopt climate-smart agriculture practices such as drought-resistant crops.
2. Through the support of Equity Bank Kakamega branch with tree seedlings, we have promoted urban greening including tree planting in schools, Shire slaughterhouse Cemetery, public spaces, and in streets to regulate temperature and improve air quality.
3. Through the support of Practical Action who have as a department, we have fostered community-led initiatives like tree planting and clean-up campaigns.
4. We have protected and restored ecosystems such as Kakamega forest, River Isiukhu, and wetlands that provide climate-regulating services.
5. Through community engagement, we have engaged youth groups (MMUST environment club and Ikolomani youth group) in a tree planting exercise.
6. The department has liaised with the county Public Service and Administration department to enhance disaster risk reduction and early warning systems for floods, droughts, and other climate-induced disasters.

The principal activities of Kakamega municipality are as follows:

- Garbage and waste management.
- Street development and maintenance
- Collection of Revenue
- Issuance of Rates Clearance Certificate
- Issuance of Single Business Permits
- Building Inspection
- Recommendation for approval of Building Plans
- Supervision of Infrastructure Development and Maintenance
- Issuance of Registration Certificate to Groups, CBOs
- Organization and coordination of public participation
- Policy Formulation and Governance

1. Environmental performance

This is the mother law of all environmental aspects in the Country. From it, there are regulations that have been developed including Wetlands Regulations, Environmental Regulations (EIA/EA), Water Quality Regulations, Controlled Substances, Biodiversity Regulations, Air Quality Regulations, Waste Management Regulations and Noise Regulations. These regulations regulate the various environmental aspects.

The act talks of having a County Environment Action Plan developed which should be adopted by the County Assembly. The purpose of environmental action plans is to co-ordinate and harmonize the environmental policies, plans, programmes and decisions of the national and county governments, as the case may be, in order to-

- i. minimize the duplication of procedures and functions; and promote consistency in the exercise of functions that may affect the environment;
- ii. secure the protection of the environment across the country; and
- iii. Prevent unreasonable actions by any person, state organ or public Municipality in respect of the environment that are prejudicial to the economic or health interests of other counties or the country.

In section 147A, EMCA gives counties the powers to make legislation in respect of all such matters as are necessary or desirable that are required or permitted under the Constitution and EMCA.

- **National Environment Policy, 2013**

This policy touches on various aspects including:

- **Public participation**

A coordinated and participatory approach to environmental protection and management will be enhanced to ensure that the relevant government agencies, county governments private sector, civil society and communities are involved in planning, implementation and decision-making processes.

- **Climate Change**

Strengthen capacity for national and county level institutions to support national climate resilience, low carbon development through integrating climate change into implementation strategies.

- **Environmental Monitoring and assessment**

Ensure periodic reporting on county and national status of environment.

- **Institutional Arrangement**

Streamline and strengthen the capacity of environmental institutions at the national and county levels so as to make them more effective and participatory.

The policy also requires that environmental concerns are integrated in all policy, planning and development processes, through strengthening the capacity of environmental institutions at the county levels so as to make them more effective in ensuring compliance and enforcement.

- **County Environmental Management Act, 2019**

It has a number provisions relating to air pollution, noise pollution, public nuisances and waste management. These are key aspects that environmental performance should look at.

- **Draft County Climate Change Policy, 2020**

Once enacted, this policy will be key in monitoring, evaluating and reporting climate change adaption and mitigation strategies.

The County's **successes** include development of a number of legislations to guide environmental performance such as Environmental Management Act, 2019 and County Water Act 2019. Through the Environmental Management Act, 2019, the County has been able to resolve a number of complaints ranging from noise pollution, solid waste pollution, and waste water management just to mention a few. Other draft legislation that are crucial include County Natural Resources Management Bill, Climate Change Bill and Climate Change Policy.

Some of the **shortcomings** include:

- Inadequate awareness of the public on the significance of complying with environmental and social safeguards in implementing development projects.
- Extra costs get incurred for stalled and delayed projects and resolving issues that could have been prevented when County projects comply with social and environmental safeguards.

There is a revised draft National Sustainable Waste Management Policy which is a **waste management policy** for the country. The national policy:

- aims at transitioning the waste sector in every county away from low collection rates, illegal dumping and uncontrolled dumpsites to affordable waste collection, recycling and composting, and minimize waste fractions that are finally disposed to a well-engineered and regulated landfill.

- supports the creation of the planning, finance, technical and governance capacities that county governments need to effectively deliver on their mandate under the Constitution of Kenya 2010, to be the lead actors in delivering sustainable waste management services; by providing an enabling policy and regulatory environment to facilitate the counties to effectively deliver waste management services including, facilitating inter-county cooperation under the metropolis approach, financial incentives, research, Some of the **efforts to reduce environmental impact of the county's products** include:
 - Provision of a dumpsite to dump the solid waste emerging from the municipal area of the County. The dumpsite is well maintained to ensure there is a conducive living environment for the surrounding community.
 - Promotion of 3R principle (refuse, reduce and recycle) among the county residents to ensure minimum waste is generated.
 - Plans to incorporate a private investor in developing a county landfill.

2. Employee welfare

The County Government of Kakamega is guided by the following policies on human capital management;

- i. Constitution of Kenya (2010).
- ii. County Human Resource Policy.
- iii. County Government Act (2012).

During recruitment, the County ensure that stakeholders/relevant departments are involved by providing their staff needs guided by their staff establishment/organization structure. These staff needs from all departments are consolidated by public service and Administration department and forwarded as the County staff needs to the County Public Service Board (CPSB) for recruitment. The board ensures that it sticks not only to the gender rule during hiring process but also considers regional balance as required by law.

In order to improve the staff skills, manage careers, appraisal and reward systems, the County ensured that all the staff in the county fill PAS forms and all departments sign annual performance contracts. The best performing department is always awarded the 13th salary as motivation and this is done annually. The County also ensures continuous and systematic upgrading of county staff skills through training and capacity building based on identified gaps.

Considering the policy on safety and compliance with Occupational Safety and Health Act 2007 (OSHA), the County ensured that all offices have been installed with fire extinguishers, have fire assembly points, have indicative directions to all offices and adhere to Work Injury Benefits Act (WIBA) by compensating employees who get injured while on duty

3. Market place practices

a) Responsible competition practice.

- i. Conducted an awareness programme to inform consumers on their rights and obligations. This safeguards them against exploitation by fraudulent traders.
- ii. Inspects and investigates consumer complaints with intention to promote fair trade competition

- iii. Instituted legal proceedings arising from consumer rights complaints to remedy the aggrieved parties.
- iv. Monitors trade description applied on goods and services to ensure they are accurate to enable consumers make informed decisions.

b). Responsible Supply chain and supplier relations-

Using appropriate procurement methods that ensure equity and transparency.

- Use of standard tender documents as guided by Public Procurement Regulatory Authority.
- Supplier development program sensitization and training for special groups.
- Debriefing of unsuccessful bidders to enhance competitiveness and transparency.
- Reporting of contracts awards to relevant authorities and general public
- Procurement based on approved budget and procurement plan.

(i) Treating Suppliers Responsibility by honoring Contract

- Formation of **Contract Implementation teams** for complex projects to monitor projects.
- Consultations and negotiations with suppliers before contract signing especially for complex projects.

(ii) Respecting Payment Practice

- Formation of adhoc Inspection & acceptance Committee to expedite receiving of goods /accepting work to facilitate payment
- Ensuring supporting documents for payment are available on payment vouchers.
- Ensuring necessary approvals are done before payment.

- i. The County Government has undertaken public sensitization and awareness as a key pillar in promotion of fair competition. This has empowered the citizen in decision making as first line of consumer protection. The empowerment has promoted responsible political involvement in promotion of fair-trade competition; it is winning political good will to reduce public outcry during enforcement of fair-trade practices regulations
- ii. The County advocates the use of approved, uniform and accurate weighing and measuring standards for trade transactions in order to eliminate unfair trade competition.
- iii. Traders in the county are encouraged to patent their intellectual rights in order to safe guard their innovation against unfair competition through counterfeiting.
- iv. The County Government has undertaken public sensitization and awareness as a key pillar in promotion of fair competition. This has empowered the citizen in decision making as first line of consumer protection. The empowerment has promoted responsible political involvement in promotion of fair-trade competition. It is actually winning

political good will, in order to reduce public outcry during enforcement of fair-trade practices regulations.

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

- i. Conducted an awareness programme to inform consumers on their rights and obligations. This safeguards them against exploitation by fraudulent traders.
- ii. Inspects and investigates consumer complaints with intention to promote fair trade competition
- iii. Instituted legal proceedings arising from consumer rights complaints to remedy the aggrieved parties.
- iv. Monitors trade description applied on goods and services to ensure they are accurate to enable consumers make informed decisions.
- v. Maintains a complaints registers, a suggestion boxes and a customer care desk where issues of anti-corruption are handled.
- vi. Put in place Anti-corruption posters and complies with procurement regulations in all its activities

d) Product stewardship or Awareness creation

Product Stewardship and Awareness Creation in Safeguarding Consumer and Citizen Rights: The Case of Kakamega Municipality

Introduction

Product stewardship and awareness creation are central to protecting consumers and citizens from exploitation, unsafe practices, or violation of their rights. In Kenya, these principles are enshrined in the **Constitution of Kenya, 2010**, the **Consumer Protection Act, 2012**, and the **Data Protection Act, 2019**, among others. Kakamega Municipality is expected to implement measures that ensure public health and safety, transparency of information, dispute resolution, and respect for citizen rights.

i). Protection of Health and Safety

Kakamega Municipality plays a critical role in ensuring that products and services within its jurisdiction meet safety standards.

- **Food safety:** The Municipality's Public Health Department inspects hotels, butcheries, and food vendors in Kakamega town to prevent the sale of contaminated or expired food. For example, during festive seasons, health officers conduct random checks in markets such as Kambi Somali to ensure meat and vegetables sold are safe.
- **Slaughterhouse management:** Veterinary officers inspected the animals before and after slaughter to guarantee the safety of meat supplied to consumers. Slaughterhouse attendants have also been trained on how to handle meat from the time of slaughtering animals to the time the meat exits the facility.

ii). Provision of Adequate Product and Service Information

For consumers and citizens to make informed choices, adequate information is key.

- **Business licensing:** Kakamega Municipality ensures traders are provided with information on how to apply for trade licenses and single business permits. For instance, this information is well captured in the municipality service charter
- **Public service awareness:** The Municipality collaborates with county agencies such the Kakamega County Revenue Agency to conduct awareness campaigns in bus parks, markets, and boda boda stages on registration and benefits of paying taxes and acquiring necessary business licenses
- **Road works:** In partnership with **Kenya Urban Roads Authority (KURA)**, the Municipality informed residents of ongoing road repairs and diversions through public notices and community barazas to minimize inconvenience.

iii). Dispute Resolution and Redress Mechanisms

Disputes between service providers, traders, and consumers are inevitable, and Kakamega Municipality has taken steps to provide platforms for resolution.

- **Municipal Complaints Desk:** Citizens can lodge complaints about unfair market levies, harassment by revenue officers, or poor service delivery directly to the Municipal Manager's office.
- **Alternative Dispute Resolution (ADR):** The Municipality sometimes facilitates mediation between disputing traders within the municipality on a myriad of issues.
- **Consumer protection bodies:** When unfair trade practices are reported, the Municipality can escalate matters to the relevant county departments or the County (Ombudsman).

iv). Consumer and Citizen Data Privacy Protection

With the rise of digitization, citizen data protection is crucial.

- **Revenue collection systems:** Kakamega Municipality uses digital systems for parking fees, business permits, and property rates collection. Safeguards are in place to prevent misuse of personal information such as ID numbers, phone contacts, and vehicle details.
- Safeguarding Broader Citizen Rights and Interests**

- **Adequate Service Information**

The Municipality, in partnership with utilities such as **Kakamega Water and Sanitation Company (KACWASCO)**, conducts awareness sessions in estates like Amalemba, Sichirai, and Lurambi on water connections. Clear guidelines help residents know application procedures, connection costs, and grievance channels.

- **Right to Representation and Fair Treatment**

Kakamega Municipality collaborates with the National Police Service to ensure that suspects arrested within the Municipality are informed of their rights to legal representation and bail as per Article 49 of the Constitution.

Conclusion

Kakamega Municipality demonstrates **product stewardship and awareness creation** by ensuring public health and safety, providing adequate product and service information, protecting consumer data, and safeguarding citizen rights. Through partnerships with national agencies (SHA, NSSF, KURA, KEBS), investors, and civil society organizations, the Municipality continues to promote accountability, transparency, and fairness.

This ensures that both consumers and citizens within Kakamega are empowered, protected, and able to participate meaningfully in governance and economic life.

4. Corporate Social Responsibility /Community Engagements

The County Government of Kakamega engages with the community in a structured way through the administrative arm called Community Area Administrators' Office (CAA.s). This is a representation of the Governor's Office at the community level. There is collaboration between the two levels of Governments which helps the County to understand issues affecting its residents' livelihoods and discuss how well to address them. Further, the County ensures that all disaster/ emergency cases in the county have proper interventions.

The County also provides support to the vulnerable and its citizens through various programs like shelter improvement, donations during Governors Christmas tree celebrations, public participation, sporting activities, music and cultural festivals and construction of gender-based violence rescue centre.

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 Kakamega Municipality affairs.

Principal activities

The principal activities of the Municipality are as follows: -

- Collection of Revenue
- Issuance of Rates Clearance Certificate
- Issuance of Single Business Permits
- Building Inspection
- Recommendation for approval of Building Plans
- Supervision of Infrastructure Development and Maintenance
- Organization and coordination of public participation
- Policy Formulation and Governance
- Garbage and waste management.
- Street development and maintenance

Performance

The performance of the Municipality for the year ended June 30, 2025 are set out on page 1-5

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

Board Members

The members of the Board who served during the year are shown on page vii to xi. There were no changes in the Board during the financial year under review.

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: VIOLET OFISI

Secretary of the Board

12. Statement of Management's Responsibilities

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

The 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 City/Municipality, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the 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.

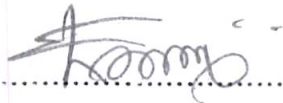
The Municipality Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control.

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.

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

Approval of the financial statements

The Municipality financial statements were approved by the Board on 28/8/ 2025 and signed on its behalf by:



Name:

Chairperson of the Board



Name:

Accounting officer of the Board

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA MUNICIPALITY 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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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

Opinion

I have audited the accompanying financial statements of Kakamega Municipality set out on pages 1 to 47, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other

Report of the Auditor-General on Kakamega Municipality for the year ended 30 June, 2025

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.

Basis for Opinion

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.100,334,945 and actual on comparable basis of Kshs.76,783,313 resulting to a budget under-funding of Kshs.23,551,632 representing 23% of the budget. Similarly, the Municipality spent Kshs.76,789,812 against final expenditure budget of Kshs.100,334,945 resulting to under expenditure of Kshs.23,545,133 or 23% of the budget.

The under-funding and under-absorption affected the planned activities and may have impacted negatively on service delivery to the public.

2. Non-Collection of Own Generated Revenue

As previously reported, the statement of financial performance indicates that the Municipality was financed solely through revenue allocated by the County Government, contrary to Clause 7.1.1 (d) of the Municipal Charter for Kakamega Municipality dated 16 August, 2019 that requires the Municipality to retain a portion of revenue collected for purpose of defraying its costs in providing services as anchored on Section 172(a) of the Public Finance Management Act, 2012. Further, conferment of municipal status may have been made without satisfying criterion of demonstrable revenue collection or revenue collection potential, contrary to Section 9 (3)(c) of the Urban Areas and Cities Act, 2011.

In the circumstances, the Municipality may not achieve its objectives and goals as outlined in the Charter.

My Opinion is not modified in respect of these matters.

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. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the previous year audit report, several issues were raised under Report on the financial statements, Emphasis of Matter, Report on Lawfulness and Effectiveness in Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management and Governance, as detailed in **Appendix 1**. The Management has indicated under the progress on follow up of auditor's recommendations section of the financial statements that some issues have been resolved and others have not been resolved. However, no evidence was provided for audit review indicating that the issues were resolved and no explanation was provided for the delay in resolving the other issues.

In the circumstances, the issues remain unresolved.

Other Information

The Management is responsible for the Other Information set out on page iii to xxxi which comprise of Key Entity Information and Management, Municipality Board, Key Management Team, Municipality Board Chairperson's Report, Report of the Municipality Manager, Statement of Performance Against 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 Municipality's 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 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, except for the effect of the matters described in the Basis for Conclusion on

Report of the Auditor-General on Kakamega Municipality for the year ended 30 June, 2025

Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Wasteful Expenditure on Cleaning and Garbage Collection

The statement of financial performance and as detailed in Note 7 to the financial statements reflect use of goods and services totaling to Kshs.105,311,170 which includes outsourced contracted professional services in respect to cleaning and garbage collection totaling to Kshs.96,765,088 which further includes an amount of Kshs.61,226,964 being payments to various contractors.

However, the Municipality owns a refuse truck Registration Number 37CG204A manufactured in 2020 purchased for Kshs.16,800,000 which is in working condition as recorded in its fixed assets register. The refuse truck remained idle for most parts of the year save for few occasions when it was hired. There were no explanations for outsourcing the services allocated for the refuse truck.

In the circumstances, value for money used to purchase the truck may not be realized if it is not optimally used.

2. Stalled Sichirai Market Construction Project

The annual report and financial statements on page xx in respect of management discussion and analysis indicates that the Municipality had an ongoing project for Sichirai market. Review of contract documents revealed that Sichirai market and access road construction project was initiated in 2021 with a scheduled completion period of twelve (12) months.

The initial contract amount was Kshs.178,111,050.44, which was later increased by Kshs.5,333,486.47 due to contract variations, bringing the total to Kshs.183,444,536.91. Despite the contractor receiving the full contract amount, including retention funds of Kshs.17,662,660.09, the project remains incomplete and non-operational.

Following site visit on 3 September, 2025 structural issues which included damp walls with peeling paint, vandalized electrical wiring, incomplete toilet facilities, and open manholes that pose significant safety risks were observed. The facility has not been commissioned for public use and continues to deteriorate, making it vulnerable to further damage and requiring additional resources to restore functionality. A snag list dated 7 March, 2025 confirmed multiple outstanding items that need to be addressed for the project to meet its intended objectives.

In the circumstances, the public did not get the value for money spent on the project

3. Lack of Operational Autonomy of The Municipality

The Kakamega Municipality was granted Municipal Charter on 16 February, 2019 which was supposed to grant operational independence from the County Government of Kakamega. However, review of the operations of the Municipality and as reported previously, revealed lack of autonomy contrary to Section 9(1) and Section 12(1) of the Urban Areas and Cities Act, 2011 as detailed below:

- I. The Municipality's budget was prepared and controlled by the County Executive and there was no budget approval by the Municipality Board.
- II. Except for the project accounts with joint signatories from the County Executive, the Municipality's expenditure was controlled by the County Executive and did not have independent operations account as evidenced by Note 6 to the financial statements which reflects payments by County made on behalf of the Municipality totaling Kshs.70,783,313.
- III. The County Government has continued to perform a number of functions which were transferred to the Municipality.

In the circumstances, Management was in breach of the law

4. Unmarked Parking Slots in Kakamega Municipality

Physical verification of the Kakamega town and verification of parking slots on 2 September, 2025, revealed that Kakamega town had no streets with designated or marked parking slots. The total parking slots available could not be ascertained and therefore the expected revenue from parking could not be determined. No explanation was provided on how the County was collecting parking fees and what was collectable. The basis for parking fees revenue estimates were therefore unrealistic.

Further, it was observed that in the absence of marked parking slots in the major towns of Kakamega Municipality, vehicles, motor cycles and tuk-tuk were parked haphazardly hence occupying large spaces which were not commensurate with the amounts paid.

In the circumstances, parking spaces within the Municipality were ineffectively utilized and managed.

5. Non-Compliance with the Public Sector Accounting Standards Reporting Requirements

Review of the annual report and financial statements revealed that the names of the Chairperson of the Board and Accounting Officer of the Board are not indicated as signatories of the statement of management's responsibilities and approvers of the financial statements.

In the circumstances, the presentation and disclosure of the annual report and financial statements does not comply with the reporting template prescribed by the Public Sector Accounting Standards Board.

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Conduct Internal Audit

The audit revealed that no internal audit was conducted during the 2024/2025 financial year. As a result, there was no internal oversight of the funds transferred from the County Government and grants from donors. This indicates a significant lapse in internal controls and weak financial oversight.

In the circumstances, in the absence of effective monitoring, misuse of resources may go undetected.

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 the Municipality Board

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

In preparing the financial statements, Management is responsible for assessing the Municipality's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to 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 Municipality Board is responsible for overseeing the Municipality's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

8 December, 2025

Appendices

Appendix 1: Unresolved Prior Year Audit Issues

Reference No. on the Auditor-General's Report	Observation
	Report on the Financial Statements
1	Unconfirmed Property, Plant and Equipment Balance
2	Unconfirmed Depreciation charge for the year and Depreciation Policy
3	Inaccuracy in the Statement of Comparison of Budget and Actual Amounts
4	Unconfirmed Transfers from County Government
5	Anomalies in the Annual Report and Financial Statements
	Emphasis of Matter
1	Budgetary Control and Performance
2	Non-Collection of Own Generated Revenue
	Report on Lawfulness and Effectiveness in Use of Public Resources
1	Lack of Operational Autonomy of Kakamega Municipality
2	Operating Municipality without an Approved Budget
	Report on the Effectiveness of Internal Controls, Risk Management and Governance
	Lack of Risk Management Policy Framework

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

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	76,783,313	90,819,642
Total revenue		76,783,313	90,819,642
Expenditure			
Use of goods and services	7	105,311,170	85,427,322
Staff costs	8	0	28,500
Board expenses	9	1,068,680	2,038,781
Depreciation and amortization	10	22,269,531	7,666,850
Repairs and maintenance-civil works	11	2,870,756	3,327,629
Transfer to CRF	12	0	20,114
Total expenses		131,520,137	98,509,196
Other gains/losses			
Gain/loss on disposal of assets		0	0
Surplus/(deficit) for the period		(54,736,824)	(7,689,554)

The notes set out on pages 7 to 33 form an integral part of these Financial Statements. The entity financial statements were approved on 25/8/2025 and signed by:



Name: Violet Ofisi
 Municipality Manager



Name: CPA Lucas Paul Mwita
 Head of Finance
 ICPAK M/No 26377


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

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	13	2,208	12,721,888
Total current assets		2,208	12,721,888
Non-current assets			
Property, plant, and equipment	14	296,068,393	305,624,744
Total Non-current Assets		296,068,393	305,624,744
Total assets (A)		296,070,601	318,346,632
Liabilities			
Current liabilities			
Trade and other payables	15	32,460,794	13,994,856.40
Total current liabilities		32,460,794	13,994,856.40
Non-current liabilities			
Social Benefits	16	0	0
Total liabilities (B)		32,460,794	13,994,856.40
Net Assets (A-B)		263,609,807	304,351,775.6
Represented by:			
Capital/Development Grants/Fund		22,194,559	22,194,559
Reserves		0	0
Accumulated surplus		241,415,248	282,157,216.6
Net Assets/Equity		263,609,807	304,351,775.6

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 25/8/2025 and signed by:


Name: Violet Ofisi
Municipality Manager
Date:


Name: CPA Lucas Paul Mwita
Head of Finance
ICPAK M/No 26377
Date:

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

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	0	0	303,841,627	303,841,627
Surplus/(deficit) for the year	0	0	(7,689,554)	(7,689,554)
Funds received during the year	22,194,559	0	0	22,194,559
Revaluation gain/loss			0	0
Creditors for cleaning services			(13,994,856.40)	(13,994,856.40)
Bal as at 30 Jun 2024	22,194,559	0	282,157,216.6	304,351,775.6
Bal as at 1 July 2024	22,194,559	0	282,157,216.6	304,351,775.6
Prior year adjustment for Creditors for cleaning services paid			13,994,856.40	13,994,856.40
Surplus/(deficit) for the year			(54,736,824)	(54,736,824)
Funds received during the year	0	0	0	0
Revaluation gain/loss	0	0	0	0
Balance as at 30 June 2025	22,194,559	0	241,415,248	263,609,807

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

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	76,783,313	90,819,642
Total Receipts		76,783,313	90,819,642
Payments			
Use of goods and services	7 (a)	(72,850,376)	(85,427,322)
Staff costs	8	0	(28,500)
Board expenses	9	(1,068,680)	(2,038,781)
Transfer to CRF	12	0	(20,114)
Repair and maintenance	11	(2,870,756)	(3,327,629)
Total Payments		(76,789,812)	(90,842,346)
Net cash flows from operating activities	17	(6,499)	(22,704)
Cash flows from investing activities			
Purchase of PPE & intangible assets	14	(12,713,181)	(24,151,304)
Net cash flows used in investing activities		(12,713,181)	(24,151,304)
Cash flows from financing activities			
Receipts from Capital grants		0	22,194,559
Net cash flows used in financing activities		0	22,194,559
Net increase/(decrease) in cash & cash equivalents		(12,719,680)	(1,979,449)
Cash And Cash Equivalents At 1 July	13	12,721,888	14,701,337
Cash And Cash Equivalents At 30 June	13	2,208	12,721,888

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

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
Receipts						
Transfers from the County Government-Recurrent	90,802,460	(1,877,000)	88,925,460	76,783,313	12,142,147	86%
Public contributions and donations	0	0	0	0	0	0
Transfers from the County Government-Development	20,000,000	(8,590,515)	11,409,485	0	(11,409,485)	0
Total Receipts	110,802,460	(10,467,515)	100,334,945	76,783,313	23,551,632	76%
Payments						
Use of goods and services	88,802,460	(1,877,000)	86,925,460	72,850,376	14,075,084	84%
Board expenses	2,000,000	0	2,000,000	1,068,680	931,320	53%
Staff Costs	0	0	0	0	0	0
Finance costs	0	0	0	0	0	0
Maintenance of civil works	20,000,000	(8,590,515)	11,409,485	2,870,756	8,538,729	25%
Total expenditure Payments	110,802,460	(10,467,515)	100,334,945	76,789,812	23,545,133	76%
Capital Expenditure	12,718,228	0	12,718,228	12,713,181	5,047	100%
Surplus for the period				(12,719,680)		

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

Budget notes

1. The underperformance of budget and under absorption were contributed greatly by delay and late disbursement in exchequer from the Treasury as it is the main source of funding.

The initial budget changed due to supplementary budget that resulted to reduction in revenue allocation from Kshs. 110,802,460 to Kshs. 100,334,945.

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	12,719,680
Capital expenditure not recognised in the statement of financial performance	(12,713,181)
Closing Cash and Cash Equivalent as per the statement of Cash flows	(6,499)

19. Notes to the Financial Statements

1. General Information

Kakamega Municipality is established by and derives its authority and accountability from Urban Areas and cities Act 2011. The Municipality is under the Kakamega County Government and is domiciled in Kenya.

The municipality's principal activity is Collection of Revenue, Issuance of Rates Clearance Certificate, Issuance of Single Business Permits, Building Inspection, Recommendation for approval of Building Plans, Supervision of Infrastructure Development and Maintenance, Issuance of Registration Certificate to Groups, CBOs, Organization and coordination of public participation and Policy Formulation and Governance.

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

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

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

3. Application of New and revised standards (IPSAS)

(When an IPSAS becomes effective on 1st January 2025, it is applicable in Kenya from 1st July 2025)

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	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	Applicable 1st January 2025 The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	Applicable 1st January 2025 The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.

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

<p>IPSAS 46: Measurement</p>	<p>Applicable 1st January 2025</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>IPSAS 47: Revenue</p>	<p>Applicable 1st January 2026</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>IPSAS 48: Transfer Expenses</p>	<p>Applicable 1st January 2026</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>IPSAS 49: Retirement Benefit Plans</p>	<p>Applicable 1st January 2026</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>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p>Applicable 1st January 2027</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> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.

	<ul style="list-style-type: none"> 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.
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iii. Early adoption of standards

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

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 28th 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.

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 xxx of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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.

1. Financial instruments

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

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

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the

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

Financial liabilities

Classification

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

2. 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

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

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.

3. 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.

4. 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.

5. 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.

6. 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

7. 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

8. 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.

9. 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.

10. 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.

11. 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.

12. 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, the Municipality Managers and Municipality Accountant.

13. 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.

1. Comparative figures

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

2. Events after the reporting period

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

- (a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

3. 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.

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	6,000,000	12,000,000
Payments by County on behalf of the Municipality	70,783,313	78,819,642
Total	76,783,313	90,819,642

(Provide brief explanation for this revenue)

(a) Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance* Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	2023/2024
			Kshs	Kshs	Kshs
Ministry of lands housing and urban development	76,783,313	0	0	76,783,313	90,819,642
Total	76,783,313	0	0	76,783,313	90,819,642

7. Use of Goods and Services

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	4,290,733	1,443,810
Communication, supplies and services	232,580	488,580
Domestic travel and subsistence	2,015,900	4,220,500
Printing, advertising, supplies & services	181,270	648,800
Hospitality supplies and services	501,109	999,531
Insurance costs	0	58,500
Specialized materials and services	435,173	277,800
Office and general supplies and services	203,503	1,303,608
Fuel, oil and lubricants	42,750	62,000
Other operating expenses (Specify)	0	0
Routine maintenance – vehicles and other equipment	175,202	0
Routine maintenance – other assets	459,870	645,670

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

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Contracted Professional Services	96,765,088	75,264,793
Bank Charges	7,992	13,730
Total	105,311,170	85,427,322

a) Use of Goods and Services transferred to cashflow statement

Description	FY 2024/2025	FY 2023/2024
Total use of goods	105,311,170	85,427,322
Trade payables	(32,460,794)	
Total (net)	72,850,376	85,427,322

8. Staff costs

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Salaries and wages	0	28,500
Staff gratuity	0	0
Social security contribution	0	0
Other staff costs (Specify)	0	0
Total	0	28,500

9. Board expenses

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Chairman/Members' Honoraria	175,000	280,000
Sitting allowances	787,280	1,758,781
Medical Insurance	0	0
Induction and Training	0	0
Travel and accommodation	106,400	0
Conference Costs	0	0
Other allowances (Specify)	0	0
Total	1,068,680	2,038,781

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

10. Depreciation and amortization

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Plant and machinery-refuse track	2,520,000	2,520,000
Road construction	7,690,402	3,845,201
Buildings	12,059,129	1,301,649
Total depreciation and amortization	22,269,531	7,666,850

11. Repairs and Maintenance

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Maintenance of civil works	2,870,756	3,327,629
Total repairs and maintenance	2,870,756.00	3,327,629

12. Transfer to CRF

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Transfer to county Revenue fund(CRF)	0	20,114
Total	0	20,114

13. Cash and cash equivalents

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
a) Current account	2,208	12,721,888
Total cash and cash equivalents	2,208	12,721,888

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

Financial institution	Account number	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Kakamega Urban Development Grant Account KCB	1260365743	0	12,718,228
Kakamega Township	01141632089800	2,208	3660
TOTAL		2,208	12,721,888

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

14. Property, Plant and Equipment

Cost	LAND	Buildings Kshs	Road Construction Kshs	Plant and Machinery Kshs	WIP	Motor- vehicles Kshs	Furniture and fittings Kshs	Computers Kshs	TOTAL Ksh
Depreciation rate									
As at 1 July 2023 (previous year)	-	26,032,983	75,723,022	16,800,000	179,466,116	-	-	-	298,022,121
Additions	-	-	1,181,000	-	22,970,304	-	-	-	24,151,304
Disposals	-	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-	-
As at 30 th June 2024	-	26,032,983	76,904,022.00	16,800,000	202,436,420	-	-	-	322,173,425
Additions for the year	-	12,713,181	-	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-	-	-	-
Transfer/adjustments-WIP B/f moved to Buildings	-	202,436,420	-	-	-	-	-	-	-
As at 30 th JUNE 2025	-	241,182,584	76,904,022	16,800,000	-	-	-	-	334,886,606
Depreciation and impairment	-	-	-	-	-	-	-	-	0
At 1 July 2023 (previous year)	-	2,538,216	1,681,616	4,662,000	-	-	-	-	8,881,832
Depreciation	-	1,301,649	3,845,201	2,520,000	-	-	-	-	7,666,850
Impairment	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-
As at 30 June 2024	-	3,839,865	5,526,817	7,182,000	-	-	-	-	16,548,682
Depreciation for the year	-	12,059,129	7,690,402	2,520,000	-	-	-	-	22,269,531
Disposals for the year	-	-	-	-	-	-	-	-	-

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

Impairment for the year	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-
As at 30TH JUNE 2025	-	15,898,994	13,217,219	9,702,000	-	-	-	-	-	38,818,213
NBV as at 30 th Jun 2024 (previous year)		22,193,118	71,377,205	9,618,000	202,436,420	-	-	-	-	305,624,743
NBV as at 30 th June 2025 (current year)		225,283,590	63,686,803	7,098,000	0	0	0	0	0	296,068,393

1. The depreciation rates adopted by Kakamega Municipality are 5% for buildings, 25% for motor vehicle, 15% for Plant and Machinery, and 10% for roads. All calculated on straight-line basis.

2. The work in progress refers to the construction of sichirai market which was transferred to buildings.

County Government of Kakamega

Kakamega Municipality

Annual Report and Financial Statements for the year ended June 30, 2025

15. Trade and Other Payables

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Trade payables	32,460,794	13,994,856.40
Retentions	0	0
Accrued expenses	0	0
Other payables (Specify)	0	0
Total trade and other payables	32,460,794	13,994,856.40

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

16. Social benefits

Description	FY 2024/2025	FY 23/2024
	Kshs	Kshs
Health social benefit scheme	0	0
Unemployment social benefit scheme	0	0
Orphaned and vulnerable benefit scheme	0	0
PWD benefit scheme	0	0
Elderly social benefit scheme	0	0
Bursary social benefits	0	0
Total	0	0
Current social benefits	0	0
Non- current social benefits	0	0
Total (tie to totals above)	0	0

17. Cash generated from operations

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	(54,736,824)	(7,689,554)
Adjusted for:		
Depreciation	22,269,531	7,666,850
Amortisation	0	0
Gains/ losses on disposal of assets	0	0
Working Capital adjustments		
Increase in inventory	0	0
Increase in receivables	0	0
Increase in payables	32,460,794	0
Net cash flow from operating activities	(6,499)	(22,704)

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

18. 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 2024/2025	FY 2024/2025
	Kshs.	Kshs.
Transfers from related parties'	76,783,313	90,819,642
Transfers to related parties	76,783,313	90,819,642

c) Key management remuneration

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Board Members	1,068,680.00	2,038,781
Key Management Compensation	0	0
Total	1,068,680.00	2,038,781

d) Due from related parties

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Due from parent Ministry	0	0
Due from County Government	0	0
Due from County Assembly	0	0
Total	0	0

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

e) Due to related parties

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Due to parent Ministry	0	0
Due to County Government	0	0
Due to Key management personnel	0	0
Due to County Assembly	0	0
Total	0	0

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

19. 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	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0
At 30 June 2024				
Receivables from exchange transactions	0	0	0	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	0	0	0	0
Total	0	0	0	0

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

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

uncollectible amounts that the Municipality has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality has significant concentration of credit risk on amounts due from xxx.

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	0	0	32,460,794	32,460,794
Current portion of borrowings	0	0		
Provisions	0	0		
Employee benefit obligation	0	0		
Total	0	0	32,460,794	32,460,794
At 30 Jun 2024	0	0		
Trade payables	0	0	13,994,856.40	13,994,856.40
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	0	0	13,994,856.40	13,994,856.40

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:

Foreign currency sensitivity analysis

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

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.

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

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	2024/2025	2023/2024
	Kshs.	Kshs.
Revaluation reserve	0	0
Capital/Development Grants Municipality	22,194,559	22,194,559
Accumulated surplus	241,415,248	282,157,216.6
Total Funds	263,609,807	304,351,775.6
Total borrowings	0	0
Less: cash and bank balances	(2,208)	(12,721,888)
Net debt/(excess cash and cash equivalents)	2,208	12,721,888
Gearing	0	0

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

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)
Basis for Qualified Opinion				
1.	<p>Unconfirmed Property, Plant and Equipment Balance.</p> <p>In the circumstances, the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs.305, 624,744 as at 30 June, 2024 could not be confirmed</p>	<p>Kakamega Municipality has not yet developed a depreciation policy, however the Municipal board adopted the National Treasury policy on depreciation which provides a rate of 5% on road construction which is in line with IPSAS policy number 45.</p> <p>Note number 17 on Property Plant and Equipment (PPE) shows how the rate of 5% was applied under road construction. Management has provided extract of the depreciation policy from the National Treasury for your audit review.</p> <p>The ownership documents (land title deeds and logbooks) for County assets are kept in safe custody at Kenya Commercial Bank Kakamega Branch (KCB) including all the title deeds. It took time to retrieve the title deed from the bank since it required several approvals before release which subsequently was submitted to the auditor late when the audit process was on its final stage. However management has provided</p>	Resolved	N/A

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

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)
		land ownership documents i.e. (title deed registration number BUTSOTSO/INDANGALASIA/2210 and current land search) for audit review.		
2	<p>Unconfirmed Depreciation charge for the year and Depreciation Policy.</p> <p>In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.305, 624,744 as at 30 June, 2024 could not be confirmed.</p>	<p>Management applied a straight line method of depreciation as shown in the table for Property Plant and Equipment. Management inadvertently made a mistake in the narrative after the table of Property Plant and Equipment by stating that it used a reducing balance method. The Net book value computed was based on the straight line method.</p> <p>Management has noted the mistake and will ensure that in subsequent years proper quality reviews are carried out by the Financial Reporting Unit to identify and correct such mistakes before submission of the final report.</p>	Resolved	N/A

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

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)
		Management applied a straight line method of depreciation as shown in the table for Property Plant and Equipment on road construction column 2 at a rate of 5% and has provided a schedule showing how the Kshs.3, 845,201 was computed.		
3	<p>Inaccuracy in the Statement of Comparison of Budget and Actual Amounts.</p> <p>In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be</p>	<p>Municipality received Kshs 113,014,201 from the County Executive as shown in the statement of comparison of budget and actual amounts. This comprised of Kshs.90, 819,642 for recurrent expenditure as reported under the statement of financial performance (page no.1) and Kshs.22, 194,559 for development expenditure (Capital projects) as reported in the statement of changes in net assets (page no.4).</p> <p>The auditor may have picked the amount reported in the statement of financial performance of Kshs.90, 819,642 leaving out Kshs.22, 194,559 reported in the statement of changes in net assets.</p>	Resolved	N/A

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

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)															
	confirmed.	<p>Therefore management concludes that there was no variance of Kshs.22, 194,559</p> <p>The amount of Kshs.14, 680,983 reported in the statement of comparison of budget and actual amounts was brought forward from the audited financial statement for the year FY 2022/2023.</p> <p>The variance of Kshs.36,875,542 has been reconciled as shown below.</p> <table border="1" data-bbox="685 959 1554 1318"> <thead> <tr> <th>S/n</th> <th>Description</th> <th>Statement of budget comparison Kshs.</th> <th>Statement of financial performance Kshs.</th> <th>Variance Kshs.</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Transfers from the County Government</td> <td>113,014,201</td> <td>90,819,642</td> <td>22,194,559</td> </tr> <tr> <td>2</td> <td>balance brought forward</td> <td>14,680,983</td> <td>-</td> <td>14,680,983</td> </tr> </tbody> </table>	S/n	Description	Statement of budget comparison Kshs.	Statement of financial performance Kshs.	Variance Kshs.	1	Transfers from the County Government	113,014,201	90,819,642	22,194,559	2	balance brought forward	14,680,983	-	14,680,983		
S/n	Description	Statement of budget comparison Kshs.	Statement of financial performance Kshs.	Variance Kshs.															
1	Transfers from the County Government	113,014,201	90,819,642	22,194,559															
2	balance brought forward	14,680,983	-	14,680,983															

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

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)
		TOTAL	127,695,184	90,819,642	36,875,542		
4	<p>Unconfirmed Transfers from County Government</p> <p>In the circumstances, the accuracy and completeness of the transfers from the County Government amounting to Kshs.90,</p>	<p>The difference of Kshs. 36,875,542 arose because the statement of financial performance did not recognize the balance brought forward of Kshs. 14,680,983 and the development funds of Kshs.22,194,559 hence the variance.</p> <p>The variance of kshs.22,194,559 was amount meant for capital expenditure and was recognized in the statement of changes in net assets. The auditor may have considered only amount as reported in the statement of financial performance under note number 6 of Kshs.12, 000,000 and did not include Kshs.22,194,559 as reported in the statement of changes in net assets. The Kshs.22, 194,559 and Kshs.12, 000,000 totals to Kshs.34, 194,559 as shown in the County executive financial statements.</p> <p>Management concludes that there was no variance of Kshs.22,194,559</p>				Resolved	N/A

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

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)
	819,642 could not be confirmed.			
5	<p>Anomalies in the Annual Report and Financial Statements. In the circumstances, the financial statements are not prepared according to the requirements of the Public Sector Accounting Standards Board templates</p>	<p>The Kshs. 22,194,559 was capitalized in the statement of changes in net assets page number 4 of the audited financial statements. The template from the International Public Sector Accounting Standards Board (IPSASB) has no provision for an additional note since it is well explained in the statement of changes in net assets as a line item (Funds received during the year).</p> <p>Separate schedule is provided to support its breakdown.</p> <p>Management has provided the original financial reporting template from IPSASB and audited financial statement page number 4 for your audit review.</p>	Resolved	N/A

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

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)
		Emphasis of Matter		
1	<p>Budgetary Control and Performance</p> <p>The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>The Underfunding was occasioned by delayed remittance of equitable share from the National Treasury which in turn affected transfers to the Municipalities.</p> <p>Underperformance was mainly caused by delayed remittance of equitable share from the National Treasury.</p>	Not resolved	N/A

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

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)
2	<p>Non-Collection of Own Generated Revenue.</p> <p>In the circumstances, the Municipality may not achieve its objectives and goals as outlined in the Charter.</p>	<p>Kakamega Municipality revenue collection potential is well demonstrated in the Kakamega County Revenue Agency plan where Municipalities have been given mandates and targets to collect revenues within their jurisdiction. Kakamega County Revenue Agency has seconded staff to the Kakamega Municipality for revenue collection and are supervised by the Municipal Manager</p>	Not resolved	

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

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)
		OTHER MATTER		
	<p>Unresolved Prior Year Matters.</p> <p>In the audit of the previous year, several issues were reported under the Report on the Financial Statements and Report on Lawfulness and</p>	<p>Management has implemented most of the recommendations on issues raised in the prior year after taking into consideration the recommendations made during interrogation by Public Investment and Special Funds Committee of the Senate.</p> <p>Management has provided a summary schedule of prior year audit issues indicating the status of resolutions.</p>	Resolved	

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

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)
	Effectiveness in Use of Public Resources. However, Management has not resolved the issues or given reasons for the delay in resolving the issues.			

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

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)
		Basis for Conclusion		
1	<p>Lack of Operational Autonomy of Kakamega Municipality.</p> <p>In the circumstances, Management was in breach of the law</p>	<p>County Executive is in the process of granting full autonomy to Kakamega Municipality. The following steps have been taken to ensure Kakamega Municipality gains its full autonomy.</p> <p>(i) Appointment of Municipality Board vide gazette notice number 10370 dated 2/8/2023,</p> <p>(ii) Gazettement of assigned functions through gazette notice no.6225 of 12/5/2023</p> <p>(iii) Appointment of Municipal Manager and designating as accounting officer for the Municipality.</p> <p>(iv) Secondment of key technical staff in departments within Kakamega Municipality</p>	<p>Taskforce formed to fast track Granting of autonomy to the municipalities within Kakamega county</p>	

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

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)
		These measures are aimed at ensuring full autonomy of the Municipality in compliance with Section 21(1)(a) of the Urban Areas and Cities Act, 2011, amended 2019.		
2	<p>Operating Municipality without an Approved Budget.</p> <p>In the circumstances, Management was in breach of the law.</p>	Kakamega Municipality's budget was prepared by the Board which in turn submitted to the County Treasury for consolidation through the parent ministry of Lands, Housing, Physical Planning and Urban Development. The budget was then approved by the cabinet and the County Assembly as part of the annual County appropriation bill in line with section 20(1)(1) of the Urban Areas and Cities Act, 2011.	Resolved	

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

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)
Basis for Conclusion				
	<p>Lack of Risk Management Policy Framework.</p> <p>In the circumstances, the failure to develop a risk management policy exposes the Municipality to risk and in the event of occurrence, there may not be strategies to counter the risks.</p>	<p>The board has not yet developed a risk management policy, however it resolved to adopt a policy from the County Executive.</p>	Resolved	

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

Guidance Notes:

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

To be Signed by the Accounting officer of the Entity

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

Appendix 2: Inter-Entity Transfers

MUNICIPALITY NAME: KAKAMEGA MUNICIPALITY				
Breakdown of Transfers from the County Executive of kakamega County				
FY 2024/2025				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		28/10/2024	2,000,000	2024/2025
		27/12/2024	2,000,000	2024/2025
		25/4/2025	2,000,000	2024/2025
		Total	6,000,000	2024/2025
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	2024/2025
			0	2024/2025
			0	2024/2025
		Total	0	2024/2025
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			70,783,313	2024/2025
		Total	76,783,313	2024/2025

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

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

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

Appendix 3: Reporting of Climate Relevant Expenditures

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

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

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

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