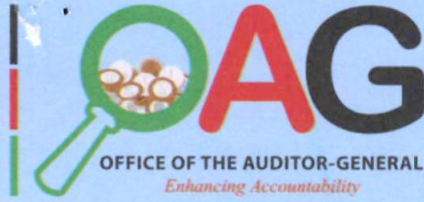
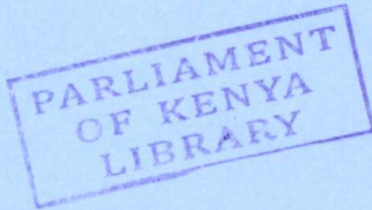


REPUBLIC OF KENYA



15

REPORT



OF

THE AUDITOR-GENERAL

ON

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KAPSABET MUNICIPALITY

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF NANDI

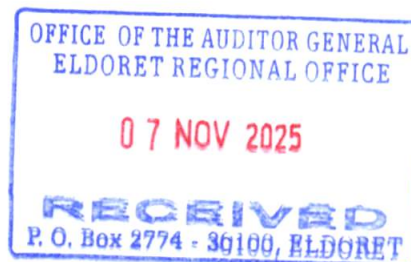
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KAPSABET MUNICIPALITY
County Government of Nandi

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

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



| | |
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1. Acronyms and Definition of Key Terms

A. Acronyms

| | |
|-------|--|
| PSASB | Public Sector Accounting Standards Board |
| FY | Financial Year |
| OSHA | Occupational Safety & Health Act |

B. Definition of Key Terms

| | |
|-----------------------------|---|
| Fiduciary Management | - Members of Management directly entrusted with the entity's financial resources. |
| Comparative Year | - Means the prior period. |

2. Key Entity Information and Management

a) Background information

Kapsabet Municipality was established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 (amended in 2019) and Cities and Municipal Charter on 9th April 2018. The Municipality is under the County Government of Nandi and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Municipality is to;

- i) Provide efficient and accountable management of the affairs of municipality.
- ii) Pursue the development opportunities.
- iii) Provide high standard of social services.
- iv) Promote social cohesiveness.
- v) Provision of services.
- vi) Foster the economic social and environmental wellbeing of its community.

Vision

An economically vibrant municipality that offers effective services in a conducive, liveable and memorable environment.

Mission

To offer effective quality services to the residents in a transparent, clean, conducive environment that guarantees economic growth and sustainable livelihoods

Core objective

The following core values embraced by the Board will undergird the realization of its Vision:

Inclusivity

Accountability

Transparency

Innovativeness

Integrity

c) Key Management

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

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

- County Department in charge of Municipality.
- Board of Management.
- Accounting Officer / Municipality Manager
- Management.

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 | Alfayo Lel |
| 2. | Head of Technical Department | Hillary Koech |
| 3. | Head of Corporate Department | Joseph Ngetich |
| 4. | Head of Human Resource Department | Tecla Rono |
| 5. | Head of Supply Chain Management | Amon Muge |
| 6. | Senior Administrator | Susan Kogo |

e) Fiduciary Oversight Arrangements

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

| No. | Name | Designation |
|-----|------------------|------------------------------------|
| 1. | CPA Alfred Lagat | CECM-Finance and Economic Planning |
| 2. | CPA Edwin Maiyo | Head of Internal Audit |
| 3. | Amos Magut | County Attorney |

f) Registered Offices

P.O. Box 311-30300
Kapsabet municipality
Adjacent to Kapsabet law court
KENYA

g) Contacts

Telephone: (+254) 725421592
E-mail: municipality@nandi.go.ke

Website: www.nandi.go.ke

h) Bankers

1. Nandi County Kenya Urban Institutional Grants A/C No 1000397101 CBK
2. Kapsabet Municipality Urban Development Grants A/C No 1000397117 CBK
3. Kapsabet Municipality-UDG A/C No 1260069508 KCB
4. Nandi County UIG A/C No 1260069338 KCB

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


3. Municipality Board

| Serial No. | Name | Details of qualifications and experience |
|------------|--|---|
| 1 |  Mark Joseph Maritim | <p>He holds a MSC in Disaster Management & Humanitarian Assistance from Masinde Muliro University and BED (Science) from Moi University</p> <p>He has been the Chairman of the Constituency Development Fund – Chesumei Constituency</p> <p>He has been a teacher and a principal of high school. He has also worked as a Lecturer in a Technical Training Institute. He is currently a Lecturer at Masinde Muliro University</p> <p>Currently Board Chairperson – Kapsabet Municipality</p> |
| 2 |  Ms. Nancy Cherotich Sheillah | <p>Holds a Bachelor of Arts in Social Studies from Moi University.</p> <p>Trained in Community Development, Project Monitoring and Evaluation, Civic Education (Uraia Trust Kenya), Probation and After Care Services.</p> <p>She’s a member of the Kapsabet Neighbourhood Association.</p> <p>Currently Board Member – Kapsabet Municipality.</p> |
| 3 |  Ms. Salma Aden | <p>Salma Aden has a solid foundation with a Diploma in Business Management from Moi University and hands-on experience in accounting. Her background in business management, combined with practical experience in various finance and accounting roles across different institutions, has equipped her with valuable skills in financial reporting, budgeting, and compliance. She also possesses strong management and leadership skills.</p> <p>Currently Board Member – Kapsabet Municipality</p> |
| 4 |  Mr. Elly Chepkwony Ndega | <p>Holds a Bachelor of Social Work and Community Development from Masinde Muliro University of Science and Technology (MMUST) & Diploma in Project Management 2016-2018 from Kenya Institute of Management (KIM).</p> <p>Previously, a Project Coordinator– USAID mwendo (OVC) Project-Nandi County Project Coordinator –USAID APHIAplus Project Nandi County Social Worker-USAID APHIAplus OVC Project.</p> <p>Currently Board Member – Kapsabet Municipality</p> |

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

| | | |
|---|---|---|
| 5 |  Ms. Josephine Jerotich Tuwei | <p>Holds a Diploma in Supply Chain Management from Rift Valley Technical Training Institute (R.V.T.T.I.).</p> <p>Previously worked at Kenya Seed Company and New Kenya Cooperative Creameries Ltd (NKCC)</p> <p>Currently Board Member – Kapsabet Municipality</p> |
| 6 |  Ms. Mildred Chelimo | <p>Mildred Chelimo is a distinguished Advocate of the High Court with over 8 years of extensive experience in the legal profession. She has a robust background in handling constitutional, civil, and criminal matters, and exhibits a strong specialization in land and environmental law, conveyancing, commercial law, and succession matters.</p> <p>Born on February 25, 1986, Mildred is currently serving as a Senior Partner at Messrs. Chelimo and Company Advocates. She earned her law degree from Moi University, which has been foundational to her successful career in the legal field.</p> <p>Currently Board Member – Kapsabet Municipality</p> |
| 7 |  Job Kipkurgat Ng'etich | <p>Holds a Doctor of Philosophy (Environmental Studies) from University of Eldoret, Master of Arts (UoN) & Bachelor of Arts (UoN).</p> <p>Previously worked at the Physical Planning Department, Ministry of Land, Housing and Urban Development both as a Senior Physical Planner, Chief Physical Planner & also as a Principal Physical Planner.</p> <p>Currently a Lecturer, School of Environmental Studies, University of Eldoret (UOE)</p> <p>Currently Board Member – Kapsabet Municipality</p> |
| 8 |  ALFAYO LEL Board Secretary | <p>Holds a Bachelor's degree in Environmental Science (with IT) from Maseno University. He has served as Director at the Department of Lands, Environment, Natural Resources and Climate Change of the County Government of Nandi. He has done Senior Management & Strategic Leadership & Development Courses at Kenya School of Government and is registered Environmental Impact Assessment (EIA) expert. Has vast experience on matters environmental conservation, climate change adaptation and mitigation.</p> <p>He is the Municipal Manager / Board Secretary</p> |

4. Key Management Team

| Serial No | Name | Details of qualifications and experience |
|-----------|--|--|
| 1. |  <p>ALFAYO LEL Board Secretary</p> | <p>Holds a Bachelor’s Degree in Environmental Science (with IT) Maseno University. He has served as Director at the Department of Lands, Environment, Natural Resources and Climate Change of the County Government of Nandi. He has done Senior Management and Strategic Leadership & development Courses at Kenya School of Government and is registered Environmental Impact Assessment (EIA) expert. Has vast experience on matters environmental conservation, climate change adaptation and mitigation.</p> <p>He is the Municipal Manager / Board Secretary</p> |
| 2. |  <p>Hillary Koech</p> | <p>Holds a Bachelor’s Degree in Civil Engineering from University of Nairobi.</p> <p>Graduate member - Engineers Board of Kenya.</p> <p>Previously served as the CECM – Transport & Infrastructure, Nandi County</p> <p>He is the Superintendent Engineer for the Municipality</p> |
| 3. |  <p>Susan Jelagat</p> | <p>Holds a Bachelor of Business and Information Technology (BBIT), from Africa Nazarene University.</p> <p>Has done Senior Management Course at Kenya School of Government.</p> <p>Previously served as the Deputy County Administrator and is currently the Senior Administrator at Kapsabet Municipality.</p> |

5. Municipality Board Chairperson's Report

5.1 Introduction

It is with great pleasure and humility that I present the Chairperson's report for Kapsabet Municipality for the financial year ended 30 June 2025. The year has been one of progress, learning, and adaptation as we navigated both opportunities and challenges in the delivery of services to our residents.

5.2 Successes Achieved

During the 2024/2025 financial year, the Municipality recorded several notable successes across key sectors:

- **Infrastructure Development:** Improvement of urban roads in Kapsabet, improving accessibility within the municipality.
- **Street Lighting:** Repair of streetlights across major streets and the market, enhancing security and promoting a 24-hour economy.
- **Waste Management:** Enhancement of waste collection and management, leading to a 30% improvement in waste collection efficiency.
- **Revenue Collection:** Increase in revenue collection through enhanced digitization and enforcement of licensing and market fees.

5.3 Review of the Municipality Board's Performance

The Kapsabet Municipality Board remained committed to its mandate of offering strategic guidance and oversight in urban governance. Key achievements include:

- **Strategic Oversight:** The Board held its meetings, as required by law, to deliberate and approve major development proposals and budget allocations.
- **Stakeholder Engagement:** Successful facilitation of 7 public participation forums to ensure inclusive planning and prioritization of community needs.
- **Monitoring and Evaluation:** The Board enhanced its oversight role through field inspections and quarterly performance reviews of ongoing projects.
- **Policy Implementation:** Approved key policies to guide efficient operations of the Municipality.

5.4 Challenges Faced

Despite the progress made, several challenges constrained our efforts:

- **Inadequate Funding:** Delays and shortfalls in disbursements from the national government affected project timelines.
- **Rapid Urbanization:** Increasing population and informal developments put pressure on infrastructure and basic services.
- **Solid Waste Management:** Despite improvements, illegal dumping remains an issue due to low public awareness and enforcement capacity.

- **Limited Human Resource Capacity:** Some technical departments remain understaffed, affecting service delivery in key areas like planning and engineering.

5.5 Changes in the Board and Key Management

- **Board Composition:** There were no changes in the Board composition in the year under review.
- **Key Management:** Mr. Alfayo Lel, formerly the Director of Lands & Environment at the County level was recruited as the Municipal Manager in January 2025. This leadership transition was smooth and has already brought fresh strategic direction to municipal operations.

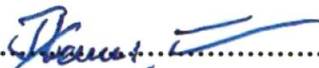
5.6 Future Outlook of the Municipality Board

Looking forward, the Municipality Board will focus on the following key priorities:

- Accelerating Implementation of Kapsabet Municipality Integrated Development Plan (IDeP) 2025–2030.
- Enhancing Public-Private Partnerships (PPPs) for infrastructure development.
- Digitizing municipal services to increase efficiency and transparency.
- Strengthening environmental management and climate resilience initiatives.
- Capacity building for staff and board members to improve service delivery.
- Scaling up youth and women empowerment through urban economic programs.
- Expanding urban mobility infrastructure including walkways and non-motorized transport lanes.
- Improving land use management and development control mechanisms.

5.7 Conclusion

On behalf of the Municipality Board, I extend sincere appreciation to all our stakeholders, including the County Government of Nandi, the residents of Kapsabet, development partners, and the municipal staff for their continued support and collaboration. We remain committed to making Kapsabet a resilient, inclusive, and sustainable urban center.

..........

Name: MARK JOSEPH MARITIM

Chairperson of the Board

6. Report of the Municipality Manager

6.1 Introduction

As the Municipal Manager, I am pleased to present this report for the financial year ending June 30, 2025. It highlights the progress we've made in service delivery and financial management as a whole. The report also reflects our ongoing efforts to ensure that Kapsabet is run transparently, inclusively, and responsibly.

6.2 Budget Performance (2024/2025)

During the year, we managed a total budget of KES 32 million. Key programs like urban roads, street lighting, and waste management saw high performance, with some areas like urban planning and revenue enhancement exceeding their budgets due to expanded activities.

6.3 Physical Progress & Achievements

We made strong progress across several sectors:

- **Urban Roads:** A number of roads were rehabilitated, cutting travel time and reducing dust-related health issues.
- **Street Lighting:** Streets were repaired, making neighborhoods safer and boosting evening business.
- **Waste Management:** Enhanced waste collection and increased waste receptacles at strategic locations in the town.
- **Revenue:** Increased enforcement of collection yielded improved revenues during the year.

6.4 Implementation Challenges

Despite our progress, we encountered some issues:

- **Funding Delays:** Late funds from the national government slowed down project delivery.
- **Urban Growth:** Informal settlements and unregulated buildings are increasing.
- **Technical Gaps:** There is a need for more skilled staff in areas like traffic planning and GIS.
- **Enforcement Weaknesses:** It remains difficult to enforce zoning rules and health regulations.

6.8 Risk Management Strategies

We've put in place measures to reduce key risks:

- **Financial Delays:** Planning ahead and using local resources.
- **Compliance Issues:** Raising awareness and enforcing regulations.
- **Climate Challenges:** Using green infrastructure and flood maps.
- **Procurement Delays:** Using electronic government procurement system (*e-GP*).
- **Staff Turnover:** Training and planning for staff succession.

6.9. Conclusion

Kapsabet Municipality remains committed to improving urban services through good planning, proper use of resources, and involving the community. We aim to build a Municipality that is resilient, inclusive, and well-managed. With everyone's support, we are confident that even greater achievements lie ahead.



.....
Name: ALFAYO LEL
Municipality Manager

7. Statement of Performance Against Predetermined Objectives for the FY 2024-25

Anticipated programme objectives to be attained;

- a) Reduced number of accidents attributed vehicle and non-vehicle conflicts.
- b) Reduced travel time enhancing productivity and convenience.
- c) Emerging new development on the road corridor.
- d) Transformation of estate to a mixed used area from purely residential estate hence creating new frontiers on otherwise unutilized areas

Challenges

- a) Explosion in the utilization of the facility rendering the previous route unusable.
- b) Potential accidents being a residential estate with institutions surrounding.
- c) Main truck sewer crossing with perpetual overflow and spillage.
- d) Axle load control of heavy traffic.

Opportunities

- a) Extension of connectivity on the neighbouring and connection roads.
- b) Opening up the area for support with other donor programmes.
- c) Effective monitoring and protection of the riparian from encroachment and pollution.
- d) Potential for upgrading and improvement of the slum due to proximity to town areas

The key development objective of the program's agreements/plan are to:

- a) Support for the establishment, operationalization and strengthening of the institutional framework for urban management.
- b) Strengthening coordination of urban finances.
- c) Provision of support for planning, urban infrastructure and service delivery

Progress on attainment of Strategic development objectives

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

Below we provide the progress on attaining the stated objectives:

| Program | Objective | Outcome | Indicator | Performance |
|------------------------------------|------------------------------|--|--|--|
| Urban planning Spatial Plan | To control urban development | To create orderly development in urban areas | Number of developments conforming with rules and regulations governing urban development | In FY under review we increased Housing unit by 13%. |

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

| Program | Objective | Outcome | Indicator | Performance |
|------------------------------------|--|---|------------------------------------|---|
| Integrated Development Plan | To promote shared economic growth and job creation | Shared economic growth and job creation | Number of jobs created | In the financial year under review |
| Physical Infrastructure | To decongest market | More traders in market | Number of accidents has reduced | In FY 2024/25 market has been increased by 100% |
| Jua Kali sheds | To improve economic and working environment | Smooth movement of pedestrians. | Sewer blockages has been minimized | |
| Extension of Sewer line | To improve hygiene and working environment | | | |
| Non-Motorized Transport | To improve hygiene and working environment | | | |
| High masts | To reduce conflict between pedestrians and motorists | | | |
| Fresh produce Market | To provide lights so as to encourage 24 hour economy To improve small scale vendors and access of farm produce to markets therefore | | | |

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

| Program | Objective | Outcome | Indicator | Performance |
|----------------|---------------------|----------------|------------------|--------------------|
| | improve the economy | | | |

8. Corporate Governance Statement

The Municipality regards corporate governance as pivotal to the success of its operations and the Board as the essential and responsible organ is committed to ensure that good governance is practiced. The Board supports the best practices in corporate governance and adheres to its guide lines. As the policy maker, the Board is responsible for establishment of short-, medium- and long-term goals and the strategic plans to achieve them.

The Board ensures that the Municipality follows the Constitution, laws, regulations of the Government of Kenya, Nandi County Government, and its Board Charter.

a) Appointment

The current board consist of eight directors representing Professionals, business community and county government of Nandi. The board members are recruited competitively, taking into account the skill mix to ensure persons with key specialization such as finance, human Resource, Engineering etc. are included in the board.

The Chairman of the Board was appointed during the First Board Meeting. The Board serves for a term of 3 years renewal once. The board members representing the County Government of Nandi were appointed in July 2024. The County appointed the County Executive Committee for Finance & Economic Planning and Lands, Physical Planning, Housing, Natural Resources, Water and Climate Change but are represented by their Chief Officers

The Municipality provides appropriate information to the board, so that, they can maintain full and effective control on their strategic role,

b) Board Meetings

The Board and Committee meetings during the years were held as follows:

| S/No | Type of meeting | No of meeting |
|-------------|----------------------------|----------------------|
| 1 | Full board | 4 |
| 2 | Finance, HR and ICT | 4 |
| 3 | Technical | 4 |
| 4 | Audit, Risk and Governance | 4 |
| 5 | Environment & Health | 4 |

c) Board Committees

The Board has three Committees, which are:

i) Finance, Human Resource & Administration Committee

The Committee is responsible for the policy on human resource. It also reviews staff welfare and recruitment.

| S/No | Name | Designation | No of Meeting attended out of 4 |
|-------------|-----------------------|--------------------|--|
| 1 | Nancy Sheila Jerotich | Chairperson | 4 |
| 2 | Josphine Tuwei | Member | 4 |
| 3 | Jonah Biwott | Member | 4 |

ii) Audit & Risk Management Committee

The Committee is responsible for establishment and review of efficient internal controls, effective risk management policy, external auditors' queries and Nandi County Assembly Public Investment Committees recommendations, financial statement and Aldo arousal of Budgets

The Board discharges its supervisory and oversight responsibility through this committee.

| | Name | Designation | No of Meeting attended out of 4 |
|---|----------------|--------------------|--|
| 1 | Elly Chepkwony | Chairperson | 4 |
| 2 | Josphine Tuwei | Member | 4 |
| 3 | Hillary Serem | Member | 4 |

iii) Environment & Health Committee

The Committee is responsible for establishment and review of Sanitation, Landscaping Restoration in the Municipality.

| | Name | Designation | No of Meeting attended out of 4 |
|---|-----------------|--------------------|--|
| 1 | Salmah Aden | Chairperson | 4 |
| 2 | Jonah Biwott | Member | 4 |
| 3 | Mildred Chelimo | Member | 4 |

iv) Technical Committee

The Committee is responsible for establishment and review of quality standards for civil, structural and operational works in the Municipality.

| | Name | Designation | No of Meeting attended out of 4 |
|---|-----------------|--------------------|--|
| 1 | Dr Job Ngetich | Chairperson | 4 |
| 2 | Jonah Biwott | Member | 4 |
| 3 | Mildred Chelimo | Member | 4 |

d) Role of the Board

The role of the board is to give strategic direction to the Municipality as outline in the charter

e) Board Induction, Training and Development

Boards Induction was conducted in the year

f) Succession plan

The establishment and succession of the Board is provided for in the municipal charter. The Municipal charter provides for appointment of the Board and removal of the Board members.

g) Conflict of interest

Conflict of interest may arise where a Board member or close family member such as a spouse child, and parent has private interest that could improperly influence the performance of the board member's official duties and responsibilities.

All Transactions with all parties are carried out at arm's length. Board's members are obliged to disclose to the board any real potential of the conflict of interest which may come to the attention.

h) Board Remuneration

The Board members are remunerated based on the SRC requirements and the PFMA, 2012. Based on these requirements the members are remunerated sitting allowances and night outs, among other as guided by the SRC.

i) Ethic and conducts

The board members sign non-disclosure agreements to guide their conduct with regard to information sharing.

j) Governance Audit

The municipal charter and board charter require that the governance audit be conducted at least once each year,

k) Communication Policy

The municipality charter guides on how communication is done internally and Externally

l) Terms of reference of Committees

The terms of reference for the committee is stipulate by the Board Charter

m) Policy on related party Transaction

All transactions with all parties are carried out at arm's Length

9. Management Discussion and Analysis

The Municipal Manager who is also the Programme Manager for Kenya Urban Support Programme is responsible for the preparation and presentation of the programme's financial statements, which gives a true and fair view of the state of the affairs of the municipality for and as at the end of the financial year ended 2025

This responsibility includes:

- i. Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period.
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the municipality.
- iii. Designing implementation and maintaining internal control relevant to the preparation and fair presentation of the financial statements and ensuring that they are free from material, whether due to error or fraud.
- iv. Safeguarding the assets of the municipality.

10. Environmental and Sustainability Reporting

i. Sustainability strategy and profile

In the financial year 2024-2025 the municipality leadership had to strike a balance between politics and service provision to the public, value for money remains to be our key objective.

The Kapsabet municipality has advocated for all the stakeholders to work together in promoting participatory and inclusive governance and accountability.

The strategy has been achieved through public participation in planning for budget making process.

ii. Environmental performance

When the municipality provide finances to invest in projects such as building a road, providing people with water the aim is to ensure that the people and the environment are protected from potential adverse impacts. This is done through policies that identify, avoid, and minimize harm to people and the environment. These policies requires the units to address certain environmental and social risks in order to receive further support for investment projects from experience including environmental and social considerations into project design and implementation to improve development outcomes.

iii. Safeguard Policies

The current environmental and social policies are known as the "Safeguard Policies," the mechanism for addressing environmental and social issues in our project design, implementation and operation, and they provide a framework for consultation with communities and for public disclosure. Examples of these requirements include conducting environmental and social impact assessments, consulting with affected communities about potential project impacts, and restoring the livelihoods of displaced people.

iv. Employee welfare

Kapsabet municipality has provided instruction, training and supervision so as to ensure health and safety at work of his workers.

Policies have been put in place to ensure Employment of worker at any machine or in any process that may cause ill health or bodily injury is prohibited unless worker has been fully

instructed about the hazards involved and precautions that must be observed. Worker should be properly trained or required to work under supervision of experienced persons

v. Market place practices

To ensure responsible competition practices, Kapsabet municipality has undertaken vigorous training at various sub counties on emerging issues of corruption both touching on county staff and the public.

The municipality has ensured that fair competition environment exist for all the residents living in the municipality by eliminating all unethical or illegal business practices.

During the financial year 2024/25 there was timely payment to the suppliers. 30% of the total contracts for the year were reserved to groups under AGPO

To maintain ethical marketing, Kapsabet municipality has embarked on ensuring that products of various companies operating within the county are not only benefiting consumers but also socially responsible and environmentally suitable.

To safeguard customer rights and interest, Kapsabet municipality has adopted weight & measures to ensure that majority of products sold to the public meet the required quantity and quality.

vi. Community Engagements

Measures Established for PWDs

- i. Kapsabet municipality in partnership with Eldoret Textile Manufacturing Company Ltd trained registered groups for Persons Living with Disabilities to produce face masks that was bought back and marketed to the public by the Company. The benefits from sales were shared among the members of the respective groups to assist cushion their livelihoods during the pandemic.
- ii. Received and distributed a consignment of food items to cushion severely vulnerable households against hunger during this pandemic in partnership with the Church of Jesus Christ for the Latter-Day Saints. priority was given to beneficiaries from households of Persons Living with Disabilities.
- iii. Partnered with Kenya Society for Blind to distribute white canes for the Visually Impaired (VIs) together with packages of basic food items to support and improve their livelihood during the pandemic. The consignment of food donated to as an accompaniment to be distributed together with white canes to the visually impaired comprised of rice, Beans, sugar, green grams, bar of soap and salt.
- iv. Signed MOUs with the following Bodies; Kenya Society for the Blind, King of Christ ambassadors, Partners for Care and Bethany Kids to facilitate donation of various types of Assistive Devices including wheel chairs, special seats for Disabled children, mobility carts, crutches and white canes.

11. Report of the Municipality Board Members

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

Principal activities

The principal activities of the Municipality are to;

- i) Provide efficient and accountable management of the affairs of municipality.
- ii) Pursue the development opportunities.
- iii) Provide high standard of social services.
- iv) Promote social cohesiveness.
- v) Provision of services.
- vi) Foster the economic social and environmental wellbeing of its community.

Further details on the principal functions of the Municipality are outlined in the Kapsabet Municipal Charter of 9th April 2018.

Performance

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

Board Members

The members of the Board who served during the year are shown on page viii and the changes in the Board during the financial year are as shown below:

Auditors

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

By Order of the Board



.....
Name: ALFAYO LEL

Secretary of the Board.

12. Statement of Management’s Responsibilities

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

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

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

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

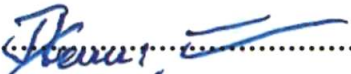
In preparing the financial statements, the Directors have assessed the Fund’s ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*). Nothing has come to the attention of the Municipality Manager

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

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

Approval of the financial statements

The Municipality's financial statements were approved by the Board on 29TH August 2025 and signed on its behalf by:

.....


Name: MARK JOSEPH MARITIM

Chairperson of the Board

.....


Name: ALFAYO LEL

Accounting officer of the Board

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KAPSABET MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF NANDI

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 Kapsabet Municipality – County Government of Nandi set out on pages 1 to 46, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance,

Report of the Auditor-General on Kapsabet Municipality for the year ended 30 June, 2025 – County Government of Nandi

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 explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kapsabet Municipality as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Urban Areas and Cities Act, 2011 (Amended 2019).

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kapsabet 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.

Material Uncertainty Related to Going Concern

Lack of Independence and Operational Autonomy

The Municipality was granted the Municipality Charter on the 23 March, 2018. However, the functions and responsibilities of the Municipality as outlined under Section 6(a to r) of the Urban and Cities Act, No.13 of 2011 are performed by the County Executive of Nandi.

Lack of independence and operational autonomy casts doubt on the going concern of the Municipality.

My opinion is not modified in respect of this matter.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final revenue budget of Kshs.42,748,022 against an actual performance of Kshs.42,748,022. Similarly, the statement reflects a final expenditure budget of Kshs.42,748,022 against an actual receipts of Kshs.5,461 resulting to an underutilization of Kshs.42,742,561 or 99%.

The under expenditure affected the activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance. However, no report or recommendations from Management and oversight bodies were submitted for audit verification. Therefore, the issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding. See **Appendix I**

Other Information

The Municipality Board is responsible for the Other Information set out on page iii to xxiv which comprise of Key Information and Management, Municipality Board, Key Management Team, Municipality Board Chair Person's Report, Report of the Municipality Manager, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Kapsabet 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 conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on 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. Lack of Operational Independence of the Municipality

As previously reported the Municipality of Kapsabet was granted a Municipality Charter on 9 April, 2018 which granted operational independence from the County Government of Nandi. However, review of the operations revealed lack of autonomy in the budget as the Municipality is controlled by the County Executive under the Department of Administration and the approval of the budget was not done by the Municipality Board. In addition, the Municipality relies on County Executive and staff structure approved by the County Assembly is yet to be implemented.

This was contrary to Section 9(1) of the Urban Areas and Cities Act, 2011 which states that the County Governor may, on the resolution of the County Assembly, confer the status of a Municipality on a town that meets the criteria set out in Subsection (3), by grant of a Charter in the prescribed form. In addition, it contravenes Section 12(1) of the Urban Areas and Cities Act, 2011 which states that the Management of a City and Municipality shall be vested in the County Government and administered on its behalf by a Board, a Manager appointed pursuant to Section 28 and such other staff or officers as the County Public Service may determine.

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

2. Unapproved Organizational Chart

The approved Municipality Charter provided for review was not supported by approving minutes of the Nandi Municipal Board neither was it signed by the Chairman of the Municipality Board. In addition, whereas the Organizational Chart indicates various Departments such as Gender and Social Services, Health/Environment, Civil Engineering and E-Governance, Finance and Supply Chain Management and Internal Audit headed by departmental heads, there were no such Departments in place.

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

3. Inadequate Staffing in the Municipality

During the year under review, it was noted that the staff establishment indicated a total of two hundred and ninety-seven (297) approved positions, of which only five (5) positions are currently filled, resulting in a deficit of two hundred and ninety-two (292) vacant positions. This significant understaffing adversely affects the entity's operational efficiency. This was contrary to Regulation 155(5) of the Public Finance Management (County Governments) Regulations, 2015, that requires that each County entity maintains an approved staff establishment aligned to its mandate and budgetary provisions.

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

4. Unsupported Requisitioning of Funds

The statement of financial performance reflects transfers from County Government amount of Kshs.32,309,300 as disclosed in Note.6 to the financial statements. However, review of the bank statement revealed that the County Government transferred an amount of Kshs.32,309,300 on 30 June, 2025 being the last day of the financial year. In addition, there was no evidence to confirm whether the Municipality Accounting Officer made any requisition for the funds from the County Government. This was contrary to Regulation 43(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that Accounting Officers provides the County Treasury with an annual cash flow plans as a requisition for funds needed for that financial year.

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

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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on 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

1. Weaknesses in Governance

During the year, it was noted that the Board had not effectively fulfilled its mandate under Section 1.2 of the Mwongozo Code, which requires the Board to determine the Organization's mission, vision, purpose, and core values, and to ensure that the strategy aligns with these elements and with stakeholder interests.

The following non-compliance issues were noted;

- i. Non establishment of the mandatory Audit Committee as per Section 1.71(b) of the Mwongozo Code and Committee minutes were not provided for audit.
- ii. The Board Charter was not provided for audit which was contrary to Part 1.11 of the Mwongozo Code of Governance for State Corporations on Board Charter

which states that the Board should develop and adopt a Board Charter that should define the role, responsibilities and functions of the Board in the governance of the Organization.

- iii. Lack of Staggered Tenure of Board Members as all the seven (7) Board Members were appointed on 1 July, 2024 contrary to Section 1.14 of the Mwongozo Code of Governance for State Corporations which states that the appointing authority ensures the tenures of Board Members are staggered to facilitate a phased transition. This provision is intended to preserve institutional memory, provide continuity in leadership, and avoid disruptions in governance when Board membership changes.
- iv. Failure to conduct an annual governance audit, contrary to the Mwongozo Code Section 1.13(1).
- v. Board evaluation did not take place contrary to Mwongozo Code 1.12(1a).

The Board has not maintained effective internal controls or discharged its responsibilities as required.

2. Lack of Internal Audit Function

As previously reported, review of internal controls revealed that the Municipality did not have an Internal Audit Function to carry out internal audits. This was contrary to Regulation 155(2)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states an Accounting Officer shall ensure that the organizational structure of the internal audit unit facilitates the entity to accomplish its internal audit responsibilities.

In the circumstances, the oversight function over the Municipality operations is not effective.

3. Lack of Occupational Safety and Health Policy

As previously reported, review of the Municipality's occupational risk management and disaster preparedness revealed that the Management did not prepare and approve an occupational safety and health policy and does not have an Occupational Safety Act, 2007 which states that every occupier shall establish an occupational health and safety committee in the workplace.

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

4. Lack of Risk Management Policy

As previously reported, review of internal controls revealed that the Municipality lacks an Approved Risk Management Policy. The Municipality did not have a Framework for Risk Identification and Management contrary to 158(1) of the Public Finance Management

(County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that; (a) the County Government entity develops risk management strategies, which include fraud prevention mechanism; and (b) the County Government entity develops a system of risk management and internal control that builds robust business operations.

In the absence of Risk Management Policy, it is not possible to define the entity's risk appetite and set risk tolerance levels by identifying boundaries against unacceptable exposure to risk.

5. Lack of IT Internal Controls

As previously reported, review of the Information and Communication Technology (ICT) setup revealed that the Municipality uses the Nandi County Integrated Finance Management and Information Systems and Integrated Personnel and Payroll System to Manage its receipts and payments and payroll respectively. However, it does have in place an ICT Policy and IT Strategic Plan which stipulates policies such as Data Recovery Plan (DRP), IT Security and IT Steering Committee which are vital in effective and efficient management of the entity's IT resources. In addition, it was noted that staff composition in the ICT Department had only three (3) qualified personnel who were of the same level of Principal ICT Officers and had no defined roles and responsibilities on how to oversee the IT operations, therefore, negating the principle of segregation of duties.

In the circumstances, the Municipality risks operating in an environment where external compromises are eminent and can jeopardize the organizations data.

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 those Charged with Governance

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 continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to 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.

Those charged with governance are 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

27 November, 2025

Appendix I: Unresolved Prior Year Audit Matters 2023/2024


| | Issue |
|----|--|
| | Report on Financial Statements |
| 1 | Inaccuracies in Financial Statements |
| 2 | Cash and Cash Equivalents |
| | Emphasis of Matter |
| 3 | Budgetary Control and Performance |
| | Report on Lawfulness and Effectiveness in the Use of Public Resources |
| 4 | Presentation and Disclosure in the Financial Statements |
| 5 | Lack of Operational Independence of Municipality |
| 6 | Unapproved Organizational Chart |
| 7 | Lack of Municipality Board |
| 8 | Lack of an Approved HR Policy Manual and Staff establishment |
| 9 | Lack of Municipality Board |
| 10 | Irregular variation of contract for the Proposed Construction of A Fresh Produce Market at Jua Kali Area, Kapsabet Town. |
| | Report on Effectiveness of Internal Controls, Risk Management and Governance |
| 11 | Lack of Internal Audit Function |
| 12 | Lack of Occupation Safety and Health Policy |
| 13 | Lack of Risk Management Policy |
| 14 | Lack of IT Internal Controls |

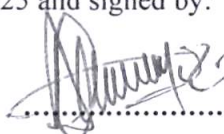
*Kapsabet Municipality
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Annual Report and Financial Statements for the year ended June 30, 2025*

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

| Description | Note | 2024/25 | 2023/24 |
|---|------|-------------------|------------------|
| | | Kshs. | Kshs. |
| Revenue from non-exchange transactions | | | |
| Transfers from the County Government | 6 | 32,309,300 | - |
| Public contributions and donations | 7 | - | - |
| Levies Fines and Penalties | 8 | - | - |
| Other revenues (<i>Specify</i>) | 9 | - | - |
| | | 32,309,300 | - |
| Revenue from exchange transactions | | | |
| Interest income | 10 | - | - |
| Miscellaneous Income | 11 | - | - |
| | | - | - |
| Total revenue | | 32,309,300 | - |
| Expenditure | | | |
| Use of goods and services | 12 | 5,461 | 255,424 |
| Staff costs | 13 | - | - |
| Board expenses | 14 | - | - |
| Finance costs | 15 | - | - |
| Depreciation and amortization | 16 | 15,233,937 | - |
| Repairs and maintenance | 17 | - | - |
| Total expenses | | 15,239,398 | 255,424 |
| Other gains/losses | | | |
| Gain/loss on disposal of assets | 18 | - | - |
| Surplus/(deficit) for the period | | 17,069,902 | (255,424) |

The notes set out on pages 6 to 16 form an integral part of these Financial Statements. The entity financial statements were approved on 29th August 2025 and signed by:


.....
Name: Alfayo Lel
Municipality Manager


.....
Name: CPA Cheruiyot Albert
Head of Finance
ICPAK M/No: 24680

*County Government of Nandi
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15. Statement of Financial Position as at 30 June 2025

| Description | Note | Insert Current FY | Insert Comparative FY |
|--|------|--------------------|-----------------------|
| | | Kshs. | Kshs. |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 19 | 42,742,561 | 10,438,722 |
| Receivables from exchange transactions | 20 | - | - |
| Receivables from non-exchange transactions | 21 | - | - |
| Prepayments | 22 | - | - |
| Inventories | 23 | - | - |
| Total current assets | | 42,742,561 | 10,438,722 |
| | | | |
| Non-current assets | | | |
| Property, plant, and equipment | 24 | 127,235,397 | 142,469,334 |
| Total Non-current Assets | | 127,235,397 | 142,469,334 |
| | | | |
| Total assets | | 169,977,958 | 152,908,056 |
| | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 26 | - | - |
| Refundable deposits from customers | 27 | - | - |
| Provisions | 28 | - | - |
| Borrowings | 29 | - | - |
| Employee benefit obligations | 30 | - | - |
| Deferred Income | 31 | - | - |
| Social Benefits | 32 | - | - |
| Total current liabilities | | - | - |
| | | | |
| Non-current liabilities | | | |
| Provisions | 28 | - | - |
| Borrowings | 29 | - | - |
| Non-current employee benefit obligation | 30 | - | - |
| Deferred Income | 31 | - | - |
| Social Benefits | 32 | - | - |
| Total liabilities | | - | - |
| | | | |
| | | | |
| Net assets | | 169,977,958 | 152,908,056 |
| Capital Development Grants | 25 | 58,291,174 | 58,291,174 |

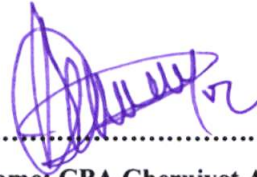
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| | | | |
|---|----|--------------------|--------------------|
| Reserves | | - | - |
| Accumulated surplus | 26 | 111,686,784 | 94,616,882 |
| Total net assets and liabilities | | 169,977,958 | 152,908,056 |

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 29th August 2025 and signed by:



.....
Name: Alfayo Lel
Municipality Manager
Date: 24th Oct 2025



.....
Name: CPA Cheruiyot Albert
Head of Finance
ICPAK M/No: 24680
Date: 24th October 2025

*County Government of Nandi
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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 | Revaluation | Accumulated | Total |
|--|-----------------------|-------------|--------------------|--------------------|
| | Development Grants | Reserve | surplus | |
| | | Kshs. | Kshs. | Kshs. |
| Bal as at 1 July 2023 (previous year) | 58,291,174 | - | 94,616,882 | 152,908,056 |
| Surplus/(deficit) for the year | | - | (255,424) | - |
| Funds received during the year | | - | - | - |
| Revaluation gain | - | - | - | - |
| Bal as at 30 Jun 2024 | 58,291,174 | - | 94,616,882 | 152,908,056 |
| Bal as at 1 July 2024 (current year) | 58,291,174 | - | 94,616,882 | 152,908,056 |
| Surplus/(deficit) for the year | - | - | 17,069,902 | 17,069,902 |
| Funds received during the year | - | - | - | - |
| Revaluation gain | - | - | - | - |
| Balance as at 30 June 2025 | 58,291,174 | - | 111,686,784 | 169,977,958 |

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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 | 2025 | 2024 |
|---|------|-------------------|--------------------|
| | | Kshs. | Kshs. |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from the County Government | | 32,309,300 | - |
| Public contributions and donations | | - | - |
| Interest received | | - | - |
| Miscellaneous receipts (<i>Specify</i>) | | - | - |
| Total Receipts | | 32,309,300 | - |
| Payments | | | |
| Use of goods and services | | 5,461 | 255,424 |
| Staff costs | | - | - |
| Board expenses | | - | - |
| Finance costs | | - | - |
| Total Payments | | 5,461 | 255,424 |
| Net cash flows from operating activities | 33 | 32,303,839 | - 255,424 |
| Cash flows from investing activities | | | |
| Purchase of PPE & intangible assets | | - | 39,511,222 |
| Proceeds from sale of PPE | | - | - |
| Net cash flows used in investing activities | | - | 39,511,222 |
| Cash flows from financing activities | | | |
| Receipts from Capital grants | | - | - |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | - | - |
| Net cash flows used in financing activities | | - | 39,511,222 |
| Net increase/(decrease) in cash & cash equivalents | | 32,303,839 | -39,766,646 |
| Cash And Cash Equivalents At 1 July | 19 | 10,438,722 | 50,205,368 |
| Cash And Cash Equivalents At 30 June | 19 | 42,742,561 | 10,438,722 |

*Kapsabet Municipality
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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 diff | % of utilisation |
|--------------------------------------|-------------------|--------------|-------------------|----------------------------|-------------------|-------------------|
| | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | |
| | a | b | c=(a+b) | d | e=(c-d) | f=d/c |
| Revenue | | Kshs. | Kshs. | Kshs. | Kshs. | |
| Transfers from the County Government | 32,309,300 | - | 32,309,300 | 32,309,300 | - | 100 |
| Public contributions and donations | - | - | - | - | - | - |
| Interest income | - | - | - | - | - | - |
| balance b/f | 10,438,722 | - | 10,438,722 | 10,438,722 | - | - |
| Total Revenue | 42,748,022 | - | 42,748,022 | 42,748,022 | - | 100 |
| Expenses | | | | | | |
| Use of goods and services | 30,309,300 | - | 30,309,300 | 5,461 | 30,303,839 | 0.01801757 |
| Board expenses | 12,438,722 | - | 12,438,722 | - | 12,438,722 | - |
| Staff Costs | - | - | - | - | - | - |
| Finance costs | - | - | - | - | - | - |
| Total Expenditure | 42,748,022 | - | 42,748,022 | 5,461 | 42,742,561 | 0.01277486 |
| Surplus for the period | - | - | - | 42,742,561 | - | |
| | | | | | 42,742,561 | |
| Capital Expenditure | - | - | - | - | - | - |

i. The 1.8% utilization of Use of goods and services was due to delay in the disbursement of funds from the national treasury

Budget Reconciliation

| | |
|---|------------|
| Revenue Reconciliation | |
| Revenue as per the Statement of Comparison of Budget and Actual | 42,748,022 |
| Less: Capital | 0 |
| Balance B/d | 10,438,722 |
| Revenue as per statement of financial performance | 32,309,300 |
| Less Depreciation and amortization | 15,233,937 |
| Less: Use of goods and services | 5461 |
| | 17,069,902 |

19. Notes to the Financial Statements

1. General Information

Kapsabet Municipality was established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 (amended in 2019) and Cities and Municipal Charter on 9th April 2018. The Municipality is under the County Government of Nandi and is domiciled in Kenya.

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Application of New and revised standards (IPSAS)

(When an IPSAS becomes effective on 1st January 2027, it is applicable in Kenya from 1st July 2027)

- 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. |
| IPSAS 46: Measurement | Applicable 1st January 2025 |

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| | |
|---|--|
| | <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> |
| IPSAS 47: Revenue | <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> |
| IPSAS 48: Transfer Expenses | <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> |
| IPSAS 49: Retirement Benefit Plans | <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> |
| IPSAS 50: Exploration For & Evaluation of Mineral Resources | <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. 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 |

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| | |
|--|---|
| | 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. |
|--|---|

iii. Early adoption of standards

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

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/25 was approved by the County Assembly 15th June 2025. 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.

f) Financial instruments

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

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

Financial assets

Classification of financial assets

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

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

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

g) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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

h) Provisions

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

i) Social Benefits

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

j) Contingent liabilities

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

k) Contingent assets

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

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

l) Nature and purpose of reserves

The Municipality creates and maintains reserves in terms of specific requirements.

m) Changes in accounting policies and estimates

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

n) Employee benefits – Retirement benefit plans

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

o) Foreign currency transactions

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

p) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

q) Related parties

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Events after the reporting period

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

Two types of events can be identified:

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

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

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

u) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

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.

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Notes to the Financial Statements

6. Transfers from the County Government

| Description | FY 2024/25 | FY 2023/24 |
|--|-------------------|------------|
| | Kshs. | Kshs. |
| Transfers from County Govt. – Recurrent | 32,309,300 | - |
| Payments by County on behalf of the entity | - | - |
| Unconditional development grants | - | - |
| Total | 32,309,300 | - |

(a) Transfers from County Government entities (Categorized)

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

7. Public Contributions and Donations

| Description | FY 2024/25 | FY 2023/24 |
|------------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Donation from development partners | - | - |
| Contributions from the public | - | - |
| Total | - | - |

8. Levies, Fines and penalties

| Description | FY 2024/25 | FY 2023/24 |
|--|------------|------------|
| | Kshs. | Kshs. |
| Levies | - | - |
| Fines | - | - |
| Penalties | - | - |
| Others (<i>indicate and specify</i>) | - | - |
| Total | - | - |

9. Other Revenues

| Description | FY 2024/25 | FY 2023/24 |
|--|------------|------------|
| | Kshs. | Kshs. |
| Transfers from other government entities | - | - |
| Others (<i>indicate and specify</i>) | - | - |
| Total | - | - |

10. Interest income

| Description | FY 2024/25 | FY 2023/24 |
|----------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Interest income from investments | - | - |
| Interest income on bank deposits | - | - |
| Others (<i>Specify</i>) | - | - |
| Total interest income | - | - |

11. Miscellaneous income

| Description | FY 2024/25 | FY 2023/24 |
|--------------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Income from sale of tender documents | - | - |
| Others (<i>specify</i>) | - | - |
| Total other income | - | - |

12. Use of Goods and Services

| Description | FY 2024/25 | FY 2023/24 |
|--------------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Utilities, supplies and services | - | - |
| Communication, supplies and services | - | - |

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| Description | FY 2024/25 | FY 2023/24 |
|--|--------------|----------------|
| | Kshs. | Kshs. |
| Domestic travel and subsistence | 0 | 180,000 |
| Foreign travel and subsistence | - | - |
| Printing, advertising, supplies & services | - | - |
| Rent and rates | - | - |
| Training expenses | - | - |
| Hospitality supplies and services | - | - |
| Insurance costs | - | - |
| Specialized materials and services | - | - |
| Office and general supplies and services | - | - |
| Fuel, oil and lubricants | - | - |
| Other operating expenses (Specify) | 0 | 69,617 |
| Routine maintenance – vehicles and other equipment | - | - |
| Routine maintenance – other assets | - | - |
| Contracted Professional Services | - | - |
| Audit fees | - | - |
| Hire of Transport, equipment etc | - | - |
| Bank Charges | 5,461 | 5,807 |
| Social Benefit expenses* | - | - |
| Total | 5,461 | 255,424 |

13. Staff costs

| Description | FY 2024/25 | FY 2023/24 |
|------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Salaries and wages | - | - |
| Staff gratuity | - | - |
| Social security contribution | - | - |
| Other staff costs (Specify) | - | - |
| Total | - | - |

14. Board expenses

| Description | FY 2024/25 | FY 2023/24 |
|-------------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Chairman/Members' Honoraria | - | - |
| Sitting allowances | - | - |
| Medical Insurance | - | - |
| Induction and Training | - | - |
| Travel and accommodation | - | - |
| Conference Costs | - | - |
| Other allowances (<i>Specify</i>) | - | - |
| Total | - | - |

15. Finance costs

| Description | FY 2024/25 | FY 2023/24 |
|------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Interest on Bank overdrafts | - | - |
| Interest on loans from banks | - | - |
| Total | - | - |

16. Depreciation and amortization

| Description | FY 2024/25 | FY 2023/24 |
|--|---------------|------------|
| | KShs | KShs |
| Property, plant and equipment | 15,233,936.55 | - |
| Intangible assets | - | - |
| Investment property carried at cost | - | - |
| Total depreciation and amortization | 15,233,936.55 | - |

17. Repairs and Maintenance

| Description | FY 2024/25 | FY 2023/24 |
|--------------------------------------|------------|------------|
| | KShs | KShs |
| Property- Buildings | - | - |
| Office equipment | - | - |
| Furniture and fittings | - | - |
| Motor vehicle expenses | - | - |
| Maintenance of civil works | - | - |
| Total repairs and maintenance | - | - |

18. Gain/(loss) on disposal of assets

| Description | FY 2024/25 | FY 2023/24 |
|-------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Property, plant and equipment | - | - |
| Intangible assets | - | - |
| Total | - | - |

19. Cash and cash equivalents

| Description | FY 2024/25 | FY 2023/24 |
|--|-------------------|-------------------|
| | Kshs. | Kshs. |
| Fixed deposits account | - | - |
| On – call deposits | - | - |
| Current account | 42,742,561 | 10,438,722 |
| Others(<i>specify</i>) | - | - |
| Total cash and cash equivalents | 42,742,561 | 10,438,722 |

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

| Financial institution | Account number | FY 2024/25 | FY 2023/24 |
|---|----------------|------------|------------|
| | | Kshs. | Kshs. |
| a) Fixed deposits account | | | |
| Kenya Commercial bank | | - | - |
| Equity Bank, etc | | - | - |
| Sub- total | | - | - |
| b) On - call deposits | | | |
| Kenya Commercial bank | | - | - |
| Equity Bank - etc | | - | - |
| Sub- total | | - | - |
| c) Current account | | | |
| Nandi County Kenya Urban Institutional Grants A/C No 1000397101 CBK | | 32,309,300 | - |

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| Financial institution | Account number | FY 2024/25 | FY 2023/24 |
|--|----------------|-------------------|-------------------|
| | | Kshs. | Kshs. |
| Kapsabet Municipality Urban Development Grants A/C No 1000397117 CBK | | - | - |
| Kapsabet Municipality-UDG A/C No 1260069508 KCB | | 10,432,998 | 10,438,551 |
| Nandi County UIG A/C No 1260069338 KCB | | 263 | 171 |
| Sub- total | | 42,742,561 | 10,438,722 |
| d) Others(specify) | | - | - |
| Cash in transit | | - | - |
| Cash in hand | | - | - |
| Mobile Money | | - | - |
| Sub- total | | - | - |
| Grand total | | 42,742,561 | 10,438,722 |

20. Receivables from exchange transactions

| Description | FY 2024/25 | FY 2023/24 |
|---|------------|------------|
| | Kshs. | Kshs. |
| Current Receivables | | |
| Service, water and electricity debtors | - | - |
| Other exchange debtors | - | - |
| Less: impairment allowance | - | - |
| Total Current receivables (a) | - | - |
| Non-Current receivables | | |
| Service, water and electricity debtors | - | - |
| Other exchange debtors | - | - |
| Less: impairment allowance | - | - |
| Total Non- current receivables (b) | - | - |
| Total | - | - |

Ageing analysis for Receivables from exchange transactions

| Description | FY 2024/25 | | FY 2023/24 | |
|------------------|------------|----------------|----------------|----------------|
| | Kshs | | Kshs | |
| | Current FY | % of the total | Comparative FY | % of the total |
| Less than 1 year | - | % | - | % |

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| | | | | |
|--------------------|---|---|---|---|
| Between 1- 2 years | - | % | - | % |
| Between 2-3 years | - | % | - | % |
| Over 3 years | - | % | - | % |
| Total (a+b) | - | % | - | % |

21. Receivables from Non-Exchange transaction

| Description | FY 2024/25 | FY 2023/24 |
|--------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Transfer from County Executive | - | - |
| Transfer from XXXX Fund | - | - |
| Total | - | - |

Ageing analysis for Receivables from non-exchange transactions

| Description | FY 2024/25 | | FY 2023/24 | |
|--------------------|------------|----------------|----------------|----------------|
| | Kshs | | Kshs | |
| | Current FY | % of the total | Comparative FY | % of the total |
| Less than 1 year | - | % | - | % |
| Between 1- 2 years | - | % | - | % |
| Between 2-3 years | - | % | - | % |
| Over 3 years | - | % | - | % |
| Total | - | % | - | % |

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22. Prepayments

| Description | FY 2024/25 | FY 2023/24 |
|--------------------------|------------|------------|
| | Kshs. | Kshs. |
| Insurance | - | - |
| Rent | - | - |
| Water | - | - |
| Internet | - | - |
| Other (<i>specify</i>) | - | - |
| Total | - | - |

23. Inventories

| Description | FY 2024/25 | FY 2023/24 |
|--|------------|------------|
| | Kshs | Kshs |
| Consumable stores | - | - |
| Medical supplies | - | - |
| Spare parts and meters | - | - |
| Water for distribution | - | - |
| Other goods held for resale | - | - |
| Catering | - | - |
| Less: allowance for impairment | - | - |
| Total inventories at the lower of cost and net realizable value | - | - |

(Provide brief explanation on inventories)

Detailed Disclosure on Inventories

| | FY 2024/25 | FY 2023/24 |
|----------------------------------|------------|------------|
| Opening balance | - | - |
| Additional Inventory in the year | - | - |
| Inventory expensed in the year | - | - |
| Write-downs in the year | - | - |
| Others specify | - | - |
| Closing balance | - | - |

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24. Property, Plant and Equipment

| Description | Building | Computers | infrastructure | Total |
|--|--------------------|----------------|------------------|--------------------|
| | Shs | Shs | Shs | Shs |
| Depreciation Rate | 10% | 25% | 20% | |
| As at 1 July 2024 | 133,089,313 | 980,021 | 8,400,000 | 142,469,334 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Transfers/adjustments | - | - | - | - |
| As at 30th June 2024 | 133,089,313 | 980,021 | 8,400,000 | 142,469,334 |
| Additions for the year | - | - | - | - |
| Disposals for the year | - | - | - | - |
| Transfer/adjustments | - | - | - | - |
| As at 30th June 2025 | | 980,021 | 8,400,000 | 142,469,334 |
| Depreciation | | | | |
| At 1 July 2024 | 133,089,313 | 980,021 | 8,400,000 | 142,469,334 |
| Depreciation | | | | - |
| Impairment | - | - | - | - |
| Transfers/ Adjustments | | | | - |
| As at 30 June 2024 | 133,089,313 | 980,021 | 8,400,000 | 142,469,334 |
| Depreciation for the year | 13,308,931 | 245,005 | 1,680,000 | 15,233,937 |
| Disposals for the year | - | - | - | - |
| Impairment for the year | - | - | - | - |
| Transfer/adjustment | - | - | - | - |
| As at 30th June 2025 | 119,780,382 | 735,016 | 6,720,000 | 127,235,397 |
| | | | | - |

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| | | | | |
|-------------------------------------|-------------|---------|-----------|-------------|
| NBV as at 30 th Jun 2024 | 133,089,313 | 980,021 | 8,400,000 | 142,469,334 |
| NBV as at 30 th Jun 2025 | 119,780,382 | 735,016 | 6,720,000 | 127,235,397 |

25. Capital Grants

| Description | FY 2024/25 | FY 2023/24 |
|----------------------------------|------------|------------|
| | Kshs. | Kshs. |
| World Bank | | |
| As 1 st July 2023 | - | 58,291,174 |
| Additions | - | |
| 30th June 2024 | | 58,291,174 |
| 1 st July 2024 | 58,291,174 | - |
| Additions | | - |
| As 30 th June 2025 | 58,291,174 | |

26. Accumulated Surplus

| Description | FY 2024/25 | FY 2023/24 |
|----------------------|-------------|------------|
| | Kshs | Kshs |
| Bal B/f | 94,616,882 | 94,872,306 |
| Surplus for the Year | 17,069,902 | (255,424) |
| Bal C/f | 111,686,784 | 94,616,882 |

27. Trade and Other Payables

| Description | FY 2024/25 | | FY 2023/24 | |
|---------------------------------------|-------------------|-----------------------|-----------------------|-----------------------|
| | Kshs. | | Kshs. | |
| Trade payables | - | | - | |
| Retentions | - | | - | |
| Accrued expenses | - | | - | |
| Other payables (<i>Specify</i>) | - | | - | |
| Total trade and other payables | - | | - | |
| | | | | |
| Ageing analysis: | Current FY | % of the Total | Comparative FY | % of the Total |
| Under one year | - | % | - | % |
| 1-2 years | - | % | - | % |
| 2-3 years | - | % | - | % |
| Over 3 years | - | % | - | % |
| Total | - | % | - | % |

28. Refundable deposits and prepayments from customers

| Description | FY 2024/25 | | FY 2023/24 | |
|---------------------------|------------|----------------|----------------|----------------|
| | Kshs | | Kshs | |
| Rent deposits | - | | - | |
| Prepayments | - | | - | |
| Others (<i>specify</i>) | - | | - | |
| Total | - | | - | |
| | | | | |
| Ageing analysis: | Current FY | % of the Total | Comparative FY | % of the Total |
| Under one year | - | % | - | % |
| 1-2 years | - | % | - | % |
| 2-3 years | - | % | - | % |
| Over 3 years | - | % | - | % |
| Total | - | % | - | % |

29. Provisions

| Description | FY 2024/25 | | FY 2023/24 | |
|--|------------|--|------------|--|
| | Kshs. | | Kshs. | |
| Balance at the beginning of the year | - | | - | |
| Additional Provisions (<i>Specify</i>) | - | | - | |
| Provision utilised | - | | - | |
| Balance at the end of the year | - | | - | |
| | | | | |
| Current Portion of provision | - | | - | |
| Long term portion of provision | - | | - | |
| Total Provisions | - | | - | |

30. Borrowings

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

| Description | FY 2024/25 | | FY 2023/24 | |
|---|------------|--|------------|--|
| | Kshs. | | Kshs. | |
| Short term borrowings (current portion) | - | | - | |
| Long term borrowings | - | | - | |
| Total | - | | - | |

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

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| Description | FY 2024/25 | FY 2023/24 |
|--|------------|------------|
| | Kshs. | Kshs. |
| Balance at beginning of the period | - | - |
| Borrowings during the year | - | - |
| Repayments of borrowings during the period | - | - |
| Balance at end of the period | - | - |

The table below shows the Distribution of borrowings:

| Description | FY 2024/25 | FY 2023/24 |
|---|------------|------------|
| | Kshs. | Kshs. |
| Borrowings | | |
| Kenya Shilling loan from KCB | - | - |
| Kenya Shilling loan from Barclays Bank | - | - |
| Kenya Shilling loan from Consolidated Bank | - | - |
| Borrowings from other government institutions | - | - |
| Total balance at end of the year | - | - |

31. Employee Benefit Obligations

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

32. Deferred Income

| Description | FY 2024/25 | FY 2023/24 |
|------------------------------------|------------|------------|
| | Kshs | Kshs |
| National/County Government | - | - |
| International Funding Bodies | - | - |
| Public Contributions and Donations | - | - |
| Total Deferred Income | - | - |

The deferred income movement is as follows:

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

Analysed as:

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

33. Social Benefit Liabilities

| Description | FY 2024/25 | FY 2023/24 |
|--|------------|------------|
| | Kshs | Kshs |
| Health social benefit scheme | - | - |
| Unemployment social benefit scheme | - | - |
| Orphaned and vulnerable benefit scheme | - | - |
| PWD benefit scheme | | |
| Elderly social benefit scheme | - | - |
| Total | - | - |
| | | |
| Current social benefits | - | - |
| Non- current social benefits | - | - |
| Total (tie to totals above) | - | - |

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

34. Cash generated from operations

| Description | FY 2024/25 | FY 2023/24 |
|--|------------|------------|
| | Kshs. | Kshs. |
| Surplus/ (deficit) for the year before tax | 17,069,902 | -255,424 |
| Adjusted for: | | |
| Depreciation | 15,233,937 | - |
| Amortisation | - | - |
| Gains/ losses on disposal of assets | - | - |
| Working Capital adjustments | | |
| Increase in inventory | - | - |
| Increase in receivables | - | - |
| Increase in payables | - | - |
| Net cash flow from operating activities | 32,303,839 | -255,424 |

35. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

| Description | FY 2024/25 | FY 2023/24 |
|---------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Transfers from related parties' | 32,309,300 | - |
| Transfers to related parties | - | - |

c) Key management remuneration

| Description | FY 2024/25 | FY 2023/24 |
|-----------------------------|------------|------------|
| | Kshs. | Kshs. |
| Board Members | - | - |
| Key Management Compensation | - | - |
| Total | - | - |

d) Due from related parties

| Description | FY 2024/25 | FY 2023/24 |
|----------------------------|------------|------------|
| | Kshs. | Kshs. |
| Due from parent Ministry | - | - |
| Due from County Government | - | - |
| Due from County Assembly | - | - |
| Total | - | - |

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e) Due to related parties

| Description | FY 2024/25 | FY 2023/24 |
|---------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Due to parent Ministry | - | - |
| Due to County Government | - | - |
| Due to Key management personnel | - | - |
| Due to County Assembly | - | - |
| Total | - | - |

36. Contingent liabilities

| Contingent liabilities | FY 2024/25 | FY 2023/24 |
|-----------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Court case xxx against the entity | - | - |
| Bank guarantees | - | - |
| Total | - | - |

(Give details)

37. Contingent Assets

| Contingent liabilities | FY 2024/25 | FY 2023/24 |
|-----------------------------------|------------|------------|
| | Kshs. | Kshs. |
| Court case xxx against the entity | - | - |
| Others Specify | - | - |
| Total | - | - |

38. 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 (current year) | | | | |
| Receivables from exchange transactions | - | - | - | - |
| Receivables from non-exchange transactions | - | - | - | - |
| Bank balances | - | - | - | - |
| Total | - | - | - | - |
| At 30 June 2024(previous year) | | | | |
| Receivables from exchange transactions | - | - | - | - |
| Receivables from non-exchange transactions | - | - | - | - |
| Bank balances | - | - | - | - |
| Total | - | - | - | - |

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

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The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Municipality has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality has 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 | - | - | - | - |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Employee benefit obligation | - | - | - | - |
| Total | - | - | - | - |
| At 30 Jun 2024 | | | | |
| Trade payables | - | - | - | - |
| Current portion of borrowings | - | - | - | - |
| Provisions | - | - | - | - |
| Employee benefit obligation | - | - | - | - |
| Total | - | - | - | - |

III. Market risk

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

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

IV. Foreign currency risk

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

| Description | | Other currencies | Total |
|--|-------|------------------|-------|
| | Kshs. | Kshs. | Kshs. |
| At 30 June 2025 | | | |
| Financial assets | - | - | - |
| Investments | - | - | - |
| Cash | - | - | - |
| Debtors/ receivables | - | - | - |
| Liabilities | | | |
| Trade and other payables | - | - | - |
| Borrowings | - | - | - |
| Net foreign currency asset/(liability) | - | - | - |

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

Foreign currency sensitivity analysis

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

| Description | Change in currency rate | Effect on surplus/ deficit | Effect on equity |
|-----------------------------|-------------------------|----------------------------|------------------|
| | Kshs. | Kshs. | Kshs. |
| 2025 (current year) | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |
| 2024 (previous year) | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |

V. Interest rate risk

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

Management of interest rate risk

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

VI. Capital risk management.

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

| Description | FY 2024/25 | FY 2023/24 |
|---|--------------------|--------------------|
| | Kshs. | Kshs. |
| Revaluation reserve | xxx | xxx |
| Capital/Development Grants/Municipality | 58,291,174 | 58,291,174 |
| Accumulated surplus | 98,180,992 | 94,616,882 |
| Total Funds | 156,472,166 | 152,908,056 |
| Total borrowings | - | - |
| Less: cash and bank balances | 42,742,561 | 10,438,722 |
| Net debt/(excess cash and cash equivalents) | 42,742,561 | 10,438,722 |
| Gearing | - | - |

39. Program for Results (PforR) Disclosure

This disclosure note is for entities that are implementing Programs for Results (PforR). Implementing entities are required to make disclosures in accordance with their respective financing agreements. The disclosure should capture the program's goal and expenditures designated in the expenditure framework.

| Name of the PforR: xxxxxxxx | |
|---|-----------------------|
| Financing Partners: xxxxxxxxxx | |
| Purpose of the PforR: xxxxx | |
| Expenditure Details | Amount in Kshs |
| Cumulative actual expenditures for the previous years | 1,408,577 |
| Actual expenditure in the current financial year. | |
| 1. Employee Cost | |
| 2. Use of goods and Services | 5,461 |
| 3. Grants and Subsidies | - |
| 4. Building of ECDE facilities | - |
| 5. Others (specify) | - |
| Sub-total | 5,461 |
| Cumulative Actual Expenditures to date | 1,414,038 |

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

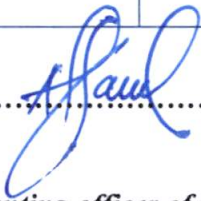
| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|--|---|--|---|
| 1. | Inaccuracies in financial statement | Proper Record management employed | Resolved | 3 months |
| 2 | Material Uncertainty related to going Concern | Fast- track through County Treasury & OCOB | Resolved | 12 Months |
| 3 | Budgetary Control and Performance | Delay in exchequer | Resolved | 6 Months |
| 4 | Unresolved Prior Audit Matters | Unresolved prior year are being resolved progressively. | Resolved | 12 months |
| 5 | Presentation and disclosure in the financial statement | Proper Record management employed | Resolved | 12 Months |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|---|---|--|---|
| 6 | Lack of operational independence of the municipality | We have our own budget line and staff establishment | Progressive | 12 months |
| 7 | Unapproved organisational Chart | There is an approved organisational chart | Resolved | 1 month |
| 8 | Lack of approved human resource Manual and Staff Establishment | Human resource Manual and staff Establishment has been approved | Resolved | 1 month |
| 9 | Lack of Municipality Board | Municipality Board now in place | Resolved | 1 month |
| 10 | Irregular variation of Contract for the proposed construction of fresh produce market at Jua Kali Area, Kapsabet Town | Fully addressed | Resolved | Immediately |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|--------------------------------------|--------------------------------------|---|
| 11 | Lack of internal Audit Function | Internal Audit function now in place | Resolved | Done |
| 12 | Lack of Occupational Safety and Health policy | Safety and Health Policy in place | Resolved | Done |
| 13 | Lack of risk management policy | Risk Management Policy in place | Resolved | Done |
| 13 | Lack of IT Internal Control | IT Internal control in place | Resolved | 6 months |

.....

 Accounting officer of the Entity

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