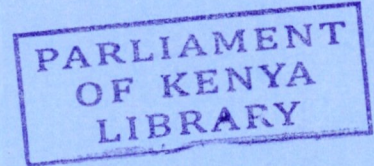


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

CHUKA MUNICIPALITY

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

THARAKA NITHI COUNTY

PAPERS LAID	
DATE	18.11.25.
TABLED BY	Deputy Chief Whip <i>Maanyo</i>
COMMITTEE	-
CLERK AT THE TABLE	<i>Tiffany.</i>

COUNTY GOVERNMENT OF THARAKA NITHI



MUNICIPALITY OF CHUKA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30th, 2025

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

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June, 2025

Table of Contents	Page
1. Acronyms and Definition of Key Terms	i
2. KEY ENTITY INFORMATION AND MANAGEMENT	ii
3. MUNICIPLITY OF CHUKA BOARD MEMBERS	iv
4. MANAGEMENT TEAM.....	vii
5. MUNICIPALITY OF CHUKA CHAIRMAN'S REPORT.....	viii
6. REPORT OF THE MUNICIPAL MANAGER.....	ix
7. STAMENT OF PERFORMANCE AGAINST THE MUNICIPLITY OF CHUKA PREDETERMINED OBJECTIVES FY 2024/2025	x
8. CORPORATE GOVERNANCE STATEMENT.....	xii
9. MANAGEMENT DISCUSSION AND ANALYSIS	xiv
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xv
11. REPORT OF THE BOARD OF MUNICIPALITY OF CHUKA	xvi
12. STATEMENT OF MANAGEMENT RESPONSIBILITIES	xvii
13. REPORT OF THE INDEPENDENT AUDITOR ON FINANCIAL STATEMENTS OF MUNICIPALITY OF CHUKA.....	xviii
14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 th JUNE, 2025	1
15. STATEMENT OF FINANCIAL POSITION AS AT 30 th JUNE, 2025	2
16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 th JUNE, 2025	3
17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 th JUNE, 2025.....	4
18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 th JUNE 2025 5	
19. NOTES TO THE FINANCIAL STATEMENTS	6
20. APPENDICES.....	23

1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
CPA	Certified Public Accountant

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

Municipality - Municipality of Chuka

2. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Municipality of Chuka is established by and derives its authority and accountability from Urban Areas and Cities Act, 2011(amended 2019) and Chuka Municipality Charter. The Municipality is wholly owned by the County Government of Tharaka Nithi and is domiciled in Kenya.

(b) Principal Activities

The Municipality's principal activities are;

- i. Urban planning, promotion of sustainable land use and regulation and control of physical development
- ii. Management and promotion of a safe and healthy environment
- iii. Promotion of the participation of residents in the governance of the municipality
- iv. Provision of municipal services e.g. solid waste management

(c) Municipality of Chuka Board Members

No	Name	Designation
1	Timothy Gitonga Mutani	Board Chairman
2.	Patricia Njoki Munyi	Vice Chair
3	Dr. Silas Muketha	Member
4	Lyod Riungu Rauni	Member
5	Taminah Gacheri Omar	Member
6	Murungi Baituru	Member
7	Dr. Fr. Peter Gichunge Justus	Member
8	Eng. Julius Kijiru Giti	CECM – Lands and Urban Development
9	Faith Kalunda	Chief Officer – Lands and Urban Development
10	Stanley Morris Mwiti	Municipal Manager

(d) Fiduciary Management

No	Name	Designation
1.	Stanley Morris Mwiti	Municipal Manager
2	Miss. Faith Kalunda	Chief officer – Roads and Urban Development
3	CPA. Nduati E.K.	Director Accounting Services
4	Stephen Kimathi	Procurement Officer

(e) Fiduciary Oversight Arrangement

No	Name	Designation
1	Public Accounts Committee	Senate
2	Public Accounts Committee	County Assembly of Tharaka Nithi
3	Internal Audit Committee	County Government of Tharaka Nithi

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June, 2025

(f) Registered Offices

Municipal Offices
Chuka Town
P. O. Box 10-60406
CHUKA

(g) Municipality Contacts

Telephone: **0720-789958**
E-mail: municipality@tharakanithi.go.ke
Website: www.tharakanithicounty.go.ke

(h) Municipality Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Family Bank
Chuka Branch
P. O. Box 60000 - 00400
CHUKA

(i) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

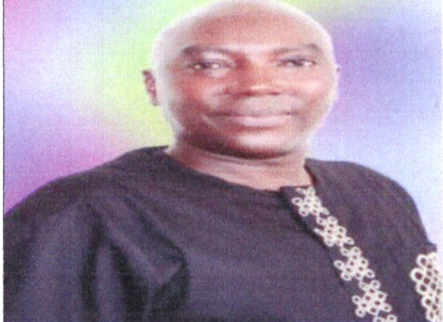
(j) Principal Legal Adviser

The County Attorney
County Government of Tharaka Nithi
P.O. Box 10 - 60406
KATHWANA

3. MUNICIPLITY OF CHUKA BOARD MEMBERS

Name	Details of qualifications and experience
 <p>Timothy Gitonga M. Mutani Chairperson</p>	<p>Qualification Msc Hospitality Management Bsc Eco-Tourism, Hotel and Institution Management</p> <p>Work Experience: September 2022 - Date: Senior Administrator, Chuka University January - September 2022: Community Leadership Exploits, Tharaka Nithi Nov 2012-January 2022: Senior Administrative Assistant, Chuka University Feb-Nov 2012: County Administrator, Fountain Enterprise Program Ltd</p> <p>Date of Birth: 11th May 1987</p>
 <p>Patricia Njoki Munyi Vice Chairperson</p>	<p>Qualification Diploma in Community Health Nursing</p> <p>Work Experience: Community Nurse- Chuka District Hospital for 24 years</p> <p>Date of Birth: 16th October 1962</p>
 <p>Lyod Riungu Rauni Member</p>	<p>Qualification: Accountant</p> <p>Work Experience: Bursar Njuri High School (1982-1988) Business instructor (1988-1997) Manager Chuka Youth Polytechnic (1993-1997) Bursar Ikuu Boys High School (1997-2021)</p> <p>Date of Birth: 24th June 1958</p>

**Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025**

Name	Details of qualifications and experience
	<p>Qualification: Diploma in Education</p> <p>Work Experience: Managing Director in Business Field since 2004</p> <p>Date of Birth: 1957</p>
<p>Murungi Baituru Member</p>	
	<p>Qualification: PhD in Church History - Pontifical Gregorian University, Rome Masters in Church history - Pontifical Gregorian University, Rome</p> <p>Work Experience: Parish Priest- St John Watamu Catholic Diocese of Malindi (2009-2012) Parish Priest - Munga Catholic Diocese of Meru (2015-2017)</p> <p>Date of Birth: 1976</p>
<p>Fr. Dr. Peter Gichunge Member</p>	
	<p>Qualification Master's in Business Administration-Finance Bsc. Entrepreneurship studies</p> <p>Work Experience: Over six years of experience in diverse private and public work environments working in Retail and National Government.</p> <p>Date of Birth: 1994</p>
<p>Tamimah Omari Member</p>	
	<p>Qualification Physical Planner, Land Surveyor and Senior Lecturer</p> <p>Work Experience General Manager Planning and Design (2009-2010) Lecturer, Senior Lecture- DURP University of Nairobi (2016-2022)</p> <p>Associate Dean Faculty of Birth Environment and Design (2023 to date)</p>
<p>Dr Silas Muketha Member</p>	<p>Date of Birth: 15th November 1962</p>

**Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025**

Name	Details of qualifications and experience
 <p data-bbox="242 568 580 633">Eng. Julius Kinjiru Giti CECM Urban Development</p>	<p data-bbox="687 221 874 253">Qualifications:</p> <p data-bbox="687 262 1171 293">Bachelor of Degree in Civil Engineering</p> <p data-bbox="687 344 919 376">Work Experience:</p> <p data-bbox="687 385 1366 517">County Executive Committee Member (CECM) responsible for Lands, Physical Planning, Water, Natural Resources, Environment and Urban Development - Tharaka Nithi County Government</p> <p data-bbox="687 568 932 600">Date of Birth: 1978</p>
 <p data-bbox="242 990 571 1055">Ms. Faith Kalunda Kyunga CO Urban Development</p>	<p data-bbox="687 645 874 676">Qualifications:</p> <ul data-bbox="687 685 1398 817" style="list-style-type: none"> ✓ Masters' Degree in Public Policy and Management ✓ Masters' Degree in Entrepreneurship and innovation Management ✓ Bachelor Degree on Urban and Regional Planning <p data-bbox="687 869 919 900">Work Experience:</p> <p data-bbox="687 909 1366 996">Chief Officer, Lands, Physical Planning & Urban Development - Tharaka Nithi County Government since 2017</p> <p data-bbox="687 1016 932 1048">Date of Birth: 1988</p>
 <p data-bbox="242 1464 496 1541">Stanley Moris Mwati Municipal Manager</p>	<p data-bbox="687 1066 874 1097">Qualification:</p> <p data-bbox="687 1106 1190 1160">BA Philosophy Diploma in Public Relations Management</p> <p data-bbox="687 1196 919 1227">Work Experience:</p> <p data-bbox="687 1236 1366 1290">Municipal Manager - Chuka Municipality, Tharaka Nithi County</p> <p data-bbox="687 1330 1054 1361">Former Manager, Equity Bank</p> <p data-bbox="687 1402 932 1433">Date of Birth: 1978</p>

4. MANAGEMENT TEAM

The following officers served in Management of the Municipality for the year ended **30th June 2025**

Name	Qualification
 <p>Faith Kalunda Kyunga Chief Officer- Roads, Transport, Public Works and Urban Development</p>	<p>Qualifications: Ms. Kyunga holds a Masters’ degree in Entrepreneurship & Innovations Management from University of Nairobi and Bachelors’ degree in Urban and Regional Planning</p> <p>Work Experience: She has worked as County Chief Officer for the last 8 years and previously worked in various organization in senior management positions.</p> <p>Date of Birth 1988</p>
 <p>Stanley Moris Mwiti Municipal Manager</p>	<p>Qualification: BA Philosophy Diploma in Public Relations Management</p> <p>Work Experience: Municipal Manager - Chuka Municipality, Tharaka Nithi County</p> <p>Former Manager, Equity Bank</p> <p>Date of Birth: 1978</p>
 <p>CPA, CS Nduati E.K. Director Accounting Services</p>	<p>CPA, CS Nduati is the County Director - Accounting Services and also the Municipality Head of Accounts</p> <p>He is professional Accountant and member of ICPAK (No. 6720) and Certified Secretary ICPSK (No. 2253)</p> <p>He holds Master’s Degree in Finance (UoN) and B.A. Economics (UoN) and PhD Candidate at JKUAT</p> <p>He has over 10 years’ experience working with Public Sector in Finance Management</p> <p>Date of Birth 1980</p>

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

5. MUNICIPALITY OF CHUKA CHAIRMAN'S REPORT

On behalf of the Municipality of Chuka Board, it is with great honour that I present to you the quarterly report and financial statements of the Municipality of Chuka for the year ended **30th June, 2025**

First, I would like to acknowledge the Support of the County Government of Tharaka Nithi headed by H.E. Hon. Onesmus Muthomi Njuki for the support, solid commitment and political goodwill which created an enabling environment to the Municipality in its endeavour to deliver on its mandate

The Municipality of Chuka formed in accordance to Urban Areas and Cities Act, 2011 and Urban Areas and Cities (Amendment) Act, 2019 as qualifying condition for access of World Bank funded Kenya Urban Support Programme. The World Bank entered to memorandum of Understanding with National Government for support of counties on service delivery in urban areas.

During the year ended 30th June 2025, the Municipality did not undertake new project as the funding by World Bank under Kenya Urban Support Programme has not yet been received but the Municipality is expected to benefit in second programme in the current year.

Thank you and God bless Tharaka Nithi County



Timothy Gitonga Mutani
Board Chairman
Municipal of Chuka Board

6. REPORT OF THE MUNICIPAL MANAGER

Tabulated below are the Municipality summary of income and expenditure during the year ended 30th June 2025

a. Income

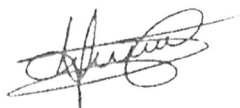
Description	Budget Ksh	Actual Ksh.	Performance Level %
Transfer from County Government	22,750,000	2,592,459	11%
Total Income	22,750,000	2,592,459	11%

b. Expenditure

Particulars	Estimates Ksh.	Actual Ksh.	Performance Level %
Personnel Cost	9,000,000	1,704,880	19%
Use of Goods and Services	12,750,000	681,608	5%
Board Remuneration	1,000,000	462,000	46%
Total	22,750,000	2,848,488	13%

The recorded low revenue realization and absorption of funds is attributed to delayed disbursement of Kenya Urban Support Programme (KUSP) grant with the funds not yet released as at end of the year.

I take this opportunity to appreciate H.E. The Governor and Members of County Assembly for their immense support accorded to the municipality.



Stanley Morris Mwiti
Municipal Manager
Municipality of Chuka

Date 03rd July 2025

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

**7. STATEMENT OF PERFORMANCE AGAINST THE MUNICIPLITY OF CHUKA
PREDETERMINED OBJECTIVES FY 2024/2025**

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

Municipality of Chuka 2024-2028 Strategic Plan has identified eight (8) key strategic objectives. Broadly, these objectives have been identified through a participatory process that reviewed the development priorities of the Governor's Manifesto, the National Government's "Big Four", SDGs and the MTP III.

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

The key strategic objectives of the Municipality of Chuka as outlined on "**2024-2027 Strategic Plan**" as follows;

1. Urban Governance and administration
2. Improve level of governance and accountability
3. Municipal Service delivery
4. Strengthen waste collection and disposal
5. Strengthen urban planning functions
6. Improve infrastructure
7. Promote trade and investments
8. Improve the corporate visibility of the Municipality

Progress on attainment of Strategic objectives (*Adopted from Chapter 3 Chuka Municipality Strategic plan 2024-2028*),

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. The Table below provide the progress attained on the above stated objectives:

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

Thematic Area	Strategic Objective	Indicator	Performance
Urban Governance and administration	Developing Chuka Municipality Service Charter Service Charter	Documented	100%
	Improve the level of governance and accountability	Documented Board Charter	100%
Municipal Service delivery	Speed up service delivery and foster innovation	Provision of e-services	Ongoing
		Develop a Municipality integrated information system	Pending
		ICT connectivity within the Municipality	Pending
		Design and ICT incubation centre within the Municipality	Pending
		Implementation of a Quality Management System based on ISO standards	Pending
	Waste Collection and Disposal	Develop a recycling for waste within the municipality	Pending
	Traffic and Parking Management	Develop an infrastructure development Plan	Ongoing
	Strengthen od sports, arts and culture	Build and equip a social hall	Ongoing
Improvement of Urban Planning an Infrastructure	Strengthen Urban Planning Function	Build and equip GIS lab	Complete
Promotion of Trade and Investments	Industrialization	Establish a industrial area zone near the source of raw materials	Pending
	Improve the corporate visibility of the Municipality	Rebranding	Done

8. CORPORATE GOVERNANCE STATEMENT

The management of a Municipality is vested in the county government and administered on its behalf by:

- (a) a board, constituted in accordance with section 13 or 14 of this Act;
- (b) a manager appointed pursuant to section 28; and
- (c) such other staff or officers as the county public service may determine

Principles of Governance

The Governance and Management of urban areas and cities shall be based on the following principles as provided in Urban Areas and Cities Act, 2011 Section 11;

- (a) recognition and respect for the constitutional status of county governments;
- (b) recognition of the principal and agency relationship between the boards of urban areas and cities and their respective county governments including:
 - i. the carrying out by a board of such functions as may be delegated by the county government;
 - ii. financial accountability to the county government; and
 - iii. the governance by each board for and on behalf of the county government
- (c) promotion of accountability to the county government and residents of the urban area or city;
- (d) institutionalised active participation by its residents in the management of the urban area and city affairs;
- (e) efficient and effective service delivery; and
- (f) clear assignment of functions.

Appointment of Municipality Board

The appointment of the members to the Municipal Board was done in accordance to Sections 13 and 14 of Urban Areas and Cities Act, 2011 and Gazetted on 16th May 2023 vide Gazette Notice No. 6298 Further, the membership of the board is aligned with the Urban Areas and Cities (Amendment) Act, 2019 Section 14;

A board of a municipality shall consist of **nine** members appointed by the county governor with the approval of the county assembly. The members of the board appointed shall be constituted as follows:

- (a) the county executive member for the time being responsible for cities and urban areas or his representative;
- (b) three members who shall be appointed by the county governor, with the approval of the county assembly;
- (c) four members who shall be nominated by an association and appointed by the county governor, with the approval of the county assembly;
- (d) the chief officer responsible for urban development; and
- (e) the municipal manager appointed under section 28 who shall be the secretary of the board and an ex officio member of the board.

Term of Office of Municipal Board, Functions and Remunerations

A member of a board shall hold office for a term of five years, on a part-time basis

The functions of the Municipality Board are as stipulated under Urban and Cities Act, 2011 Section 20

The Municipality Board remuneration is in accordance to Salaries and Remuneration Circular ref: SRC/ADM/CIR/1/13 (122) dated 16th April 2014 on Payment of Task Force Allowances and remuneration of Commission of Inquiry, Tribunals, Boards and Committee appointed by the Government for Members appointed from private sector where the chairman draws a sitting allowance of Ksh. 15,000, Vice Chair Ksh. 12,000 and members Ksh. 10,000 per sitting.

Board Meetings;

Municipality of Chuka is managed by the Municipality Board. During the year under review, the board did not hold any meeting.

The Chuka Municipality Board is expected to remain in the office for another period of twelve (12) months.

Conflict of Interest

All board members are required to disclose any real or perceived conflicts of interest at the beginning of each meeting. The Chuka Municipality has a conflict of interest policy that guides how such matters are managed to protect the integrity of board decisions. Members abstain from discussions or decisions where conflicts exist.

Induction and Training

New Board members undergo a structured induction program to familiarize them with the Municipality operations, governance framework and their responsibilities. Continuous training is provided through workshops, seminars and conferences to enhance governance effectiveness.

Board and Member Performance.

Chuka Municipality will conduct annual evaluations of the Board's collective performance as well as individual member contributions. These assessments will inform improvement strategies and personal development plans, ensuring the Board remains dynamic and results – driven.

Ethics and Conduct

The board subscribes to a strict code of ethics that promotes professionalism, accountability and integrity. Members are expected to uphold the highest ethical standards in all dealings, both within and outside the institution.

9. MANAGEMENT DISCUSSION AND ANALYSIS

The Municipality of Chuka formed in accordance to Urban Areas and Cities Act, 2011 as qualifying condition for access of World Bank funded Kenya Urban Support Programme. The World Bank entered to memorandum of Understanding with National Government for support of counties on service delivery in urban areas. This required creation of Municipalities as entity of funding. The funding is done through two programmes namely Urban Intuitional Grant (UIG) intended for Operations and Maintenance costs of the Municipality. The Urban Development Grant (UDG) for development projects.

During the year under review, the Municipality was not able to implement planned projects due to delayed disbursement of KUSP grant with funds not yet received at the end of the year.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Municipality of Chuka exists to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on our pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

i. Sustainability strategy and profile

Municipality of Chuka derives its existence from the Urban Arrears and Cities Act, 2011 and subsequent Urban Arrears and Cities (Amendment) Act, 2019. The Municipality ensures compliance with all necessary legislations and ensures the service delivery to the people of Chuka.

ii. Environmental Performance

Municipality of Chuka has put measures and policies that ensure conservation of the environment and protection of the ecosystem. This is done through garbage waste management and planting of trees on public land and greening of public parks.

iii. Employee Welfare

The Municipality has put in place policies that ensure the employee welfare are well guarded and all staff are given fair and just treatment. All staff matters are considered through select committee that evaluates the staff matter and advise according for necessary action such promotion, deployment, reprimanding and or dismissal.

Municipality of Chuka is equal opportunity employer with consideration for merit as prerequisite for hiring. The County ensures applicants are not discriminated by gender, religious background, ethnicity or any other form of personality.

The Municipality conducts annual staff appraisal that help to identify training needs and ways of improving staff productivity. The annual targets are negotiated and agreed between the officer and the supervisor at the beginning of the year. The Municipality has clear career progression structure and staff are awarded promotion timely basis.

iv. Market place practices-

The Municipality of Chuka is tasked with mandates as outlined on Urban Arrears and Cities Act, 2011.

In delivering its mandates the Municipality ensure maximum benefit to the citizenly and that public funds are utilized in the most efficient and effective manner.

v. Community Engagements-

The Municipality of Chuka undertakes public participation in order to identify the community priority and obtain views of the stakeholders.

11. REPORT OF THE BOARD OF MUNICIPALITY OF CHUKA

The Board hereby submit financial statements for the year ended **30th June, 2025** which show the state of the Municipality of Chuka affairs.

1.1 Principal activities

The Municipality's principal activities are:

- (a) Urban planning, promotion of sustainable land use and regulation and control of physical development
- (b) Management and promotion of a safe and healthy environment
- (c) Promotion of the participation of residents in the governance of the municipality
- (d) Provision of municipal services e.g. solid waste management

1.2 Performance

The results of the Municipality for the year ended **30th June 2025** are set out on page 1-5

1.3 Board of Trustee

The Members of the Board of Chuka Municipality who served during the period are shown on pages iii - v

1.4 Auditors

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

By Order of the Board



Stanley Morris Mwitii
Municipal Manager

Date: 03rd July 2025

12. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 180 (1) of the Public Finance Management Act, 2012 and Urban Areas and Cities Act, 2011 Section 46 (2) requires that, at the end of year, the Manager of the Municipality shall prepare annual report and financial statements for the entity in accordance with the standards and format prescribed by the Public Sector Accounting Standards Board

The Municipal 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 **30th June, 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 Municipal Manager accept responsibility for the Municipality of Chuka financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Urban and Cities Act, 2011. The Municipal Manager is of the opinion that the Chuka Municipality financial statements give a true and fair view of the state of Municipality transactions during the year ended **30th June, 2025**, and of the Municipality financial position as at that date.

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

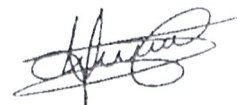
In preparation of the financial statement, the Municipal Board has assessed the Municipality ability to continue as going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statement. Nothing has come to the attention of the Municipal Manager to indicate that the Municipality will not remain a going concern for the next twelve months from the date of this statement.

Approval of the financial statements

The Municipality of Chuka financial statements were approved by the Municipal Board on 03rd July 2025 and signed on its behalf by:



Timothy Gitonga Mutani
Board Chairman
Municipality of Chuka



Stanley Morris Mwiti
Municipal Manager
Municipality of Chuka

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
Email: 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 CHUKA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2025 – THARAKA NITHI COUNTY

PREAMBLE

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

- A. Report on the 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 the Lawfulness and Effectiveness in 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.
- C. Report on the 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 aim to address the Auditor-General's statutory roles and responsibilities 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 Chuka Municipality set out on pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets,

statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other 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 Chuka 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 of Urban Areas and Cities Act, 2011, Urban Areas and Cities (Amendment) Act, 2019 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matters

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.22,750,000 and Kshs.2,592,459 respectively resulting to an under-funding of Kshs.20,157,541 or 89% of the budget. Similarly, the Municipality spent Kshs.2,848,488 against actual receipts of Kshs.2,592,459 resulting to an over-utilization of Kshs.256,029 or 10% of the actual receipts.

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

2. Weaknesses in Reporting on Municipality Performance Against Predetermined Objectives

Audit review of the statement of performance against predetermined objectives of Chuka Municipality for the year ended 30 June, 2025 revealed the following:

- i. The performance report was not supported by adequate evidence from monitoring and evaluation reports.
- ii. Management did not provide progress reports on the attainment of objectives in the Chuka Municipality Integrated Development Plan (2024–2029), nor explanations for over- or under-performance.

- iii. Current year targets and variances in the Annual Work Plan were not reconciled with cumulative targets, achievements, and related remarks.
- iv. Some indicators such as “documented Board Charter” and “rebranding” were vague, not measurable, and lacked time-bound targets.
- v. Predetermined objectives in the Annual Work Plan 2024/2025 were not aligned with what was reported in the financial statements.

In the circumstances, it was not possible to confirm whether the approved budget was executed as planned and whether value for money was obtained from the total development funding during the year.

My Opinion is not modified in respect of the above 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 report in the year under review.

Other Information

The Management is responsible for the Other Information set out on page i to xviii which comprise of Key Entity Information and Management, Chuka Municipality Board Members, Management Team, Chuka Municipality Chairman’s Report, Report of the Municipal Manager, Statement of Performance Against the Municipality Predetermined Objectives FY 2024-2025, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Chuka Municipality, Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Board’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 and 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 THE LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in 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

Non-Collection of Own Source Revenue by the Municipality

The statement of financial performance reflects in kind contributions by the County Government totalling Kshs.2,592,459 as disclosed in Note 6 to the financial statement. Audit review established that Chuka Municipality did not collect own source revenue to sustain its operations during the year. The Municipality relied only on Donor and County Government funding for its operations. This is contrary to Section 9. (3) (c) and (d) of Urban Areas and Cities Act, 2011 and Section 172 of the Public Finance Management Act, 2012.

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Municipality Operating Without a Strategic Plan

Audit review established that the Municipality operated during the year under review without an approved strategic plan. As a result, the Municipality continued to implement activities on an ad-hoc basis without a documented medium to long-term framework to guide development priorities and service delivery contrary to Section 20(1)(b) of Urban Areas and Cities Act, 2011 which states that subject to the provisions of this Act a board of a city or municipality shall develop and adopt policies, plans, strategies and programmes, and may set targets for delivery of services.

In the absence of a strategic plan, Management may not implement programmes that meet the needs of the public and in compliance with the law.

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

Responsibilities of the Management and the Municipality Board

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

In preparing the financial statements, Management is responsible for assessing the Fund'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.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be

expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 November, 2025

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June, 2025


14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE, 2025

	Notes	2024/2025
		Ksh
Income		
In Kind Contribution by the County Government	6	2,592,459
Total Revenue		2,592,459
Expenses		
Employee Costs	8	1,704,880
Use of Goods and Services	9	681,608
Board Remuneration	10	462,000
Total Expenses		2,848,488
Surplus/(deficit) for the Year		(256,029)

The Financial Statements. Municipality of Chuka Financial Statements were approved on 03rd July 2025 and signed by:



Stanely Morris Mwiti
Municipal Manager



CPA Nduati E.K
Director Accounting Services
ICPAK No. 6720

**Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June, 2025**

15. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE, 2025

	Notes	2024/2025
		Ksh
Assets		
Current Assets		
Cash and Bank Balances	11	
Total Cash and Cash Equivalent		-
Non-current assets		-
Property, Plant and Equipment	13	
Total Non-Current Assets		0
Total Assets		0
Liabilities		0
Current Liabilities		
Account Payables	12	256,029
Total Liabilities		256,029
Net Assets		(256,029)
Accumulated surplus		(256,029)
Development Fund		-
Total Net Assets and Liabilities		(256,029)

The Municipality of Chuka Financial Statements were approved on **03rd July 2025** and signed by:



Stanely Morris Mwitii
Municipal Manager



CPA. Nduati E.K.
Director Accounting Services
ICPAK No. 6720

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30th JUNE, 2025

	Accumulated Surplus	Development Grant	Total Ksh.
At 01st July, 2024	0	0	
Total Comprehensive Income During the Year	(256,029)	-	(256,029)
Development Grants Received During the Year	-	-	-
As at 30th June 2025	(256,029)	0	(256,029)

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE, 2025

		2024/2025
	Note	Ksh.
Cash flows from Operating Activities		
Receipts		
Transfer from County Government	6	-
Total Receipts		0
Payments		
Employees Costs	8	-
Use of Goods and Services	9	-
Board Remuneration	10	-
Total Payments		0
Net Cash flows from Operating Activities		
Cash flows from Investing Activities		
Purchase of Property, Plant and Equipment	13	0
Net cash flows used in investing activities		0
Cash flows from financing activities		
Development Grant	7	0
Net cash flows used in financing activities		0
Net increase/(decrease) in Cash and Cash Equivalents		0
Cash and Cash Equivalents at the Beginning of the Year		0
Cash and cash Equivalents at End of the Year		0

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE 2025

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% Utilisation
Revenue						
Transfer from County Government	22,750,000		22,750,000	2,592,459	(20,157,541)	11%
Total Income	22,750,000		22,750,000	2,592,459	(20,157,541)	11%
Expenditure						
Employees Cost	9,000,000		9,000,000	1,704,880	(7,295,120)	19%
Use of Goods and Services	12,750,000		12,750,000	681,608	(12,068,392)	5%
Board Remuneration	1,000,000		1,000,000	462,000	(538,000)	46%
Total Expenditure	22,750,000		22,750,000	2,848,488	(19,901,512)	13%
Surplus/ (Deficit) for the Year				(256,029)	(256,029)	

Budget Performance Explanatory Notes

1. The reported under absorption and under realization of budget was as result of delayed disbursement of donor funds with no funds released as at close of the financial year
2. The expenditure incurred was payments done by the county executive on behalf of the Chuka Municipality.

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Municipality of Chuka is established by and derives its authority and accountability from the Urban and Cities Act, 2011 and Urban and Cities Act, (Amendments) 2019. The Municipality is under the County Government of Tharaka Nithi and is domiciled in Kenya.

The principal activity is to manage Chuka Municipality

2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Application of New and revised standards (IPSAS)

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

	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	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: <ul 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. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47: Revenue	<i>Applicable 1st January 2026</i> 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.
IPSAS 48: Transfer Expenses	<i>Applicable 1st January 2026</i> 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.
IPSAS 49: Retirement Benefit Plans	<i>Applicable 1st January 2026</i> 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.

i. Early adoption of standards

The Municipality did not early - adopt any new or amended standards in the financial year

4. Significant Accounting Policies

(a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

(b) Budget information

The original budget for FY 2024/2025 was approved by the County Assembly on 18th June 2024. No subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The Municipality of Chuka 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.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 4.5 of these financial statements.

(Significant accounting policies continued)

(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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

(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) 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.

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

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

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 surplus or deficit model.

Impairment

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

Financial liabilities

Classification

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

(f) 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.

(g) 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.

(h) Social Benefits

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

**Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025**

(Significant accounting policies continued)

(i) 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.

(j) 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

(k) Nature and purpose of reserves

The Municipality creates and maintains reserves in terms of specific requirements. The Municipality has maintained accumulated surplus reserves.

(l) 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.

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

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

(Significant accounting policies continued)

(n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported in the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

(o) 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.

(p) 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.

(q) Cash and cash equivalents

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

(r) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. The current year is the first year of reporting hence no prior year comparative figures.

(s) 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*).

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

**Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025**

(Significant accounting policies continued)

(t) Currency

The financial statements are presented in Kenya Shilling (Ksh.) 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.

6. In Kind Contribution from County Government – Current Grant

Description	2024/2025
	Ksh
Employee Cost	1,704,880
Use of Goods and Services	425,579
Board Remuneration	462,000
Total	2,592,459

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

Notes to the Financial Statement (continued)

7. Transfers from County Government - Development Grants

Description	2024/2025
	Ksh
Kenya Urban Development Grant	-
Total	0

8. Employee Cost

	2024/2025
	Ksh
Basic Salaries	1,274,880
Other Allowances Paid as part of Salaries	430,000
Employee Costs	1,704,880

9. Use of Goods and Services

Description	2024/2025
	Ksh
Catering, Boards and Conferences	681,608
Total	681,608

10. Board Remuneration

Description	2024/2025
	Ksh
Board Allowances	402,000
Reimbursement Transport Cost	60,000
Total	462,000

11. Cash and Cash Equivalent

Description	2024/2025
	Ksh
Chuka Institutional Grant Bank Account – Family Bank	-
Chuka Development Grant Bank Account – Family Bank	-
Total Cash and Cash Equivalents	-

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

Notes to The Financial Statements (Continued)

12. Account Payables

Description	Balance as at 01st July 2024	Additions During the Year	Payments During the Year	Balance as at 30 June 2025
	Ksh	Ksh	Ksh	Ksh
Kenya School of Government				256,029
Total	0	0	0	256,029

13. Property, Plant and Equipment

	Buildings	Furniture and Fittings	Computers and Office Equipment	Civil Works and Infrastructure	Total
Cost	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
At 1 st July 2024					
Additions					
Disposals					
At 30th June 2025					
Depreciation					
As At 1 st July 2024					
Depreciation					
Disposals					
As At 30th June 2025					
Net Book Values					
At 30th June 2025					

Schedule of Rate of Depreciation of Property, Plant and Equipment

Property	Depreciation Rate p/a
Buildings	2.5%
Civil Works and Infrastructure	2.5%
Motor Vehicle	10.0%
Furniture and Fittings	12.5%
Computers and Computer Accessories	30.0%

The Assets are depreciated fully during the year of acquisition using straight line method except for Work in Progress

**Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025**

Notes to the Financial Statement (continued)

14. Cash Generated from Operations

	2024/2025
	Ksh.
Surplus / (Deficit) for the Year	(256,029)
Adjusted for:	
Depreciation	-
Working Capital adjustments	
Non-cash Grants Received	(2,592,459)
Employee Cost Paid By County Executive	1,704,880
Use of Goods and Services Paid by County Executive	681,608
Boar Remuneration Paid by County Executive	462,000
Net Cash flow from Operating Activities	-

15. Related Party Balances

a) Nature of related party relationships

Entities and other parties related to the Municipality of Chuka 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 is related to the following entities;

- i. The County Government;
- ii. The Parent County Government Ministry;
- iii. County Assembly;
- iv. Key management;
- v. Municipal Board

b) Related Party Transactions

	2024/2025
	Ksh
Transfers from related parties'	-
Transfers to related parties	-

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

Notes to the Financial Statement (continued)

c) Key Management Remuneration

	2024/2025
	Ksh
Municipality Board	-
Key Management Compensation	-
Total	-

16. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund 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 Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

Notes to the Financial Statement (continued)

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

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

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

b) Liquidity risk management

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

The table below represents cash flows payable by the 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.

**Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025**

Notes to the Financial Statement (continued)

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Ksh	Ksh	Ksh	Ksh
At 30th June 2024				
Account Payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				
At 30th June 2025				
Account Payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				

c) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The 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 entity's exposure to market risks or the manner in which it manages and measures the risk.

d) Foreign currency risk

The Municipality has no 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 entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

Notes to the Financial Statement (continued)

		Other currencies	Total
	Ksh	Ksh	Ksh
At 30th June 2025			
Financial assets			
Investments			
Cash			
Debtors/ receivables			
Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Municipality'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.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Ksh	Ksh	Ksh
2025			
Euro	10%		
USD	10%		
2025			
Euro	10%		
USD	10%		

e) 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.

Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

Notes to the Financial Statement (continued)

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

f) Capital risk management

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

	2024/2025
	Ksh
Revaluation Reserve	
Accumulated Surplus	
Development Grant	
Total Funds	
Total Borrowings	
Less: Cash And Bank Balances	-
Net Debt (Excess of Cash and Cash Equivalents)	256.029
Gearing	100%

20. APPENDICES

I. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The Municipality has not been audited before and hence no follow up on audit recommendations




Stanley Morris Mwiti
Municipal Manager


Municipality of Chuka
Annual Reports and Financial Statements
For the Year Ended 30 June 2025

II. INTER-ENTITY TRANSFERS

ENTITY NAME:		MUNICIPALITY OF CHUKA		
Break down of Transfers				
FY 2024/2025				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (Ksh.)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (Ksh.)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
c.	Direct Payment			
		<u>Bank Statement Date</u>	<u>Amount (Ksh.)</u>	
	Transfer in Kind	Diverse dates	2,592,459	Expenditure Paid by County executive FY 2024/2025

The above amounts have been communicated to and reconciled with the County Government of Tharaka Nithi

Sign: 
 Stanely Morris Mwit
 Municipal Manager
 Chuka Municipality

Sign: 
 Humphrey Gitonga Kinyua
 Director Finances
 County Government of Tharaka Nithi

Date: 03rd July 2025

Date: 03rd July 2025