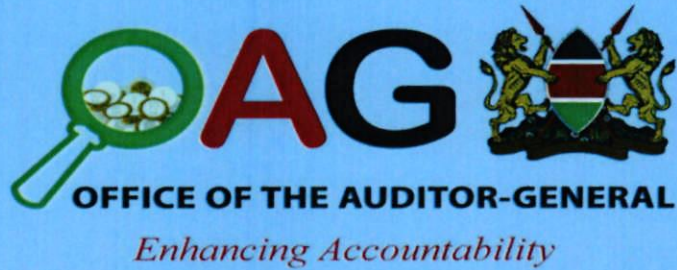
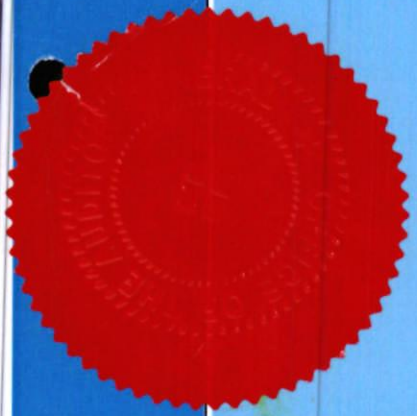


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REPORT

OF

THE AUDITOR-GENERAL

ON

VIHIGA MUNICIPAL BOARD

FOR THE YEAR ENDED
30 JUNE, 2020

PAPERS LAID	
DATE	02/03/2022
TABLED BY	SML
COMMITTEE	-
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VIHIGA MUNICIPAL BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

Vihiga municipal board
Reports and Financial Statements
For the year ended June 30, 2020

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Vihiga Municipal Board
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For the year ended June 30, 2020

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Vihiga Municipal Board Fund is established by and derives its authority and accountability from Section 14 of the Urban Areas and Cities Act, 2016, Act. The Fund is wholly owned by the County Government of VIHIGA COUNTY GOVERNMENT and is domiciled in Kenya.

The fund's objective of the Urban Support Program Project is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya. Economic growth has been accompanied by rapid urbanization. Nonetheless Kenya remains under-urbanized. This means Kenya can still leverage the benefits of urbanization for improving economic opportunities and living conditions. The Government of Kenya has recognized the need to manage urbanization as part of its overall development strategy. Kenya Vision 2030 Highlights Rapid Urbanization As One Of Four Key Challenges Facing The Country. Within The Over-arching framework of vision 2030, the urbanization component of the Second Medium Term Plan (MTP2) 2013-17

b) Principal Activities

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

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Eng. Josephat Amadi	Chair - Person
2	Mrs. Dorcas Wodera	Vice Chair Person
3	Hon. Paul Mbuni -	CEC, Physical Planning, Land & Housing/Member
4	Mrs. Lucy Ijai	Member-Chief Officer-PPH&L
3	Prof – David Kikaya	Board member & Chair-Finance Committee
4	Mr. Seth Ambale	Board member & Chair-Audit Committee
5	Mrs. Mwanaidi M. Abdi	Board member
6	Mrs. Carolyne Andahi	Board member
7	Mr. Isaac Nyamweno	Board member & Chair-technical Committee
8	Mr. Nicholas Simani	Board Member & Chair-procurement Committee
9	Mr. Adrewmwenesi	Municipal Manager

c) Registered Offices

P.O. Box 344
50300 Maragoli Dawn Towers Mbale
Kisumu- kakamega Highway
Nairobi, KENYA

d) Fund Contacts

Telephone: (254) 722952380
Website: www.vihigacountygo.ke

e) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
2. Equity Bank of Kenya
Mbale branch
P.O. Box 60
Maragoli 50300




f) Independent Auditors

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





g) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya



2. THE BOARD OF TRUSTEES

Name	Details of qualifications and experience
<p>1. Eng. Josephat Amadi</p> 	<p>The Chair -Person</p> <p>Eng. Josephat Amadi is a reputable and industrious engineer who has worked with KENHA and KURRA in different capacities, he holds a Degree and masters in the same field. His zealous and superb performance made him rise in ranks at both KENHA and KURRA. At the said institutions he managed projects worth more than 500 Million and they were delivered successfully in different areas across the Country.</p> <p>He brings vast experience to Vihiga Municipal Board as the Chairperson, in both project management and fund utilization.</p>
<p>2. Mrs. Dorcas Wodera</p> 	<p>Mrs Wodera Dorcas is an experienced Human Resource practitioner and Public Administration; she has a master's degree in the same field, she served in various capacities in the national government previously she was the Vihiga County Transition Coordinator.</p> <p>She brings immense experience to Vihiga Municipal Board in areas of Human Resource management and Public administration. Currently she is the Vice chair of Vihiga Municipal Board and Chairperson of the Human Resource Committee.</p>
<p>3. Prof. David Kikaya</p> 	<p>Prof. David Kikaya is a seasoned Diplomat who has served the Republic of Kenya in various capacities under the ministry of Foreign Affairs as Ambassador. He lectures at the University of US. Currently he serves on various boards across the Country. He brings on board a vast experience in the public Sector.</p> <p>He is a Board Member & also the Finance Committee Chairperson.</p>
<p>3. Mr. Seth Ambale</p>	<p>Principal Seth Ambale Ambani is well experienced High School Administrator and Manager. He holds a B. E degree (Science) from Manitoba University in Canada.</p>

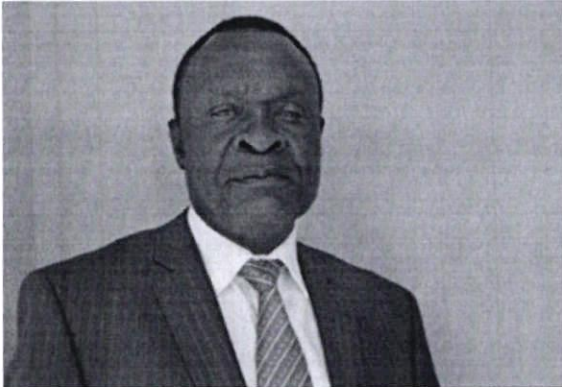


Vihiga Municipal Board
Reports and Financial Statements
For the year ended June 30, 2020

	<p>addition to Diploma in Education from Kenya University. He has undergone training in administration and management at Kenya Education Staff Institute (1990) and Kenya School of Government (2019). He brings a wealth of experience in administration and management to Vihiga Municipal Board where he is the Chairman of the Audit Committee and a member of Human Resource Committee</p>
<p>4. Mrs CarolyneAndahi</p> 	<p>Mrs CarolyneAndahi is a career business woman with knowledge in business management. Currently CEO Precious Events. Director KNCCI- Vihiga. Holds a diploma in business management from university of Connecticut and certificate in Entrepreneurship from USIU. She is a member of finance and Human resource committees. She brings on board vast experience from the private sector.</p>
<p>5. Planner IsaacMambohNyamweno</p> 	<p>Planner Isaac MambohNyamweno, is a seasoned registered planner with Master's Degree in Urban and Regional Planning from University of Nairobi. He is currently pursuing his Phd in Planning at JaramogiOgingaOdinga University where he works as faculty member. He is also a lead expert in Environmental Impact assessment/Audit. He brings wealth of experience in spatial planning and Project management to the Board. He is the Chairman of technical committee & a member of both Procurement and Research Committees.</p>
<p>6. Mr. Nicholas MagotsweSimani</p> 	<p>Nicholas Magotswe Simani is a trained Development Economist and a Holder of a Master's Degree in Development Economics. In addition, Mr. Simani has pursued additional graduate courses in Agricultural Economic and Business Administration. He is a Lead Expert in Environmental Impact Assessment and Audits having been licensed in 2005.</p> <p>He brings a wealth of expertise and experience in Environmental Impact Assessments and Audits, Rural Development Economics, Business Administration and Agricultural Finance Planning to the Board, acquired during his 20 years at the Agricultural Finance</p>

Vihiga Municipal Board
Reports and Financial Statements
For the year ended June 30, 2020

	<p>Corporation. Mr. Simani is chairman of the Procurement Committee, a member of the Finance Committee and Technical Committee of the Board.</p>
<p>7. Mr Andrew AhugaMwenesi</p> 	<p>Municipal Manager Graduated with a degree in Economics, Mr Andrew has served as a Member of County Assembly and during his tenure he tabled important bills which helped the County of Vihiga. He brings immense source of experience both in administration and management of Public Funds.</p>
<p>8. Ms Mwanaidi Abdi</p> 	<p>Ms Mwanaidi Abdi is a graduate of Economics from the University of Moi, she is representative the youths to the board. She has served in various capacities in different caucus that were bringing together youth. She brings to the board vast experience in relation to advocating for policies that will impact such groups within the Municipality.</p>

3. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>1. Hon Paul Mbuni</p> 	<p>CECM-Physical Planning Land & Housing/Board Member</p> <p>Hon Paul Mbuni is as a seasoned career civil servant who has vast experience in public sector and has worked well with different organizations leading to delivery of key milestones projects. Has a degree and masters in Agricultural Economics. He therefore brings on board this un parallel combination of being a great administrator of public funds and also as a trained economist.</p>
<p>2. Mrs Lucy IjaiSimiyu</p> 	<p>Chief Officer- Physical Planning Land & Housing/Board Member</p> <p>A career civil servant who has vast experience in public sector where she has successfully handled key national projects</p> <p>Has a degree in Land Economics and post graduate in Urban and Regional planning. She therefore brings on board the unique combination of both a Valuer and Physical Planner in the profession Has.</p>
<p>3. Mr Andrew AhugaMwenesi</p> 	<p>Municipal Manager/Secretary to the Board.</p> <p>Graduated with a degree in Economics, Mr Andrew has served as a Member of County Assembly and during his tenure he tabled important bills which helped the County of Vihiga. He brings immense source of experience both in administration and management of Public Funds.</p>
<p>4 C.P.A. Livingstone Imbayi</p>	<p>Chief Officer-Finance & Economic Planning, holds</p>

Vihiga Municipal Board
Reports and Financial Statements
For the year ended June 30, 2020



masters in finance and CPA K

A career civil servant who has worked in the public sector for quite a long time, previously he worked with the office of Controller of Budget before being appointed as the chief officer-Finance. He brings on board a vast experience in public Sector from the section of Finance.

4. BOARDCHAIRPERSON'S REPORT



The Municipality has a Population at least 50,000 persons

- Pursuit to the Provision Section 14 of the Urban Areas and Cities Act. 2016, the Vihiga County Executive Committee invites applications from the qualified persons for the positions of four (4) members to the Vihiga Municipal Board. The members of the board shall hold office for a term of five years on part time basis. Review of the Fund's performance

- **Governance and management of towns**
Urban Areas and Cities (Amendment)31. (1) The management of a town shall be vested in a town committee comprised of five members which shall be constituted as follows

- (a) The county executive committee member responsible for urban areas and cities or his

representative;

(b) Two members appointed competitively by the County Governor;


(c) A cluster representing registered associations of the informal sector; and

(d) A cluster representing the business community.

(2) The members of the town committee specified under subsection

(1) Shall be appointed by the county governor with the approval of the county assembly.

(3) A person shall be qualified for appointment as chairperson, vice-chairperson or member of a town committee Future outlook of the Fund

for 

ENG. JOSEPHAT AMADI
CHAIRMAN VIHIGA MUNICIPAL BOARD

5. REPORT OF THE FUND ADMINISTRATOR

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

A vibrant urban center not only entices residents whereby they can access services at conveniences but also it provides many opportunities for investors and business.

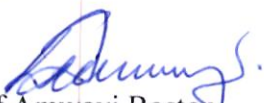
On the above note; increased population of the Town (demographically), it would result to a growing economy of the town. It's imperative for a town to have working and strong economy as this will form a foundation for its development.

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

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

A smart town has to take care of its inhabitants thus had resulted in plans of upgrading of Mbale Municipal grounds into a recreational park. The park apart from offering relation atmosphere to the residents it will also be an income generating to the Municipality, upgrading of the existing walkways eg from Governor's office -Mbale-Equity to North End, construction of wetland behind Mbale prison, purchase of Garbage compacting trucks, purchase and installation of garbage bins, installation of High mast in the Municipality to improve on the security and improve also on the economy of the Town; Mbale and other activities are planned for this 2019/2020 Financial year.

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


Prof. Amwayi Boston
AG. Municipal Manager

6. CORPORATE GOVERNANCE STATEMENT

Development and upgrading of urban areas are on the upscale Course. Vihiga Municipality is making strides in ensuring it positions itself on a better competitive advantage over municipalities.

Development and upgrading of urban areas are on the upscale Course. Vihiga Municipality is making strides in ensuring it positions itself on a better competitive advantage over municipalities

We advise Vihiga Municipal Board and other stakeholders to leverage on professional support available across industries and sectors, to collaborate and create solutions to urban challenges. The stakeholders need to consider the Vihiga municipal as a whole in making investment and renewal decisions in order to maximize cross-sector synergies and avoid negative unintended consequences amongst them.

Finally, challenges and threats that are being faced by the Municipalities in this era can be transformed into opportunities that can improve the livelihood of the residents of Vihiga Municipality. We can start to explore in business activities that have leading solutions like the development of spatial planning, physical infrastructure, digital technology and social service provision.

7. MANAGEMENT DISCUSSION AND ANALYSIS

8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Vihiga Municipal Board
Reports and Financial Statements
For the year ended June 30, 2020

9. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are lead and transform the Vihiga municipality to a world class urban centre

Results

The results of the Fund for the year ended June 30, 2020 are set out on page

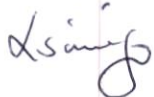
Trustees

The members of the Board of Trustees who served during the year are shown on page 6

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *Vihiga Municipal Board* for the year/period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board



Member of the Board

Date: 27/04/2021

10. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established Section 14 of the Urban Areas and Cities Act, 2016, Act shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. 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 Fund; (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 Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's 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 *Section 14 of the Urban Areas and Cities Act, 2016, Act*. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2018, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and 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 Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

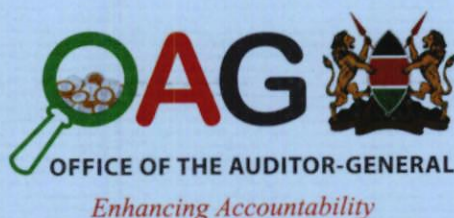
Approval of the financial statements

The Fund's financial statements were approved by the Board on 31ST MARCH 2020 and signed on its behalf by:



Vihiga municipal manager

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 VIHIGA MUNICIPAL BOARD FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Vihiga Municipal Board set out on pages 17 to 43, which comprise the statement of financial position as at 30 June, 2020, the statements 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Vihiga Municipal Board as at 30 June, 2020, 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 Public Finance Management Act, 2012 and Urban Areas and Cities Act, 2016.

Basis for Qualified Opinion

1.0 Cash and Cash Equivalents

Included in the statements of financial position as at 30 June, 2020 is cash and cash equivalents totaling Kshs.305,458,150 as disclosed in Note 3 to the financial statements. However, one of the bank reconciliation statement provided for audit review reflected a balance of Kshs.115,978,084 while the cash book balance indicated Kshs.106,485,485 resulting to unreconciled or explained variance of Kshs. 9,492,599.

Consequently, the accuracy, validity and completeness of the cash and cash equivalents figure of the Kshs.305,458,150 as at 30 June, 2020 could not be confirmed.

2.0 Property, Plant and Equipment

2.1 Failure to Compute and Disclose Depreciation

As disclosed in Note 4 to the financial statements, the statement of financial position reflects Kshs.135,424,701 on property, plant and equipment which includes motor vehicles of Kshs.19,475,001 and computers and office equipment of Kshs.452,084 both totaling to Kshs.19,927,085 which were procured at the beginning of the financial

year. However, the Management did not compute depreciation for the assets amounting to Kshs.19,927,085. Furthermore, the entities depreciation policy was not disclosed in the financial statement contrary to Regulation 22(1) of Public Finance Management (County Governments) Regulation, 2015.

Consequently, the accuracy, validity and completeness of the property, plant and equipment figure of Kshs.135,424,701 as at 30 June, 2020 could not be confirmed.

2.2 Failure to Maintain an up to Date Fixed Asset Register

During the year under review, the Management did not provide a fixed asset register for property, plant and equipment with a net book value of Kshs.135,424,701 as at 30 June, 2020. Further, motor vehicles worth Kshs.19,475,001 as disclosed in the financial statements were still registered under the name of the County Government of Vihiga. This is contrary to Regulation 136(1) of Public Finance Management (County Governments) Regulations, 2015.

Consequently, the accuracy and ownership of the fixed assets of Kshs.135,424,701 as at 30 June, 2020 could not be confirmed.

3.0 Unsupported Transfer from the County Government

As disclosed in Note 1 to the financial statements, the statement of financial performance reflects transfer from the County Government of Kshs.188,289,676. However, the supporting schedule provided for audit reflects Kshs.187,410,324 resulting to an unreconciled variance of Kshs.879,352.

In addition, Note 1 to the financial statements reflects Kshs.228,610,232 as transfer from the County Government resulting to an unexplained and an unreconciled difference of Kshs.40,320,556.

Consequently, the accuracy, validity and completeness of transfer from the County Government figure of Kshs.188,289,676 for year ended 30 June, 2020 could not be confirmed.

4.0 Unsupported Fund Balance

Included in the statement of financial position is Fund balance brought forward figure of Kshs.292,150,719 which is not supported.

Consequently, the accuracy, validity and completeness Fund balance brought forward of Kshs.292,150,719 as at 30 June, 2020 could not be confirmed.

5.0 Inaccuracy of the Statement of Change in Net Assets

The statement of changes in net assets reflects Kshs.625,632,132 on balance as at 30 June, 2020 which includes funds received during the year of Kshs.188,289,676 which is not supported.

Consequently, the accuracy, validity and completeness of the Kshs.625,632,132 in the statement of changes in net assets for the year ended 30 June, 2020 could not be confirmed.

6.0 General Expenses

The statement of financial performance reflects general expenses of Kshs.39,557,544 as disclosed in Note 2 to the financial statements. However, the statement of

comparison of budget and actual reflects Kshs.111,441,868 resulting to unreconciled difference of Kshs.71,884,324.

Consequently, the accuracy, validity and completeness of the general expenses for the year ended 30 June, 2020 could not be confirmed.

7.0 Presentation of the Financial Statements

- i. The Statement of Management's Responsibilities at page 15 to the financial statements indicates that "the Administrator of the Fund is of the opinion that the financial statements give a true and fair view of the state of Fund's transactions during the financial year ended 30 June, 2018" instead of June, 2020 contrary to the format prescribed by the Public Sector Accounting Standards Board (PSASB).
- ii. Page 15 of the financial statements indicates that the financial statements were approved by the Board on 31 March, 2020 which is three months before the end of the financial year.

Consequently, the presentation of the financial statements is not in accordance with the requirement of PSASB.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The Board's approved budget for the year 2019/2020 amounted to Kshs.291,288,014 while the amount received was Kshs.188,289,676 resulting to a shortfall of Kshs.102,998,338 or 35%.

In addition, the Board's actual expenditure was Kshs.111,441,868 or 38% of the approved budget of Kshs.291,288,014 resulting to under expenditure of Kshs.179,846,146. However, the under expenditure is attributed to late exchequer release for the financial year under review where by the exchequer of Kshs.188,289,676 was released on 10 July, 2020 as per Central Bank of Kenya statements.

Consequently, the citizens of the Vihiga County may have been denied planned development opportunity and economic empowerment.

REPORT ON COMPLIANCE WITH LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

As required by Article 229(6) of the Constitution, based on the procedures performed, except for 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 believe that public resources have been not been applied lawfully and in an effective way.

Basis for Conclusion

Irregular Procurement

The statement of financial performance under Note 2 reflects general expenses of Kshs. 39,557,544 which includes consultancy services of Kshs.25,293,945 out of which Kshs.5,876,000 was paid to a Company to carry out induction for Vihiga Municipal Board Members. Scrutiny of procurement documents revealed that tender opening minutes were not attached and the evaluation minutes of four (4) members were only signed by two (2) members contrary to Section 58.(2) of the Public Procurement and Disposal Act 2015.

Consequently, the Board's Management is in breach of the law

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, except for the matters described in the Conclusion on Effectiveness of Internal Controls 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 overall governance were not effective.

Basis for Conclusion

Failure to Implement Organizational Structure

A review of documents revealed that the Board has no Procurement Officer, Economic Planner, Environmentalist, Urban Planner, Quantity Surveyor and Architecture. This is contrary to Vihiga Municipal Charter Part 6 Section 36 which states that the Board shall subject to the approval by the County Public Service Board and the County Executive, employ such officers and employees as it deems necessary to execute the powers and duties provided by the charter or any other written law. Section 37 Urban and Cities Act states that employees of the Municipality shall be employees under the

County Public Service Board and shall be under the general guidance of the Municipal Manager.

In addition, the provided Municipal Charter had not been signed. Further, the gazettelement of the Board members was not provided for audit.

Consequently, the effectiveness of the Board's internal control for the year under review could not be confirmed.

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 control, risk management and 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 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 control 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 control.

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Board's financial reporting process, reviewing the effectiveness of how the entity 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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal control 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 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Board's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such

disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gatundu, CBS
AUDITOR-GENERAL

Nairobi

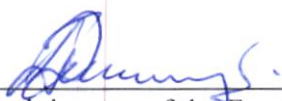
08 February, 2022

Vihiga municipal board
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For the year ended June 30, 2020


12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020 KShs
Assets		
Current assets		
Cash and cash equivalents	3	305,458,150
Total		305,458,150
Non-current assets		
Property, plant and equipment	4	135,424,701
		135,424,701
Total assets		440,882,851
Liabilities		
Current liabilities		
Trade and other payables from exchange transactions	5	0
Non-current liabilities		
Non-current employee benefit obligation	6	0
Total liabilities		0
Net assets		440,882,851
Financed By		
Fund Balance B/F		292,150,719
Accumulated Surplus		148,732,132
Total		440,882,851

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 31st March 2020 and signed by:


 Administrator of the Fund
 Name:

DR. JAMES B. AMAYI


 Fund Accountant
 Name: RAYSON TEKA
 ICPAK Member Number:
 12735

12.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Revolving Fund	Revaluati on Reserve	Accumulate d surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	228,610,324	0	0	228,610,324
Surplus/(deficit) for the period	148,732,132	0	0	148,732,132
Funds received during the year	188,289,676	0	0	188,289,676
Balance as at 30th June 2020	625,632,132	0	0	625,632,132

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12.4. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019/2020
		KShs
Cash flows from operating activities		
Receipts		
Public contributions and donations		0
Transfers from the County Government		188,289,676
Interest received		0
Receipts from other operating activities		0
Total Receipts		188,289,676
Payments		
Fund administration expenses		0
General expenses		(39,525,708)
Finance cost		0
Total Payments		(39,525,708)
Net cash flows from operating activities		148,763,968
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets		(71,884,324)
Proceeds from sale of property, plant and equipment		0
Proceeds from loan principal repayments		0
Loan disbursements paid out		0
Net cash flows used in investing activities		(71,884,324)
Cash flows from financing activities		
Bank - Charges		(31,836)
Additional borrowings		0
Repayment of borrowings		0
Net cash flows used in financing activities		(31,836)
Net increase/(decrease) in cash and cash equivalents		76,847,808
Cash and cash equivalents at the Beginning of the year		228,610,324
Cash and cash equivalents at the end of the Year	15	305,458,132

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Transfers from County Govt.	291,288,014	0	291,288,014	188,289,676	102,999,000	64%
Total income	291,288,014	0	291,288,014	188,289,676	102,999,000	64%
Expenses						
Fund Expenses	291,288,014	0	291,288,014	111,441,868	179,846,146	38%
Total expenditure	291,288,014	0	291,288,014	111,441,868	179,846,146	38%

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

12.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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.

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2020 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the

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Standard	Effective date and impact:
	<p>financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a</p>

Standard	Effective date and impact:
	reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. 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.

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.

4. Budget information

The original budget for FY 2019/2020 was approved by the County Assembly on 5th September, 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of 25 on the FY 2019/2020 budget following the governing body's approval.

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

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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 actual as per the statement of financial performance has been presented under section 12.5 of these financial statements.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. 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.

6. 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.

7. Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cashflows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

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Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. 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:

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

9. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements

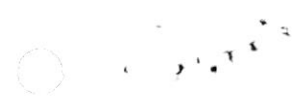
Changes in accounting policies and estimates

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

11. Employee benefits– Retirement benefit plans

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

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.



12. Foreign currency transactions

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. 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.

14. Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

15. Cash and cash equivalents

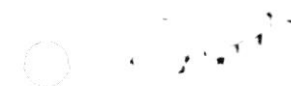
Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account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

16. Comparative figures

The Vihiga Municipal Board is preparing the first year financial statement. During the financial year 2018/2019 expenditure from the fund account was reported in the Vihiga County Executive financial statement. The cash balance as at 30th June 2019 of KShs.228,610,324 has been recognised in statement in changes of net assets

Events after the reporting period

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



17. Ultimate and Holding Entity

18. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made: e.g

Estimates and assumptions – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

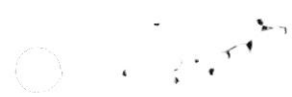
Useful lives and residual values

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. 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:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from

The board of trustees 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 Fund 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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) 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 Fund'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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Transfers from County Government

Description	2019/2020
Transfers from County Govt. – operations	228,610,232.00
Total	228,610,232.00



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. General expenses

Description	2019/2020
	KShs
Training Cost	7,607,540.00
Benchmarking Cost	752,683.00
Consultancy Services	25,293,945.00
Urban Planning Activities	5,020,140.00
Publishing & Printing	361,400.00
Travel Cost	190,000.00
Consumables	300,000.00
Bank Charges	31,836
Total	39,557,544

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

Financial institution	Account number	2019/2020
		KShs
Vihiga County KUSP UDG Account- CBK	1000388037	179,489,676
Vihiga County KUSP UIG Account- CBK	1000379917	8,800,000
Vihiga Municipality KUSP-UDG FUND -Equity bank	0960278950347	115,978,084
Vihiga Municipality KUSP-UIG FUND-Equity bank	0960278950377	1,190,390
Total cash and cash equivalents		305,458,150

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4. Property, plant and equipment					
	Infrastructure and Civil Works	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2019	63,540,377	0	0	0	63540377
Additions	51,957,239	19,475,001	0	452,084	71,884,324
Disposals	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0
Depreciation during the Year	0	0	0	0	0
Net book values as at 30th June 2020	115,497,616	19,475,001	0	452,084	135,424,701

5.Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund 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 fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;

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d) Board of Trustees;etc

6.PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

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

VIHIGA MUNICIPAL BOARD		
TRIAL BALANCE AS 30TH JUNE 2020		
	DR	CR
1 Transfers		
Transfers from County Govt. – operations		188,289,676
2 Fund Balance B/F		
Fund Balance B/F		228,610,342
3 EXPENSES		
Training cost	7,607,540.00	
bechmarking cost	752,683.00	
consultancy services	25,293,945.00	
urban planning activities	5,020,140.00	
publishing & printing	361,400.00	
travel cost	190,000.00	
consumables	300,000.00	
Bank Charges	31,836.00	
4 Closing Bank Balances		
Vihiga County KUSP UDG Account- CBK - 1000388037	179,489,676	
Vihiga County KUSP UIG Account- CBK - 1000379917	8,800,000	
Vihiga Municipality KUSP-UDG FUND -Equity bank-0960278950347	115,978,084	
Vihiga Municipality KUSP-UIG FUND-Equity bank-0960278950377	1,190,390	
Property Plant and Equipment	71,884,324	
	416,900,018	416,900,018

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