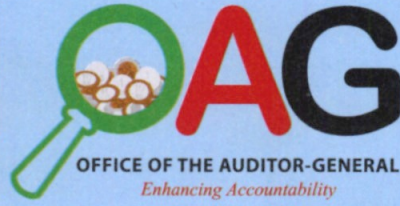


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REPORT

OF

THE AUDITOR-GENERAL

ON

KERICHO MUNICIPALITY

FOR THE YEAR ENDED
30 JUNE, 2025

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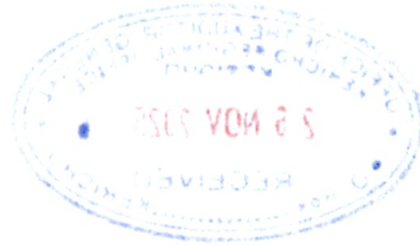


**KERICHO MUNICIPALITY
COUNTY GOVERNMENT OF KERICHO**

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

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

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1. Acronyms and Definition of Key Terms

A. Acronyms

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

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

(Entity to insert all the relevant acronyms and key terms used in the annual report and financial statements)

2. Key Entity Information and Management

a) Background information

Kericho County Municipal Board is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter in 2016. The Fund is wholly owned by the County Government of Kericho and is domiciled in Kenya.

The fund's objective is to support the overall development and well-being of the municipality, focusing on economic growth, infrastructure, efficient service delivery and responsible governance.

b) Principal Activities

The principal activity/mission/ mandate of Kericho Municipal Board revolves around overseeing the municipality's affairs, developing and implementing plans, strategies and managing land use and development. They also focus on infrastructure development, managing schemes, maintaining a database and administering their internal affairs. Furthermore, the board plays a crucial role in implementing national and county legislation.

The Kericho Municipal Board's vision is to be highly effective and efficient body in providing and developing competent human resources within the county public service. Their mission is to promote excellence in service delivery by recruiting, nurturing and retaining a competent and dedicated workforce. The board's core values include creativity and innovation in service delivery, professionalism and skills improvement, staff safety, security and building a responsive workforce.

c) Key Management

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

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

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 20xx and who had direct fiduciary responsibility were:

Ref	Name	Position
1	Joseph Rotich	Municipality Manager
2	CPA Kevin Lang'at	Senior Accountant
3	Zipporah Ngeno	Senior Supply Chain Management Officer
4	Evans Ronoh	Senior Human Resource Officer
5	Benard Malakwen	Senior ICT Officer

6	Stanley Bett	Physical Planner
7	Qs. Gilbert Rono	Quantity Surveyor
8	Richard Kilel	Building Superintendent
9	Elvis Ngetich	Surveyor
10	Doreen Koskei	Environmental Safeguard Officer

e) Fiduciary Oversight Arrangements

- i.** Audit and Risk Management Committee
- ii.** County Assembly Committees
- iii.** Committees of the Senate

Audit and Risk Management Committee

- Financial and performance reporting responsibilities
- Risk oversight and management
- System of internal control

Kericho County Assembly Committee on Lands, Housing and Physical Planning

- Investigate, inquire into and report on all matters relating to county departments
- Study the programmes and policy objectives of the departments and the effectiveness of implementation
- Study and review all county legislation referred to it
- Assess the success of county departments on the basis of results achieved compared to the stated objectives.

Senate of the Republic of Kenya Public Accounts Committee

- Investigate, inquire into and report on all matters relating to counties
- Study the programmes and policy objectives of the counties and the effectiveness of implementation
- Study and review all county legislation referred to it
- Assess the success of counties on the basis of results achieved compared to the stated objectives.

Key Entity and Management (Continued)

f) Registered Offices

P.O. Box 44-20200
Kericho County Revenue Building
Kisumu-Nakuru Highway
Kericho, KENYA

g) Contacts

Telephone: (254) 723680356
E-mail: kerichomunicipal@kericho.go.ke
Website: info@kericho.go.ke

h) Bankers

1. Sidian Bank
Kelunet Plaza, Opposite Kipchimatt Supermarket
P.O. Box 25363-00603, Nairobi.
Kericho Branch.

2. Kenya Commercial Bank
Kisumu-Nakuru Highway
P.O. Box 43-20200, Kericho
Kericho Branch.





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 Law Office
Kericho County
P.O. Box 112-20200
Kericho, Kenya.

3. City/Municipality Board

Name	Details of qualifications and experience
	<p>CPA Peter Korir holds a BCOM degree (Accounting) and is also a CPA (K). CPA Korir is an experienced professional accountant with over 25 years of experience in both public and private sector. He is currently the Chairman of the Kericho Municipal Board.</p>
	<p>Hon. Joseph Korir is an accomplished educationist and administrator with extensive experience in leadership, governance and community development. He holds a Bachelor of Education degree from Kenyatta University and a Postgraduate Diploma in Education. He is the current CECM in charge of Lands, Housing and Physical Planning and a member of the Board.</p>
	<p>Ms. Jackline Langat is an astute leader with a vast of experience in strategic leadership and policy formulation, policy and program implementation, Corcoperate governance and compliance among others. She holds a Masters of arts(Diploma and Foreign policy, Masters (Leisure & Tourism Management) of science, and Barchelor of Tourism Management from Moi University.She is the current Chief officer in the department of Lands, Housing and Physical Planning. She is a member of the board.</p>
	<p>Madam Beatrice Langat is a teacher by profession and boasts over ten years of experience in this field which also includes Special Education. She is a Vice Chair of the board.</p>

	<p>Mr Joel Soi holds Master Degree in Political Science, BA (Literature and political science. Joel is an accomplished public officer with over 20 years of experience in academia and management. He is an independent Member of the Municipal Board.</p>
	<p>Dr. Joel Kimengich Cheruse has Demonstrated a remarkable commitment through his academic achievements. Dr. Kimengich holds a PHD in Education Management and a Master's Degree in Educational Administration both from the University of Kabianga. He further has a bachelor's degree (Primary Option) from Egerton University as well as Diploma-Certificate in Management from KEMI. He is an independent member of the municipal board of kericho.</p>
	<p>CPA Gideon Kirui holds BCOM(Accounting option) and is a CPA (K) . Gideon is an experienced professional having served both in the private and public sectors. He is also a successful businessman within Kericho Municipality. He is an independent Member of the board.</p>
	<p>Mr. Ayub Abubakar Remtulla is a qualified electrical engineer from The University of Nottingham. He has an extensive knowledge in general engineering, electrical legislation and standards of practice. He has worked with Automatic controls Nairobi, Relcon power systems as assistant engineer and Mehta electrical as an electrical engineer.He is a member of the board.</p>



Advocate of the High Court of Kenya and a member of the board.



Mr. Joseph Rotich is the Municipal Manager of Kericho. He holds B.A (Economics and Mathematics) with a Higher National Diploma in HRM and is a Member of IHRM.

4. Key Management Team

Ref	Name	Position
1	Joseph Rotich	Municipality Manager
2	CPA Kevin Lang'at	Senior Accountant
3	Zipporah Ngeno	Senior Supply Chain Management Officer
4	Evans Ronoh	Senior Human Resource Officer
5	Benard Malakwen	Senior ICT Officer
6	Stanley Bett	Physical Planner
7	Qs. Gilbert Rono	Quantity Surveyor
8	Richard Kilel	Building Superintendent
9	Elvis Ngetich	Surveyor
10	Doreen Koskei	Environmental Safeguard Officer

(Note: The Municipality Manager will feature under both the 'Board' and 'Management'.)

5. Municipality Board Chairperson's Report

It is my pleasure to present the Chairperson's Report for the Financial Year 2024/2025. During the year under review, the Kericho Municipal Board remained committed to strengthening urban governance, improving service delivery, and implementing development initiatives that enhance the quality of life for residents and businesses within the Municipality.

1. Key Achievements and Projects Implemented in FY 2024/2025

Through the support of the County Government and the development funds allocated to the Municipality, several important projects were successfully undertaken. These include:

- Construction of *jua kali* shoe-shine booths to support informal sector traders.
- Construction of toilets in key markets to improve hygiene and sanitation standards.
- Construction of stormwater drainage systems to reduce flooding and improve mobility.
- Unblocking of drainage systems and rehabilitation of roads within the Municipality.

In addition, the Board successfully conducted an induction and capacity-building programme for its members, aimed at enhancing governance effectiveness and strengthening oversight and policy-making capacity.

2. Planned Projects for FY 2025/2026

In the upcoming financial year 2025/2026, the Municipality has outlined a series of projects aimed at promoting urban development and improving service delivery:

- Fabrication of containers and construction of modern market stalls.
- Beautification of the town to enhance aesthetics and attract investments.
- Construction of an advertising billboard for revenue enhancement.
- Development and construction of garbage collection centres.
- Maintenance and rehabilitation of municipal roads and drainage systems.

3. KUSP II UIG Funding and Planned Activities

The Municipality also received funding under the Kenya Urban Support Programme (KUSP II) – Urban Institutional Grant (UIG), which will support institutional strengthening and long-term planning. The funds have been earmarked for:

- Development of Municipality by-laws.
- Establishment of a comprehensive Municipality database.
- Street addressing and related urban mapping exercises.
- Development of risk, disaster management, and environmental policies.
- Asset management initiatives.
- Conducting consultative meetings, stakeholder forums, and workshops.
- Staff capacity building, peer learning, and institutional development.
- Renovation and equipping of the Municipal offices.

These initiatives are expected to enhance urban governance, improve service delivery frameworks, and strengthen institutional capacity.

4. Challenges Faced During FY 2024/2025

Despite the progress made, the Municipality encountered several challenges that affected the execution of some planned activities:

- **Limited budget allocations**, which constrained the number and scale of projects that could be undertaken.
- **Incomplete transfer of gazetted functions** to the Municipality, which continues to affect operational autonomy.
- **Lean staffing levels**, with most officers seconded from other departments, limiting the Municipality's capacity to fully deliver on its mandate.

Despite these challenges, the Board maintained its commitment to service delivery and achieved substantial progress across priority areas.

5. Board Changes and Governance Improvements

During the year, two additional Board members were appointed and gazetted. With these appointments, the Board is now fully constituted and better positioned to discharge its statutory functions effectively. The strengthened governance structure is expected to enhance oversight, planning, and implementation of municipal development programmes.

6. Conclusion

The Board remains dedicated to promoting transparent, accountable, and participatory urban management. As we move into the 2025/2026 financial year, we reaffirm our commitment to delivering progressive, people-centred urban development and working collaboratively with the County Government, partners, and residents to build a resilient and prosperous Kericho Municipality.



.....

Name: CPA. Peter Korir

Chairperson, Kericho Municipal Board

6. Report Of the Municipality Manager

I am pleased to present the Municipal Manager's Report for the Financial Year 2024/2025. This report provides an overview of the Municipality's financial performance, development achievements, institutional progress, and the challenges encountered during the year. It also highlights the strategic outlook for FY 2025/2026 as we continue to strengthen urban management and service delivery in Kericho Municipality.

1. FINANCIAL PERFORMANCE

During the Financial Year 2024/2025, Kericho Municipality received a total of Kshs. 57,076,891. The funds were utilised as follows:

- Recurrent Expenditure: Kshs. 7,677,879
- Development Projects: Kshs. 20,000,000
- Construction of Kericho Modern Market (part payment): Kshs. 29,399,012

Additionally, the Municipality received Kshs. 32,309,300 under the KUSP II – Urban Institutional Grant (UIG). These funds will be directed towards:

- Capacity building
- Municipal office renovations and equipping
- Development of key urban management policies

The utilisation of these resources reflects the Municipality's commitment to prudent financial management and the prioritisation of impactful urban development initiatives.

2. PHYSICAL DEVELOPMENT AND SERVICE DELIVERY ACHIEVEMENTS

Since its establishment, Kericho Municipality has continued to register notable progress in infrastructure development, local economic development, and environmental enhancement. In FY 2024/2025, significant achievements were realised through the following interventions:

- Grading and gravelling of earth roads, improving access in residential and commercial zones.
- Maintenance of municipal roads, contributing to smoother mobility and reduced travel time.
- Unblocking and repair of drainage systems, enhancing stormwater management and reducing flooding incidents.
- Construction of boda boda sheds, supporting organised transport operations and improving safety.
- Installation of streetlights, enhancing security and extending business hours within the Municipality.
- Beautification initiatives, including landscaping and public space improvements, contributing to a cleaner and more attractive urban environment.
- Construction of jua kali shoe-shine sheds, supporting informal sector traders and promoting economic empowerment.

These interventions have contributed to improved urban functionality, enhanced safety, increased business vibrancy, and a more liveable environment for residents and visitors.

These interventions have contributed to improved urban functionality, enhanced safety, increased business vibrancy, and a more liveable environment for residents and visitors.

3. CHALLENGES

Despite the progress made, the Municipality faced several challenges that affected project execution and optimal service delivery:

- Staffing constraints, with inadequate personnel across key technical and administrative functions.
- Budgetary limitations, which constrained the Municipality's capacity to implement more development projects and respond to emerging urban demands.

Efforts will continue to be made to strengthen institutional capacity and advocate for increased resource allocation.

4. OUTLOOK FOR FY 2025/2026

In the upcoming financial year, the Municipality intends to roll out development programmes aimed at strengthening urban infrastructure, boosting local businesses, and improving environmental and sanitation standards. Priority projects will focus on:

- Enhancing waste management systems
- Expanding infrastructure development
- Supporting informal and formal businesses through improved market facilities
- Strengthening public sanitation
- Advancing urban beautification initiatives
- Reinforcing street lighting and safety interventions

These planned interventions align with the Municipality's strategic vision of building a clean, vibrant, and economically inclusive urban centre.

5. CONCLUSION

In summary, Kericho Municipality has made significant strides in service delivery, infrastructure improvement, financial prudence, and socio-economic development. While challenges persist, the Municipality remains committed to delivering high-quality urban services and fostering a sustainable, inclusive, and prosperous urban environment for all.

Signed:.....

Name: **Philemon Kosgei**
Ag. Kericho Municipal Manager

7. Statement of Performance Against Predetermined Objectives for the FY

In accordance with Section 164 (2) (f) of the Public Finance Management Act, 2012, this statement outlines the performance of **Kericho Municipality** against the predetermined objectives for the financial year 2024/2025. These objectives are drawn from the City’s **Strategic Plan 2023–2027** and the **Annual Development Plan (ADP) 2024/2025**.

Key Development Objectives:

The overarching development priorities of the City/Municipality are to:

- a) Provide quality physical infrastructure
- b) Improve urban planning
- c) Strengthen urban governance and administration

Progress on Attainment of Strategic Development Objectives

The table below outlines the performance achieved under each program, based on specific outcomes and measurable indicators.

Program	Objective	Outcome	Indicator	Performance
Urban Planning	To control urban development	Orderly and regulated urban growth	% of developments conforming to zoning regulations	Municipality had no allocation to undertake zoning
Infrastructure	Improve urban infrastructure	Enhanced mobility and public safety	Km of roads paved; number of streetlights installed	The municipality carried out maintenance of earth roads and roads within the municipality.
Governance	Improve urban governance and service delivery	Efficient and transparent city administration	Revenue collected vs target; service delivery	The municipality has not taken over the revenue collection and

Program	Objective	Outcome	Indicator	Performance
			satisfaction index	management function.
Environmental Management	Promote sustainable urban environment	Cleaner and greener urban areas	% solid waste collected; No. of green spaces established	The municipality undertook town beautification programs however no funds were allocated for waste management

8. Corporate Governance Statement

1. Appointment of Board Members and Governance Structure

The current Board is legitimately in office, having been competitively recruited, vetted, appointed, and subsequently gazetted in accordance with the applicable laws and regulations governing municipal boards. The recruitment process adhered to principles of fairness, transparency, and inclusivity, ensuring that the selected members possess the requisite qualifications, competencies, and experience necessary for effective municipal governance.

The Board comprises members from diverse professional backgrounds, including finance, governance, engineering, planning, and community representation. This diversity enhances decision-making by ensuring a balanced and inclusive approach to municipal management. In line with statutory requirements, the Board has an approved Board Charter, which outlines its mandate, roles, authority, ethical obligations, and operational framework.

2. Roles and Functions of the Board

The Board is responsible for providing strategic leadership, oversight, and policy direction to the Municipality. Key responsibilities include:

- Reviewing and approving annual budgets, financial statements, work plans, and development priorities;
- Formulating strategic and operational plans;
- Overseeing management performance and ensuring compliance with relevant laws and regulations;
- Approving service delivery strategies and municipal infrastructure development plans;
- Ensuring proper risk management, internal controls, and accountability mechanisms;
- Facilitating stakeholder engagement and promoting intergovernmental collaboration;
- Ensuring transparency, equity, and efficiency in municipal service delivery.

3. Induction, Training, and Professional Development

During the reporting period, Board members underwent structured induction and capacity-building programmes aimed at strengthening their understanding of municipal governance, public finance, urban planning, and service delivery mandates. The training was conducted both within and outside the County and covered key areas such as leadership, governance principles, ethics, financial management, performance monitoring, and compliance with the Urban Areas and Cities Act. Continuous professional development remains a standing priority of the Board to ensure that members remain well-equipped to execute their responsibilities effectively.

4. Board and Members' Performance

The Board continues to discharge its mandate diligently and has demonstrated improved performance in oversight, planning, and policy guidance. Members have shown a strong understanding of their roles and consistently contribute to deliberations in an informed and constructive manner. Performance is monitored through meeting participation, committee outputs, implementation

progress, and adherence to the Board Charter. There were no performance gaps identified that could hinder effective governance.

5. Board Meetings and Attendance

During the financial year under review, the Board held **four (4)** duly convened meetings to deliberate on strategic, financial, and operational matters of the Municipality. Attendance by members was recorded and remains satisfactory, with all members attending the majority of sittings as required. The Board also convened committee meetings where necessary to address specific oversight areas.

6. Succession Planning

Succession planning for the Board is guided by the provisions of the **Urban Areas and Cities Act**, which provides timelines and processes for appointment and transition to prevent leadership gaps. For the management and technical staff of the Municipality, succession is guided by the **Employment Act**, Human Resource Policies, and County Government Human Resource procedures. Accordingly, no leadership vacuum is anticipated in the near or medium term, as frameworks are in place to ensure continuity of operations and institutional memory.

7. Conflict of Interest Management

The Municipality adheres to the principles of integrity and ethical leadership as provided in the **Leadership and Integrity Act**, the Public Officer Ethics Act, and the Board Charter. All Board members are required to declare any actual, potential, or perceived conflict of interest prior to deliberations. Conflicts, where declared, are recorded, and members recuse themselves from discussions or decisions related to such matters. This ensures objectivity, fairness, and accountability in decision-making.

8. Board Remuneration

The remuneration of Board members complies with guidelines issued by the Salaries and Remuneration Commission (SRC). Members are entitled to **meeting allowances** and **per diem** reimbursements where travel for official municipal business is required. The Board does **not receive monthly salaries**, consistent with national public governance frameworks for municipal boards.

9. Ethics and Conduct

The Board is committed to maintaining the highest ethical standards, guided by the Leadership and Integrity Act, the Public Officer Ethics Act, the Municipality's Code of Conduct, and the County's Service Charter. Board members uphold professionalism, integrity, accountability, and transparency in all engagements. Misconduct, unethical behaviour, or breaches of duty are subject to established disciplinary procedures.

10. Governance Audit

The Municipality is subject to periodic governance audits in accordance with national governance and performance evaluation standards. These audits assess compliance with legal requirements, governance structures, internal controls, and operational effectiveness. The outcomes guide continuous improvement in governance processes, risk management, and service delivery.

11. Communication Policy

The Municipality adheres to both the County Government Communication Policy and its internal communication guidelines. These policies ensure timely, transparent, and accurate dissemination of information to stakeholders. Public participation, stakeholder forums, notices, digital platforms, and official communication channels are used to enhance civic engagement and promote accountability.

12. Committees' Terms of Reference

The Board operates through specialized committees established in accordance with its Charter. Each committee has approved Terms of Reference (TORs) outlining its mandate, scope, authority, and operational procedures. The key committees focus on finance and audit, governance and compliance, infrastructure and planning, and stakeholder engagement. Committees report to the Board with recommendations for decision-making.

13. Policy on Related Party Transactions

The Municipality has adopted a policy framework—aligned with IPSAS disclosures and public sector governance standards—to govern related party transactions. The policy requires full disclosure of relationships, transactions, and balances involving Board members, management, and other parties with influence over the Municipality. All related party transactions must be justified, transparent, and conducted at arm's-length to safeguard public interest and avoid favoritism or undue influence.

9. Management Discussion and Analysis

The operational and financial performance of Kericho Municipality for the Financial Year 2024/2025 was generally aligned with the projections outlined in the Annual Development Plan (ADP) and the Municipality's approved work plans. The Municipality continued to implement its mandate effectively through prudent utilization of available resources, adherence to statutory requirements, and execution of strategic development initiatives. This section provides a comprehensive analysis of operational achievements, financial performance, risk environment, and compliance status for the reporting period.

a. Key Projects and Investment Decisions

During the year under review, Kericho Municipality made significant progress in implementing key capital projects aimed at upgrading urban infrastructure, improving service delivery, and enhancing socio-economic development. Notably:

- **Construction of the Kericho Municipal Modern Market (Funded by the World Bank):**
The flagship project under the Kenya Urban Support Programme (KUSP) progressed well during the year. The market project is designed to expand trading spaces, promote orderly commerce, improve hygiene standards, and stimulate local economic activity. The project remained on schedule and within the expected implementation parameters, with ongoing works including structural development, installation of essential utilities, and contractor supervision.
- **Routine Municipal Services and Infrastructure Improvements:**
The Municipality continued to support maintenance of access roads, street lighting, waste management, and stormwater drainage systems as part of its routine service delivery mandate. While these are recurrent operational areas, they also represent significant non-capital investments that directly enhance the functionality of the urban environment.

Overall, investment decisions remained aligned with the Municipality's strategic focus areas, ensuring meaningful progress in urban transformation and infrastructure development.

b. Compliance With Statutory Requirements

Kericho Municipality demonstrated strong adherence to statutory requirements across financial, environmental, and administrative domains. The following areas of compliance were notable during the reporting period:

- **Taxation and Statutory Remittances:**
The Municipality ensured timely submission of tax returns and statutory deductions including PAYE, NSSF, NHIF, and other mandatory remittances. No compliance gaps were recorded.
- **Environmental Management and NEMA Guidelines:**
Environmental compliance was strictly observed, particularly through the monitoring of contractors and service providers to ensure adherence to NEMA regulations during project

implementation. Waste management practices, environmental impact considerations, and mitigation measures were incorporated as required.

- **Financial Reporting Requirements:**
The Municipality complied with IPSAS-accrual reporting guidelines, Public Finance Management (PFM) Act provisions, and County Treasury directives related to budgeting, expenditure control, and disclosure standards.
- **Labour and Human Resource Standards:**
HR processes, including employee management, recruitment, contract administration, and workplace safety, complied with the Employment Act and relevant County HR policies.

The Municipality continues to integrate statutory compliance into all operational processes to promote accountability, transparency, and responsible governance.

c. Risk Assessment and Internal Control Environment

Based on assessments by the Internal Audit Unit and the Risk Management Committee, Kericho Municipality did not face major risks that could adversely affect its statutory or operational obligations during the financial year. Key findings include:

- **Effective Internal Controls:**
The internal control systems in place—particularly those relating to financial management, procurement, project monitoring, and compliance—remained functional and adequately mitigated operational risks.
- **Statutory Compliance Risks:**
No significant statutory compliance risks were identified. Regular internal reviews ensured that any emerging issues were addressed promptly.
- **Operational Risk Environment:**
The Municipality maintained a stable operational environment, supported by regular supervisory oversight, internal audit reviews, and continuous monitoring.

While no major risks were reported, the Municipality continues to strengthen its risk-management framework to anticipate and mitigate potential vulnerabilities, particularly those relating to service delivery and project implementation.

d. Financial Performance Overview

The financial performance of Kericho Municipality during FY 2024/2025 was satisfactory, supported largely by:

- **Timely Disbursement of Funds:**
The County Government provided timely transfers to facilitate operations, enabling the Municipality to implement planned activities without major disruptions.
- **Prudent Resource Utilization:**
Funds were utilized efficiently, with expenditures aligned to approved budgets and development priorities.

- **Improved Financial Controls:**

Strengthened oversight and adherence to PFM guidelines ensured proper recording, reporting, and accountability for resources.

Overall, the Municipality maintained financial stability, met its operational obligations, and progressed well in implementing key development initiatives.

10. Environmental And Sustainability Reporting

Kericho Municipality is committed to transforming lives through sustainable urban development, responsible governance, and people-centred service delivery. Our sustainability approach is anchored on three strategic pillars: **putting residents first, delivering relevant and inclusive services, and enhancing operational excellence**. This report outlines our progress and achievements during the Financial Year 2024/2025 across the core dimensions of sustainability—environmental, social, governance, and economic responsibility.

i) Sustainability Strategy and Profile

Kericho Municipal Board has adopted policies and measures aligned with national legislation, county frameworks, and international best practices on urban sustainability. The Municipality continues to integrate:

- Sustainable urban planning principles
- Environment-friendly development standards
- Climate-resilient infrastructure approaches
- Inclusive governance and participatory decision-making

These measures support a stable operating environment and ensure that municipal decisions are responsive, equitable, and future-oriented.

ii) Environmental Performance

Kericho Municipal Board recognizes environmental conservation as a critical enabler of sustainable urban development. The Municipality operates under an approved **Environmental Management Policy**, which outlines standards for responsible waste management, environmental protection, and pollution control.

Key achievements during the year include:

- Routine garbage collection and solid waste handling
- Maintenance of town cleanliness in markets, streets, and public facilities
- Support to drainage maintenance and unclogging to mitigate flooding
- Adoption of environmentally sound practices guided by NEMA regulations

The Municipality continues to work closely with other County departments to promote environmental sustainability and reduce ecological footprints.

iii) Employee Welfare

Kericho Municipal Board upholds fair labour practices and a conducive work environment, guided by the Public Service Code of Conduct, Employment Act, and the Occupational Safety and Health Act (OSHA) 2017.

The Municipality's commitment to employee welfare is demonstrated through:

- Fair and transparent recruitment processes that uphold gender balance and equal opportunity
- Structured stakeholder engagement in HR processes
- Continuous skills development, career progression, and staff capacity building
- Regular performance appraisals and merit-based reward systems
- Ensuring workplace safety through compliance with safety standards and risk mitigation measures

These initiatives promote employee satisfaction, motivation, and professional growth.

iv) Marketplace Practices

Kericho Municipality strives to maintain integrity, competitiveness, and fairness in all interactions with citizens, suppliers, and stakeholders. The Municipality upholds responsible marketplace practices through the following:

a) Responsible Competition Practices

The Board promotes ethical conduct by ensuring:

- Zero tolerance for corruption
- Transparent and fair competition
- Responsible political neutrality
- Respect for competitors and partners

b) Responsible Supply Chain and Supplier Relations

Procurement processes strictly adhere to the Public Procurement and Asset Disposal Act (PPADA). Suppliers are selected on merit, transparency, and value-for-money considerations.

c) Responsible Marketing and Citizen Engagement

As a public entity, the Municipality ensures equitable access to information and services. Communication with citizens is structured around openness, fairness, and inclusivity.

d) Product Stewardship and Awareness Creation

In partnership with other county departments, the Municipality works to ensure that:

- All public services meet required quality standards
- The public is sensitized on municipal services, environmental awareness, and civic responsibilities

These initiatives help build trust and strengthen public confidence in municipal operations.

v) Corporate Social Responsibility (CSR) and Community Engagements

Despite operating under a limited budget, Kericho Municipality actively participates in community-focused initiatives aimed at promoting social well-being and inclusivity. During the year, the Municipality, in collaboration with the Office of the Governor and the Department of Lands, Housing and Physical Planning, engaged in several CSR activities including:

a) Town Clean-Up Campaigns

The Municipality collaborated with community groups, local youth, and market associations to carry out coordinated clean-up exercises targeting:

- Stormwater drainage clearing
- Street and market cleaning
- Removal of illegal dumpsites
- Awareness on proper waste disposal

Impact:

Improved sanitation, reduced flooding in rainy seasons, enhanced public health, and increased awareness of environmental hygiene.

b) Tree Planting and Urban Greening

In partnership with the Department of Environment, schools, and local organizations, the Municipality facilitated community tree planting activities in:

- Road reserves
- Open spaces
- Public institutions
- Riparian zones

Impact:

Expanded green cover, improved micro-climate, beautification of urban spaces, and reinforced environmental consciousness among residents.

a) Festive Season Charity Support

The Municipality contributed to activities such as the annual Christmas Tree Party for vulnerable children and charitable events aimed at supporting disadvantaged families.

Impact:

Boosted social inclusion, strengthened community cohesion, and enhanced the Municipality's visibility as a socially responsible institution.

b) Support to Youth and Informal Sector Groups

The Municipality indirectly supported small artisans and youth groups through provision of:

- Jua kali shoe-shine booths
- Bodaboda sheds
- Improved public markets infrastructure

Impact:

Strengthened livelihoods, promoted safety for operators, and stimulated local economic growth.

iii) Community Engagement and Public Participation

Public participation is a legal requirement under the Urban Areas and Cities Act and the Constitution. During the year, Kericho Municipality facilitated structured community engagement sessions to ensure residents were involved in decision-making.

a) Public Participation on ADP, Budgeting, and Projects

The Municipality conducted multiple consultative forums where residents provided input on:

- Annual Development Plan (ADP)
- Municipal budget proposals
- Prioritization of development projects
- Siting of markets, drainage works, and road improvements

Impact:

Enhanced transparency, greater alignment of projects to community needs, and improved ownership of development initiatives.

iv) Public Health and Sanitation Interventions

The Municipality engaged residents in health-related community actions that directly support municipal service delivery.

a) Hygiene Promotion in Markets

Through collaboration with public health officers, the Municipality supported:

- Market hygiene inspections
- Awareness sessions on food handling
- Community sensitization on waste segregation

Impact:

Improved market cleanliness, reduced public health risks, and compliance with sanitation standards.

v) Infrastructure-Related Social Investments

CSR was also embedded in municipal infrastructure projects that benefit communities directly.

Examples of Social Investments

- Maintenance and grading of access roads improving mobility for residents.
- Drainage clearing and repairs reducing flooding in residential and commercial areas.
- Installation of streetlights improving safety for pedestrians, traders, and motorists.

Impact:

Safer neighbourhoods, reduced crime, increased economic activity, and improved urban mobility.

11. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended 30 June 2025, which present the financial position and performance of the Municipality and outline the state of its affairs.

Principal Activities

The principal activities of the Municipality continue to be the planning, development, and management of urban services within its jurisdiction, in accordance with the Urban Areas and Cities Act (UACA), including:

- Urban infrastructure development and maintenance;
- Environmental management and waste collection;
- Support to local economic development;
- Regulation of markets, motorbike sheds, and informal sector operations;
- Facilitation of urban planning, zoning, and enforcement of municipal by-laws;
- Community engagement, public participation, and promotion of inclusive urban governance.

These activities are geared towards improving the quality of life for residents and fostering sustainable socio-economic growth.

Performance

The performance of the Municipality for the year ended 30 June 2025, covering both operational and financial achievements, is presented in detail in the Management Discussion and Analysis section and on page xix-xxi of this report.

During the financial year, the Municipality implemented several development and service delivery initiatives and continued to strengthen its governance and administrative systems. The audited financial statements accompanying this report provide further details on revenue utilization, development expenditure, and financial position.

Board Members

The members of the Municipality Board who served during the year are listed on page vi-viii under the Key Entity Information and Management section.

Changes in the Board During the Year

During the financial year, the following changes occurred:

- one new Board Members were appointed and duly gazetted, thereby fully constituting the Board in accordance with the Urban Areas and Cities Act.

- There were no resignations or removals, and the Board remained functional throughout the year.

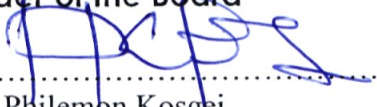
These changes strengthened the governance capacity of the Municipality and enhanced the Board's ability to deliver on its statutory mandate.

Auditors

The audit of the Municipality for the year ended 30 June 2025 was carried out in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

The Auditor-General is responsible for the statutory audit of the Municipality.

By Order of the Board


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Name: Philemon Kosgei
Secretary of the Board

5. City/Municipality Board Chairperson's Report

It is my pleasure to present the Chairperson's Report for the Financial Year 2024/2025. During the year under review, the Kericho Municipal Board remained committed to strengthening urban governance, improving service delivery, and implementing development initiatives that enhance the quality of life for residents and businesses within the Municipality.

1. Key Achievements and Projects Implemented in FY 2024/2025

Through the support of the County Government and the development funds allocated to the Municipality, several important projects were successfully undertaken. These include:

- Construction of *jua kali* shoe-shine booths to support informal sector traders.
- Construction of toilets in key markets to improve hygiene and sanitation standards.
- Construction of stormwater drainage systems to reduce flooding and improve mobility.
- Unblocking of drainage systems and rehabilitation of roads within the Municipality.

In addition, the Board successfully conducted an induction and capacity-building programme for its members, aimed at enhancing governance effectiveness and strengthening oversight and policy-making capacity.

2. Planned Projects for FY 2025/2026

In the upcoming financial year 2025/2026, the Municipality has outlined a series of projects aimed at promoting urban development and improving service delivery:

- Fabrication of containers and construction of modern market stalls.
- Beautification of the town to enhance aesthetics and attract investments.
- Construction of an advertising billboard for revenue enhancement.
- Development and construction of garbage collection centres.
- Maintenance and rehabilitation of municipal roads and drainage systems.

3. KUSP II UIG Funding and Planned Activities

The Municipality also received funding under the **Kenya Urban Support Programme (KUSP II) – Urban Institutional Grant (UIG)**, which will support institutional strengthening and long-term planning. The funds have been earmarked for:

- Development of Municipality by-laws.
- Establishment of a comprehensive Municipality database.
- Street addressing and related urban mapping exercises.
- Development of risk, disaster management, and environmental policies.
- Asset management initiatives.
- Conducting consultative meetings, stakeholder forums, and workshops.
- Staff capacity building, peer learning, and institutional development.
- Renovation and equipping of the Municipal offices.

These initiatives are expected to enhance urban governance, improve service delivery frameworks, and strengthen institutional capacity.

4. Challenges Faced During FY 2024/2025

Despite the progress made, the Municipality encountered several challenges that affected the execution of some planned activities:

- **Limited budget allocations**, which constrained the number and scale of projects that could be undertaken.
- **Incomplete transfer of gazetted functions** to the Municipality, which continues to affect operational autonomy.
- **Lean staffing levels**, with most officers seconded from other departments, limiting the Municipality's capacity to fully deliver on its mandate.

Despite these challenges, the Board maintained its commitment to service delivery and achieved substantial progress across priority areas.

5. Board Changes and Governance Improvements

During the year, two additional Board members were appointed and gazetted. With these appointments, the Board is now fully constituted and better positioned to discharge its statutory functions effectively. The strengthened governance structure is expected to enhance oversight, planning, and implementation of municipal development programmes.

6. Conclusion

The Board remains dedicated to promoting transparent, accountable, and participatory urban management. As we move into the 2025/2026 financial year, we reaffirm our commitment to delivering progressive, people-centred urban development and working collaboratively with the County Government, partners, and residents to build a resilient and prosperous Kericho Municipality.



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Name: CPA. Peter Korir

Chairperson, Kericho Municipal Board

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KERICHO MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kericho Municipality set out on pages 1 to 44, 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, 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 Kericho 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 Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following inaccuracies;

1.1 Inaccuracy of Property, Plant and Equipment Comparative Figure

The statement of financial position reflects property, plant and equipment comparative balance of 247,427,604. However, the amount differs with prior year audited balance of Kshs.264,972,830 resulting in unexplained variance of Kshs.17,545,226.

1.2 Inaccuracy of Accumulated Surplus

The statement of financial position reflects accumulated surplus balance of Kshs.189,166,594. The amount includes accumulated surplus opening balance of Kshs.75,825,515 as reflected in the statement of changes in net assets. However, the opening balance differs with the prior year audited balance of Kshs.93,370,743 resulting in unexplained variance of Kshs.17,545,228.

1.3 Inaccuracy of Trade and Other Payables

The statement of financial position and as disclosed in Note 27 to the financial statements reflects trade and other payables balance of Kshs.21,141,570. However, the amount does not include retention fees amounting to Kshs.3,227,737 as shown below:

Payee	Project Name	Amount Paid (Kshs.)	Retention (Kshs.)
Centview company Limited	Construction of pit latrine at Brooke market	1,492,245	149,225
Smalling Group of companies	Construction of Jua Kali shoe shinning booth	1,493,725	149,373
Jilk construction Company Ltd	Construction of modern market	14,399,011	1,439,901

Payee	Project Name	Amount Paid (Kshs.)	Retention (Kshs.)
Jilk construction Company Ltd	Construction of modern market	14,892,397	1,489,239
Total		32,277,378	3,227,737

A separate bank account and cashbook for retention money was not maintained. The existence of retention was therefore not confirmed..

1.4 Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects total payments amounting to Kshs.10,603,751. However, the amount differs with the recomputed amount of Kshs.11,063,751 resulting in unexplained variance of Kshs.460,500.

Further, the statement reflects board expenses amounting to Kshs.1,695,000. However, the amount differs with the board expenses balance of Kshs.1,234,500 reflected in the statement of comparison of budget and actual amounts resulting in unexplained variance Kshs.460,500.

In addition, the statement reflects net increase in retention amounting to Kshs.2,097,687. However, the balance has not been supported and disclosed in the financial statements. Similarly, Note 34 to the financial statements reflects increase in payables amounting to Kshs.1,498,656. However, the amount differs with recomputed increase in payables amounting Kshs.21,141,570 resulting in unexplained variance of Kshs.19,642,914.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2 Unsupported Expenditure on Domestic Travel and Subsistence.

The statement of financial performance reflects use of goods and services amounting to Kshs.7,862,767 which includes domestic travel and subsistence amount of Kshs.1,479,000 as disclosed in Note 12 to the financial statements. However, review of payment records for domestic travel and subsistence expenditure revealed that the expenditure was incurred through claims by members of staff. However, the claims for travel and subsistence allowances were not supported by authority to travel, purpose of the travel, ETR receipts, signed payment schedules and attendance registers where meetings were attended.

In the circumstances, the accuracy and completeness of domestic travel and subsistence expenditure amounting to Kshs.1,479,000 could not be confirmed.

3 Unsupported Expenditure on Construction of Storm Water Drainage

The statement of financial performance reflects use of goods and services amounting to Kshs.7,862,767. The amount includes an expenditure amounting to Kshs.385,000

incurred on a contract awarded to a local firm for construction of storm water drainage. However, the expenditure was not adequately supported as shown in the table below;

Item	Amount (Kshs.)	Observation
Site office and furniture	50,000	No delivery notes or invoices were provided to support the purchase of site office furniture, tools, and related items.
Material testing	15,000	No laboratory test reports or invoices from testing labs were provided for audit.
Survey equipment	30,000	No supporting records (delivery notes, usage logs, or PM confirmation) were provided to confirm the provision or use of survey equipment.
Project Manager's Miscellaneous account	100,000	No petty cash vouchers, receipts, or documentation were provided to support how the funds were utilized. There was also no evidence of Project Manager's authorization.
Project Team meeting expenses	90,000	No request documentation, transport, or accommodation records were provided to support the expenditure.
Relocation of services	50,000	No site visit evidence, invoices, or scope definition documents were provided to confirm relocation was carried out.
Environmental, Social, Health & Safety Monitoring	50,000	No ESHS reports, training logs, PPE receipts, or safety inspection records were provided.
Total	385,000	

In the circumstances, accuracy and completeness of use of goods and services amounting to Kshs.385,000 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.136,228,128 and Kshs.64,641,396 respectively resulting to an under-funding of Kshs.71,586,732 or 53% of the budget. Similarly, the

Municipality spent Kshs.47,283,875 against actual receipts of Kshs.64,641,396 resulting to an under-utilization of Kshs.17,357,521 or 27% of the actual receipts.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

My Opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, twenty-three (23) issues were raised under the Report on Financial Statements, Other Matter, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance as shown in **Appendix I**. However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Delayed Completion and Poor Workmanship at Kericho Modern Market Project

Review of records revealed that the Kericho Municipal Board entered into a contract with a local contractor for the construction of the Kericho Modern Market at a contract sum of Kshs.234,970,538. The contract was to be executed within a period of two (2) years with an estimated initial completion date of 22 February, 2023. However, as at November, 2025, the project had not been completed despite the completion period having elapsed. No explanation was provided for failure to complete the project within the contract period.

Further, payments totalling Kshs.29,291,409 on the construction of the Kericho Modern Market were made during the year under review. However, the payment was not supported by a progress certificate showing the level of completion and the total cumulative amount paid to the contractor.

In addition, audit inspection on the project in the month October 2025 revealed defects in cabbro paving works which resulted in loose paving block. Tiles were poorly placed and paintwork poorly done in both Type A and Type B Kiosks. This is an indication of poor workmanship.

In the circumstances, the Municipality may not obtain value for money already spent and the expected benefits from the projects to the residents of Kericho County may not be realized.

2. Lack of a Training Needs Assessment

The statement of financial performance reflects use of goods and services amount of Kshs.7,862,767 which includes training expenses amount of Kshs.233,866 as disclosed in Note 12 to the financial statements. However, training needs assessment was not conducted. This was contrary to Section H.3(1) of the Human Resource Policies and Procedures Manual, May 2016 which states that, Training Needs Assessment is a performance audit that generates and provides information to assess the inadequacy of knowledge and skills which inhibits an organization from attaining its objectives. Training in the Public Service shall be based on Training Needs Assessment which shall be conducted after every three (3) years in each State Department.

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

3. Non-Compliance with Staff Establishment and Employment Procedures.

Review of Staff records revealed that the Municipality had two (2) employees against an approved establishment of eighty-eight (88) resulting in understaffing by eighty-six (86) employees or ninety eight percent (98%) of the approved establishment. This was contrary to Section 8.1.1 of the Kericho Municipal Charter, 2017 which mandates the Board, subject to approval by the County Public Service Board, to employ such officers and employees as it deems necessary to execute the powers and duties provided under the Charter or any other law.

In addition, the Municipality had an additional seven (7) employees who were seconded from the County Executive of Kericho. However, the secondment was done without specific terms of engagement and conditions of service.

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

4. Irregular Municipal Board Meetings

The statement of financial performance and as disclosed in note 14 to the financial statements reflects board expenses amounting to Kshs.1,234,500. The amount relates to sitting allowances for members of the Municipal Board. However, review of the supporting documents reveals that the payments relate to five (5) full board meeting for 2023-2024 financial year and nine (9) full board meetings held for 2024-2025 financial year. The number of meetings held was contrary to Circular OP/CAB.9/1A dated 11th March 2020 on Management of State Corporations and Section A (2) and the Salaries and Remuneration Commission Circular SRC/TS/CG/3/61/19 (38) which states that sitting allowances is only payable subject to a maximum of four sittings per annum.

Further, the Chairperson of the Board was a member of two sub committees; Urban Planning, Transport and Infrastructure Committee and the Municipal Services, Trade and Investment Committee respectively. This was contrary to Chapter 1 of the Code of Governance for State Corporations, 2015 which states that the Chairperson of the board should not be a member of any committee save for an ad hoc committee.

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

5. Failure to Tax Municipal Board Sitting Allowances

The statement of financial performance and as disclosed in note 14 to the financial statements reflects Board expenses amounting to Kshs.1,234,500 in respect of Board sitting allowances. However, the allowances paid were not taxed. This was contrary to Section 3(2) (a)(ii) and 5(2) of the Income Tax Act (CAP 470) provides for taxation of all Income from employment or services rendered. The gains or profits from employment includes: wages, salary, payment in lieu of leave, fees, commission, bonus, gratuity, subsistence, travelling, entertainment or any other allowance received in respect of employment or services rendered.

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

6. Failure to Prepare Strategic Plan.

The Municipality did not have a Strategic Plan. This was contrary to Section 36(1) of the Urban Areas and Cities Act, 2011 which requires the Board or Town Committee, within the first year of its election, adopt a single, inclusive strategic plan for the development of the city or urban area for which it is responsible. As a result, the Municipality was operating without a critical roadmap for achieving the development goals of the urban area.

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

7. Non-Compliance to Laws on Independence of the Municipal Board

Review of records reveal that the Municipality was granted Municipal Charter in the month of September, 2017 through which it was granted operational independence from the County Government of Kericho. However, review of the operations of the Municipality revealed that the County Government had continued to perform a number of functions which were transferred to the Municipality as provided for in Paragraph 2.3.1 of Kericho Municipal Charter including infrastructural development and services within the Municipality, development and enforcement of municipal plans and development controls. This was contrary to section 12(1) of the Urban Areas and Cities Act, 2011 which states that the management of a City and Municipality shall be vested in the county government and administered on its behalf by a Board, a manager and staff constituted and appointed in accordance with the Act.

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

8. Non-Compliance with the Public Procurement Capacity Building Levy Order

The Municipality Management has not provided to confirm that the Municipality complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which provides that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 which requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on effectiveness of internal controls, risk management and governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

1. Lack of Internal Audit Function

The Municipality had not established an internal audit function for oversight of the operations of the Management. This was contrary to Section 155(4) and (5) of the Public Finance Management Act, 2012 state that a County Government entity shall ensure that the arrangements for conducting internal audits in respect of the entity are in accordance with international best practices for internal auditing and that a County government entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations.

In the circumstance, the internal control mechanisms that could have an impact on achievement of the strategic objectives of the Municipality may be undetected and hence not rectified in good time.

2. Ineffective Audit Committee

Review of records revealed that the Municipality's Audit Committee held only one meeting in the year under review. This was contrary to Regulation 172(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the Audit Committee shall meet at least once in every three months. Appointment letters for Audit Committee Members were also not provided.

In the circumstances, the oversight on effectiveness of internal controls, risk management and overall governance could not be confirmed.

3. Lack of ICT Governance Frameworks and Policies

Audit review established that the Municipality had not developed or provided several key ICT governance and operational documents necessary for effective management and control of ICT operations. Specifically, the following documents were not in place:

- i. ICT Policy;
- ii. Data Protection Policy;
- iii. Data Privacy Policy;
- iv. Standard Operating Procedures (SOPs);
- v. Risk Management Policy;
- vi. Disaster Recovery Policy (DRP);
- vii. Business Continuity Policy (BCP);
- viii. Change Management Policy.

The absence of these policies and procedures indicates that the Board's ICT environment is not guided by formal frameworks that align with current technological, regulatory, and operational requirements. Consequently, this weakens governance structures and increases the risk of non-compliance with applicable data protection and cybersecurity standards.

4. Lack of a Fixed Asset Register and Ownership Documents

The statement of financial position and as disclosed in note 24 to the financial statements, reflects property, plant and equipment balance of Kshs.301,653,455. However, the assets balance was not supported by a listing of the assets and the assets were also not recorded in a fixed asset register of the Board. Further, the Municipality did not have an approved asset management policy in place and no proof of ownership was provided for audit confirmation.

In addition, the assets were not tagged as property of Kericho Municipality to prevent possible loss due to theft and pilferage.

In the circumstances, the existence of an effective assets management mechanism and the ownership of the Board's assets worth Kshs.301,653,455 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 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 Management and the Municipality Board

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

In preparing the financial statements, Management is responsible for assessing the Municipality's ability to 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.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAI 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

08 December, 2025

Report of the Auditor-General on Kericho Municipality for the Year ended 30 June, 2025

Appendix I

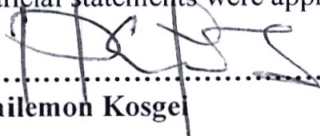
Unresolved Prior Year Audit Matters

Number	Financial Year	Issue
		Qualified Opinion
1	2023/2024	Unsupported Expenditure on Domestic Travel and Subsistence
2	2023/2024	Unsupported Board Expenses
3	2023/2024	Inaccuracy on Property, Plant and Equipment
4	2023/2024	Unsupported Payment on Consultancy Services
5	2023/2024	Inaccuracy of Capital/ Development Grant/Fund
6	2023/2024	Inaccuracy of Accumulated Surplus
7	2023/2024	Inaccuracies in the Statement of Cash flows
8	2023/2024	Inaccuracies in the Statement of Comparison of Budget and Actual Amounts
		Other Matter
	2023/2024	Unresolved prior year matters
		Report on Lawfulness and Effectiveness in the Use of Public Resources
1	2023/2024	Unauthorized Receipts and Payments
2	2023/2024	Lack of a Procurement Plan
3	2023/2024	Irregular Procurement of Town Cleaning Services and Drainage Works
4	2023/2024	Delayed Completion of Kericho Modern Market
5	2023/2024	Construction of Motorized and Non-Motorized Transport Network in Kapsoit and Kapsuser Markets
6	2023/2024	Irregular Reallocation of Development Funds to Recurrent Expenditure
7	2023/2024	Lack of Independence of the Municipality
8	2023/2024	Staff Under Establishment
9	2023/2024	Failure to Review the Municipality's Integrated Development Plan
10	2023/2024	Lack of Policies and By-laws
		Report on Effectiveness of Internal Controls, Risk Management and Governance
1	2023/2024	Lack of a Fixed Asset Register and Ownership Documents
2	2023/2024	Lack of Internal Audit Review and Audit Committee
3	2023/2024	Lack of Risk Management Strategies
4	2023/2024	Recruitment and Meetings of the Municipality Board Members

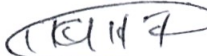
14. Statement of Financial Performance for The Year Ended 30 June 2025.

Description	Note	FY 2024/2025	Restated FY2023-24
		Kshs.	
Revenue from non-exchange transactions			
Transfers from the County Government	6	57,076,891	32,908,572
Public contributions and donations	7	-	
Levies Fines and Penalties	8	-	
Other revenues	9	32,309,300	
Revenue from exchange transactions			
Interest income	10	-	
Total revenue		89,386,191	32,908,572
Expenditure			
Miscellaneous Income	11	-	-
Use of goods and services	12	7,862,767	51,480,821
Staff costs	13	3,004,640	
Board expenses	14	1,234,500	6,157,340
Finance costs	15	-	
Depreciation and amortization	16	-	
Repairs and maintenance	17		
Total expenses		12,101,907	57,638,161
Other gains/losses		-	
Gain/loss on disposal of assets	18	-	
Surplus/(deficit) for the period		77,284,284	-24,729,589

The notes set out on pages 20 to 42 form an integral part of these Financial Statements. The entity financial statements were approved on 26th August 2025 and signed by:


.....
Name: Philemon Kosge

Ag. Kericho Municipality Manager


.....
Name: Kevin Lang'at

Accountant: ICPAK /no. 30625

15. Statement of Financial Position As At 30 June 2025

Description	Note	FY 2024/2025	Restated 2023/24
		Kshs.	
Assets			
Current assets			
Cash and cash equivalents	19	19,455,209	17,564,505
Receivables from exchange transactions	20	-	
Receivables from non-exchange transactions	21	42,309,300	
Prepayments	22	-	
Inventories	23	-	
Total current assets		61,764,509	17,564,505
Non-current assets			
Property, plant, and equipment	24	301,653,455	247,427,604
Intangible assets	25	-	
Biological Assets	26	-	
Total Non-current Assets		301,653,455	247,427,604
Total assets (A)		363,417,964	264,992,109
Liabilities			
Current liabilities			
Trade and other payables	27	21,141,570	
Refundable deposits from customers	28	-	
Provisions	29	-	
Borrowings	29	-	
Employee benefit obligations	30	-	
Deferred Income	31	-	
Social Benefits	32	-	
Total current liabilities		21,141,570	-
Non-current liabilities			
Provisions	29	-	
Borrowings	29	-	
Non-current employee benefit obligation	33	-	
Deferred Income	34	-	
Social Benefits	32	-	
		-	
Total liabilities (B)		21,141,570	-
Net Assets (A-B)		342,276,393	264,992,109

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

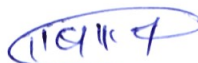
Represented by:			
Capital/Development Grants/Fund		189,166,594	189,166,594
Reserves		-	
Accumulated surplus		153,109,799	75,825,515
Net Assets/Equity		<u>342,276,393</u>	<u>264,992,109</u>

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 26th August 2025 and signed by:



.....
Name: Philemon Kosgei

Ag. Kericho Municipality Manager



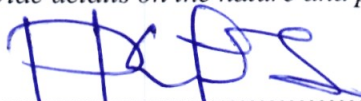
.....
Name: Kevin Lang'at

Accountant: ICPAK /no. 30625


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

Description	Capital/	Revaluation	Accumulated	Total
	Development Grants/Fund	Reserve	surplus	Kshs
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2023 (previous year)	189,166,594		31,360,590	220,527,184
Surplus/(deficit) for the year	-		-7,184,361.00	-7,184,361
Funds received during the year	-		69,194,514	69,194,514
Revaluation gain/loss				-
Bal as at 30 Jun 2024	189,166,594		93,370,743	282,537,337
Bal as at 1st July 2024	189,166,594		75,825,515	264,992,109
Surplus/(deficit) for the year	-	-	77,284,284	77,284,284
Funds received during the year	-	-		0
Revaluation gain/loss	-	-	-	0
Balance as at 30 June 2025	189,166,594	-	153,109,799	342,276,393

(Provide details on the nature and purpose of reserves)


 Name: Philemon Kosgei

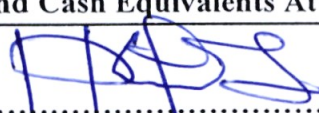
Ag. Kericho Municipality Manager


 Name: Kevin Lang'at

Accountant: ICPAK/no. 30625

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

Description	Note	FY 2024/2025	Restated FY 2023-2024
		Kshs.	
Cash flows from operating activities			
Receipts			
Transfers from the County Government		47,076,891	102,103,086
Public contributions and donations		-	-
Interest received			-
Miscellaneous receipts (<i>Specify</i>)		-	-
Total Receipts		47,076,891	102,103,086
Payments		-	-
Use of goods and services		6,364,111	33,935,593
Staff costs		3,004,640	-
Board expenses		1,695,000	6,157,340
Finance costs		-	-
Total Payments		10,603,251	40,092,933
Net cash flows from operating activities	34	36,473,640	62,010,153
			-
Cash flows from investing activities			-
Purchase of PPE & intangible assets		36,680,624	-145,367,044
Proceeds from sale of PPE		-	-
Net cash flows used in investing activities		36,680,624	-145,367,044
			-
Cash flows from financing activities			-
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in Retention		2,097,687	-
Net increase/(decrease) in cash & cash equivalents		1,890,703	-83,356,891
Cash And Cash Equivalents At 1 July	19	17,564,505	100,921,398
Cash And Cash Equivalents At 30 June	19	19,455,209	17,564,505

.....

Name: Philemon Kosgei
Ag. Kericho Municipality Manager

.....

Name: Kevin Lang'at
Accountant: ICPAK/no. 30625

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

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Budget carryovers from the previous year*	-	-	-	17,564,505.00	(17,564,505.00)	-
Receipts		-				-
Transfers from the County Government	101,228,128.00	-	101,228,128.00	47,076,891.00	54,151,237.00	46.51
Public contributions and donations	35,000,000.00	-	35,000,000.00	-	35,000,000.00	-
Interest income	-	-	-	-	-	-
Miscellaneous income (<i>specify</i>)	-	-	-	-	-	-
Total Receipts	136,228,128.00	-	136,228,128.00	64,641,396.00	71,586,732.00	47.45
Payments		-			-	-
Use of goods and services	37,973,239.00	-	37,973,239.00	6,364,111	31,609,128	12.92
Board expenses	1,700,000.00	-	1,700,000.00	1,234,500	465,500	99.71
Staff Costs	3,004,640.00	-	3,004,640.00	3,004,640	-	0
Finance costs	-	-	-	-	-	-
Total expenditure Payments	42,677,879.00	-	42,677,879.00	10,603,251	32,074,628	22.51
Capital Expenditure Payments	93,550,249.00	-	93,550,249.00	36,680,624	56,869,625	39.21
Surplus for the period	-	-	-	17,357,521	(17,357,521)	-

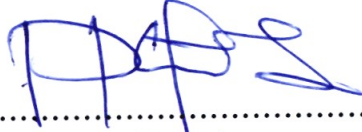
(Budget carryovers This is for entities whose budget lapses at year-end, but the surpluses are not legally required to be remitted to the CRF. The funds need to be budgeted afresh. Budget carryovers should not include third-party funds such as contractors' retention.)*

Budget notes

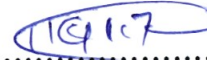
[Provide an explanation of differences between actual and budgeted amounts (any over-utilisation and underutilisation of below 90%)]

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

(Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes.



.....
Name: Philemon Kosgei
Ag. Kericho Municipality Manager



.....
Name: Kevin Lang'at
Accountant: ICPAK/no. 30625

19. Notes to the Financial Statements

1. General Information

Kericho Municipality is established by and derives its authority and accountability from Kericho County Assembly Act. The Municipality is under the County Government of Kericho and is domiciled in Kenya. The entity's principal activity is service delivery to Kericho Municipality residents.

2. Statement of compliance and basis of preparation

The Kericho Municipality 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 Kericho Municipality. 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. Adoption of new and revised standards

(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

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

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

(iii) Early adoption of standards

Kericho Municipality did not early – adopt any new or amended standards in the financial year 2024/2025.

(iv)

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.

<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</p> <p>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.</p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46: Measurement</p>	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <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. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users</p>

	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.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2024/2025 was approved by the County Assembly on June 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. There were changes to the amounts allocated to Kericho Municipality in the financial year 2024/2025.

The Kericho Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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 cash flows has been presented.

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) Biological Assets

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

f) Financial instruments

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

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

g) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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

h) Provisions

Provisions are recognized when the City/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 City/Municipality expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and/or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the needs of society as a whole. The entity recognises a social benefit as an expense for the social benefits scheme at the same time that it recognises a liability. The liability for the social benefit scheme is

measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

j) Contingent liabilities

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

k) Contingent assets

The City/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 City/Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits – Retirement benefit plans

The City/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.

o) Foreign currency transactions

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

p) Borrowing costs

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

q) Related parties

The City/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 City/Municipality, or vice versa. Members of key management are regarded as related parties and comprise the Board members, the City/Municipality Managers and City/Municipality Accountant.

r) Cash and cash equivalents

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

s)Comparative figures

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

t)Events after the reporting period

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

Two types of events can be identified:

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

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

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

u)Currency

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

5) Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The City/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 City/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 City/Municipality.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of funds to replace the asset.
- v) Changes in the market in relation to the asset.

Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs.	
Transfers from County Govt. – Recurrent	7,677,879.00	32,908,725.00
Payments by County on behalf of the entity	-	-
Unconditional development grants	49,399,012.00	-
Total	57,076,891.00	32,908,725.00

(Provide brief explanation for this revenue)

(a) Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance* Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	Insert Comparative FY
			Kshs	Kshs	Kshs
County Government of Kericho	47,076,891	10,000,000	-	-	-
XX Ministry	-	-	-	-	-
Total	47,076,081	10,000,000	-	-	-

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the sending County office. An acknowledgement note/receipt should be raised in favour of the sending County office.) *Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached. Total of column 1 should tie to note 6 The details of the reconciliation have been included under appendix xxx

7. Public Contributions and Donations

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs.	
Donation from development partners		

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Contributions from the public	-	
Total	-	

8. Levies, Fines and penalties

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs.	
Interest income from investments	-	
Interest income on bank deposits	-	
Others (<i>Specify</i>)	-	

9. Other Revenues

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs	Kshs
Insurance Recoveries	-	-
Income from Sale of Tender Documents	-	-
Bad debts recovered	-	-
Miscellaneous Income	-	-
KUSP II UIG Funds	32,309,300	
Total Other Income	32,309,300	-

(Provide a brief explanation for this revenue)

10. Interest income

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs	Kshs
Interest Income from Mortgage Loans	-	-
Interest Income From Car Loans	-	-
Interest Income From Investments in financial assets	-	-
Interest Income On Bank Deposits	-	-
Total Interest Income	-	-

(Provide brief explanation for this revenue)

11. Miscellaneous income

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Income from sale of tender documents	-	-
Others (<i>specify</i>)	-	-
Total other income	-	-

12. Use of Goods and Services

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs.	
Utilities, supplies and services	28,420.00	-
Communication, supplies and services	40,000.00	-
Domestic travel and subsistence	1,479,000	11,351,501.00
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	-	-
Rent and rates	-	-
Training expenses	233,866.00	59,000.00
Hospitality supplies and services	150,000.00	464,500.00
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	300,000.00	30,000.00
Fuel, oil and lubricants	-	-
Other operating expenses (<i>Specify</i>)	620,000.00	
Routine maintenance	-	
– vehicles and other equipment	-	
Routine maintenance – other assets	-	
Contracted Professional Services	-	
Audit fees	-	
Hire of Transport, equipment etc	-	
Bank Charges	21,635.50	43,419.00
Social Benefit expenses*	-	
Infrastructure, town cleaning and drainage works		21,973,537.90
KRA		6,657,186.75

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Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs.	
Consultancy		3548912
Juakali shoe shine Shades	1,493,725.00	
Renovation of Building	997,464.30	
Road maintenance Roads	2,498,656.50	5,240,169.00
Total	7,862,767.00	51,480,821.00

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

13. Staff costs

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs.	
Salaries and wages	2,421,640.00	
Staff gratuity	383,000.00	
Social security contribution	200,000.00	
Other staff costs (<i>Specify</i>)	-	
Total	3,004,640.00	

14. Board expenses

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	1,234,500	6,157,340
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	-
Conference Costs	-	-
Other allowances (<i>Specify</i>)	-	-
Total	1,234,500	6,157,340

15. Finance costs

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs.	Kshs.
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

16. Depreciation and amortization

Description	FY 2024/2025	RESTATED FY 2023/2024
	KShs	
Property, plant and equipment	-	
Intangible assets	-	
Investment property carried at cost	-	
Total depreciation and amortization	-	

17. Repairs and Maintenance

Description	FY 2024/2025	RESTATED FY 2023/2024
	KShs	KShs
Property- Buildings	-	-
Office equipment	-	-
Furniture and fittings	-	-
Motor vehicle expenses	-	-
Maintenance of civil works	-	-
Total repairs and maintenance	-	-

18. Gain/(loss) on disposal of assets

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
Total Gain	-	-

19. Cash and cash equivalents

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs.	
Fixed deposits account	-	
On – call deposits	-	
Current account	19,455,209	

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Others(<i>specify</i>)	-	
Total cash and cash equivalents	19,455,209	17,564,505

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

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

Financial Institution	Account number	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
Sub- Total		-	-
b) On - Call Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
c) Current Account			
Sidian Bank	01010030000446	214,556.80	14,418
Sidian Bank	01010030000466	578,909.95	226.95
Kenya Commercial Bank	1261527399	105,184.83	85.23
Kenya Commercial Bank	1261527461	1,683.90	3,252.90
Kenya Commercial Bank	1322934754	18,554,873.31	17,546,522.21
Sub- Total		19,455,208.79	17,564,505.29
d) Others(Specify)			
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		19,455,208.79	17,564,505.29

20. Receivables from exchange transactions

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs.	
Current Receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-

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Total Current receivables (a)	-	-
Non-Current receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Non- current receivables (b)	-	-

Ageing analysis for Receivables from exchange transactions

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	-	-	-
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (a+b)	-	-	-	-

21. Receivables from Non-Exchange transaction

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs.	Kshs.
Transfer from County Executive	10,000,000.00	-
Transfer from Donor (KUSP UIG)	32,309,300.00	-
Total	42,309,300.00	-

Ageing analysis for Receivables from non-exchange transactions

Description	FY 2024/2025	
	Kshs	
	Current FY	% of the total
Less than 1 year	42,309,300.00	100.00
Between 1- 2 years	-	-
Between 2-3 years	-	-

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Over 3 years	-	-
Total	42,309,300.00	100.0

22. Prepayments

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs.	
Insurance	-	
Rent	-	
Water	-	
Internet	-	
Other (<i>specify</i>)	-	

23. Inventories

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs.	Kshs.
Consumable Stores		
Consumable stores	-	-
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Less: allowance for impairment	-	-
Total inventories at the lower of cost and net realizable value	-	

(Provide brief explanation on inventories)

Detailed Disclosure on Inventories

	FY 2024/2025	RESTATED FY 2023/2024
	Opening balance	-

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Additional Inventory in the year	300,000	-
Inventory expensed in the year	(300,000)	-
Write-downs in the year	-	-
Others specify	-	-
Closing balance	-	-

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24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	infrastructure	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate		X%	X%	X%	X%	X%		
As at 1 July 2023 (previous year)	-	9,775,260.00	-	-	-	109,830,526.70	-	119,605,786.70
Additions	-	-	-	-	-	145,367,044.25	-	145,367,044.25
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
As at 30th June 2024	-	9,775,260.00	-	-	-	255,197,570.95	-	264,972,830.95
Additions for the year	-	1,492,244.30	-	-	-	5,896,970.00	29,291,409.00	36,680,624.00
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
As at 30th June 2025 (current year)	-	11,267,504.30	-	-	-	261,094,540.95	29,291,409.00	301,653,455
Depreciation and impairment	-	-	-	-	-	-	-	-
At 1 July 2023 (previous year)	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-

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Impairment	-	-	-	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
As at 30 June 2024	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2025 (current year)	-	-	-	-	-	-	-	-	-	-	-	-
NBV as at 30 th Jun 2024 (previous year)	-	9,775,260.00	-	-	-	-	-	255,197,570.95	-	-	-	264,972,830.95
NBV as at 30 th Jun 2025 (current year)	-	11,267,504.30	-	-	-	-	-	261,094,540.95	29,291,409.00	-	-	301,653,455

(Include a brief description of WIP as a footer.)

25. Intangible assets

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs	Kshs
Cost		
At Beginning of The Year	-	-
Additions	-	-
At End of The Year	-	-
Amortization And Impairment		
At Beginning of The Year	-	-
Amortization	-	-
At End of The Year	-	-
Impairment Loss	-	-
At End of The Year	-	-
NBV	-	-

26. Biological Assets

Description	FY 2024/2025	RESTATED FY 2023/2024
	Kshs	Kshs
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-

27. Trade and Other Payables

Description	FY 2024/2025	RESTATEMENT FY 2023/2024
	Kshs	Kshs
Trade Payables	1,498,656.50	-
Refundable Deposits	19,642,913.71	-
Accrued Expenses	-	-
Other Payables	-	-
Total Trade and Other Payables	21,141,570.21	-

Ageing analysis (Trade and other payables)

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	FY 2024/2025	% of the Total	RFY 2023/2024	% of the Total
Under one year	1,498,656.50	7.09	-	-
1-2 years	19,642,913.71	92.91	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (tie to above total)	21,141,570.21	100	-	-

28. Refundable deposits and prepayments from customers

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

29. Provisions

Description	Leave provision	Gratuity Provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance b/f	-	-	-	-
Additional provisions	-	-	-	-
Provision utilised	(-)	(-)	(-)	(-)
Change due to discount and time value for money	(-)	(-)	(-)	(-)
Total provisions year end	-	-	-	-
Current Provisions	-	-	-	-
Non-Current Provisions	-	-	-	-

30. Borrowings

The table below shows the Distribution of borrowings:

Description	FY 2024/2025	RESTATEMENT FY 2023/2024
	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

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

Description	Insert Current FY	Insert Comparative FY
	Kshs.	Kshs.
Balance at beginning of the period	-	-
Borrowings during the year	-	-
Repayments of borrowings during the period	(-)	(-)
Balance at end of the period	-	-

The table below shows the Distribution of borrowings:

Description	Insert Current FY	Insert Comparative FY
	Kshs.	Kshs.
Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

31. Employee Benefit Obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	FY 2024/2025	FY 2023/2024
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-

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Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

32. Deferred Income

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
National/County Government	-	-
International Funding Bodies	-	-
Public Contributions and Donations	-	-
Total Deferred Income	-	-

The deferred income movement is as follows:

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

Include columns as needed for the various sources of income deferred

Analysed as:

Description	Amount
	Kshs
Current	-
Non- Current	-
Total	-

33. Social Benefit Liabilities

Description	Insert Current FY	Insert previous FY
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-

PWD benefit scheme	-	-
Elderly social benefit scheme	-	-
Total	-	-
	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

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

34. Cash generated from operations

Description	FY 2024/2025	RESTATEMENT FY 2023/2024
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	77,284,284	-
Adjusted For:	-	-
Depreciation	-	-
Amortization	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost		
Working Capital Adjustments	-	-
Increase In Inventory	-	-
Increase In Receivables	(42,309,300)	-
Increase In Payables	1,498,656	-
Net Cash Flow From Operating Activities	36,473,640	-

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

35. Related party balances

a) Nature of related party relationships

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

- i. The County Government.
- ii. The Parent County Government Ministry.
- iii. County Assembly.
- iv. Key management.
- v. City/Municipality Board; etc.

b) Related party transactions

Description	FY 2024/2025	RESTATEMENT FY 2023/2024
	Kshs	Kshs
Transfers From Related Parties'	47,076,891	32,908,572
Transfers To Related Parties		

c) Key management remuneration

Description	FY 2024/2025	RESTATEMENT FY 2023/2024
	Kshs	Kshs
Board Members	1,695,000	-
Key Management Compensation	2,004,640	-
Total	3,699,640	-

d) Due from related parties

Description	FY 2024/2025	RESTATEMENT FY 2023/2024
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	10,000,000	-
Total	10,000,000	-

e) Due to related parties

Description	Insert Current FY	Insert Comparative FY
-------------	-------------------	--------------------------

	Kshs.	Kshs.
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
Total	-	-

36. Contingent liabilities

Contingent liabilities	Insert Current FY	Insert Comparative FY
	Kshs.	Kshs.
Court case xxx against the entity	-	-
Bank guarantees	-	-
Total	-	-

(Give details)

37. Contingent Assets

Contingent liabilities	Insert Current FY	Insert Comparative FY
	Kshs.	Kshs.
Court case xxx against the entity	-	-
Others Specify	-	-
Total	-	-

38. Financial risk management

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

The City/Municipality's financial risk management objectives and policies are detailed below:

I. Credit risk

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

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Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the City/Municipality's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the City/Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 20XX (current year)				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 20XX (previous year)				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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

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

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

II. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the City/Municipality Manager, who has built an appropriate liquidity risk management framework for the management of the City/Municipality's short, medium and long-term liquidity management

requirements. The City/Municipality manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 Jun 2025 (current year)				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 Jun 20XX (previous year)	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

III. Market risk

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

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

IV. Foreign currency risk

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

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

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

Foreign currency sensitivity analysis

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

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

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Euro	10%	-	-
USD	10%	-	-

V. Interest rate risk

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

Management of interest rate risk

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

VI. Capital risk management.

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

Description	FY 2024/2025	RESTATEMENT FY 2023/2024
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	77,290,583.70	-
Total funds	77,290,583.70	-
Total borrowings	-	-
Less: cash and bank balances	19,455,208.79	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	57,835,374.90	-

39. Program for Results (PforR) Disclosure

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

Name of the PforR: -

Financing Partners: -

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Purpose of the PforR: -	
Expenditure Details	Amount in Kshs
Cumulative actual expenditures for the previous years	-
Actual expenditure in the current financial year.	
1. <i>Employee Cost</i>	-
2. <i>Use of goods and Services</i>	-
3. <i>Grants and Subsidies</i>	-
4. <i>Building of ECDE facilities</i>	-
5. <i>Others (specify)</i>	-
Sub-total	-
Cumulative Actual Expenditures to date	-

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Unsupported expenditures	Noted and action taken	Ongoing	
2.	Inaccuracy in the Financial Statements	Corrective action taken	Ongoing	
3.	Unauthorized receipts and expenditures	Noted and action taken	Ongoing	
4.	Lack of procurement plan	Noted and action taken	Ongoing	
5.	Irregular procurement	Noted and action taken	Ongoing	
6.	Delayed projects	Corrective action taken	Ongoing	
7.	Irregular reallocation of funds	Noted and action taken	Ongoing	
8.	Lack of Municipality independence	Noted and action taken	Ongoing	
9.	Lack of asset register, audit committee and risk management	Noted and action taken	Ongoing	
10.	Recruitment of Board Members	Corrective action taken	Ongoing	

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.

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- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue.
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.

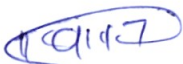
.....
To be Signed by the Accounting officer of the Entity

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Appendix 2: Inter-Entity Transfers

CITY/MUNICIPALITY NAME:				
Breakdown of Transfers from the County Executive of Kericho County				
FY 20xx/20xx				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			3,838,939.50	
			3,838,939.50	
		Total	7,677,879	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			10,000,000	
			15,000,000	
			14,399,013	
		Total	47,076,892	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	47,076,892	

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



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

Appendix 3: Reporting of Climate Relevant Expenditures

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

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

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

Appendix 4: Disaster Expenditure Reporting Template

Date:

Entity

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