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REPORT

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THE AUDITOR-GENERAL

ON

KEHANCHA MUNICIPALITY

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF MIGORI

241





KEHANCHA MUNICIPALITY

County Government of Migori

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2025

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

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1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
AIE	Authority to incur Expenditure
KUSP	Kenya Urban Support Programme
PPE	Property, Plant and Equipment
PPP	Public Private Partnership
OSHA	Occupational Safety & Health Act
CEC	County Executive Committee
SRC	Salaries and Remuneration Commission
OSR	Own Source Revenue
DLI	Disbursement Linked Indicators
KRA	Kenya Revenue Authority
CSR	Community Social Responsibility
SDG	Sustainable Development Goals

B. Definition of Key Terms

- **Fiduciary Management:** The responsibility assumed by officers or Board members entrusted with the management, custody, and oversight of the entity's financial resources in accordance with applicable laws and ethical standards.
- **Comparative Year:** The preceding financial reporting period used to provide context and facilitate comparison with the current year's financial performance and position.

- **Sustainable Urban Development:** Development that meets present urban needs without compromising the ability of future generations to meet their own, emphasizing social equity, environmental protection, and economic growth.
- **Spatial Planning:** The process of organizing land use, infrastructure, and human settlements across a geographic area to support orderly, inclusive, and sustainable urban growth.
- **Institutional Governance:** The system of rules, practices, and processes by which the Municipality is directed and controlled, including leadership structures, accountability frameworks, and decision-making procedures.
- **Administrative Systems:** The internal mechanisms, workflows, and processes used to manage public functions and deliver services efficiently and effectively, including budgeting, procurement, and human resources.
- **Fiduciary Oversight Arrangements:** Structures and controls in place to ensure compliance with financial regulations, minimize misuse of resources, and enhance accountability and transparency in public financial management.
- **Municipality:** A devolved urban administrative unit established under the Urban Areas and Cities Act (2011), with a Charter that guides its governance, service delivery, and resource management.
- **Municipal Charter:** A legal instrument adopted by the County Government that defines the governance structure, operational scope, and service delivery obligations of a Municipality.
- **Urban Institutional Development:** The strengthening of legal, policy, human capacity, and technological frameworks to improve urban governance, service delivery, and resource management.
- **Own Source Revenue (OSR):** Revenue generated internally by the Municipality from sources such as property rates, business permits, fees, and charges, excluding intergovernmental transfers.
- **Disbursement Linked Indicators (DLIs):** Specific performance indicators agreed upon under funding agreements, where disbursements are contingent upon achievement of set milestones.
- **Key Result Areas (KRAs):** Strategic focus areas defined to guide the planning, budgeting, and performance monitoring of the Municipality in line with its development objectives.
- **Community Social Responsibility (CSR):** Voluntary initiatives undertaken by the Municipality to contribute to societal goals such as health, education, environmental conservation, and youth empowerment.

- **Performance Report:** A narrative and financial account of how the Municipality implemented its activities, met objectives, and utilized resources during the reporting period.
- **Public Participation:** The process of involving stakeholders and citizens in decision-making on matters that affect their lives, particularly in planning, budgeting, and oversight.
- **Audit Opinion:** The formal expression by the Auditor on whether the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
- **Statutory Audit:** An audit conducted in compliance with legal and regulatory requirements, typically by the Office of the Auditor-General as mandated under Article 229 of the Constitution of Kenya.
- **Board of the Municipality:** The governing body appointed to oversee strategic direction, approve policies, and ensure accountability in line with the Urban Areas and Cities Act and the Municipal Charter.

2. Key Entity Information and Management

a) Background information

- b) Kehancha Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 15th February 2023. The Municipality is under the County Government of Migori and is domiciled in Kenya.

c) Principal Activities

Kehancha Municipality's core mandate is to plan, manage, and deliver urban services and infrastructure in a manner that is inclusive, participatory, accountable, and responsive to the needs of its residents.

Vision

A functional, competitive, inclusive, and sustainable municipality providing a high quality of life for all.

Mission

To promote sustainable urban development by optimizing socio-economic opportunities, fostering inclusive community engagement, and ensuring efficient and equitable service delivery.

Core Objectives

1. To enhance physical and economic development planning

The Municipality is committed to improving spatial planning, strengthening institutional governance, and promoting coordinated urban development.

2. To improve cleanliness, and preserve and conserve the urban environment

Through the regulation and provision of effective refuse collection, solid waste management, and environmental conservation initiatives.

3. To expand access to essential municipal services and infrastructure

Including the construction, upgrading, and maintenance of roads, drainage systems, street lighting, and water supply infrastructure.

4. To improve institutional capacity and operational efficiency

By strengthening administrative systems, recruiting and developing staff, enhancing mobility and logistical support, and mobilizing resources to meet service delivery demands.

d) Key Management

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

- County Department in charge of Lands, Housing, Physical Planning and Urban Development
- Board of Management
- Accounting Officer-Municipality Manager
- Management

e) 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	Position	Name
1	Municipality Manager	Maroa Simon Nokwi
2	Chief Officer -Physical Planning and Urban Development	Mr Mwera Andrew
3	Municipal Accountant	CPA Benson Masero

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4	Municipal Engineer	Eng Dickson Were
5	Municipal Physical Planner	Mr Ezeikel Mogere
6	Environmental Officer	Mr Fredrick Oduma
7	Social Development Officer	Mr Kepha Owinga

f) Fiduciary Oversight Arrangements

- i) Audit and Risk Management Committee
- ii) County Assembly committees
- iii) Committees of the Senate

g) Registered Offices

P.O. Box 158-40413
Municipal Offices Building
Migori Ntimaru Road
Kehancha, KENYA

h) Contacts

E-mail: nokwimaroa@gmail.com
Website: www.migori.go.ke

i) Bankers

Commercial Banks
Kenya Commercial Bank
Kehancha Branch

j) Independent Auditor

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

k) Principal Legal Adviser

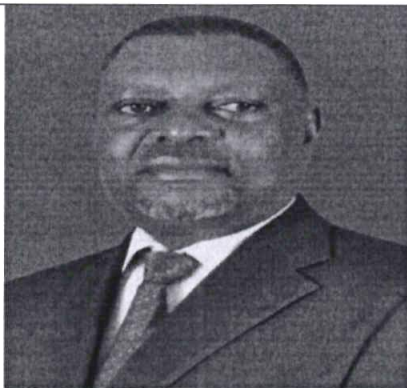
The Attorney General
State Law Office
Harambee Avenue


P.O. Box 40112
City Square 00200
Nairobi, Kenya


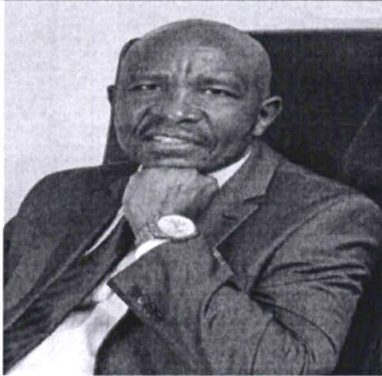
l) County Government of Migori



County Attorney
P.O Box 195-40400
Suna, Migori



3. Municipality Board

Serial No.	Name	Details of qualifications and experience
1	 <p>Municipal Board Chairperson Mr. Matiko Samson Bohoko</p>	<p>AGE;63Yrs</p> <ul style="list-style-type: none"> • Bachelor Degree in Arts-Mass Communication and Journalism (Fairland University) • Diploma in Mass Communication (Kenya Institute of Mass Communication) <p>Work Experience</p> <p>2023-Date –Municipal Board Chairman</p> <p>2017-2023:Media Consultant Migori County Government</p> <p>2013-2017:Communication Director Migori County Government</p> <p>2009-2012:Volunteer Peace Monitor Kuria District</p> <p>2007-2006:Editor with InterMac Communication/Global Village Publisher</p> <p>2003-2006:Public Officer Municipal Council of Kehancha</p> <p>2000-2003:Economic Editor, Agence France Presse (AFP)</p> <p>Area of Responsibility</p> <p>Municipal Board Chairman</p>

<p>2</p>	 <p>Municipal Manager Mr. Nokwi Simon Maroa</p>	<p>AGE;42Yrs</p> <ul style="list-style-type: none"> • Master’s Degree in Economics -University of Nairobi • BED Degree (Mathematics and Economics)- University of Nairobi • Certificate In Strategic Leadership Development Program (Kenya School of Government) • Certificate in Senior Management (Kenya School of Government) • Certificate in Computer Applications (Kenya School of Professional Studies) • Member of Economist Society of Kenya. <p>Work Experience</p> <p>Municipal Manager Kehancha Municipality April 2023 – Present</p> <p style="padding-left: 40px;">- Responsible for overseeing municipal operations, implementing policies, and ensuring efficient service delivery in Kehancha Municipality.</p> <p>County Economic Planner Migori County Government 2013 – 2023</p> <p style="padding-left: 40px;">- Led economic planning initiatives, supported development projects, developed and advised the county government on economic strategies.</p> <p>District Development Officer Ministry of Planning and National Development and Vision 2030 2010 – 2013</p>
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		<p>- Coordinated and supervised district-level development projects, fostering local economic growth and resource allocation.</p> <p>Area of Responsibility Municipal Manager</p>
3	 <p>Municipal Board Vice Chairperson Mrs. Otaigo A Magoko</p>	<p>AGE:51Yrs</p> <ul style="list-style-type: none"> • Bachelor’s Degree In Education Art (Kampala University) • Higher Diploma in Theology (University of Engineering Excellence) • Diploma In Theology (Bukuria Bible College) • Certificate in Education (Migori TTC) <p>Area of responsibility Municipal Board Vice Chairperson</p>
4	 <p>Municipal Board Member</p>	<p>AGE:63Yrs</p> <ul style="list-style-type: none"> • Diploma in International Studies (University of Nairobi)


	Brig (RTD) James Magige Gitiba, EBS	
5	 <p>Municipal Board Member Mrs. Awino Mary Mwita</p>	<p>AGE:63Yrs</p> <ul style="list-style-type: none"> • Diploma in Early Childhood education (Shanzu Teachers Training College) <p>Area of responsibility</p> <ul style="list-style-type: none"> • Chairperson of the Finance and General-Purpose Committee
6	 <p>Municipal Board Member Mr. Makuri Pius Marwa</p>	<p>AGE:36Yrs</p> <ul style="list-style-type: none"> • Bachelor degree in Science in Communication and Public Relations (Rongo University) • Computer Applications <p>Area of responsibility</p> <ul style="list-style-type: none"> • Technical/Strategy Committee

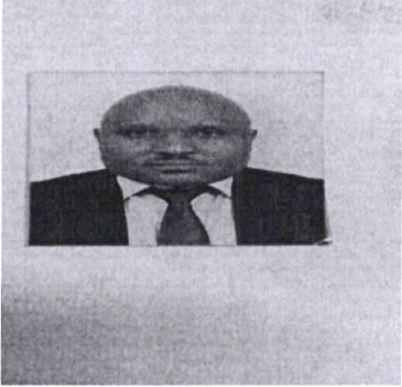

7	 <p>Municipal Board Member Mr.Thomas Mwita Omahe</p>	<p>AGE:51Yrs</p> <ul style="list-style-type: none">• Diploma in Community Development (Rongo University College) <p>Area of responsibility</p> <ul style="list-style-type: none">• Chairperson Audit, Risk and Compliance Committee
8	 <p>Municipal Board Member Mr.Mwita Peter Maroa</p>	<p>AGE;39Yrs</p> <ul style="list-style-type: none">• Diploma in Occupational Health and Safety (Institute of Commercial Management) <p>Area of responsibility</p> <ul style="list-style-type: none">• Chairperson Human Resource, administration and Gender Committee



4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	 <p>Municipal Manager: Mr. Maroa Simon Nokwi</p>	<p>AGE: 42 Yrs</p> <p>Academic Qualifications</p> <ul style="list-style-type: none"> • Master’s Degree in Economics – University of Nairobi • BED Degree (Mathematics and Economics) – University of Nairobi • Certificate in Strategic Leadership Development Program – Kenya School of Government • Certificate in Senior Management – Kenya School of Government • Certificate in Computer Applications – Kenya School of Professional Studies <p>Professional Affiliation</p> <ul style="list-style-type: none"> • Member, Economist Society of Kenya <p>Work Experience</p> <p>Municipal Manager <i>Kehancha Municipality</i> <i>April 2023 – Present</i></p> <ul style="list-style-type: none"> • Responsible for overseeing municipal operations, implementing policies, and ensuring efficient service delivery.

<p>2.</p>	 <p>Municipal Accountant: CPA Benson Masero</p>	<p>AGE:41 Yrs</p> <ul style="list-style-type: none"> • Certified Public Accountant(CPAK) • Kenya Accountants Certificate Course-Certificate • Certificate in Advanced Excel-Institute Of Advanced Technology • Financial Management Certificate-KSG • Senior Management Course-KSG <p>Area of Responsibility</p> <p>Municipal Accountant</p>
<p>3.</p>	 <p>Municipal Environment Officer: Fredrick Oduma</p>	<p>AGE: 38 Yrs</p> <p>Academic & Professional Qualifications</p> <ul style="list-style-type: none"> • Master of Science in Limnology – Stream Ecology & Aquatic Ecosystem Health, Egerton University • Bachelor of Science in Environmental Science – Egerton University • Certificate in Climate Change Mitigation and Adaptation – SMHI, Sweden • Certificate in Environmental & Social Safeguards in Development – Kenya School of Government • Certificate in Clean Combustion Technology – Yuan Longping High-tech Agriculture Co., Ltd. (Hunan, China) • Certificate in Climate Change Policy, Planning and Budgeting – Kenya School of Government

		<ul style="list-style-type: none"> • Certificate in Managing Risk in the Face of Climate – Wageningen University & ADPC • Certificate in Limnology – Egerton University & UNESCO-IHE Delft • Certificate in Computer Applications and SPSS – Egerton University <p>Work Responsibilities Municipal Environment Officer</p>
4.	 <p>Municipal Social Development Officer: Kepha Owinga</p>	<p>AGE: 45 Yrs</p> <p>Academic & Professional Qualifications</p> <ul style="list-style-type: none"> • Bachelor’s Degree in Sociology, Community Development, and Criminology • Diploma in Community Development & Social Work • Over 13 years of experience managing social development programs <p>Work Responsibilities Municipal Social Development Officer</p>
5	 <p>Municipal Engineer: Eng. Dickson Omondi Were</p>	<p>AGE: 43 Yrs</p> <p>Academic & Professional Qualifications</p> <ul style="list-style-type: none"> • Bachelor of Science in Civil Engineering • Registered Engineer, Engineers Board of Kenya (EBK) • Member, Institution of Engineers of Kenya (IEK) <p>Work Responsibilities Municipal Engineer</p>

6	 <p>Municipal Physical Planner: David Zinny Weyusia</p>	<p>AGE: 44 Yrs Academic & Professional Qualifications</p> <ul style="list-style-type: none">• Bachelor of Arts in Urban and Regional Planning• Registered Physical Planner• Corporate Member, Kenya Institute of Planners (KIP)• Over 15 years of professional experience in urban and regional planning <p>Work Responsibilities Municipal Physical Planner</p>
7.	 <p>Municipal Procurement Officer: Cheptanui Rono Joan</p>	<p>AGE: 41 Yrs Academic & Professional Qualifications</p> <ul style="list-style-type: none">• Master of Science in Procurement and Logistics• Bachelor of Business Management (Purchasing and Supplies Management)• Diploma in Business Management• Senior Management Course, Kenya School of Government• Member, Kenya Institute of Supplies Management (KISM)• Over 9 years of professional experience in procurement and supply chain management <p>Work Responsibilities Municipal Procurement Officer</p>

8.	 Departmental Human Resource Officer: Rhoda Adhiambo Nyakwaka	AGE: 38 Yrs Academic & Professional Qualifications <ul style="list-style-type: none">• Diploma in Human Resource Management• Over 5 years of professional experience in human resource management Work Responsibilities Municipal Human Resource Officer
9.	 J Municipal Administrator ohn Baru Nyangwe	AGE: 56 Yrs Academic & Professional Qualifications <ul style="list-style-type: none">• Bachelor of Education (Arts)• Over 10 years' experience in public administration and governance Work Responsibilities Municipal Administrator

5. Municipality Board Chairperson's Report

I am pleased to present the Chairman's Report for the Fiscal Year 2024/2025, highlighting the key achievements and progress made by the Municipality Board in fulfilling its mandate to enhance urban management, promote orderly development, and improve the quality of life for the residents of Kehancha. The Fiscal Year 2024/2025 was a period of notable progress for Kehancha Municipality in governance, planning, environmental management, and institutional capacity building, despite facing financial and operational challenges.

The Board held eight official meetings during the year to deliberate on and approve key policy, planning, and development matters. Among the significant milestones achieved was the finalization of the Local Physical and Land Use Development Plan, which provides a framework for the sustainable utilization of land and public spaces in the Municipality. Substantial progress was also made on the Integrated Urban Development Plan, which will guide future urban growth and infrastructure development. Furthermore, thirteen draft by-laws were prepared to enhance service delivery and the management of public affairs. These drafts have been submitted to the County Assembly and are awaiting approval.

In terms of environmental management, the Municipality continued regular cleaning of streets and public spaces, covering close to three million square meters, thereby contributing to a safer and healthier urban environment. However, planned initiatives such as tree planting, park development, installation of waste bins, acquisition of skips and garbage trucks, and drainage clearance were not implemented due to inadequate funding.

Institutional capacity development remained a priority. Key staff and Board members participated in training sessions to strengthen planning and leadership skills. Learning visits to Homa Bay and Mbita were undertaken to gain insights into effective municipal management practices, which will inform future operations. Performance appraisals for forty-one municipal staff were completed to improve accountability. The Municipality also met all requirements to qualify for the Urban Institutional Grant under KUSP, paving the way for additional development projects. Recruitment of new staff was initiated, and preparatory steps were taken towards the construction of a new municipal office once funds become available.

The main challenges encountered during the year included delays in procurement processes, insufficient sanitation services, disorganized town growth, and inadequate staffing levels. To address these, it is recommended that funds be disbursed in a timely manner, planning documents be approved

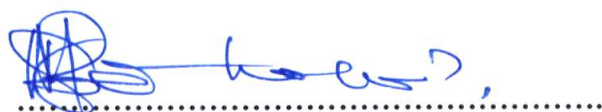
without delay, inter-departmental collaboration within the County Government be strengthened, and investments in job creation and infrastructure be increased.

Overall, the year under review was marked by progress in strengthening governance structures, enhancing urban planning frameworks, and laying the groundwork for improved service delivery. The Municipality remains committed to building on these achievements to promote orderly development and improve the quality of life for all residents of Kehancha.

As we close the 2024/2025 financial year, I extend my sincere appreciation to the County Government of Migori, our development partners, the dedicated municipal staff, my fellow Board members, and most importantly, the residents of Kehancha. Your trust, collaboration, and active participation have been the driving force behind every achievement we have recorded.

Looking ahead, our focus will be on turning the plans and policies we have developed into tangible results. We will prioritize the timely implementation of our urban development strategies, invest in improved sanitation and infrastructure, and work tirelessly to attract new opportunities that create jobs and improve livelihoods. Our goal is to shape Kehancha into a cleaner, better organized, and more vibrant municipality—one that reflects the ambitions and potential of its people.

With continued unity of purpose and commitment from all stakeholders, I am confident that we will not only meet our targets but also set a new standard for municipal governance and service delivery in our region. Together, we will make Kehancha a model town for sustainable growth and prosperity.



Name: Samson Matiko Bohoko

Chairperson of the Board

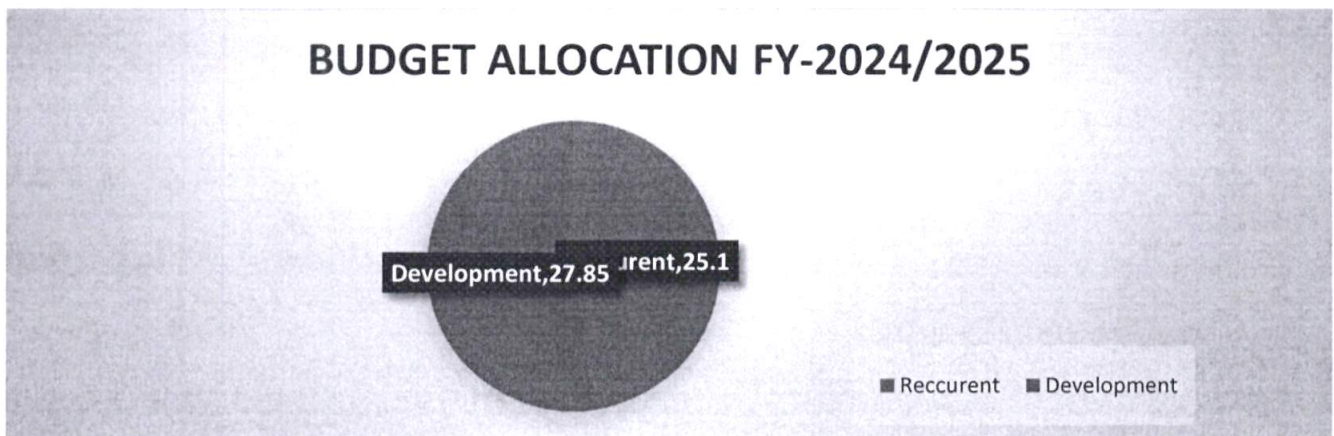
6. Report of the Municipality Manager

I. Introduction

It is my honour to present the Municipal Manager’s Report for the financial year ended 30th June 2025. Prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and relevant statutory requirements, this report presents a clear account of the Municipality’s financial and operational performance over the past year. It builds on the highlights shared by the Board Chairperson, offering deeper insights into programme implementation, outputs achieved, outcomes realised, and value-for-money considerations. It also reflects on the challenges encountered during the year and outlines our priorities and planned interventions to ensure continued progress in the year ahead.

II. Budget Performance Overview

During the financial year 2024/2025, the approved budget amounted to **KES 52.95 million**. This comprised **KES 25.1 million** for recurrent expenditure and **KES 27.85 million** for development. Included in the development allocation was donor funding of **KES 16.8 million** under the World Bank’s Kenya Urban Support Programme II (KUSP II), which remained undisbursed at the end of the financial year.



The table 1 below provides a summary of expenditure per categories

	Fy2024/25 Budget	Actual Expenditure	Variance	% Absorption

Recurrent	25,129,118	20,148,400	4,980,718	80%
Development	11,050,000	7,495,711	3,554,289	68%
KUSP II-UDG	16,800,000	0	16,800,000	0%
Total	52,979,118	27,642,104	25,337,014	52%

Recurrent expenditure performed at 80%, with actual spending totaling **KES 20.15 million** against a projected budget of **KES 25.13 million**. Of this, **KES 20.15million** , **KES 1.90 million** covered refined fuel and lubricant costs and Kshs **15.05 million**. Development expenditure reached 68% at **7.49 million** against a budget of **11.05million**. KUSP II-UDG that was budgeted at **KES 16.80 million** was not received by the end of the period.

III. Physical and Programme Performance

Since its inception, the Municipality has focused on delivering tangible improvements in infrastructure, environmental management, urban governance, and public engagement. Key outputs and outcomes realized in FY 2024/2025 include:

Environmental Management and Conservation

During the year, implementation of environmental initiatives faced significant budgetary constraints, limiting progress against set targets. Out of the planned 450 trees for planting, no activity was undertaken due to lack of funds. Similarly, the target to install 50 waste bins and six skips was not achieved.

Plans for the construction of one recreational park progressed to preparatory stages but remained incomplete by year-end. A total of 25 acres of public areas were earmarked for cleanup; however, implementation progress was only partial due to financial limitations.

While key targets were not fully realized, the groundwork laid during the year provides a basis for renewed implementation efforts in the upcoming financial period, with a focus on securing adequate funding and strengthening community participation in environmental conservation.

Urban Infrastructure and Transport

During the period under review, 8.5 kilometers of roads were graded and spot graveled, improving accessibility and reducing surface wear. A further 2.5 kilometers of new roads were opened, graded, and murramed, enhancing connectivity within the area. The fencing of the heavy commercial vehicle park was completed, strengthening security and order at the facility, although payment to the contractor is still pending. Planned footpath construction was not implemented due to lack of funding, limiting progress in pedestrian infrastructure development.

Administrative and Governance Services

During the reporting period, the Municipality made notable progress in strengthening its administrative and governance structures, while navigating resource and operational constraints.

The Board successfully held four ordinary and four special meetings, meeting and exceeding the planned target. In addition, twelve Board committee meetings were convened, slightly below the sixteen initially scheduled. Citizen engagement remained a priority, with all planned forums implemented—four meetings held to facilitate public participation and promote transparency in decision-making.

Capacity building initiatives were effectively delivered, with three targeted training sessions for senior staff and Board members, aimed at enhancing leadership, compliance, and service delivery skills. Peer learning opportunities were also pursued through successful exchange visits to Homa Bay and Mbita Municipalities, fostering knowledge sharing and best practice adoption.

The planned recruitment of ten additional staff was partially achieved, with eight officers onboarded due to budgetary limitations. However, the construction of the municipal office building could not commence within the financial year, with the works postponed to the next period due to funding constraints.

Despite these challenges, the Municipality's administrative and governance frameworks have been strengthened, laying a solid foundation for improved institutional performance and service delivery in the coming year.

IV. Value-for-Money Achievements

Despite budget absorption challenges, the Municipality strived to achieve value-for-money through effective stakeholder engagement, frugal use of available resources, and prioritization of high-impact areas. Strategic spending on governance, training, and citizen engagement ensured institutional strengthening, which forms a foundation for better service delivery in the long run.

V. Key Implementation Challenges

Delayed disbursement of development funds, particularly from external donors, significantly affected implementation timelines. Procurement delays and the lack of donor fund release contributed to the underperformance of physical infrastructure targets. Inadequate staffing further hindered the efficient execution of administrative responsibilities. In addition, infrastructural bottlenecks continue to impede progress in enhancing urban transport and improving solid waste management systems.

VI. Risk Management Strategies

To ensure the smooth implementation of programme and safeguard public resources, Kehancha Municipality placed strong emphasis on managing both operational and financial risks during the reporting period. The Municipality adopted proactive measures designed to prevent disruptions, improve accountability, and maintain public confidence in its operations.

Key strategies undertaken included strengthening internal controls and improving procurement planning to minimize delays and compliance gaps. Multi-stakeholder consultations were enhanced to ensure that all projects were adequately prepared before implementation, reducing the likelihood of cost overruns or stalled works.

In addition, transparency was promoted through regular reporting to the Board and the public, ensuring that progress, challenges, and financial updates remained accessible and open to scrutiny. Capacity building for staff and governance organs was also prioritized, equipping them with the skills and knowledge required to anticipate risks, respond effectively, and deliver on the Municipality's mandate.

Through these measures, the Municipality strengthened its resilience against operational and financial uncertainties, positioning itself to deliver projects more efficiently and sustainably in the coming years.

VII. Future Outlook

In the 2025/2026 financial year, Kehancha Municipality anticipates a total budget of KES 68.5 million. This funding will support targeted expansions in infrastructure development, public space upgrades, and waste management systems. Priority will be given to completing ongoing capital projects, operationalizing the new municipal office, and strengthening the implementation of the Strategic Urban Development Plan.

Key programmes in the year ahead will include upgrading market facilities and access roads to improve economic activity and connectivity, finalizing the development of recreational and green spaces to

enhance the urban environment, and improving drainage and waste disposal systems to promote public health and environmental sustainability. In addition, the Municipality will invest in enhancing digital platforms to foster greater public participation, improve transparency, and streamline service delivery.

Our focus remains firmly on delivering sustainable urban growth, improving municipal services, and driving community-led development in full alignment with our Strategic Plan. With the continued support of our stakeholders, we are confident that the year ahead will mark another step forward in building a cleaner, better organised, and more prosperous Kehancha.



.....
Name: Maroa Simon Nokwi
Municipality Manager

7. Statement of Performance Against Predetermined Objectives for the FY

Introduction

164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a County Government entity shall prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board including a statement of the county government entity’s performance against predetermined objectives. The key development objectives of Kehancha Municipality From 2023-2027 plan are to:

- a) Enhance Urban Governance and Administration.
- b) Provide Quality Physical Infrastructure.
- c) Promote Environmental Management .and Conservation
- d) Promote Municipal Planning Services

Below we provide the progress on attaining the stated objectives:

Programme	Objective	Outcome	Indicator	Performance
Planning, Administrative and Governance Services	Enhance Urban Governance and Administration	Staff members trained	Number of Staff members trained	2 number of staff members were Trained-SLDP and SMC
		Municipal Board Meetings Held.	Number of Board Meetings held	8 meetings were held
		Minimum Conditions and Performance standards certified	Number of Minimum Conditions and	5 number of Minimum Condition and 8

			Performance standards certified	Performance standards to qualify for KUSP II (100%)
		Committee meetings held	Number of Committee Meetings held	12 meetings were held
		First Annual Performance Appraisal Documents Completed	Percentage completion of First Annual Performance Appraisal Documents	First Annual Performance Appraisal Documents were Completed 100%
		Public participation held	Number of Citizen forums held	
		Meetings held with development partners	Number of meetings held with development partners	
Infrastructure Development	Provide Quality Physical Infrastructure	Improved Physical Infrastructure	Ha of land recovered	7 Ha of public lands were Repossessed
			Km of road upgraded to Completion	8 KMS of Road were upgraded to Completion
			KMS of Road opened Gravelled and Murram	2.5 KMS of Road opened Gravelled and

				Murramed to Completion
			Percentage completion of Heavy Commercial Vehicle Park	The Fencing of 0.9 Ha Heavy Commercial Vehicle Park was done to Completion (100%)
Environmental Management .and Conservation	Promote Environmental Management .and Conservation	Enhance Healthier and Sustainable Environment	Area in sqm of public spaces cleaned Percentage of area covered under space cleaning	2.7Million Square Meters of Public Spaces were cleaned 95% was covered under cleaning

a) Sub-Sector Challenges

During the reporting period, the municipality faced several challenges that adversely impacted service delivery and development outcomes:

- **Dilapidated Infrastructure:** A substantial portion of municipal infrastructure—including roads, stormwater drainage, and public amenities—remains in disrepair due to underinvestment in maintenance and rehabilitation.
- **Weak Development Control:** Inadequate enforcement of building codes and zoning regulations has led to the proliferation of substandard housing and uncoordinated urban development.
- **Traffic Management Deficiencies:** Rapid growth in vehicular traffic, particularly heavy trucks and tractors in towns such as Kehancha, has resulted in increased congestion, accidents, and strain on limited parking and transport infrastructure.
- **Inadequate Waste Management Capacity:** Solid and liquid waste management remains severely constrained by the absence of a sewerage system, lack of treatment facilities, limited collection vehicles, and inefficient disposal practices.

b) Emerging Issues

The municipality also encountered emerging dynamics that demand policy and programmatic responses:

- **Urbanization Pressure:** Accelerated population growth has intensified demand for housing, infrastructure, and basic services, exacerbating pressure on limited resources.
- **Technology Integration Gap:** There is growing need to modernize urban service delivery by adopting smart technologies for planning, traffic management, and utility services.
- **Climate Change Risks:** Increased frequency and intensity of extreme weather events continue to impact urban infrastructure and livelihoods, underscoring the need for climate resilience strategies.
- **Public Health Concerns:** Inadequate sanitation and lack of clean water have heightened vulnerability to disease outbreaks and deteriorated urban public health.
- **Youth Unemployment:** Persistent unemployment among the youth population remains a major social and economic concern, fueling dependency and insecurity.
- **Demand for Citizen Participation:** Communities are increasingly calling for meaningful involvement in urban planning, budgeting, and service delivery processes.

c) Lessons Learnt

Key takeaways from programme implementation and stakeholder engagement during the financial year include:

- **Community Involvement is Critical:** Active participation of local communities enhances ownership and success of development initiatives.
- **Sustainability is Central to Planning:** Urban planning must prioritize long-term sustainability and resilience to environmental shocks.
- **Multi-Stakeholder Collaboration is Beneficial:** Partnerships with public institutions, development partners, and the private sector improve resource mobilization and project execution.
- **Flexibility Enables Responsiveness:** Adaptive management approaches enhance the municipality's ability to respond to emerging challenges and changes in context.
- **Continuous Capacity Building is Essential:** Ongoing training of municipal staff strengthens technical capacity, institutional governance, and service efficiency.

d) Recommendations

To address the above challenges and build on current progress, the following measures are recommended:

- **Increase Budgetary Allocation:** Allocate additional financial resources to support infrastructure development, routine maintenance, and service expansion.
- **Strengthen Urban Planning Systems:** Enforce zoning regulations, update spatial plans, and enhance compliance monitoring to promote orderly development.
- **Improve Waste Management Systems:** Invest in comprehensive waste collection, disposal, and treatment infrastructure, alongside community education on proper waste handling.
- **Promote Environmental Stewardship:** Implement green urban strategies and climate adaptation plans to ensure environmental sustainability.
- **Leverage Digital Technologies:** Adopt innovative digital tools for data management, service automation, and real-time urban monitoring.
- **Enhance Public Service Delivery:** Streamline internal processes, improve responsiveness, and reduce bureaucratic bottlenecks in service provision.
- **Support Youth Empowerment:** Launch targeted programs for skills training, entrepreneurship, and job placement to reduce youth unemployment.
- **Institutionalize Public Participation:** Strengthen community engagement mechanisms to ensure inclusivity and transparency in planning and decision-making.

Risk Management Strategies

The Municipality conducted a structured risk assessment to identify factors that could undermine effective and efficient service delivery. These risks were evaluated based on their likelihood of occurrence and potential impact on programme outcomes, and categorized into six domains: political, financial, operational, organizational, environmental, and technological. Appropriate mitigation strategies have been defined, and responsible entities designated to ensure risk reduction and strategic response readiness.

Key Risk	Likelihood	Impact	Mitigation Strategy / Contingency Plan	Responsible Entity
Political instability and insecurity (e.g., election unrest, terrorism)	Low	High	<ul style="list-style-type: none"> Leverage existing coordination mechanisms with County Government, National Government, and other security stakeholders 	Office of the Governor
Limited financial resources	Medium	High	<ul style="list-style-type: none"> Develop sustainable income-generating initiatives and explore alternative funding through partnerships and grants 	CEC for Finance & Chief Officer
Weak stakeholder engagement and limited PPPs	Medium	High	<ul style="list-style-type: none"> Proactively build strategic partnerships with private sector, development partners, and CSOs through regular stakeholder forums 	Municipal Board / CEC
Inadequate technical capacity	Medium	High	Recruit and retain skilled personnel, implement targeted capacity building, and review remuneration structure to attract talent	County Public Service Board
Rapid technological advancement	Medium	High	<ul style="list-style-type: none"> Mainstream ICT in all service delivery and automate key municipal functions 	Directorate of ICT / Municipal Departments
Organizational resistance to change	Medium	High	<ul style="list-style-type: none"> Strengthen change management through internal communication, staff involvement, team building, and leadership mobilization 	Municipal Manager

8. Corporate Governance Statement

Kehancha Municipality operates within a robust framework of corporate governance that is anchored firmly in the Constitution of Kenya, the Urban Areas and Cities Act, the County Governments Act, and other relevant legal and regulatory instruments. This framework ensures that the Municipality conducts its operations in a transparent, accountable, and efficient manner, thereby reinforcing public trust and enabling the effective delivery of its mandate.

At the core of Kehancha Municipality's governance structure is the Board, which is responsible for providing strategic leadership and oversight. The Board's composition reflects a diverse mix of expertise and experience, ensuring balanced representation and the capacity to guide the Municipality's development effectively. Board members are appointed following due process and are mandated to uphold the highest standards of integrity and professionalism.

To equip Board members for their roles, a comprehensive induction program is implemented. This induction covers the legal and policy frameworks governing the Municipality, the specific functions and responsibilities of the Board, and the expectations regarding ethical conduct and performance standards. Continuous capacity building and performance evaluations are conducted to enhance effectiveness and accountability.

Regular meetings of the Board are held in accordance with statutory requirements and internal regulations. These meetings serve as a platform for reviewing progress, addressing challenges, and making informed decisions on key issues affecting the Municipality's operations. Attendance is closely monitored to ensure commitment and active participation by all members.

Succession planning is another critical element of the Municipality's governance approach. By identifying and preparing future leaders within the organization and the Board, Kehancha Municipality aims to maintain continuity in leadership and safeguard institutional knowledge. This strategic foresight supports sustainable growth and resilience in the face of changing circumstances.

The Municipality has also developed a service charter that clearly defines the standards of service delivery citizens can expect, the rights and obligations of service users, and mechanisms for feedback and redress. This charter reinforces the Municipality's commitment to transparency, responsiveness, and citizen engagement.

Remuneration policies are designed to attract and retain competent personnel while aligning compensation with performance and accountability. These policies are regularly reviewed to ensure fairness, competitiveness, and compliance with relevant laws and guidelines.

In conclusion, Kehancha Municipality's adherence to sound corporate governance principles is fundamental to its operational success. Through structured leadership, rigorous oversight, capacity building, and a focus on transparency and accountability, the Municipality is well-positioned to deliver quality services and uphold the public interest effectively.

i. Appointment Removal of Board Members.

The members of the Kehancha Municipal Board were appointed in accordance with Section 11 of the Urban Areas and Cities Act 2011, (Amendment) 2019. Following their nomination, the names of the nominees were submitted to the Migori County Assembly for vetting and subsequent approval. The names were finally gazetted on 6th April 2023.

The procedure for the removal of Board Members is governed by Section 18 of the Urban Areas and Cities Act, 2011, which outlines the specific criteria and process for such actions. (1) A person may be removed from the office of chairperson, vice chairperson

or a member of the board on any of the grounds provided under section 16 (a),

(b), (c), (e), (f), (g), (h), (i) and (j)—

(a) A person may be removed under subsection (1);

(b) by the county governor;

(c) by the board, supported by the vote of at least two-thirds of the members of the board; or

(d) upon petition by the residents of a city or municipality.

(3) A resident of a city or municipality may file a writing petition with a board for the removal of a chairperson or vice chairperson.

(4) The procedure for the removal or petition for removal of a chairperson or vice chairperson under subsections (1) and (2) shall be provided by regulations.

ii. Roles and Functions of Kehancha Board Members

The functions of the board members are as follows:

oversee the affairs of Kehancha Municipality;

develop and adopt policies, plans, strategies and programmes, and set targets for delivery of services;

formulate and implement integrated development plan;

maintain a comprehensive database and information system of the administration and provide public access thereto upon payment of a nominal fee to be determined by the board;

administer and regulate its internal affairs;

implement applicable national and county legislation;

enter into such contracts, partnerships or joint ventures as it may consider necessary for the discharge of its functions as required under the law;

(h) monitor and, where appropriate, regulate municipal services where those services are provided by service providers other than the board of the municipality; (i) prepare its budget for approval by the county executive committee and administer the budget as approved;

(j) monitor the impact and effectiveness of any services, policies, programmes or plans;

(k) establish, implement and monitor performance management systems;

(l) facilitate and regulate public transport;

(m) promote a safe and healthy environment; and

(n) perform such other functions as may be delegated by the county government or as may be provided for by any written law. The transfer of the above functions took effect immediately.

iii. Induction, Training and Development of Municipality Board Members

As at the time of establishment of the board the County government of Migori through the department of Physical Planning and urban development conducted induction exercises to board members. The induction focused on the following areas:

- Roles/functions of the Municipal Board
 - Relationship between the Municipal Board and County government departments/other devolve units
 - Structure of Kenya Urban Support Program
- +

In the financial year under review board members were taken through two trainings which focussed on formulation of By-laws and preparation of various municipal plans.

iv. Board and Members Performance

The Board demonstrated commitment to good governance, responsiveness to community needs, and proactive leadership and performance. However, opportunities remain for resource mobilization.

v. Number of Municipality Board Meetings Held and The Attendance to Those Meetings by Members

In the financial year 2024/2025, the Kehancha Municipal Board convened a total of **four (4)** board meetings. Additionally, the Board functioned through four standing committees:

1. Finance and General Purpose Committee
2. Technical/Strategy Committee
3. Human Resource, Administration and Gender Committee
4. Audit, Risk and Compliance Committee

The committees collectively held eight (12) meetings during the year. Attendance across both board and committee meetings averaged 100%, reflecting strong member commitment and active participation.

vi. Succession Plan

In accordance with the Urban Areas and Cities Act, the Kehancha Municipal Board is a body corporate with perpetual succession. Board members serve on a part-time basis for a five-year term. To preserve institutional memory and ensure continuity, the appointing authority is considering staggered term appointments, aligning with best practices in governance succession.

vii. Policy to Manage Conflict of Interest

Kehancha Municipality upholds the principal of transparency, accountability and integrity, in all its operation. The Municipal Board has adopted a Conflict-of-Interest Policy in line with the Public Officer Ethics Act, and the Urban Area and Cities Act 2011(Amendment 2019)

viii. Board Renumeration

The remuneration and allowances for members of the board are provided in adherence to the guidelines issued by the Salaries and Remuneration Commission (SRC) as outlined in the SRC Circular dated 27th February, 2019 Ref: SRC/TC/CG/3/61/19(38).

ix. Ethics and Conduct

All board members, management, and staff are bound by the provisions of the Public Ethics Act,2023 which guides public officers in maintaining honest, impartiality, and dedication to public service.

x. Governance Audit

The Municipality is a newly established urban area and is in the process of setting up governance systems to guide its operations. While a formal governance audit has not yet been undertaken, the Municipality recognizes its importance as a tool for enhancing accountability, transparency, and service delivery. Accordingly, the Municipality will prioritize the conduct of a comprehensive governance audit in the 2025/2026 financial year, in line with the requirements of the Mwongozo Code of Governance.

xi. Communication Policy

The Municipality recognizes communication as a key pillar of good governance and effective service delivery. Although the Municipality is newly established and does not yet have a formal communication policy, it currently shares information in line with the **Access to Information Act, 2016**, using public participation forums, official notice boards, social media platforms, and the website.

xii. Terms of Reference of Committees

Upon their establishment, the Municipal Board constituted various committees to enhance efficiency and focused oversight in key functional areas. During the first meetings of each respective committee, members developed and adopted Terms of Reference (TORs) to guide their operations, clearly outlining their mandates, responsibilities, reporting structures, and decision-making procedures. These TORs ensure that committee work remains aligned with the Urban Areas and Cities Act.

xiii. Policy on Related Party Transactions

The Municipality is committed to ensuring that all transactions are conducted in a manner that upholds transparency, fairness, and accountability. In line with the **Public Finance Management Act**, the **Public Procurement and Asset Disposal Act**, and the **Public Officer Ethics Act**, the

Municipality requires that any dealings involving related parties—such as board members, senior management, or their close associates—are:

- Fully disclosed to the Municipal Board before approval.
- Subject to competitive procurement processes where applicable.
- Reviewed and approved only if they are in the best interest of the Municipality and offer value for money.

9. Management Discussion and Analysis

This section provides an overview of Kehancha Municipality's operational and financial performance for the year ended 30th June 2025. It highlights key projects, investment decisions, statutory compliance, major risks, material arrears, and other relevant updates.

a) Operational and Financial Performance

Operational Performance

During the reporting period, Kehancha Municipality undertook notable initiatives aimed at improving urban infrastructure, strengthening governance, and deepening community engagement. Key operational achievements include:

- **Fencing of a Heavy Commercial Vehicle Park:**
This project aimed to provide dedicated parking for heavy vehicles, thereby decongesting Kehancha Central Business District and reducing traffic-related accidents.
- **Opening, Gravelling and Murraming of Urban Roads**
Meant to Increase Accessibility and Connection
- **Waste Management and Environmental Campaigns:**
Clean-up activities and environmental initiatives improved public sanitation and promoted a cleaner urban environment.
- **Community Engagement:**
Regular citizen forums enhanced participatory decision-making, promoting transparency and civic accountability.
- **Urban Governance and Planning:**
The review of Integrated Development Plans (IDePs) and Preparation of Draft By laws to provide legal framework for municipal administration

Financial Performance

Recurrent expenditure performed at 80%, with actual spending totaling **KES 20.14 million** against a projected budget of **KES 25.13 million**. Of this, **KES 18.24 million** was spent on non-procurable items, while **KES 1.9 million** covered refined fuel and lubricant costs. Development expenditure reached 68% at **7.49 million** against a budget of **11.05million**. KUSP II-UDG that was budgeted at **KES 16.8 million** was not received by the end of the period

Despite operational gains, financial performance was impacted by lack of released KUSP II fund Captured in the budget and delayed disbursement of funds from the National Treasury.

b) Key Projects and Investment Decisions Implemented Or Ongoing

1. **Review of Integrated Development Plans (IDePs):**
Comprehensive urban planning documents were developed to guide long-term development. These plans emphasize infrastructure, housing, and environmental sustainability.

2. Draft Municipal By-laws:

The Municipality formulated draft by-laws to strengthen governance, regulate economic activities, and improve service delivery. These are currently awaiting formal approval.

) Compliance With Statutory Requirements

Kehancha Municipality adhered to key legal and regulatory obligations, including:

- Submission of annual financial statements,
- Compliance with procurement and environmental regulations,
- Development of urban plans aligned with national and county-level standards.

Annual audits are conducted to promote transparency and good governance. Nonetheless, delayed disbursements presented challenges in meeting some statutory deadlines.

d) Major Risks Facing the Municipality and Material Arrears

Key Risks

1. Financial Strain and Pending Bills:

Accumulating liabilities, particularly pending bills, continue to affect cash flow, delay operations, and undermine relationships with service providers.

2. Pressure from Rapid Urbanization:

The Municipality faces mounting pressure on its infrastructure and public services due to accelerated urban growth.

3. Persistent Waste Management Gaps:

Inconsistent waste disposal practices and limited public awareness continue to pose environmental and health hazards.

e) Other Relevant Information

• External Resource Mobilization

The submission of a funding proposal to the World Bank demonstrates the Municipality's proactive approach to mobilizing development resources.

• Public-Private Partnerships (PPPs)

The Municipality is exploring strategic partnerships with private actors to improve infrastructure and waste management services.

• Urban Sustainability Measures

Plans are underway to expand recycling efforts and introduce eco-friendly solid waste management practices to promote sustainable urban living.

Conclusion

Kehancha Municipality has demonstrated commendable commitment to advancing service delivery and development despite facing significant challenges. Through strategic planning, effective governance, and targeted interventions, the Municipality has made measurable progress in infrastructure maintenance, urban management, and community engagement. However, persistent issues such as inadequate infrastructure, traffic congestion, and waste management continue to hinder optimal performance. Moving forward, sustained investment, strengthened regulatory enforcement, and enhanced operational capacity will be critical to unlocking the Municipality's full potential. Overall, Kehancha Municipality's performance reflects both its resilience and determination to drive sustainable urban growth and improve the quality of life for its residents.

In the fiscal year 2024/2025, Kehancha Municipality achieved significant strides in enhancing infrastructure, strengthening governance frameworks, and promoting public participation in urban development. Despite these advancements, the Municipality continues to grapple with financial limitations, escalating urban demands, and persistent service delivery gaps. To address these challenges and sustain momentum, future efforts will prioritize clearing outstanding financial obligations, diversifying revenue sources, and advancing integrated urban planning. These strategic priorities are essential to fostering inclusive, resilient, and sustainable growth within the Municipality.

10. Environmental and Sustainability Reporting

1. Sustainability strategy and profile

Kehancha Municipality's core mandate includes the provision of essential public services such as infrastructure development, waste management, urban planning, and environmental conservation. In alignment with emerging sustainability reporting standards and best practices, the Municipality has adopted a forward-looking strategy grounded in the principles of responsible resource use, inclusive growth, and intergenerational equity.

The sustainability strategy aims to ensure that service delivery not only meets current community needs but also safeguards environmental and economic resources for future generations. This entails reducing the environmental footprint of municipal operations, enhancing public health outcomes, and engaging communities in sustainable development initiatives. These efforts reflect the Municipality's broader ambition to remain resilient in the face of dynamic political, economic, and environmental conditions.

The Municipality's leadership, under the stewardship of the Accounting Officer, is committed to integrating sustainability into all strategic decision-making and reporting frameworks. This commitment aligns with global frameworks such as the United Nations Sustainable Development Goals (SDGs), Kenya Vision 2030, and relevant national and county policy instruments. Emphasis is placed on reducing inequality, conserving the natural environment, and ensuring long-term economic stability.

During the 2024/2025 financial year, Kehancha Municipality made notable progress in enhancing sustainable urban infrastructure and improving environmental management systems. Key initiatives included the implementation of public sanitation projects, routine waste management activities, and community-driven clean-up campaigns. These interventions contributed to a cleaner, healthier urban environment and improved service delivery outcomes.

However, the Municipality faced persistent challenges. Chief among them were financial constraints, which limited the scope and pace of project implementation, and the pressures of rapid urbanization, which continue to strain existing infrastructure and service systems. Despite these constraints, the Municipality remained focused on delivering incremental gains and strengthening institutional resilience.

Looking ahead, the Municipality will prioritize enhancing public participation in sustainability initiatives, expanding integrated waste management systems, and deepening partnerships with development actors to mobilize technical and financial support. There are also plans to embed sustainability indicators within performance monitoring systems to ensure that all projects and policies contribute measurably to environmental integrity, social equity, and economic viability.

The Municipality recognizes that sustainability reporting is not only a tool for accountability but also a mechanism for strategic foresight, value creation, and long-term impact. As such, future reports will progressively align with evolving IPSAS guidance and integrated reporting standards, thereby strengthening transparency and public trust.

2. Environmental Performance

Kehancha Municipality remains committed to fostering environmental sustainability through the implementation of a comprehensive environmental policy that emphasizes sustainable urban development, pollution control, responsible waste management, and the conservation of natural resources. This policy is carefully aligned with national strategic frameworks such as Kenya Vision 2030, as well as international commitments including the United Nations Sustainable Development Goals (SDGs), particularly SDG 11 which focuses on Sustainable Cities and Communities, and SDG 13 on Climate Action.

During the reporting period, the Municipality undertook several key interventions aimed at promoting environmental stewardship within the community and improving urban ecological health. Community sensitization programs were conducted extensively to raise awareness on critical environmental issues, encouraging residents to adopt sustainable practices in their daily lives. A notable focus was placed on promoting alternatives to plastic use, reducing plastic pollution which poses significant threats to the urban environment and public health.

The Municipality also prioritized the greening of urban spaces by initiating tree planting campaigns and rehabilitating degraded public areas, thereby enhancing urban biodiversity and improving air quality. Complementing these external initiatives, Kehancha Municipality launched internal efforts to minimize the environmental footprint of its own operations through energy-efficient practices, waste reduction measures, and responsible resource utilization.

These collective actions demonstrate the Municipality's proactive approach towards embedding environmental sustainability at the core of urban management. Moving forward, Kehancha Municipality will continue to build on these foundations by strengthening partnerships, expanding public engagement, and integrating innovative solutions to achieve resilient, inclusive, and environmentally sustainable urban growth.

Kehancha Municipality has adopted an environmental policy centered on sustainable urban development, pollution control, responsible waste management, and natural resource conservation. The policy aligns with national frameworks and international standards, including Kenya Vision 2030 and the UN Sustainable Development Goals (SDGs), particularly SDG 11 (Sustainable Cities and Communities) and SDG 13 (Climate Action).

Key interventions during the reporting period included community sensitization on environmental issues, promotion of plastic alternatives, and greening urban areas. The Municipality also introduced awareness campaigns to promote environmentally friendly behavior and initiated internal efforts to reduce the environmental footprint of its operations.

Achievements and Successes

During the financial year, the Municipality undertook a series of successful environmental actions:

- **Community Clean-Up Campaigns:** Regular clean-up exercises were conducted in collaboration with residents, civil society groups, and youth organizations. These efforts helped reduce illegal dumping and improved environmental hygiene in public spaces.
- **Promotion of Recycling:** Initial steps were taken to promote household-level waste segregation and community recycling practices.

Challenges and Areas for Improvement

Despite progress made, several challenges hindered optimal environmental performance:

- **Insufficient Waste Infrastructure:** The Municipality lacks adequate waste collection vehicles, which affects timely garbage removal and limits coverage in informal settlements.
- **Limited Recycling Capacity:** The absence of a structured recycling framework, including material recovery facilities, has slowed down efforts to divert waste from landfills.
- **Single-Use Plastics:** While sensitization efforts have started, the enforcement of bans or incentives to curb plastic use remains weak and requires legislative reinforcement.
- **Low Community Compliance:** In some areas, public awareness and willingness to comply with environmental guidelines remains low, necessitating continuous engagement and behavior change communication.

Biodiversity and Green Infrastructure Initiatives

The Municipality recognizes the importance of biodiversity in promoting ecological resilience and public health. To this end:

- **Tree Maintenance and Afforestation:** Tree care routines were conducted in municipal zones, and preparatory work began for a phased tree planting program.
- **Urban Green Projects:** Plans are underway to establish a public recreational park within the Kehancha Central Business District. This park is expected to serve as a biodiversity hub and a public space for recreation and wellness.

Waste Management Policy and Reforms

Kehancha Municipality's Waste Management Policy provides a strategic framework for reducing landfill dependence, promoting recycling, and enhancing operational efficiency. Key focus areas include:

- **Policy Implementation:** Emphasis has been placed on transitioning from uncontrolled dumping to structured waste segregation, with plans for future roll-out of designated collection points and bins.

- **Public-Private Partnerships (PPPs):** Engagements are ongoing with private sector players to co-develop integrated waste management solutions, including investment in waste collection fleets and recycling centers.
- **Monitoring and Evaluation:** The Municipality is designing a performance monitoring mechanism to track waste volumes, service coverage, and environmental compliance across neighborhoods.

Outlook and Future Priorities

Looking ahead, Kehancha Municipality will prioritize:

- Scaling up public engagement for improved compliance and ownership.
- Procuring additional waste collection equipment to expand service coverage.
- Accelerating enforcement of the Waste Management Policy through by-laws and institutional accountability.
- Expanding partnerships with donors, civil society, and private actors to finance green infrastructure and innovative waste solutions.

These initiatives will strengthen the Municipality's environmental governance, increase operational resilience, and support the long-term goal of sustainable urban living for all residents.

3. Employee Welfare

Inclusive Hiring and Gender Representation

Kehancha Municipality upholds fair employment practices in line with national legislation and public sector standards. The Municipality's hiring approach emphasizes inclusivity, aiming to ensure that recruitment processes are transparent, competitive, and responsive to community needs. Particular focus is placed on achieving equitable gender representation, with current efforts directed toward meeting the constitutional threshold of at least 30% female participation in the workforce. Stakeholder input is considered in recruitment exercises to reflect local employment priorities and enhance social cohesion.

Skills Development and Career Progression

To build institutional capacity, the Municipality supports ongoing professional development for its employees. Training programs are organized periodically to strengthen skills in areas such as environmental management, urban planning, public finance, and service delivery. Staff development is linked to performance appraisals, which inform decisions on promotions and career progression. These initiatives are designed to ensure that employees are well-equipped to deliver quality services in a dynamic urban governance context.

Occupational Health and Safety

The Municipality is committed to providing a safe and healthy working environment, in compliance with the Occupational Safety and Health Act (2007). Safety audits are routinely carried out, and

employees receive regular training on health and safety protocols. Risk mitigation measures are in place to address potential occupational hazards, and staff welfare mechanisms are being strengthened to support the physical and mental well-being of municipal personnel. This approach reinforces the Municipality's accountability for workforce protection and institutional resilience.

4 Market Place Practices

a. Responsible Competition Practices

Kehancha Municipality upholds principles of integrity, openness, and non-discrimination in all business and procurement activities. Anti-corruption measures are actively enforced, including internal audits and compliance checks to mitigate risks and ensure accountability. The Municipality refrains from political interference in procurement and promotes level playing fields by adhering to the Public Procurement and Asset Disposal Act and related regulations that guarantee transparency and fairness in the award of tenders and contracts.

b. Responsible Supply Chain Integrity and Supplier Relations

The Municipality maintains ethical and mutually respectful relationships with suppliers and service providers. All procurement is conducted in accordance with established laws and contractual obligations are honored. While delayed disbursements from the national government have occasionally affected timely payments, the Municipality is implementing phased payment schedules to manage obligations equitably. Transparent communication and fair treatment of suppliers are prioritized to strengthen institutional trust and maintain service continuity.

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

Kehancha Municipality firmly commits to ethical and transparent communication, ensuring all public messaging—whether marketing campaigns or project updates—is accurate, verifiable, and free from exaggeration or misleading claims. Residents are provided with clear information about service delivery timelines, criteria for eligibility, and project limitations, fostering trust and reinforcing institutional integrity. This approach ensures the Municipality refrains from fantastical or vague promises and instead offers realistic, evidence-based expectations.

To uphold inclusivity and accessibility, the Municipality's outreach is delivered through multiple channels: official website updates, community radio, local newspapers, flyers, barazas, and ward-level consultative forums. Materials are crafted to respect literacy levels, local languages, and cultural diversity. Public engagement aligns with Section 87 of the County Governments Act, which mandates timely access to information, reasonable participation, and special consideration of marginalized groups, including youth, women, and persons with disabilities

In addition, Kehancha establishes formal feedback structures—such as suggestion boxes, SMS hotlines, email portals, and in-office forms—and commits to acknowledging submissions within defined timelines and publicly reporting on how feedback informed decisions. These

practices fulfill Sections 88 and 89 of the County Governments Act, which guarantee citizens' rights to petition their county government and obligate authorities to respond expeditiously.

e) *Product stewardship or Awareness creation*

Kehancha Municipality ensures residents receive clear, accurate, and timely information about essential public services—such as NHIF/NSSF registration, licensing (IDs, passports, vehicle logbooks), and water or electricity connections—reducing misinformation and managing expectations. It guarantees services are delivered impartially, equitably, and without undue delay, consistent with standards set by Kenya's Public Service values (CAP 185A) which mandate prompt, effective, and transparent provision of public services.

To address citizens' grievances, the Municipality operates structured feedback and dispute resolution systems—SMS hotlines, email portals, suggestion boxes and help desks—and commits to acknowledging reports within stipulated timelines and reporting publicly on outcomes. For data privacy, all personal information is collected on a lawful, minimal basis with explicit consent, secured and handled under the Data Protection Act 2019. Complaints are resolved through alternative dispute mechanisms via the Data Protection Commissioner before any further judicial recourse, reflecting emerging jurisprudence that affirms these statutory pathways

5. Corporate Social Responsibility/Community Engagements

Kehancha Municipality actively implements community-centred initiatives that advance social welfare, environmental protection, and inclusive urban development. These CSR efforts are integrated into municipal operations to enhance the quality of life and strengthen community resilience. Key areas of engagement include:

- *Clean-up Campaigns:* The Municipality has conducted several clean-up drives in partnership with youth groups and local community-based organizations. These efforts contribute to improved sanitation, beautification of public spaces, and community ownership of environmental health.
- *Education and Training Programs:* In collaboration with local educational institutions, the Municipality has facilitated training sessions focused on environmental conservation, solid waste management, and sustainable urban practices. These programs aim to empower residents with practical skills and knowledge to support eco-friendly lifestyles.
- *Healthcare and Sanitation Initiatives:* Jointly with health centres, the Municipality has run public health awareness campaigns emphasizing hygiene, disease prevention, and improved sanitation. These interventions have supported better health outcomes, particularly in vulnerable communities.

11. Report of the Municipality Board Members

The Board Members of Kehancha Municipality submit their report together with the audited financial statements for the year ended June 30, 2025. These statements present the financial position and affairs of the Municipality in accordance with applicable public sector financial reporting frameworks.

Principal Activities

The Municipality operates within the mandate provided under Section 20 of the Urban Areas and Cities Act, 2011, as well as the Kehancha Municipal Charter. Its principal activities include infrastructure development, service delivery, spatial planning, environmental management, and promotion of socio-economic development within its jurisdiction.

Performance

Details of the Municipality's performance for the year ended June 30, 2025, including key achievements, challenges, and financial outcomes, are comprehensively outlined in the Report of the Municipal Manager.

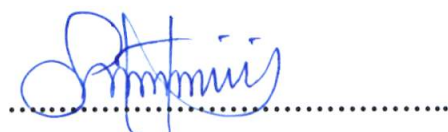
Board Composition

The Board Members who served during the year under review are listed below. Additional governance and management details are available in the Key Entity Information and Management section of this report.

- Matiko Bohoko Samson – Chairperson
- Anne Otaigo Magoko – Vice Chairperson
- Omahe Thomas Mwita – Member
- Brig. (Rtd) James Magige Gitiba, EBS – Member
- Mary Mwita Awino – Member
- Peter Mwita Maroa – Member
- Pius Makuri Mwita – Member
- Maroa Simon Nokwi – Municipal Manager (Ex-officio)

Auditors

The Office of the Auditor-General is responsible for the statutory audit of the Municipality, pursuant to Article 229 of the Constitution of Kenya and the provisions of the Public Audit Act, 2015.



Maroa Simon Nokwi

Municipal Manager, Kehancha Municipality

12. Statement of Management's Responsibilities

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

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

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

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

has assessed the Kehancha Municipality's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

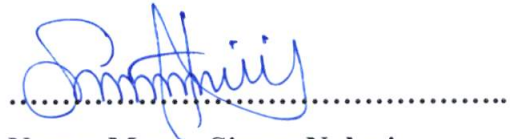
Nothing has come to the attention of the Kehancha Municipality Manager to indicate that the Kehancha Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Municipal financial statements were approved by the Board 15th July 2025 and signed on its behalf by:



Name: Mr. Samson Matiko Bohoko
Chairperson of the Board



Name: Maroa Simon Nokwi
Accounting Officer of the Board

REPUBLIC OF KENYA



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

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

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 Municipality of Kehancha set out on pages 1 to 35, 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 the 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Municipality of Kehancha 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 (Amended, 2019), Cities and Municipal Charter, 2023 and the Public and Finance Management Act, 2012.

Basis for Qualified Opinion

Unconfirmed Development Grant Amount

The statement of changes in net assets reflects development amount received during the year amount of Kshs.7,495,711. However, Annex 2 on inter-entity transfers shows that all transfers from the County Executive of Migori amounting to Kshs.15,052,266 were recurrent grants. No explanation was provided for the anomaly.

In the circumstances, the accuracy and completeness of the development grant amounting to Kshs.7,495,711 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Municipality of Kehancha 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 amounts of Kshs.52,979,154 and Kshs.27,644,147 respectively, resulting in under-funding of Kshs.25,335,007 or 48% of the budget.

The underfunding affected the planned activities and may have impacted negatively or 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 effects of the matter 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 Information

The Management is responsible for the Other Information set out on pages iii to I which comprises Key Entity Information and Management, Municipality Board, Key Management Team, Municipality Board Chairperson's Report, Report of the Municipal Manager, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environment 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 of Kehancha 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. Non-Collection of Own Generated Revenue

The statement of financial performance revealed that the Municipality was financed through revenue allocated by the County Government, contrary to Section 172(a) of Public Finance Management Act, 2012, which states that an urban area or city may also

be funded through revenue arising from rates, fees, levies, charges and other revenue raising measures which is retained by the urban area'. Further, conferment of municipal status may have been made without satisfying the criterion of demonstrable revenue collection or revenue collection potential, contrary to Section 9 (3)(c) of the Urban Areas and Cities Act, 2011. As a result, the Municipality may not achieve its set objectives.

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

2. Failure by the County Government of Migori to Transfer Functions to Kehancha Municipality

The Municipality of Kehancha was given a charter on 15 February, 2023 and consequently a board was formed. However, review of the functions of the Municipality vis-à-vis the functions of the Board as per Gazette Notice No.15640 of 17 November, 2023, which transferred the functions of overseeing the affairs of the Municipality of Kehancha from the County Executive, revealed that these functions were being performed by the County Executive of Migori. The functions include managing refuse collection, solid waste management services, provision of water and sanitation infrastructure, Municipal infrastructure, enforcing municipal plans, provision of administrative services, and collection of revenue.

In the circumstances, the County Executive of Migori was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

Lack of Internal Audit Function and Risk Management Policy

Management did not provide evidence of existence of internal audit functions such as internal audit reports, internal audit charter and internal audit work plan. As a result, there was no review of governance structures, value for money and risk-based audits. There

was also no verification of internal controls and assets of the Municipality. Further, the Municipality did not have a risk management policy.

In the circumstances, the effectiveness of internal controls and risk management in the Municipality could not be confirmed.

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

Responsibilities of the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

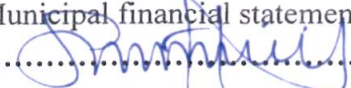
Nairobi

04 December, 2025

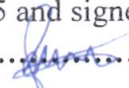
14 Statement of Financial Performance for The Year Ended 30 June 2025.

Description	Note	FY2024/2025	FY2023/2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	20,148,400	14,169,373
		20,148,400	14,169,373
Revenue from exchange transactions			
Interest income		-	-
Miscellaneous Income		-	-
		-	-
Total revenue		20,148,400	14,169,373
Expenditure			
Use of goods and services	7	14,914,792	11,381,337
Board expenses	8	5,231,500	2,788,000
Depreciation and amortization	9	187,393	-
Total expenses		20,333,685	14,169,337
Other gains/losses			
Gain/loss on disposal of assets		-	-
Surplus/(deficit) for the period		(185,285)	36

The notes set out on pages 22 to 26 form an integral part of these Financial Statements. The Municipal financial statements were approved on 15th July 2025 and signed by:

.....


Name: Nokwi Maroa
Municipality Manager

.....


Name: CPA Benson Masero
Municipal Accountant
ICPAK M/No 26677

15 Statement of Financial Position As At 30 June 2025


Description	Note	FY2024/2025	FY2023/2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	10	2,144	36
Total current assets		2,144	36
Non-current assets			
Property, plant, and equipment	11	7,308,318	-
Intangible assets		-	-
Total Non-current Assets		7,308,318	-
Total assets (A)		7,310,462	36
Liabilities			
Current liabilities			
Total current liabilities		-	-
Non-current liabilities			
Provisions		-	-
Total liabilities (B)		-	-
Net Assets (A-B)		7,310,4632	36
Represented by:			
Capital/Development Grants/Fund		7,495,711	-
Reserves		-	-
Accumulated surplus		(185,249)	36
Net Assets/Equity		7,310,462	36

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Municipal financial statements were approved on 15th July 2025 and signed by:


 Name: Maroa Nokwi

Municipality Manager

Date: July 15, 2025


 Name: CPA Benson Masero

Municipal Accountant

ICPAK M/No 26677

Date: July 15, 2025

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

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated Surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2023	-	-	-	-
Surplus/(deficit) for the year	-	-	36	36
Bal as at 30 Jun 2024	-	-	36	36
Bal as at 1 July 2024	-	-	36	36
Surplus/(deficit) for the year	-	-	(185,285)	(185,285)
Funds received during the year	7,495,711	-	-	7,495,711
Balance as at 30 June 2025	7,495,711	-	(185,249)	7,310,462

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

Description	Note	FY2024/2025	FY2023/2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		15,052,266	14,169,373
Interest received		-	-
Total Receipts		15,052,266	14,169,373
Payments			
Use of goods and services		9,818,658	11,381,337
Board expenses		5,231,500	2,788,000
Total Payments		15,050,158	14,169,337
Net cash flows from operating activities	12	2,108	36
Cash flows from investing activities			
Purchase of PPE & intangible assets		-	-
Proceeds from sale of PPE		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash equivalents		2,108	36
Cash And Cash Equivalents At 1 July 2024	10	36	-
Cash And Cash Equivalents At 30 June 2025	10	2,144	36

(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).

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*	-	36	36	36	-	100%
Receipts						
Transfers from the County Government-Recurrent	21,000,000	4,129,118	25,129,118	20,148,400	4,980,718	80%
Transfers from the County Government-Development	26,800,000	1,050,000	27,850,000	7,495,711	20,354,289	27%
Total Receipts	47,800,000	5,179,154	52,979,154	27,644,147	25,335,007	52%
Payments						
Use of goods and services	14,280,000	4,129,118	18,409,118	14,914,793	3,494,326	81%
Board expenses	6,720,000	-	6,720,000	5,231,500	1,488,500	78%
Total expenditure Payments	21,000,000	4,129,118	25,129,118	20,146,293	4,982,826	80%
Capital Expenditure Payments	26,800,000	1,050,000	27,850,000	7,495,711	20,354,289	27%
Surplus for the period	-	36	36	2,144	(2,108)	

Budget notes

- i. The under funding by 20% of Transfers from the County Government-Recurrent was as a result of delayed release of funds by the Exchequer.
- ii. The under funding by 73% of Transfers from the County Government-Development was as a result of non realization of Kshs 16,800,000 from Kenya Urban Support Program II and delayed Exchequer releases to the County Government of Migori.
- iii. The Under utilization by 19% of Use of goods and services was as a result delayed release of funds by the Exchequer.
- iv. The Under utilization by 22% of Board expenses was as a result delayed release of funds by the Exchequer.
- v. The Under utilization by 73% of Capital expenses was as a result delayed release of funds by the Exchequer and non realization of Kshs 16,800,000 from Kenya Urban Support Program II .

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	2,144
		-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	2,144

19. Notes to the Financial Statements

1. General Information

Overview

Kehancha Municipality, located in Migori County, is the newest municipality established in accordance with the Urban Areas and Cities Act, 2011. The creation of Kehancha Municipality aims to improve service delivery and ensure equitable distribution of county resources to the residents. This is a significant step toward enhancing urban management and development in the region.

Establishment

The Municipality of Kehancha met the criteria outlined in the Urban Areas and Cities Act, qualifying it for municipal status. On February 15, 2023, His Excellency Hon. Dr. Ochilo Ayacko, the Governor of Migori County, officially granted the Municipal Charter to Kehancha Municipality. The charter empowers the municipality to function as a legally recognized entity, exercising local governance responsibilities to better serve the community.

Legal Framework

The Municipality operates under the authority of Section 9(1) of the Urban Areas and Cities Act, 2011, supported by Section 72 of the Interpretations and General Provisions Act (Chapter 2). This legal framework provides for the establishment of urban areas that meet the necessary population thresholds and criteria, ensuring effective urban governance.

Governance Structure

Kehancha Municipality is managed by a Board, which was duly constituted as per the provisions of the Urban Areas and Cities Act. The Board functions as a corporate entity with perpetual succession and a common seal, enabling it to manage its affairs effectively. The Board members were officially gazetted on April 6, 2023.

The Board is responsible for setting policies, overseeing the implementation of projects, and ensuring that services are efficiently delivered to the residents. Additionally, the Municipality has a Municipal Manager tasked with operationalizing activities and overseeing the day-to-day management of the municipality.

Key Objectives

- Provide better public services to the residents of Kehancha.
- Promote planned urban development, infrastructure, and social services.
- Distribute county resources equitably.
- Encourage sustainable economic growth within the municipality.
- Foster community participation in local governance.

Development Plans

With its new status, Kehancha Municipality is poised to benefit from enhanced investment in infrastructure, such as roads, markets, water, and sanitation services. It will also focus on improving healthcare, education, and other essential public services for its rapidly growing population.

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Application of New and revised standards (IPSAS)

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.

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

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

Standard	Effective date and impact:
IPSAS 43: Leases	<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. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the 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. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 46: Measurement	<i>Applicable 1st January 2025</i>

	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 47: Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 48: Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.

	<p>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.</p> <p>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.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
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iii. Early adoption of standards

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

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/2025 was approved by the County Assembly on 21st July 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality recorded additional appropriations of 1,050,000 on 21st May 2025 following the governing body's approval.

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

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Municipality recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

e) Biological Assets

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

e) Financial instruments

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

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

f) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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

g) Provisions

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

h) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and/or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the 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.

i) Contingent liabilities

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

j) Contingent assets

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

The Municipality provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay

further contributions if the Municipality does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to scheme obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefits are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) 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.

o) Borrowing costs

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

p) Related parties

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

q) Cash and cash equivalents

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

r) Comparative figures

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

s) Events after the reporting period

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

Two types of events can be identified:

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

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

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

t) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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 Municipality. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

- i) The condition of the asset based on the assessment of experts employed by the Municipality.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of funds to replace the asset.
- v) Changes in the market in relation to the asset.

6. Transfers from the County Government

Description	FY 2024/2025	FY2023/2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	15,052,266	14,169,373
Payments by County on behalf of the entity (Recurrent)	5,096,134	-
Total	20,148,400	14,169,373

(a) Transfers from County Government entities (Categorized)

Name Of the Entity Sending the Grant	Amount recognized to Statement of financial performance*	Amount deferred under deferred income	Amount recognized in capital fund.	Total grant income during the year	FY2023/2024
Migori County Treasury	15,052,266	-	-	15,052,266	14,169,373
Payment by County on Behalf of the Entity (Recurrent)	5,096,134	-	-	5,096,134	-
Payment by County on Behalf of the Entity (Development)	7,495,711	-	-	7,495,711	-
Total	27,644,111	-	-	27,644,111	14,169,373

Notes:

1. Kshs 15,052,266 are transfers made to the municipality to support its operations.
2. Kshs 12,591,845 comprise of Ksh 5,096,134 and 7,495,711 for recurrent and development respectively. The amounts relate to payments made on behalf of Kehancha Municipality for Infrastructural development and part of Municipality Operations.

7. Use of Goods and Services

Description	FY 2024/2025	FY2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	534,020	678,599
Communication, supplies and services	148,150	175,500
Domestic travel and subsistence	5,268,634	9,790,409
Field Allowance	3,983,900	-
Office IT Materials	31,800	-
Printing, advertising, supplies & services	635,000	411,220
Publicity and Awareness Creation	1,631,600	-
Hospitality supplies and services	173,590	156,844
Office Newspaper	74,740	-
Office and general supplies and services	533,920	154,250
Fuel, oil and lubricants	1,898,000	-
Routine maintenance – other assets	-	9,600
Bank Charges	1,438	4,915
Total	14,914,792	11,381,337

8. Board expenses

Description	FY 2024/2025	FY2023/2024
	Kshs.	Kshs.
Sitting allowances	3,002,000	1,908,000
Induction and Training	1,763,500	840,000
Travel and accommodation	466,000	40,000
Other allowances (<i>Specify</i>)	-	-
Total	5,231,500	2,788,000

9. Depreciation and amortization

Description	FY 2024/2025	FY2023/2024
	KShs	KShs
Property, plant and equipment	187,393	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	187,393	-

10. Cash and cash equivalents

Description	FY 2024/2025	FY2023/2024
	Kshs.	Kshs.
Current account	2,144	36
Total cash and cash equivalents	2,144	36

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

Financial institution	Account number	FY 2024/2025	FY2023/2024
		Kshs.	Kshs.
a) Current account			
Kenya Commercial Bank	1315961830	2,144	36
Grand total		2,144	36

11. Property, Plant and Equipment

Description	Road Construction	Equipment	Furniture and fittings	Computers	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate	3%	13%	X%	X%		
As at 1 July 2023	-	-	-	-	-	-
Additions	-	-	-	-	-	-
As at 30th June 2024	-	-	-	-	-	-
Additions for the year	7,495,711	-	-	-	-	7,495,711
Disposals for the year	-	-	-	-	-	-
As at 30th June 2025	7,495,711	-	-	-	-	7,495,711
Depreciation and impairment						
At 1 July 2023	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
As at 30 June 2024	-	-	-	-	-	-
Depreciation for the year	187,393	-	-	-	-	187,393
Disposals for the year	-	-	-	-	-	-
As at 30th June 2025	187,393	-	-	-	-	187,393
NBV as at 30th Jun 2024	-	-	-	-	-	-
NBV as at 30th Jun 2025	7,308,318	-	-	-	-	7,308,318

12. Cash generated from operations

Description	FY 2024/2025	FY2023/2024
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	(185,285)	36
Adjusted for:		
Depreciation	187,393	-
Amortization	-	-
Gains/ losses on disposal of assets	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	2,108	36

13. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	Insert Current FY- 24/25	Insert Comparative FY-23/24
	Kshs.	Kshs.
Transfers from related parties'	15,052,266	14,169,373
Total	15,052,266	14,169,373

c) Key management remuneration

Description	Insert Current FY- 24/25	Insert Comparative FY-23/24
	Kshs.	Kshs.
Board Members	5,231,500	2,788,000
Total	5,231,500	2,788,000

14. Financial risk management

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

I. Credit risk

The Municipality has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the 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 Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2025				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	2,144	-	-	-
Total	2,144	-	-	-
At 30 June 2024				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-

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Bank balances	2,144	-	-	-
Total	2,144	-	-	-

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

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

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

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

II. Foreign currency risk

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

Description		Other currencies	Total
	Kshs.	Kshs.	Kshs.
At 30 June 2025(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)			
Euro	10%	-	-
USD	10%	-	-

III. 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.

IV. Capital risk management.

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

Description	FY-2024/2025	FY-2023/2024
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital Development Grant	7,495,711	-
Accumulated surplus	(185,285)	36
Total Funds	7,310,462	36
Total borrowings	-	-
Less: cash and bank balances	(2,144)	(36)
Net debt/(excess cash and cash equivalents)	2,144	36
Gearing	0%	0%

15. Program for Results (PforR) Disclosure

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

Name of the PforR: xxxxxxxx	
Financing Partners: xxxxxxxxxxx	
Purpose of the PforR: xxxxx	
Expenditure Details	Amount in Kshs
Cumulative actual expenditures for the previous years	0
Actual expenditure in the current financial year.	
1. Employee Cost	0
2. Use of goods and Services	0
3. Grants and Subsidies	0
4. Building of ECDE facilities	0
5. Others (specify)	0
Sub-total	0
Cumulative Actual Expenditures to date	0

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)

Note: This is the first year the Municipality of Kehancha is being audited. There was no previously audited report prior to this audit