

REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**COUNTY ASSEMBLY OF VIHIGA**

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

PAPERS LAID	
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# VIHIGA COUNTY ASSEMBLY

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2025

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Transitional Financial Statements /Prepared in accordance with the Accrual Basis of Accounting  
Method Under International Public Sector Accounting Standards (IPSAS)

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Table of Contents	Page
1. Acronyms, Abbreviations and Definition of Key Terms .....	ii
2. Key Entity Information and Management .....	iii
3. Governance Statement .....	vi
4. Foreword by Clerk of the County Assembly .....	xvi
5. Statement of Performance against Predetermined Objectives.....	xix
6. Environmental and Sustainability Reporting .....	xx
7. Statement of Management Responsibilities .....	xxvi
8. Report of the Independent Auditor for the Vihiga County Assembly .....	xxviii
9. Statement of Financial Performance for the year ended 30 June 2025 .....	1
10. Statement of Financial Position as at 30 June 2025 .....	2
11. Statement of Changes in Net Assets for the year ended 30 June 2025 .....	3
12. Statement of Cash Flows for the year ended 30 June 2025 .....	4
13. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025 ...	5
14. Notes to the Financial Statements .....	6
15. Appendix .....	34

## VIHIGA COUNTY ASSEMBLY

### Annual Report and Financial Statements for the year ended June 30, 2025

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#### 1. Acronyms, Abbreviations and Definition of Key Terms

##### A. Acronyms and Abbreviations

<i>ADP</i>	<i>Annual Development Plan</i>
<i>AIE</i>	<i>Authority to Incur Expenditure</i>
<i>CA</i>	<i>County Assembly</i>
<i>CARA</i>	<i>County Allocation of Revenue Act</i>
<i>CBK</i>	<i>Central Bank of Kenya</i>
<i>CECM</i>	<i>County Executive Committee Member</i>
<i>CE</i>	<i>County Executive</i>
<i>CG</i>	<i>County Government</i>
<i>CIDP</i>	<i>County Integrated Development Plan</i>
<i>COG</i>	<i>Council of Governors</i>
<i>CRA</i>	<i>Commission on Revenue Allocation</i>
<i>CRF</i>	<i>County Revenue Fund</i>
<i>CT</i>	<i>County Treasury</i>
<i>IPSAS</i>	<i>International Public Sector Accounting Standards</i>
<i>MCA</i>	<i>Member of County Assembly</i>
<i>OAG</i>	<i>Office of the Auditor General</i>
<i>OCOB</i>	<i>Office of the Controller of Budget</i>
<i>OSR</i>	<i>Own Source Revenue</i>
<i>PFM</i>	<i>Public Finance Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>NT</i>	<i>National Treasury</i>
<i>WB</i>	<i>World Bank</i>
<i>KRB</i>	<i>Kenya Roads Board</i>
<i>Kshs</i>	<i>Kenya Shillings</i>
<i>FY</i>	<i>Financial Year</i>

##### B. Definition of Key Terms

*Example*

*Fiduciary Management*      *The key management personnel who had financial responsibility*

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# VIHIGA COUNTY ASSEMBLY

## Annual Report and Financial Statements for the year ended June 30, 2025

### 2. Key Entity Information and Management

#### (a) Background information

The County Assembly is constituted as per article 177 of the Constitution of Kenya 2010. It is headed by the Speaker of the County Assembly, who is responsible for the general policy and strategic direction of the Assembly. The County Assembly constitutes 36 Members of County Assembly (MCAs) elected/ nominated to represent members of the public from their respective wards. The MCAs are responsible for making laws for effective performance of the County Government, approving plans and policies, and playing the oversight role over the County Executive.

#### (b) Key Management Team

The *entity's* day-to-day management is under the following key organs:

No.	Designation	Name
1.	Speaker of the County Assembly	Hon. Christopher Omulele
2.	Clerk of the County Assembly	Hon. Joab Ambaka Kilinga
3.	Deputy Clerk of County Assembly	Ms .Perice Livanga Odari
	<b>Heads of Departments</b>	
	Human Resource and Administration	Ms. Abigail Nandoya
	Finance and Accounting	Cpa. Oscar Miyinzi Jagona
	Legal/ Legislative Services	Mr. Rakewa Francis
	Communication and Information Services	Mr. Teddy Luvisia

#### (c) Fiduciary Management

The key management personnel who held office during the year ended 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Accounting Officer- Clerk	Mr. Joab Ambaka Kilinga
2.	Finance Director	Mr. Miyinzi Oscar Jagona
3.	Chief Procurement Officer	Ms Juliet Asila
4.	Principal Accountant	Mr. Stephen Masambu

## VIHIGA COUNTY ASSEMBLY

### Annual Report and Financial Statements for the year ended June 30, 2025

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#### a) Fiduciary Oversight Arrangements

- Audit and finance committee activities
- The audit committee was constituted in 2017. Its mandate is to advise the County Government on institutional risk management and compliance. The committee held 4 meetings in FY 2024. The committee members during FY 2024 were:

Member	Designation
Cpa Patrick Lumwagi Kasamba	Chairperson
Cpa. Josiah Aligura	Member
Chrp. Anne Mmmata	Member
Ms Abigael Nandoya	Member
Cpa. Peter Edemba	Member

- Parliamentary Committee Activities

During the financial year 2024/2025, the county assembly appeared before the public Accounts Committee to discuss the report of the Auditor General on Vihiga County Assembly for the financial year 23/2024.

#### b) County Executive/Assembly Headquarters

P.O. Box 90 Maragoli

County Assembly Buildings

Majengo Vihiga Road

**MARAGOLI KENYA**

#### c) County Assembly Contacts

Telephone: (254) 020-2094140

E-mail: [vihigaassembly@gmail.com](mailto:vihigaassembly@gmail.com)

Website: [vihigaassembly.go.ke](http://vihigaassembly.go.ke)

#### d) County Executive/Assembly Bankers

1. Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

**NAIROBI, KENYA**

2. Kenya Commercial Bank  
Mbale Branch  
P.o box 1123  
Maragoli.

3. Co-operative Bank of Kenya  
Mbale Branch  
p.o box 48231  
Nairobi 00100

**(e) Independent Auditor**

Auditor-General  
Office of The Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
**NAIROBI, KENYA**

**f) Principal Legal Adviser**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
**NAIROBI, KENYA**

**e) County Attorney/County Assembly Legal Advisor.**

County Government of Vihiga  
Vihiga County

**VIHIGA COUNTY ASSEMBLY**

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

**3. Governance Statement**

**a. Background and roles**

The County Assembly is constituted by the MCAs of Vihiga county government. It is headed by the Speaker who is elected by the MCAs. The speaker is also the chairperson of the county assembly service board while the county assembly clerk is the secretary. Section 10 (4) of the County Governments Act 2012 provides that a county assembly shall observe the following order of precedence.

- a) The speaker of the county assembly.
- b) The leader of the majority party; and
- c) The leader of the minority party.

The Roles of the county assembly are outlined in Section 8 of the County Governments Act 2012, and they include:

- i. Vet and approve nominees for appointment to county public office as may be provided for in this Act or any other law.
- ii. Perform the roles set out under Article 185 of the Constitution.
- iii. Approve the budget and expenditure of the county government in accordance with Article 207 of the Constitution, and the legislation contemplated in Article 220(2) of the Constitution, guided by Articles 201 and 203 of the Constitution.
- iv. Approve the borrowing by the county government in accordance with Article 212 of the Constitution.
- v. Approve county development planning; and
- vi. Perform any other role as may be set out under the Constitution or legislation.

**b. Profiles**

**PROFILE FOR BOARD MEMBERS**

S/N O	NAME	PROFILE
1	Hon Christopher Omulele,  Speaker/Chairperson – County Assembly Service Board	<p><b>Sex:</b> Male  <b>Nationality:</b> Kenyan  <b>Date Of Birth:</b> 14<sup>th</sup> May 1972</p> <p><b><u>EDUCATION INFORMATION</u></b></p> <ul style="list-style-type: none"> <li>1. Diploma in Law, Kenya School of Law</li> <li>2. Bachelor of Laws Degree, University of Nairobi</li> <li>3. KCSE, Kabarak High School</li> </ul> <p><b>Achievements</b></p> <ul style="list-style-type: none"> <li>1. Speaker- Vihiga County Assembly</li> <li>2. First Member of Parliament for Luanda Constituency Vihiga County for the period 2013 -2017.</li> <li>3. Re-elected for a second term; 2017-2022.</li> <li>4. Member of the Speaker’s Panel; Third Chairperson of Committees.</li> </ul>




**VIHIGA COUNTY ASSEMBLY**

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

		<p>A member of the following parliamentary committees:-</p> <p>5. Committee memberships transport, Public Works and Housing Committee; Budget and Appropriation Committee, Constitutional Implementation Oversight Committee, Parliamentary Privileges Committees, Procedure and House rules committee.</p> <p><b>Memberships</b></p> <p>1. Law Society of Kenya 2. Institute of Certified Public Secretaries</p>
2	<p>Hon Manoah Karega Mboku</p> <p>Leader of Majority</p> 	<p>Date of Birth: 4<sup>th</sup> October 1971 Marital Status: Married Nationality: Kenyan</p> <p><b>Education Background:</b></p> <p>1979 - 1987 - KCPE - Simbi Primary School 1988 - 1991 – KCSE – Nyang’ori High School March 2005 – University of Nairobi – Certificate in Counselling 1992 – 1993 – Certificate in Community Health, Kaimosi School of Nursing 2011 - 2012 – JKUAT – Certificate in County Governance 2014 – 2016 - Diploma in County Governance 2018: Bachelor of Commerce in Public Management – KCA University (ongoing)</p> <p><b>Work Experience</b></p> <p>2007 – 2012 – Councilor, Nairobi South Ward 2013 – 2017 – MCA – Nairobi South Ward and was the Chairperson, Health Committee 2017 – To date – Member of County Assembly representing Tambua Ward</p>
3	<p>Hon Vincent Atsiaya</p> <p>Leader of Minority</p> 	<p>Sex: Male Nationality: Kenyan Date of Birth: 15<sup>th</sup> August 1988 Marital Status: Married</p> <p><b>Education Information</b></p> <p>2018: KCA University - Bachelor of Commerce in Public Management – (ongoing) 2019 – 2011: Sigalagala Technical Training Institute - Diploma in Building &amp; Construction KCSE: Gahumbwa Secondary School</p> <p><b>Work Experience</b></p> <p>2013 To date – Member of County Assembly representing Wodanga Ward</p>
4	<p>Joab Ambaka</p>	<p><b>SEX:</b> MALE</p>

## VIHIGA COUNTY ASSEMBLY

### Annual Report and Financial Statements for the year ended June 30, 2025

<p>Kilinga</p> 	<p><b>NATIONALITY:</b> KENYAN <b>DATE OF BIRTH:</b> 30<sup>TH</sup> DECEMBER, 1962</p> <p><b><u>EDUCATION INFORMATION</u></b></p> <p>1988 Degree (BED Economics) Kenyatta University 2011 Masters Degree (Education) Moi University</p> <p><b><u>EMPLOYMENT INFORMATION</u></b></p> <p>1. 2016 to date Clerk of the County Assembly of Vihiga 2. 2012 to 2016 County Director, Teachers Service Commission</p>
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#### c. Sectoral Committees

The mandate of Sectoral Committees is in respect to the subject matter assigned by the Standing Orders and is exercised within the limits contemplated under Part 2 of the Fourth Schedule to the Constitution.

The County Assembly has the following Select and Sectoral committees:

- i. Committee of Powers and Privileges
- ii. Audit Committee
- iii. Public Accounts/Investment Committee
- iv. Budget and Appropriations Committee
- v. Implementation committee

#### d. Select Committees

Select committees are generally responsible for overseeing the work of county departments and agencies.

## VIHIGA COUNTY ASSEMBLY

### Annual Report and Financial Statements for the year ended June 30, 2025

#### i. Committee of Powers and Privileges

There is established committee known as the Committee of Powers and Privileges consisting of the Speaker, who shall be the chairperson of the Committee; and such other members of the county assembly as may be provided in the Standing Orders of the county assembly. The functions of the Committee of Powers and Privileges shall be to inquire into the conduct of a member whose conduct is alleged to constitute a breach of privileges accorded to the county assembly members by any legislation or standing orders and perform such other functions as may be specified by enabling legislation. The committee held 13 meetings in FY 2025. The committee members during FY 2025 were:

Member	Designation	Ward
Hon Christopher Omulele	Chairperson	Speaker of County Assembly
Hon. Eric Odei	Vice Chairperson	Gisambai
Hon. Pauline Amwata	Member	Central Maragoli
Hon. Zakayo Manyasa	Member	Mwibona
Hon. Richard Muhiga	Member	Shamakhokho
Hon. Caroline Angote	Member	Nominated
Hon. Fela Ajega	Member	Nominated

#### ii. Public Accounts/Investment Committee

The committee was formed to provide oversight on the County's finances. The committee held quarterly mandatory meetings during the year. Additionally, it also held 24 extra sittings to deal with arising matters. The members who served in the committee during the year were:

Member	Designation	Ward
Hon.Caleb Ndola	Chairperson	Jepkoyai
Hon.Vincent Atsiaya	Vice Chairperson	Wodanga
Hon. Paul Tira	Member	Central Bunyore
Hon. Hellum Esipira	Member	N.E Bunyore
Hon. Getrude Lumire	Member	Nominated
Hon. Venna Kaisha	Member	Nominated
Hon. Joyce Mayodi	Member	Nominated
Hon.Fredrick Mavisi	Member	Lugaga- Womuluma

## VIHIGA COUNTY ASSEMBLY

### Annual Report and Financial Statements for the year ended June 30, 2025

#### iii. Budget and Appropriations Committee

The budget and appropriations committee provides guidance in the budgetary process. It is charged with the budget making process and ensuring that there is public participation in the budget process. The members who served in the committee during the period were:

Member	Designation	Ward
Hon. Patrick Akhwale	Chairperson	Wemilabi
Hon. Collins Ayugu	Member	Banja
Hon. David Mwashu	Member	Shiru
Hon. Eric Odei	Member	Gisambai
Hon. Manoa Mboku	Member	Tambua
Hon. Zakoyo Manyasa	Member	Mwibona
Hon. Pauline Amwataa	Member	Central Maragoli
Hon. Paul Tirra	Member	Central Bunyore
Hon. Wimsy Osore	Member	West Bunyore
Hon. Florence Kegode	Member	Busali
Hon. Hellen Mwanika	Member	Nominated
Hon. Richard Muhiga	Member	Shamakhokho

#### iv. Communication with all Stakeholders

The County is committed to ensuring that all its stakeholders are provided with full and timely information about its programme and performance. They are also given an opportunity to give feedback. In this regard, the County held an Annual consultative meeting in various wards within the county where the different stakeholders were invited for information sharing. This communication is important in ensuring that stakeholder expectations are aligned to the County's service delivery charter.

The County Assembly also subjected 6 bills through public participation

Below is a table of various bills that were taken through public participation

**VIHIGA COUNTY ASSEMBLY**

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

No.	Bill	Date of public participation	Sponsor	Date of approval	Type of Bill	Relevance
1.	<b>The Vihiga County Finance Bill 2024</b>		<b>Hon. Patrick Akwale</b>		<b>Public Bill</b>	Bill on own source resources mobilization that provides for imposition or variation of various fees, charges, licenses rents and rates for services in Vihiga County
2.	The Vihiga County Climate Change Bill,2024	9 <sup>th</sup> -29 <sup>th</sup> January 2025 Submission of memorandum	Hon. David Onjiri	12 <sup>th</sup> March, 2025	Public Bill	The bill is to provide a legal framework which is to enable mobilize and coordinate the county government, communities and all stakeholders to respond effectively to climate change in Vihiga County.
3.	The Vihiga county Agriculture sector Co-ordination Mechanism (CASCOM) Bill, 2024		Hon. Albert Mugata	2 <sup>nd</sup> October 2024	Public bill	To set up administrative structure for the department. To provide for establishment of the County Agriculture sector coordination mechanism and the various committees and institutions
4.	The Vihiga County Water and Sanitation Services Bill, 2024	9 <sup>th</sup> -29 <sup>th</sup> January 2025 Submission of memorandum	Hon. David Onjiri	May 2025	Public Bill	To provide for a legal and institutional framework for provision of water and sanitation services in the County.
5.	The Vihiga County Facilities Improvement and Financing Bill2025		Hon. Fedrick Mavisi		Public Bill	To provide efficient delivery of service to residence of Vihiga To equip health facilities in facilitating service delivery

**VIHIGA COUNTY ASSEMBLY**

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

						Provide procedures for financing health facilities in the county
6.	The Vihiga Teaching and referral Hospital Bill 2025		Hon. Fedrick Mavisi	3 <sup>rd</sup> April 2025	Public Bill	To provide for establishment of a teaching and referral hospital To provide for mechanisms of operation of the established teaching and referral hospitals
7.	The Vihiga County Supplementary Appropriation Bill 2025 (FY2024/25)		Hon. Patrick Akwale	13 <sup>th</sup> March 2025	Public Bill	To enable the County, authorize certain sums of money out of the County Revenue Fund and their application towards the services of the year ending 30 <sup>th</sup> June 2025 and to appropriate those sums for certain public services.
8.	The county government additional allocation Bill 2025	Kenya Gazette supplement No. 68(Act no. 3(	Hon. Patrick Akwale		Public Bill	To provide for additional allocation to county government for the year 2024/25
9	The Vihiga County Appropriation Bill 2025( FY2025/26)		Hon. Patrick Akwale		Public Bill	To enable the County, authorize certain sums of money out of the County Revenue Fund and their application towards the services of the year ending 30 <sup>th</sup> June 2026 and to appropriate those sums for certain public services.

**e. Risk management**

Risk management is the process of identifying, assessing and controlling financial, legal, strategic and security risks to an organization's capital and earnings. These threats, or risks, could stem from a wide variety of sources, including financial uncertainty, legal liabilities, strategic management errors, accidents and natural disasters.

The County Assembly as a government entity has put various strategies to manage threats/risks exposed to. To reduce the risks, the County Assembly has applied resources to minimize, monitor and control the impact of negative events while maximizing positive events. The Established consistent, systemic and integrated approach to risk management will help to determine how best to identify, manage and mitigate significant risks.

- i. The Assembly has avoided investing in areas that may risk health of staff and members as well as avoided losing funds
- ii. Contracting a medical cover for honorable members and staff
- iii. Renovation of office Blocks
- iv. Drilling of boreholes for provision of safe and clean water
- v. Contracting national police service to enhance security levels at the Assembly premise
- vi. Establishment of the internal Audit Committee
- vii. Capacity building of house leadership, the board and staff on integrity issues
- viii. The Assembly is in the process of ratifying the strategic plan

The county assembly has elaborate measures to ensure risk management.

- Are there formal processes to identify and assess risks?
- Are there formal processes to analyse risks as a basis for how they should be managed?
- Are there formal processes to assess changes in the internal and external environments which could give rise to risks?
- Risks identified and analysed in the period and how they were managed.

## **VIHIGA COUNTY ASSEMBLY**

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

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#### **f. Compliance**

The County Assembly of Vihiga is a public institution controlled by various pieces of law. It is under obligation to adhere to the rule of law in Kenya. The following are laws governing the County Assembly among other legal requirements;

- 1) Basic Education Act
- 2) Constitution of Kenya 2010
- 3) County Assembly Powers and Privileges Act
- 4) County Assembly Service Act
- 5) County Government Act
- 6) Intergovernmental relations Act
- 7) Public Appointments County Assembly Approval Act
- 8) Public Finance Management Act
- 9) Urban Areas and Cities Act
- 10) Public Health Act Cap 242

In order to comply with the above laws, the Assembly undertook the following: -

#### **a) Scheduled regular internal audits**

Regular internal audits were great tools to uncover inadequate and ineffective procedures would have led to not being compliant. Internal audits focused on the financial, operational, technological and regulatory aspects of Vihiga County Assembly. The internal auditor was given autonomy of operation while reviewing compliance, as well as implementing generally accepted auditing standard

#### **b) Ensured employees follow procedures**

The Assembly policies are not worth anything if it is not followed by employees. The management involved human resource in employee management. Most importantly, the assembly ensured that the employees were well empowered to understand policies and procedures well. Part of this was to ensure that they were well documented and readily available; both digitally and physically. Furthermore, office of Director Human Resource ensured that employees understood why policy and procedures are the way they are, or why they exist. The Assembly implemented employee training on how to properly adapt procedures. Where necessary we complimented employees, who comply and develop sanctions in case of violations.

#### **c) Involved specialists**

To prevent braking of law, the County Assembly ensured transparency in her operations. Furthermore, we involved specialists and consultants to be sure that everything is in order. This allowed members and employees to ask for advice when needed, to ensure actions and procedures were compliant. The legal section was key in offering legal advisories.

#### **d) The Assembly maintained track with changing laws and regulations**

Compliant is not something theoretical. It's a continuous process of scanning for changing laws and regulation, identifying the areas in which it impacts the Assembly, changing policy and implementing policy change, and monitoring e.g. the amendments on the County Government Act, 2012 and the

**VHIGA COUNTY ASSEMBLY**

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

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Public Finance Management Act, 2012. The Changes were identified and applied accordingly hence the assembly stayed on top of changes.

**e) The Assembly ensured that annual audited financial statements were submitted on time**

The feedback was so crucial to ensure that standards were maintain and kept the County Assembly on truck

**f) Operation under a safe and healthy workplace.**

The Assembly has put in place satisfactory operational policies and procedures. Through the office of Chief Seargent-at Arms Incidental reporting and workplace health and safety checks were part of regular reporting to the office of the Clerk to enable monitor the County Assembly compliance.

**g) Ensured regular Meetings.**

The County Assembly incorporated regular meetings for Honourable Members, Service Board and the Senior management. The meetings were to uphold appraisals on the undertakings of the Assembly. Similarly, the Staff welfare had several meetings with the management to discuss welfare issues.

**h) Provided employees with regular compliance training**

To ensure regulatory compliance is everyone's responsibility. Therefore, the County assembly ensured that the staff follows the existing compliance policies. Several trainings were conducted for staff and honourable members which involved the Ethics and Anti-corruption Corruption Commission.

When Employees lack the necessary information to carry out their job in compliance with legal requirements risk unknowingly and likely to violate the rules.

Hence periodical training helped Honourable members and Staff to understand the importance of ethical issues and their own responsibility in ensuring regulatory compliance.

## VIHIGA COUNTY ASSEMBLY

### Annual Report and Financial Statements for the year ended June 30, 2025

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#### 4. Foreword by Clerk of the County Assembly

##### (i) Budget performance

The county assembly had a total Recurrent budget of Kshs; 724,667,651 and Kshs; 25,332,349 for development vote, this brings the total budget to Kshs; 750,000,000 for the year. There was a total one supplementary budget during the the year ended 30<sup>th</sup> June 2025 due to the austerity measures introduced by the government, the budget was reduced by a total of kshs:64,850,760 for the recurrent budget and kshs: 13,933,000 for development budget, there was also unspent balances totaling kshs: 44,032,166 that were brought forward during the year. After all the adjustments at supplementary budget, the total budget was a total of kshs; 715,248,406.

##### (ii) Operational Performance

Article 176 (Chapter Eleven) of the Constitution of Kenya establishes County Governments consisting of a County Assembly and a County Executive. Further The County Assembly makes and passes all county laws required for the effective performance and exercise of the powers of the County Government. It also approves county policies, plans and budgets and oversees implementation by the County Executive

Under Article 185 of the Constitution of Kenya Vihiga County Assembly is vested with Authority to.

- 1) legislate
- 2) make any laws that are necessary for, or incidental to, the effective performance of the functions and exercise of the powers of the county government
- 3) While respecting the principle of the separation of powers, exercise oversight over the county executive committee and any other county executive organs.
- 4) receive and approve plans and policies for--
  - (a) The management and exploitation of the county's resources; and
  - (b) the development and management of its infrastructure and institutions.

Vihiga County Assembly passed Five (5) bills that were assented to by His Excellency the Governor. So far there one bill (*The Vihiga County Agriculture Sector Coordination Mechanism Bill, 2024*) that is at the committee stage under the committee on Agriculture and Fisheries

## VHIGA COUNTY ASSEMBLY

### Annual Report and Financial Statements for the year ended June 30, 2025

In the Financial year 2024/25, the County Assembly of Vihiga passed one County Budgets and one supplementary budgets. The County Budget was taken through the public participation process where stakeholders submitted memos to the office the Clerk. Stakeholders included residents of Vihiga, Civil societies and The Kenya National Chamber of Commerce Vihiga Chapter. Below is a table indicating when the budgets were passed

1.	The Vihiga County Appropriation Bill, 2023	30 <sup>th</sup> June, 2024	passed
2.	The Vihiga Finance Bill, 2023	8 <sup>th</sup> November, 2024	passed
3.	The Vihiga County Supplementary Appropriation Bill, 2024	22 <sup>nd</sup> November, 2024	passed
4.	The Vihiga County Appropriation Bill, 2025	2 <sup>nd</sup> July, 2025	passed

On matters oversight the County Assembly of Vihiga has summoned several officers at the executive to respond on key issues affecting the public of Vihiga County. Some of the department summoned to appear before the Assembly committee includes

- i. Department of finance and Planning appeared before the PAIC committee on interrogation of the Auditor General's report
- ii. All departments appeared before Sectorial committees to respond on interrogation on the County Budget estimates for FY 2024/25
- iii. Department of finance and Planning appeared before the Committee on Ward Based Projects to respond on the current status projects in Vihiga County
- iv. The County Secretary appeared before the Committee on Justice and Legal Affairs

Further the County Assembly Committees made several sites visits including the committee on environment visiting the climate change programs, health committee visited all the Sub-County Hospitals to establish the status and working mechanism

There several motions that were also dispensed of by the County assembly to enhance the oversight role of the County Assembly as well as petitions being processed.

**VIHIGA COUNTY ASSEMBLY**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Performance of Key Development Projects**

The County Assembly as a legislative Arm of the County Government has minimal development projects. More than 80% of her budget is utilized in four main programmes namely Oversight, legislation, representation and administration,

During the financial year 2024/25, the county Assembly did not perform any development project.

**(iii) Comment on value-for-money achievements**

The county assembly has endeavoured to undertake various projects that aim to lower costs.

**(iv) Challenges and recommended way forward**

The County assembly had a duty to balance the elements of the projects implemented that is – time, money, scope and people – which exposed her to an array of unexpected obstacles to overcome. To help put things in perspective, here is an overview of the challenges and recommendations for conquering them.

- a) Delay in disbursements - The county assembly incurred huge expenditures on interest payments and penalties that resulted in late remittance of statutory deductions to bodies such as Social Health Insurance Fund, Kenya Revenue Authority and pension funds. This also led to suffering of employees who could not access essential services due to delayed payments
- b) Inadequate risk management: - Having the foresight to identify potential ‘what if’ scenarios and making up contingency plans is an important aspect of project management. Projects rarely go exactly as planned because there are so many variables that can create unlimited possibilities.



Name: Joab Ambaka Kilinga

Clerk of the County Assembly

**VIHIGA COUNTY ASSEMBLY**

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

**5. Statement of Performance against Predetermined Objectives**

The key mandate of the County Assembly of vihiga is legislation, oversight, and representation. To achieve this, the Assembly’s program was documented in terms of objective, key performance indicators, and output. Below is the performance of the Assembly in FY 2025

<b>Program 1</b>	<b>Strategic Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>	<b>Remarks (Explain the reasons underperformance/ Overperformance)</b>
Legislation, oversight and representation	10 Bills passed into Acts of the County Assembly	Improved service delivery to citizens	No of bills passed in the County Assembly	In FY 2025 4 number of bills were passed x	
	Enhanced professional development of MCAs – Review standing orders	Review standing orders	% Increase in efficient Assembly operation	Vihiga standing orders were reviewed and resulted to 2 amendments	
Administrative Services	Ensure adequate support to members and staff of vihiga county assembly	Improved efficiency and service delivery to our customers	No of bills and motions passed by the assembly	In financial year 2024/25 the no of motions/bills passed increased	

## **6.Environmental and Sustainability Reporting**

### **a) Sustainability strategy and profile**

The implementation of the environmental management and sustainability policy is essential for the county assembly of Vihiga in order to achieve its mandates as outlined in the constitution of Kenya. The implementation of the policy is guided by the mandate of the county assembly of vihiga and takes into consideration the environmental pillar of our vision 2030. The county assembly intends to put in place the following strategies to lead to a sustainable environment.

- i) Develop climate change adaptation policies to address the potential impacts of extreme weather patterns such as droughts and flooding
- ii) develop and enforce building codes that require new constructions within the county assembly to adhere to green building standards, including energy -efficient design and the use of sustainable materials
- iii) develop and enforce efficient and safe waste management regulations that will ensure safe disposal of hazardous waste.
- iv) promote use of renewable energy sources, such as solar, within our organization and encourage private entities to do the same through incentives or policies.
- v) Establish a monitoring and evaluation system to track the progress and impact of sustainability initiatives

### **b) Environmental performance**

The constitution of Kenya lays emphasis on the need to promote Environmental Management and Sustainability in Kenya. The Vihiga County Assembly commits to respect our environment. All members of the county assembly are called upon to conserve our environment.

There's several challenges in environmental management and sustainability such as Environmental degradation, pollution and waste management.

To counter the challenges the County Assembly has endeavoured to undertake the following steps

- i)To encourage changes in behaviour that promote a more ecologically Sustainable environment
- ii) to build capacity and improve knowledge, skills, and leadership in line with the county Assemblys mandate

**c) Employee welfare**

a)The County Assembly Human Resource policies and Procedures Manual October 2018 guides the county Assembly service board on the hiring process under the national values and principles of governance that emphasizes on fostering patriotism, national unity, sharing and devolution of power, the rule of law, democracy and participation of people.

The upholding of human dignity, equity, social justice, inclusiveness, equality, human rights, nondiscrimination and protection of the marginalized and the need for good governance, integrity, transparency and accountability and sustainable development under PART1 section 4 of the manual.

Part 5 and 6 of the manuals emphasizes on the values and principles of County Assembly service on part (d) emphasizing its provision of a workplace that recognizes the diverse backgrounds of the employees of the service and promoting national integration.

PART II number 12 on Nondiscrimination states that

1.The county Assembly shall; - Promote equality of opportunity in employment and will not discriminate directly or indirectly against an employee on the grounds of race, color, sex, language, religion, disability, pregnancy, mental status, HIV status and in respect of recruitment, training, promotion, terms and conditions of employment, termination of employment or any matters arising of employment

2.Ensure that not more than two thirds of vacant posts are filled by either gender in the county Assembly service Board

3.Ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

The Assembly emulates the National government in its best practices and intends to review the Human Resource procedural manual this year ,a span of seven years like that of the National public service, revised in 2023 from 2016.

b) To ensure that the County assembly service operates in an efficient and effective manner,the County Assembly service board has institutionalized performance management systems such as performance Appraisal and performance contracting .The non-intergrated approach on performance management has failed to address issues on measurement of performance,linkage of the various systems ,recognition of exemplary performance ,sanctioning of poor performance and implementation of rewards and sanctions. The strategies outlined in the rewards and sanctions policy as financial and non financial rewards are to attract ,nurture ,develop and retain the best employees in the public

**VIHIGA COUNTY ASSEMBLY**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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service .The main aim being to ensure high levels of staff motivation on sustainable basis ,encourage excellence ,meritocracy and address poor performance.

The main rewards include;

i)Promotions-This is the Conferment of offices with higher salaries than that which the person was last substantively appointed, or reassignment of apposition with a salary range that is higher than the salary range of her/his former position.

The criteria usually entails; Merit, equity, aptitude and sustainability, prescribed qualifications for holding or acting in the office, prescribed qualifications for holding or acting in the office, contribution to the efficiency of the public service, the provable experience and demonstratable milestones attained by the employee, the standards values and principles set out in Articles 10,27,(4) and 232(1) of the constitution.

ii)Long Service Awards: This an award given to a support staff upon completion of twenty five year exemplary service. The awarding form of a certificate is personally signed by the Authorized officer or should be given to an employee who has demonstrated non-interruptible exemplary contribution to the organization's performance for a minimum period of 15 years.

iii) Letter of commendation by Authorized officer

A letter of commendation will be issued to an employee for distinguished performance that contributes to increased output and institutional efficiency.

iv)Employee of the year Award

Advisory committee will identify employees who demonstrates excellent performance during the year and recommend them for consideration of award based on the criteria set out by county Assembly service board.

v)Roll of honor for excellence performance

Names of employees who demonstrate excellent performance will be published in the roll of honor or the assembly newsletter annually.

vi) Contract Renewal

This will be based on performance subject to the employee's terms and conditions of service.

d) The sanctions are purely for poor performance. Disciplinary related sanctions will be administered according to the laid down disciplinary procedures.

e) In order to achieve the above, the leadership commitment is key, the institutional performance management system should be robust, the management's commitment to performance management is vital, the institutional capacity to implement the performance management

system is of importance, trained and skilled personnel are key players and the existence of information management system with internet is key.

- f) c) The policy on Occupational Safety and health Act of 2007 (OSHA ) is in place under part IX on health and safety in the Human resource and procedural manual 2018 from sec 471-sec 533 on page 55.
- g) It provides the guidelines and standards for the prevention and protection of officers against accidents and occupational hazards arising at work place, the procedures to be followed as a result of occurrence of such accidents and modalities for the administration and payment of compensation for work related injuries and accidents occurring during and outside the course of work.

It further provides for guidance and counselling management of HIV/AIDS at the workplace and the rehabilitation of officers who may be facing challenges of drugs and substance abuse.

However, with the visitation of the OSHA office, we are in the process of having an independent policy on these so that it is exclusively circulated to every department for implementation as the Human resource procedural manual is revised.

**d). MARKETPLACE PRACTICES:**

**a). Responsible Supply Chain and Supplier Relations**

The institution emphasizes responsible supply chain on ethical and sustainable practices throughout the entire process, from sourcing of goods, services and works to payment of the contractors, suppliers and service providers. This includes strong supplier relationships built on trust, transparency, and collaboration. The institution has employed effective supplier relationships management (SRM) approach for ensuring supply chain resilience, efficiency, and ethical standards.

**b). Responsible Ethical Practices**

This involve consistently acting with integrity, honesty, and accountability in all aspects of one's actions and decisions, upholding moral principles, and promoting fairness and respect for all stakeholders. This includes promoting transparency, and considering the impact of one's choices on others and the environment. In the practices contexts below is a more detailed breakdown on how the institution has contextualized responsible ethical practices;

**Workplace** – Following the institution policies, communicating effectively, respecting colleagues and stakeholders, and being professional.

**Business** – Conducting fairs, sourcing processes, ensuring product safety, promoting sustainability, and engaging in corporate social responsibility.

**Research** – Maintaining objectivity, declaring conflict of interest, protecting human subjects and promoting social good.

**Personal Life** – Upholding moral principles, treating all stakeholders with respect and making responsible choices.

**c). Stewardship of Goods and Services**

The institution ensures stewardship of goods and services to safeguard the rights and interests of citizens through below demonstrated context practices;

**Ethical Sourcing** – Ensuring that materials and components are obtained in a way that respects human rights, labour standards, and environmental regulations.

**Sustainable Practices** – Minimizing environmental impact by reducing waste, using resources efficiently, and promoting circular economy principles

**Risk Management** – Identifying and mitigating potential risks related to social, environmental, and economic factors throughout the supply chain.

h) **Corporate Social Responsibility (CSR)** – Integrating (CSR) principles into all aspects of the supply chain, ensuring a positive impact on society and the environment.

**Community Engagements**

The county Assembly by the close of the financial year under review ensured all departments staff had undergone training especially at the KSG and other relevant organizations.

On the community social responsibility the management is in the process of distributing various items to the needy groups as identified, the items include sanitary towels, inner garments among others.

The organisation has also promoted the education sector by passing the 2025/2026 budget where there is an allocation to pay gratuity and increase salary for the teachers within the county.

In terms of healthcare the assembly has approved various bills among them being the Vihiga County Facility Improvement Fund Act, 2025 that was assented to by the Governor and is in line with the National Government SHA scheme to help various facilities be able to utilize the monies collected under SHA for their efficiency in service delivery to the community.

**VIHIGA COUNTY ASSEMBLY**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**7. Statement of Management Responsibilities**

Section 164 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of a County Government Entity to prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The County Executive Committee (CEC) member for Finance and Economic planning of the County Government/Clerk of the County Assembly is responsible for the preparation and presentation of the County Executive's/Assembly financial statements, which give a true and fair view of the state of affairs of the County Executive/Assembly 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 county Executive/assembly; (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 county Executive; (v) Selecting and applying appropriate accounting policies; and (iv) Making accounting estimates that are reasonable in the circumstances.

The CEC member for finance/The Clerk accepts responsibility for the County Executive's/Assembly's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The CEC member for finance/The Clerk is of the opinion that the County Executive's/Assembly financial statements give a true and fair view of the state of the County Executive's/Assembly's transactions during the financial year ended June 30, 2025 and of its financial position as at that date.

The CEC member for finance/The Clerk further confirms the completeness of the accounting records maintained for the County Executive/Assembly which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control.

The Clerk confirms that the County Executive/Assembly has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Executive's/Assembly funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

## **VIHIGA COUNTY ASSEMBLY**

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

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Further the CEC member for finance/Clerk confirms that the County Executive's/Assembly's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

#### **Approval of the financial statements**

The County Assembly's financial statements were approved and signed by the Clerk for County Assembly on 31.08 2025



**Joab Ambaka Kilinga**

**Clerk of County Assembly**

# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON COUNTY ASSEMBLY OF VIHIGA FOR THE YEAR ENDED 30 JUNE, 2025

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### 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 transitional IPSAS financial statements of County Assembly of Vihiga set out on pages 1 to 34, which comprise of the statement of financial

position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts, for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of County Assembly of Vihiga 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 (including the transitional provisions permitted under IPSAS 33) and comply with the County Governments Act, 2012, the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

### **Basis for Qualified Opinion**

#### **1. Non-Compliance with Transitional International Public Sector Accounting Standards Reporting Template**

The cover page to the annual report and financial statements indicates "Transitional IPSAS financial statements/ Prepared in accordance with accrual basis of accounting method under international public sector accounting standards (IPSAS). This is indicative of Management failure to choose the method adopted to prepare the financial statements. Further, under Note 2 to Financial Statements on Statement of Compliance and Basis of Preparation of the financial statements, Management having taken advantage of the transitional provisions under IPSAS 33 have not indicated the elements of the financial statements that have not been recognized and the steps being taken towards full compliance with IPSAS Accrual.

In the circumstances, the financial statements as prepared and presented are not in compliance with IPSAS reporting framework.

#### **2. Employees Costs**

The statement of financial performance reflects an amount of Kshs.351,702,189 in respect of employees' costs as disclosed in Note 7 to the financial statements. Included in this amount is Kshs.301,591,354 for basic salaries and wages of permanent and temporary employees and personal allowances. However, analysis and review of the payroll provided for audit revealed employees cost of Kshs.303,090,842, resulting in unexplained variance of Kshs.48,611,347.

In the circumstances, the accuracy and completeness of employees' costs of Kshs.351,702,189 could not be confirmed.

### **3. Use of Goods and Services**

The statement of financial performance reflects an amount of Kshs.326,104,661 in respect of use of goods and services as disclosed in Note 8 to the financial statements. However, ledgers provided for audit reflected an amount to Kshs.326,203,207, resulting in a variance of Kshs.98,546.

In addition, review of payment records for use of goods and services provided for audit revealed the following unsatisfactory matters:

- i. Domestic travel and subsistence of Kshs.2,100,220 was not supported with imprest warrants and imprest register; and
- ii. Foreign travel and subsistence amounting to Kshs.3,676,051 spent on foreign training in Uganda and Tanzania were not supported by training needs assessment, training fee payments, justification that the trainings were not locally available and relevant approvals by the Human Resource Advisory Committee.

In the circumstances, the accuracy and completeness of Kshs.5,874,817 in respect of use of goods and services could not be confirmed.

### **4. Unsupported Inventories**

The statement of financial position and as disclosed in Note 14 to the financial statements reflects inventories of Kshs.4,665,730. However, documents such as inventory stock take reports, bin cards and ledger balances, stock out reports, obsolete items, slow moving items, expired items and disposal reports were not provided to support the inventory balance as at 30 June, 2025.

In the circumstances, the inventory balance of Kshs.4,665,730 could not be confirmed.

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

### **Key Audit Matters**

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

## **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal controls, Risk management and governance. However, Management had not resolved the issues as at 30 June, 2025 as detailed in **Appendix I**.

### **Other Information**

The Management is responsible for the Other Information set out on page iii to xxviii which comprise of Key Entity Information and Management, Governance Statement, Foreword by Clerk of the County Assembly, Statement of Performance Against Predetermined Objectives, Environmental and Sustainability Reporting and the Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Non-Adherence to Fiscal Responsibility Principle on Wage Bill**

The statement of financial performance reflects an amount of Kshs.351,702,189 in respect of employees' costs as disclosed in Note 7 to the financial statements or 50% of the total transfers from County Revenue Fund. This was contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the County Executive Committee Member with the approval of the

County Assembly shall set a limit on the county government's expenditure on wages and benefits for its public officers pursuant to section 107(2) of the Act and the limit set under paragraph (a) above, shall not exceed thirty-five (35) percent of the county government's total revenue.

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

## **2. Compliance with Law on Affirmative Action**

### **2.1. Non- Compliance with Law on Ethnic Composition**

Review of the payroll bio data provided for audit revealed that out of two hundred and thirty-six (236) staff members of the County Assembly either on permanent or contract terms, a total two hundred and twenty six (226) members come from the same ethnic community representing 96%; contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "no public establishment shall have more than one third of its staff from the same ethnic community".

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

### **2.2. Failure to Reserve Employment Opportunities for Persons with Disabilities**

During the year under review, the list for staff bio data for the County Assembly provided revealed that there was a total of two hundred and thirty-six (236) employees out of which only three (3) are persons with disabilities, representing 1.27% of the total population; contrary to Section 13 of the Persons with Disabilities Act, 2003 which requires 5% of all appointments to persons with disabilities.

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

## **3. Compliance with Public Procurement Capacity Building Levy Order, 2023**

The Management did not remit the requisite 0.03% Capacity Building Levy to the Public Procurement Regulatory Authority (PPRA) for all contracts entered during the year under review contrary to Paragraph 3 (1) of the Public Procurement Capacity Building Levy Order, 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per cent (0.03%) of the value of the signed contract, exclusive of applicable taxes.

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

## **4. Irregular Payment of Special House Allowance**

The statement of financial performance reflects an amount of Kshs.351,702,189 in respect of employees' costs as disclosed in Note 7 to the financial statements. Included in this amount is Kshs.128,663,222 for personal allowances. However, review of the

payroll revealed that the Assembly paid sixty-nine (69) employees both rental house allowance and special house allowance against the parameters allowed by the Salaries and Remuneration Commission (SRC).

This was contrary to the Salaries and Remuneration Commission (SRC) Circular No. SRC/TS/29 (82) dated 10 August, 2023 on the remuneration and benefits for public officers in the County Assembly for the third remuneration review cycle 2021-2022-2024/2025 provides that a house allowance is to be paid within the parameters indicated and any other remunerative items should be provided based on existing government circulars and guidelines and as reviewed and advised by SRC from time to time.

In the circumstances, Management was in of SRC Circular.

#### **5. Irregular Use of Imprest on Procurement of Goods and Services**

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects use of goods and services amount of Kshs.326,104,661, out of which Kshs.17,083,740 relates to hospitality, supplies and services. Review of records provided for audit revealed that Management contracted a service provider to supply tea and snacks for the one hundred and fifty (150) staff at a contract sum of Kshs.3,600,000. However, payments for the services were made through imprests issued to two (2) members of staff instead of being paid directly to the service provider. This was contrary to Regulation 93(3) of the Public Finance Management (County Governments) Regulations, 2015 which provides that temporary imprests shall be issued mainly in respect of official journeys and are intended to provide officers with funds with which they can meet travelling, accommodation and incidental expenses.

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

#### **6. Irregular Funding of County Assemblies Forum and Society of Clerks at the Table**

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects use of goods and services amount of Kshs.326,104,661, out of which Kshs.29,498,872 relates to other operating expenses. Included in the amount is Kshs.5,000,000 and Kshs.750,000 paid to the County Assembly Forum and the Society of Clerks respectively. However, the entities were not established by law, and therefore the regularity of the payments could not be confirmed.

This contravenes Section 149(1)(a) of the Public Finance Management Act, 2012 which states that, “an accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized.”

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

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, 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**

#### **Ineffective Internal Audit Function and Audit Committee**

Review of the 2024/2025 internal audit work revealed that the internal audit function targeted twenty-six (26) audit areas. However, it was noted that the audit covered only three (3) audit areas which includes transport, legal department and ward operation audit. This was attributed to the Management's failures to provide necessary records to the internal audit team.

Further, analysis shows that the internal audit department operates with only two officers even though the staff establishment mandates four officers. In addition, review of the audit committee file and reports indicated that the committee only met once during the year. This exposes the entity to the risk of not having the assessment of issues of risk, control and governance which limits mitigation and even follow up on the implementation of the recommendations of internal and external auditors.

In the circumstances, the effectiveness of the Assembly's governance and internal control systems could not be confirmed.

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

## **Responsibilities of 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 County Assembly'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 County Assembly'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

08 December, 2025

## Appendix I: Unresolved Prior Year Matters

No.	Audit Issue
1.	Unsupported Domestic Travel and Subsistence
2.	Unsupported Payment of Sitting and Mileage Allowances
3.	Unexplained Voided IFMIS Transactions
4.	Unsupported Cash Transactions
5.	Unsupported Contingent Liabilities
6.	Failure to take Charge of Procured Heavy-Duty Land Cruiser Convertible Motor Vehicle
7.	Budgetary Control and Performance
8.	Irregular Funding of County Assemblies' Forum and Society of Clerks on the Table
9.	Salaries Paid outside Integrated Personnel and Payroll Database (IPPD)
10.	Undefined Allowances in the Integrated Payroll and Personnel Database System
11.	Irregular Payment of House Allowance to the Speaker of the County Assembly
12.	Unspecified Study Leave Period
13.	Non-Compliance with Ward Partisan Staffing Levels
14.	Non-Compliance with Law on Ethnic Composition
15.	Non-Compliance with the One Third of Basic Salary Rule
16.	Lack of an Approved Human Resources Establishment
17.	Late Remittance of Statutory Deductions
18.	Outstanding Imprests
19.	Irregular Payment of Retreat Allowance
20.	Irregular Use of Imprest on Procurement of Goods and Services
21.	Incomplete Imprest Warrants and Registers
22.	Irregularities in the Construction of the Speaker's Residence
23.	Delays in Completion of Boundary Wall, Landscaping and Paving at Speaker's Residence
24.	Irregularities in the Drilling of Borehole at the Assembly and the Speaker's Residence
25.	Limited Value for Money in Procurement of Local Area Network (LAN) and Internet Connection
26.	Irregularities In Supply, Delivery and Fitting of Interior Design and Decorating of the Speaker's House
27.	Incomplete Procurement Plan
28.	Unsupported Pending Legal Case
29.	Irregular Legal Expenses
30.	Long Outstanding Tax Arrears
31.	Ineffective Internal Audit Function and Committee
32.	Lack of a Risk Register

**9.Statement of Financial Performance for the year ended 30 June 2025**

	Notes	2024-2025
		Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from CRF	6	699,349,264
<b>Total</b>		<b>699,349,264</b>
<b>Expenses</b>		
Employee costs	7	351,702,189
Use of goods and services	8	326,104,661
Transfers to other Government Entities	9	6,075
Depreciation and amortization expense	10	21,018,615
Finance costs	11	685,482
<b>Total expenses</b>		<b>699,517,022</b>
<b>Surplus/Deficit for the year</b>		
<b>Net Surplus/Deficit</b>		<b>(167,758)</b>

The Financial Statements set out on pages 1 to 35 were signed by:

.....*KILINGA*.....

Name **JOAB AMBAKA KILINGA**

Clerk of The County Assembly

.....*Miyinzi*.....

Name **MIYINZI OSCAR JAGONA**

Director Accounting Services

ICPAK M/No277743

**VIHIGA COUNTY ASSEMBLY****Annual Report and Financial Statements for the year ended June 30, 2025****10.Statement of Financial Position as at 30 June 2025**

	Notes	2024-2025	Opening Statement 1 <sup>st</sup> July 2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	12	748,991	145,515
Receivables From Non-exchange Transactions	13	52,600	5,489,399
Inventories	14	4,665,730	-
<b>Total Current Assets</b>		<b>5,467,321</b>	<b>5,634,914</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	15	207,225,494	
<b>Total Non- Current Assets</b>		<b>207,225,494</b>	
<b>Total Assets (A)</b>		<b>212,692,815</b>	
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	16	4,035,595	
<b>Total Current Liabilities</b>		<b>4,035,595</b>	
<b>Non-Current Liabilities</b>			
<b>Total Non- Current Liabilities</b>		<b>-</b>	
<b>Total Liabilities (B)</b>		<b>4,035,595</b>	
<b>Net Assets(A-B)</b>		<b>208,657,220</b>	
<b>Represented By:</b>			
Accumulated Surplus		5,467,156	5,634,914
Capital Fund		203,190,064	
<b>Net Assets</b>		<b>208,657,220</b>	<b>5,634,914</b>

The financial statements set out on pages 1 to 35 were signed by:

.....  
Name **JOAB AMBAKA**  
**KILINGA**  
**Clerk of The County**  
**Assembly**

.....  
Name **MIYINZI OSCAR JAGONA**  
**Director Accounting Services**  
**ICPAK M/No27743**

**11. Statement of Changes in Net Assets for the year ended 30 June 2025**

	<b>Accumulated Surplus</b>	<b>Reserves</b>	<b>Capital Fund</b>	<b>Total</b>
<b>As at 30<sup>th</sup> June 2024 (cash basis)</b>	<b>5,634,914</b>			<b>5,634,914</b>
Adjustments:				
Recognition of assets			<b>203,190,064</b>	<b>203,190,064</b>
<b>As at July 1, 2025</b>	<b>5,634,914</b>		<b>203,190,064</b>	<b>208,824,978</b>
Surplus/ deficit for the year	(167,758)			(167,758)
Other changes (specify)				
<b>As at June 30, 2025</b>	<b>5,467,157</b>		<b>203,190,064</b>	<b>208,657,220</b>

**VIHIGA COUNTY ASSEMBLY****Annual Report and Financial Statements for the year ended June 30, 2025****12. Statement of Cash Flows for the year ended 30 June 2025**

		2024/2025
	Notes	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from CRF	6	699,349,264
<b>Total receipts</b>		<b>699,349,264</b>
<b>Payments</b>		
Employee costs	7	348,098,594
Use of goods and services	8	325,672,661
Finance costs	9	685,482
<b>Total payments</b>		<b>674,456,737</b>
<b>Net cash flows from/(used in) operating activities</b>		<b>24,892,527</b>
<b>Cash flows from investing activities</b>		
Purchase of PPE	15	(24,282,976)
<b>Net cash flows from/(used in) investing activities</b>		<b>(24,282,976)</b>
<b>Cash flows from financing activities</b>		
Returns to CRF	9	(6,075)
Proceeds from borrowings		90,956,982
Repayment of borrowings		(90,956,982)
<b>Net cash flows from financing Activities</b>		<b>(6,075)</b>
<b>Net increase/(decrease) in cash &amp; Cash equivalents</b>		<b>603,476</b>
Cash and cash equivalents at 1 July 2024	12	145,515
<b>Cash and cash equivalents at 30 June 2025</b>	12	<b>748,991</b>

**13. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 June 2025**

**Recurrent and Development Budgets Combined**

<b>Receipts/Payments Item</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilization Difference</b>	<b>% Of Utilization</b>
	A	B	c=a+b	D	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Receipts</b>						
Transfers from the CRF	750,000,000	(34,751,594)	715,248,406	699,349,264	15,899,142	99.3%
Other receipts			0			
<b>Total Receipts</b>	750,000,000	(34,751,594)	715,248,406	699,349,264	15,899,142	99.3%
<b>Payments</b>						
Compensation of employees	370,397,946	(5,000,000)	365,397,946	351,702,189	13,695,757	96.25%
Use of goods and services	339,669,705	(14,618,594)	325,051,111	326,104,661	(1,053,550)	100.2%
Transfers to other government units				6,075	(6,075)	-100%
Acquisition of assets	25,399,349	(1,500,000)	23,899,349	24,282,976	(383,627)	99.7%
Finance costs, including loan interest	600,000	300,000	900,000	685,482	214,517	76.16%
<b>Total</b>	736,067,000	(20,818,594)	715,248,406	702,781,383	12,467,022	97.6%
<b>Surplus</b>				<b>(3,432,119)</b>	<b>3,432,120</b>	

## 14. Notes to the Financial Statements

### 1. General Information

Vihiga County Assembly is established by and derives its authority and accountability from The Constitution of Kenya 2010. The Entity is domiciled in Kenya and its principal activities are Legislation, Representation and Oversight

### 2. Statement of Compliance and Basis of Preparation

#### Statement of compliance

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

#### Guiding note during the transition period:

*The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), or the entity has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1<sup>st</sup>/ 2<sup>nd</sup>/ 3<sup>rd</sup>/ years financial statements are transitional financial statements and the following elements of the financial statements have not been recognized as the entity has taken advantage of the transition provisions outlined in IPSAS 33.*

*These financial statements were authorized for issue by the accounting officer on 30<sup>th</sup> august 2025*

#### Basis of Preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period. These financial statements have been prepared on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Entity. The accounting policies adopted have been consistently applied to all the years presented.

#### Reporting period

The reporting period for these financial statements is for the period ended 30<sup>th</sup> June 2025

**Notes to the financial statements****Critical accounting judgements**

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

Recognition of revenue

Revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

Recognition of non-exchange expenses and liabilities

A liability is a present obligation of an entity for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgment is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The *entity* pursues a number of policy targets and outcomes. However the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the *entity* is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the *entity* policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the *entity's* future actions, expenses (and other related liabilities) are recognized for that policy.

Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

Climate change obligations

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO<sub>2</sub>eq. Entities commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

Physical assets

An asset is a resource presently controlled by the entity as a result of a past event. The primary reason for holding property, plant and equipment and other assets is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of assets used by public sector entities including roads, national parks, heritage buildings etc are specialized in nature. There may be a limited market for such assets and so judgement is required on measurement. Judgment is also required whether assets are held for commercial purposes or public benefit purposes.

**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

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

Standard	Effective date and impact:
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><b><i>This standard is not relevant to the entity during the financial year 2024/25</i></b></p>
IPSAS 45- Property Plant and Equipment	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at</li> </ul>

Standard	Effective date and impact:
	<p>recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

*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 47- Revenue	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></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"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>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.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial</li> </ol>

VIHIGA COUNTY ASSEMBLY

**Annual Reports and Financial Statements for the year ended June 30, 2025**

Standard	Effective date and impact:
	<p>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>

***iii) Early adoption of standards***

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

**Notes to the Financial Statements (Continued)****4. Summary of Significant Accounting Policies****a) Revenue recognition****i) Revenue from non-exchange transactions****Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Entity and can be measured reliably. Recurrent grants are recognized in the statement of financial performance. Development/Capital grants are recognized in the statement of financial performance after meeting revenue recognition criteria. Conditional grants are recognized as revenue upon fulfillment of the set conditions.

**ii) Revenue from exchange transactions****Interest income**

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

**Dividends**

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2024/25 was approved by the County Assembly on 30 June 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 Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Entity recorded additional appropriations of on the 2024/25 budget following the governing body's approval. The Entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements.

**Notes to the Financial Statements (Continued)****Budget information (continued)**

The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial cash flows has been presented under section xxx of these financial statements.

**c) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**d) Property, plant and equipment**

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

**Notes to the Financial Statements (Continued)****e) Right of use asset**

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IPSAS 21 or IPSAS 26. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

**f) Tangible Natural Resources**

The entity recognises a tangible natural resource recognized if, and only if: It is probable that service potential associated with the natural resource will flow to the entity; the entity controls the tangible natural resource as a result of past events; and The tangible natural resource can be measured reliably. Where this criterion is not met, the entity discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. An entity shall apply IPSAS 46, Measurement, when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange transaction shall be measured at its cost. Historical cost model is applied after initial recognition less any depreciation and impairment losses.

**Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**Notes to the Financial Statements (Continued)****g) 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.

**h) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale;
- ii) Its intention to complete and its ability to use or sell the asset;
- iii) How the asset will generate future economic benefits or service potential;
- iv) The availability of resources to complete the asset;
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**i) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate). A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Notes to the Financial Statements (Continued)****i. Financial assets****Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortized 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.

**Notes to the Financial Statements (Continued)**

**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.

**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.

**Fair value through surplus or deficit**

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

**Impairment**

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

**ii. Financial liabilities**

**Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through surplus or deficit

**Notes to the Financial Statements (Continued)****j) 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:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) 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 *Entity*.

**k) Provisions**

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

**l) Contingent liabilities**

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

**Notes to the Financial Statements (Continued)****m) Contingent assets**

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

**n) Nature and purpose of reserves**

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

**o) Changes in accounting policies and estimates**

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

**p) Employee benefits****Retirement benefit plans**

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

**q) 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.

**Notes to the Financial Statements (Continued)****r) 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.

**s) Related parties**

The *Entity* regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over the *Entity*, or vice versa. Members of key management are regarded as related parties and comprise *the Speaker of the county assembly and, Clerk of the county Assembly, Directors and senior managers.*

**t) Service concession arrangements.**

The *Entity* analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**u) Cash and cash equivalents**

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

**Notes to the Financial Statements (Continued)**

**v) Comparative figures**

In preparing these financial statements the entity has elected to apply paragraph 79 of IPSAS 33, which allows for the election by an entity to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first time adoption of the accrual basis of accounting.

**w) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025

**Notes to the Financial Statements (Continued)****5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgments, 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 Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

**Useful lives and residual value**

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

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xx. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

## Notes to the Financial Statements (Continued)

## 6. Transfers from CRF

Nature of Transfer	Amount recognized to Statement of financial performance.	Amount deferred under deferred income.	Total transfers Current 2024/25
	Kshs	Kshs	Kshs
Recurrent	688,299,094		655,335,098
Development	11,050,170		11,050,170
<b>Total</b>	<b>699,349,264</b>		<b>699,349,264</b>

## 7. Employee Costs

Description	2024/2025
	Kshs
Basic salaries of permanent employees	94,445,992
Basic wages of temporary employees	78,482,140
Personal allowances – part of salary	128,663,222
Pension and other social security contributions	16,629,054
Employer contributions to compulsory national social security schemes	3,270,600
Employer contribution to compulsory housing scheme	4,525,433
Contributions to social benefit schemes	25,685,748
<b>Total Employee costs</b>	<b>351,702,189</b>

## 8. Use of Goods and Services

Description	2024-2025
	Kshs
Utilities, supplies and services	1,010,000
Communication, supplies and services	1,246,339
Domestic travel and subsistence	186,384,933
Foreign travel and subsistence	21,688,553
Printing, advertising, and information supplies & services	1,482,480
Rentals of produced assets	3,030,713
Training expenses	2,047,114
Hospitality supplies and services	17,083,740
Insurance costs	34,188,134.30
Specialized materials and services	5,125,400
Other operating expenses	29,498,872

VIHIGA COUNTY ASSEMBLY

Annual Reports and Financial Statements for the year ended June 30, 2025

Description	2024-2025
	Kshs
Office and general supplies and services	5,389,857
Fuel Oil and Lubricants	3,300,000
Routine maintenance – vehicles and other transport equipment	1,551,117
Routine maintenance – other assets	13,077,409
<b>Total</b>	<b>326,104,661</b>

**9. Transfers to Other Government Entities**

	Kshs
Description	2024-2025
Transfers to other County Government entities	6,075
Others	-
<b>Total</b>	<b>6,075</b>

**10. Depreciation and Amortization Expense**

Description	2024-2025
	Kshs
Property, plant and equipment	21,018,549
Intangible assets	
Investment property carried at cost	
<b>Total</b>	<b>21,018,549</b>

**11. Finance Costs**

Description	2024-2025
	Kshs
Interest on Domestic Borrowings (Non-Govt)	685,482.25
<b>Total finance costs</b>	<b>685,482.25</b>

## Notes to the Financial Statements (Continued)

## 12. Cash and Cash Equivalents

Description	2024-2025	Opening Statement 1 <sup>st</sup> July 2024
	Kshs	Kshs
Recurrent Account	748,991	145,515
Development Account	-	-
Deposits Account	-	-
<b>Total</b>	<b>748,991</b>	<b>145,515</b>

## 12 (a) Detailed Analysis of the Cash and Cash Equivalents

		2024-2025	Opening Statement 1 <sup>st</sup> July 2024
Financial Institution	Account number	Kshs	Kshs
Recurrent Accounts			
<i>CBK00001</i>	1000195355	107,132	6,075
Development Accounts			
<i>CBK00002</i>	1000195347	-	-
Other Operating Commercial Accounts			
Co-operative bank	01141471295100	537,946	24,267
Co-operative bank	01141246327100	103,913	103,913
<b>Kenya commercial bank</b>	1240161565	-	11,260
<i>Cash on Hand</i>		-	0
<b>Total</b>		<b>748,991</b>	<b>145,515</b>

VIHIGA COUNTY ASSEMBLY  
Annual Reports and Financial Statements for the year ended June 30, 2025

Notes to the Financial Statements (Continued)

13. Receivables from Non-Exchange Transactions

Description	2024- 2025		Opening Statement 1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Other debtors (non-exchange transactions)	52,600		5,489,399	
Less: impairment allowance	-			
<b>Total receivables from non- exchange transactions</b>	<b>52,600</b>		<b>5,489,399</b>	
<b>Ageing Analysis- Receivables from non-exchange transactions</b>	<b>2024-2025</b>	<b>% of the total</b>	<b>Opening Balance</b>	<b>% of the total</b>
Less than 1 year	52,600	100	5,489,399	100
Between 1-2 years	-	%		%
Over 3 years	-	%		%
<b>Total</b>	<b>52,600</b>	<b>100</b>	<b>5,489,399</b>	<b>100</b>

14. Inventories

Description	2024-2025		Opening Statement 1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Goods Held for distribution	4,665,730			
Less: allowance for impairment				
<b>Total</b>	<b>4,665,730</b>			

Detailed disclosure on inventories

	2024-2025
Opening balance	-
Additional Inventory in the year	16,334,669
Inventory expensed in the year	(11,668,939)
Write-downs in the year	-
Others specify	
Closing balance	4,665,730

## 15. Property, Plant and Equipment

	Land	Buildings	Motor vehicles	Furniture and fittings	Computers & ICT Equipment	Total
Depreciation Rate		2%	10%	12.5%	33.3%	
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Ksh
Opening Bal as 1 <sup>st</sup> July 2024	10,400,000	105,116,000	31,792,000	32,148,415	24,504,817	203,961,233
Additions		12,497,464	1,763,665	986,295	9,035,552	24,282,976
Transfer/Adjustments	-	-	-	-	-	
As At /Jun 2025	10,400,000	117,613,464	33,555,665	33,134,710	33,540,369	228,244,208
Depreciation And Impairment	-					
Depreciation for the year	-	(2,352,269)	(3,355,566)	(4,141,838)	(11,168,942)	(21,018,615)
Disposals	-		-	-	-	
Impairment	-			-	-	
Transfer/Adjustment	-					
As At Jun 2025	10,400,000	115,261,195	30,200,099	28,992,872	22,371,427	207,225,593
Net Book Values	10,400,000	115,261,195	30,200,099	28,992,872	22,371,427	207,225,593
Opening Bal as at 1 <sup>st</sup> July 2024	10,400,000	105,116,000	31,792,000	31,148,415	24,504,817	203,961,233
As At 30 June 2025	10,400,000	103,013,680	30,200,099	29,992,872	22,371,427	207,225,593

VIHIGA COUNTY ASSEMBLY  
Annual Reports and Financial Statements for the year ended June 30, 2025

Notes to the Financial Statements (Continued)

16. Trade and Other Payables

Description	2024- 2025		Opening Statement 1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Trade payables	4,035,595		42,697,510	
Payments received in advance				
Employee payables				
<b>Total trade and other payables</b>	<b>4,035,595</b>		<b>42,697,510</b>	
<b>Ageing analysis: (Trade and other payables)</b>	Current FY	%	<b>Opening balance</b>	% of the Total
Under one year	<b>4,035,595</b>	100%	<b>42,697,510</b>	<b>100%</b>
<b>Total (tie to above total)</b>	<b>4,035,595</b>		<b>42,697,510</b>	

17. Borrowings

Description	2024-2025
	Kshs
<b>a) Domestic borrowings</b>	
Balance at beginning of the year	0
Domestic borrowings during the year	90,956,982
Repayments during the year	(90,956,982)
<b>Balance at end of the year</b>	-
<b>Balance at end of the period- domestic</b>	-

The analyses of both external and domestic borrowings are as follows:

	2024-2025	Opening Statement 1 <sup>st</sup> July 2024
	Kshs	Kshs
<b>Domestic Borrowings</b>		
Kenya Shilling Loan From co-operative bank	90,956,982	
<b>Total /Balance at end of The Year</b>	-	

**Notes to the Financial Statements (Continued)**

**18. Cash Generated from Operations**

	<i>2024-2025</i>
	<b>Kshs</b>
<b>Surplus for the year before tax</b>	<b>(167,758)</b>
<b>Adjusted for:</b>	
Depreciation	21,018,615
<b>Working capital adjustments</b>	
Increase in Creditors	4,035,595
Transfers to Crf	6075
<b>Net cash flow from operating activities</b>	<b>24,892,527</b>

**19. Financial Risk Management**

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

**i) Credit risk**

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

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

**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

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

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

**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

**iii) Market risk**

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

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

**a) Foreign currency risk**

The *Entity* 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 *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.

**Notes to the Financial Statements (Continued)**

**b) 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 Entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Entity'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.

**Financial Risk Management**

**Sensitivity analysis**

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

**Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *Entity* considers relevant and observable market prices in its valuations where possible.

Notes to the Financial Statements (Continued)

**20. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the *Entity* 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.

**Government of Kenya**

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity*'s equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Entity*, both domestic and external.

**Other related parties include:**

- i) County Government Entities
- ii) National Government Entities
- iii) Key management.

	2024-2025
	Kshs
<b>Transactions with related parties</b>	
<b>a) Purchases From Related Parties</b>	
Purchases of electricity from KPLC	1,010,000
Training and conference fees paid to govt. Agencies	2,082,315
Others (specify)	
<b>Total</b>	3,092,315
<b>Total</b>	<b>3,092,315</b>
<b>b) Expenses incurred on behalf of related party</b>	
<b>Total</b>	
<b>c) Key management compensation</b>	
Compensation to key management	46,818,386
<b>Total</b>	<b>49,910,701</b>

**21. Appendix****Appendix 1: Implementation Status of Auditor-General's Recommendations**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe:</b>
1.	Un-supported domestic travel	Proper documents to be availed by the committee	Not resolved	30.06.2026
2	Unsupported payment of sitting allowances	Supporting documents availed to paic	resolved	
3.	Unexplained voided ifmis transactions	Explanations made	resolved	
4.	Unsupported cash transactions	Reconciliation provided	resolved	
5.	Unsupported contingent liabilities	Support documents provided	resolved	
6.	Failure to take charge of motor vehicle	Log book availed	resolved	
7	Irregular funding of CAF and SOCCAT	Proper regulations being drafted by the senate	Not resolved	30.06.2026
8	Undefined allowances in IPPD	Clarifications done	resolved	
9	Salaries paid outside IPPD	Explanations provided	resolved	
10	Irregular payment of house allowance to the speaker of the county assembly	Src circular provided	resolved	
11	Unspecified study leave period	Proper documentations provided	resolved	
12				



Joab Ambaka Kilinga

Accounting Officer

Date

**Appendix ii: Fixed Asset Register**

<b>Asset class</b>	<b>Historical Cost b/f (Kshs) Previous Year</b>	<b>Additions during the year (Kshs)</b>	<b>Disposals during the year (Kshs)</b>	<b>Transfers in/(out) during the year</b>	<b>Historical Cost c/f (Kshs) Current Year</b>
Land	10,400,000	-	-	-	10,400,000
Buildings and structures	105,116,000	12,497,464			117,613,464
Transport equipment	31,792,000	1,763,665			33,555,665
Office equipment, furniture and fittings	32,148,415	986,295			33,134,710
ICT Equipment	24,504,817	9,035,552			33,540,369
<b>Total</b>	<b>203,961,232</b>	<b>24,282,976</b>			<b>228,244,208</b>