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OFFICE OF THE AUDITOR-GENERAL
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REPORT

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THE AUDITOR-GENERAL

ON

MUNICIPALITY OF NYERI

FOR THE YEAR ENDED 30 JUNE, 2026

COUNTY GOVERNMENT OF NYERI



OFFICE OF THE AUDITOR GENERAL
NYERI REGIONAL OFFICE
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MUNICIPALITY OF NYERI

County Government of Nyeri

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

30th June 2026

Second Year Transitional IPSAS Financial Statements Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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1. Acronyms and Definition of Key Terms

A. Acronyms

ADP	Annual Development Plan
AIE	Authority to Incur Expenditure
CA	County Assembly
CARA	County Allocation of Revenue Act
CE	County Executive
CECM	County Executive Committee Member
CG	County Government
CIDP	County Integrated Development Plan
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
CT	County Treasury
FY	Financial Year
IDeP	Integrated Development Plan
IPSAS	International Public Sector Accounting Standards
Kshs	Kenya Shillings
KUSP	Kenya Urban Support Programme
NT	National Treasury
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OSHA	Occupational Safety & Health Act
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
UDG	Urban Development Grant
UIG	Urban Institution Grant
WB	World Bank
NALM	National Assets and Liability Management

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.
Comparative Year- Means the prior period.

2. Who we are

a) Background information

The Municipality of Nyeri is established and derives its authority and accountability from the Urban Areas and Cities Act, No. 13 of 2011 (as amended in 2019) and the Municipality of Nyeri Charter dated 24th August 2018.

The Municipality operates under the jurisdiction of the County Government of Nyeri and is domiciled in the Republic of Kenya.

b) Principal Activities

Vision

A safe, habitable, competitive and prosperous municipality

Mission

To create and maximize opportunities for social economic development while upholding an attractive, clean, sustainable and secure environment for all.

Objectives

- To promote shared economic growth and job creation.
- To enhance good governance and active participatory citizenry.
- To enhance basic infrastructure for effective service delivery.

Core Values

i. Patriotism
ii. Fairness
iii. Integrity
iv. Service Excellence

Delegated Functions

Pursuant to Section 6(2) of the County Governments Act, which empowers county governments to delegate any of their functions to decentralized units within the county, the County Government of Nyeri, through Executive Order No. 2 of 2024 dated 21st August 2024, has delegated the following functions to the Municipality of Nyeri.

S/NO.	Function	Activities
1)	Municipal Solid Waste Management	i. Promotion, regulation and provision of refuse collection and solid waste management services. ii. Public awareness and sensitization on waste management and town beautification
2)	Municipal Beautification and Streetscaping	i. Greening of the municipality ii. Planting and maintaining flower beds within the municipality
3)	Municipal Traffic Management and Enforcement	i. Enforcing traffic rules and regulations ii. Maintenance of law and order within the municipality
4)	Management of the Field Marshal Muthoni Kirima Transport Terminus	i. Transport management ii. Market management iii. Revenue collection
5)	Revenue collection within the municipality of Nyeri	Collection of Market fees, Cess fees, Parking fees, Business permit fees, land rates and other relevant fees
6)	Planning and Development Control	i. Control of land use ii. Land sub-division iii. Land development and zoning by public and private sectors for any purpose iv. Management of municipal residential houses
7)	Municipal Public Transport	Construction, rehabilitation and maintenance of municipal public transport.

c) Key Management

Municipality of Nyeri management is under the following key organs:

- County Executive
- Department of Lands, Physical Planning and Urban Development
- Nyeri Municipal Board
- Nyeri Municipal Administration

d) Fiduciary Management

The key management personnel who held office during the financial period ended 30th June 2026 and who had direct fiduciary responsibility were:

Ref	Position	Name
1)	Municipal Manager	CS Perister M. Kigwa
2)	Assistant Accountant General	CPA Eunice W. Mwangi
3)	Deputy Director Physical Planning	Joseph G. Njomo
4)	Principal Superintending Engineer	Eng. Joseph N. Mwangi
5)	Principal Assistant Public Health Officer	John M. Mwangi

e) Fiduciary Oversight Arrangements

In the Municipality of Nyeri, fiduciary oversight plays a critical role in ensuring that public resources are managed with integrity, transparency and accountability. These oversight mechanisms are essential for protecting public funds and guaranteeing their effective use in enhancing service delivery to citizens.

For the financial period ending 30th June 2026, the Municipality implemented several key fiduciary activities aligned with the principles of good governance, including:

- Strengthening of internal controls and financial management systems
- Adherence to the Public Finance Management (PFM) framework and applicable regulations
- Regular financial reporting in compliance with International Public Sector Accounting Standards (IPSAS)
- Oversight by the County Treasury (CT), Office of the Controller of Budget (OCOB), and Office of the Auditor General (OAG)
- Transparent budgeting and execution through the Annual Development Plan (ADP), County Integrated Development Plan (CIDP) and Municipality Integrated Development Plan (IDeP)
- Timely submission and approval of Authority to Incur Expenditure (AIE)

- Proper utilization of conditional grants such as the Urban Institutional Grant (UIG), from the Kenya Urban Support Programme (KUSP)

These measures ensured sound financial stewardship and enhanced public trust in the operations of the Municipality.

Committees of the Senate

The fiduciary oversight of the Municipality's financial operations is supported by institutional mechanisms established at both national and county levels. A key component of this oversight framework is the Committees of the Senate, particularly the Senate Standing Committee on Devolution and Intergovernmental Relations and the Senate Public Accounts Committee (PAC).

These Senate Committees play a pivotal role especially in accountability hearings. County officials, including municipal managers and County Executive Committee (CEC) members responsible for finance and urban development, may be summoned to appear before the Senate to explain expenditure variances, audit queries, and implementation progress of budgeted programmes.

County Assembly Oversight Committees

The County Assembly plays a pivotal role in fiduciary oversight through its specialized committees. These committees are responsible for scrutinizing the financial operations and budget implementation by the County Executive, ensuring that public funds are utilized efficiently, effectively, and in line with established legal and regulatory frameworks. These committee includes;

- **Public Accounts Committee:** Examines reports of the Auditor General and ensures corrective actions are taken on audit queries.
- **Budget and Appropriations Committee:** Reviews budget estimates, monitors budget implementation, and assesses the alignment of expenditures with development priorities.
- **Finance and Economic Planning Committee:** Oversees fiscal policy, revenue collection, public debt, and economic planning matters.
- **Implementation Committee:** Monitors the execution of Assembly resolutions and the implementation of development projects.

Through these committees, the County Assembly strengthens accountability, transparency, and good governance in the use of public funds.

Development Partner's Oversight

Development partners play a crucial role in enhancing fiduciary accountability through the monitoring and evaluation of projects and programmes funded through grants, loans, or technical

assistance. Their oversight mechanisms ensure that funds are used for intended purposes, in line with agreed-upon frameworks, and contribute meaningfully to development objectives.

In the Municipality of Nyeri, development partners such as the World Bank, through programs like the Kenya Urban Support Programme (KUSP), conduct regular fiduciary reviews, performance audits, and progress assessments. These processes often involve:

- Financial and technical reporting requirements
- On-site supervision missions and audits
- Verification of results and performance indicators
- Capacity assessments and risk mitigation reviews

Development partner oversight strengthens transparency, compliance, and institutional capacity, ensuring that externally funded initiatives deliver sustainable and accountable outcomes for the community.

County Executive Audit Committee

The County Executive Audit Committee serves as an independent advisory body that enhances the effectiveness of governance, risk management, and internal controls within the County Executive. It plays a critical role in fiduciary oversight by providing objective assurance and advice on financial reporting, compliance, and performance management.

The Committee operates independently and reports directly to the County Governor ensuring that critical issues affecting financial governance are addressed proactively

f) Registered Offices

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Kamukunji Opp. Temple Rd, 1st Floor
NYERI, KENYA

g) Contacts

Telephone: (+254) 792119135
E-mail: municipality@nyeri.go.ke
Website: www.nyeri.go.ke

h) Bankers

Central Bank of Kenya

Haile Selassie Avenue

P.O BOX 60000

City Square 00200

Nairobi, Kenya.

i) Independent Auditor

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Advisor

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

K) County Attorney

The County Attorney

County Government of Nyeri,

P.O BOX 1112-10100,

Nyeri, Kenya.

3. Chairman's Report

The Financial Year 2025/2026 focused on the continued implementation of approved programs and projects in line with the Municipality's work plan and budget. The Municipality maintained adherence to public financial management regulations, ensuring fiscal discipline, accountability, and sustained service delivery.

During the year, implementation of development projects progressed as planned. Recurrent expenditure was executed within approved budget ceilings, supporting core municipal operations and ensuring uninterrupted provision of essential services.

Key achievements during the year included the successful conduct of the Citizen Forum, which enhanced public participation and stakeholder engagement in municipal governance. Board meetings were also convened as scheduled, providing effective oversight and policy direction.
In addition, the Municipality undertook capacity-building initiatives to strengthen institutional performance and improve service delivery efficiency.

The Municipality remains committed to the timely completion of ongoing projects, prudent financial management, and strengthened accountability mechanisms. Continuous monitoring of programmes and expenditures will be maintained to ensure alignment with development priorities.

On behalf of the Board, I acknowledge the continued support of the County Government of Nyeri, municipal staff, stakeholders and residents.

.....

Mr. Jeremiah W. Ichaura

Chairman – Nyeri Municipal Board

4. Municipal Manager's Report

The Financial year 2025/2026 focused on the implementation of municipal programmes, consolidation of institutional gains and continuity of essential service delivery. During the period under review, the Municipality of Nyeri maintained core operational functions while advancing governance, planning and citizen engagement initiatives in line with the approved work plans and budget.

These achievements reflect the continued collaboration between the County Government of Nyeri, the Municipal Board, staff, development partners and the citizenry in ensuring uninterrupted service delivery and progressive institutional strengthening.

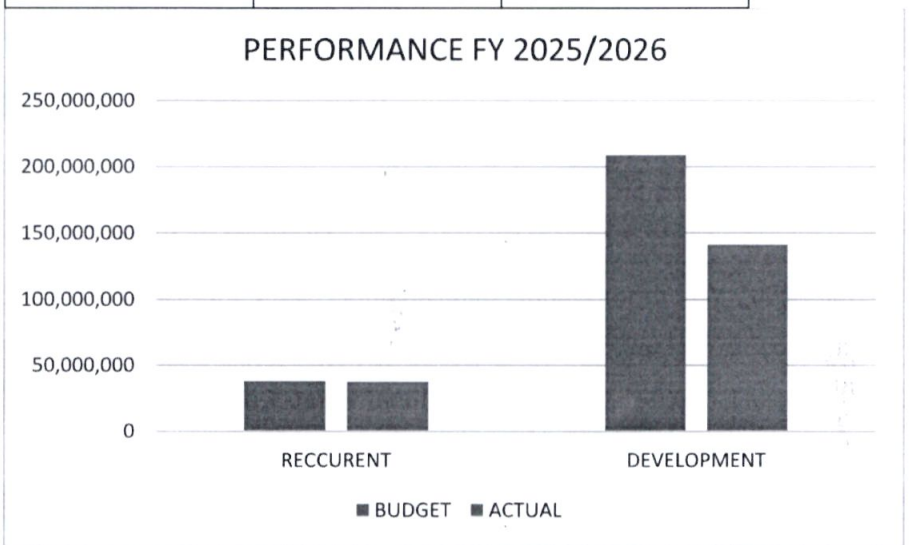
Budget Performance

For the F/Y 2025/2026 the Municipality of Nyeri was originally allocated a municipal vote amounting to Kshs.172,265,880, comprising a conditional grant of Kshs.35,000,000 and county funding of Kshs.137,265,880.

During the year, the First Supplementary Budget for the FY 2025/2026 was assented to on 9th Dec 2025, increasing the Municipal vote to Kshs.247,035,072 comprising a conditional grant of Kshs.63,868,406 and County funding of Kshs.183,166,666 This facilitated improved alignment of resources to priority programmes, enhanced expenditure prioritization, and strengthened fiscal planning for the remainder of the financial year.

PERFORMANCE FY 2025/2026

	BUDGET	ACTUAL
RECCURENT	38,352,164	37,936,997
DEVELOPMENT	208,682,908	141,256,069



Budget execution during the year remained within the approved ceilings, with expenditure primarily directed towards recurrent operations, municipal programmes and project implementation. This ensured continuity of essential services and sustained execution of planned activities.

Key Achievements

Project Implementation

Implementation of approved municipal projects progressed during the financial year with execution undertaken in line with the approved work plans and budget.

Citizen Engagement and Participatory Governance

Citizen Forums were successfully conducted in line with statutory requirements. The forums strengthened public participation, enhanced accountability and provided feedback on municipal priorities and service delivery.

Governance and Oversight

The Municipal Board meetings were held as scheduled providing strategic direction, oversight and policy guidance on the implementation of municipal programmes.

Capacity Building

The Municipality undertook capacity-building programmes for both Board Members and staff enhancing institutional effectiveness, technical competencies, financial management and service delivery efficiency.

Service Delivery

Routine municipal services, including solid waste management, urban maintenance and general environmental management were sustained throughout the quarter ensuring continuity and improved urban order.

Institutional Performance

The Municipality maintained compliance with public financial management regulations and continued to strengthen internal controls, monitoring systems, and accountability mechanisms. These efforts enhanced efficiency in programme implementation and ensured alignment with approved development priorities.

Challenges

No major operational or systemic challenges were experienced during the year that significantly affected service delivery. The Municipality continued to operate within a stable institutional and financial environment.

Future Outlook

In the subsequent year, the Municipality will focus on:

- Accelerated implementation and completion of ongoing projects;
- Strengthening monitoring and evaluation of programmes;
- Deepening citizen engagement and stakeholder participation; and
- Enhancing efficiency in resource utilization and service delivery.

Conclusion

Financial Year 2025/2026 recorded steady progress in project implementation, governance and citizen engagement. The approval of the Supplementary Budget strengthened fiscal planning and supported effective execution of municipal priorities.

The Municipality remains committed to prudent financial management, transparency, accountability and the delivery of sustainable urban services.

On behalf of the Municipal leadership, I extend appreciation to the County Government of Nyeri, the Municipal Board, staff, development partners and residents for their continued support and cooperation.

.....

CS Perister M. Kigwa

Municipal Manager

5. Corporate Governance Statement

Part A. Board Members Profile.

S.No.	Name	Details of qualifications and experience
1.	 **Mr. Jeremiah W. Ichaura**	**Designation**: Board Chairman **Board Committee Role**: Technical Committee Member **Qualifications:** Holds a Master's degree in Business Administration (Strategic Management option) and a Bachelor's degree in Commerce (Accounting option). Has also undertaken specialized training in Transformative Leadership and Corporate Governance for Public Boards, among other professional development courses. Participated in various business and professional forums both locally and internationally. **Professional Experience:** Has held senior leadership roles in the insurance sector, including positions as Senior Regional Manager, General Manager, and Principal Officer at various insurance companies in Kenya. Also has academic experience, having lectured at Dedan Kimathi University. Currently serving as the Chairperson of the Nyeri Municipal Board. **Community Engagement:** Actively involved in community service, including leadership roles in neighbourhood associations and educational institutions.
2.	 **Mrs. Salome W. Ndung'u**	**Designation:** Vice Chairperson **Board Committee Role:** Finance & Administration Committee Member **Qualifications:** Holds a Degree in Education (Home Economics) and a Diploma in Education. Completed training in Corporate Governance for Public Sector Boards and Transformative Leadership, among other professional development courses.

Professional Experience:

Extensive experience in the education sector, having served as a teacher in various secondary schools. Responsibilities have included roles such as Class Teacher, Boarding Mistress, and membership in the School Discipline Committee.

Leadership Roles:

Currently serving as Vice Chairperson of Nyeri Municipal Board with prior leadership experience in education and community-based roles.

Community Engagement:

Actively involved in community service, having served as a Neighbourhood Chairperson and Trustee, among other roles.

3.



CS Perister M. Kigwa

Designation: Municipal Manager / Secretary to the board

Board Committee Role: Secretary to the Board

Qualifications:

Holds a Master's Degree in Business Administration (Entrepreneurship option), is a Certified Public Secretary (CPS-K) Membership No.4133, and holds a Diploma in Information Communication & Technology (ICT). Holds various leadership and governance certificates including; Strategic Leadership Development Programme (SLDP), Senior Management Course (SMC), Transformative Leadership Course, and Corporate Governance for Public Boards Course, among others.

Professional Experience:

Experienced in governance, administration, finance, and strategic management. Has held key positions such as Administrative & Resource Mobilization Officer at Nyeri Hospice, Ward Administrator at the County Government of Nyeri, and currently serves as the Municipal Manager for the Municipality of Nyeri.

Community Engagement:

Actively engaged in community service through participation in various management boards and other leadership roles.

4.



Hon. Simon N. Gachunia

Designation: Board Member / CECM - Lands Physical Planning & Urban Development

Board Committee Role: Audit, Governance & Risk Committee Member

Qualifications:

Holds a Master of Arts in International Relations from the United States International University (USIU). Also holds a Bachelor of Education Arts (Mathematics and Business Studies) from Kenyatta University, and a Postgraduate Certificate in Cross-Cultural Communication and International Work from Hald Internasjonale Senter, Norway. Has further undertaken training in transformative leadership, governance, strategic sales, and customer service.

Professional Experience:

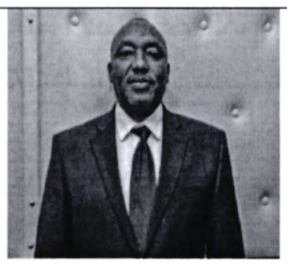
A seasoned professional with over 15 years of diverse experience in governance, public administration, economic advisory, strategic management, and diaspora engagement. Currently serving as the County Executive Committee Member (CECM) for Lands Physical Planning & Urban Development in Nyeri County. Formerly served as Economic Adviser to the Governor of Nyeri and co-founder and Director of Choice Microfinance Bank.

International Experience:

Worked and studied in Norway and engaged in cross-cultural programming with New Kind of Social Science and Peace Corps, enhancing international communication and leadership skills. Also managed diaspora-focused initiatives and investment outreach globally.

Community Engagement:

Actively involved in charity and community development initiatives, including organizing eye clinics, food relief programs, and student leadership during university.

5.	 **Mr. Fredrick M. Macharia**	**Designation:** Board Member / Chief officer – Lands, Physical Planning & Urban Development **Board Committee Role:** Finance & Administration Committee Member **Qualifications:** Holds a Master's degree in Project Planning and Management and a Bachelor's degree in Business Studies and Economics. Additionally, he has completed Certified Public Accountant (CPA) Part I. Brings a strong foundation in finance, planning, and administration, supported by over 18 years of experience in both public and private sectors. **Professional Experience:** Currently serving as the Chief Officer – Lands, Physical Planning & Urban Development since October 2023. Previously held various leadership positions in academia, finance, and corporate administration. **Leadership & Governance:** Extensive leadership and board-level experience, particularly in public entities and academic institutions.
6.	 **Mr. Charles K. Karuga**	**Designation:** Board Member **Board Committee Role:** Chairman - Finance & Administration Committee **Qualifications:** Holds a Bachelor of Commerce degree and has undertaken various leadership and professional development courses, including the Transformative Leadership Course, Corporate Governance for Public Boards Course, and Strategic Sales and Customer Service training. **Professional Experience:** Brings extensive experience in senior customer service management, having served in leadership roles at a blue-chip

company. Areas of specialization include governance and strategic management.

Leadership Roles:

Previously served in customer service and experience management at Kenya Breweries Limited. Currently serves as Secretary of the Mt. Kenya Tourism Circuit Association.

Community Engagement:

Active in promoting hospitality and tourism in the region. Also serves on the management boards of various tertiary institutions.

7. 

Mr. Zachary M. Wanjau

Designation: Board Member

Board Committee Role: Chairman - Technical Committee

Qualifications:

Holds a Bachelor's Degree in Education (Primary Option) and a Diploma in Education Management. Has also undertaken leadership development courses including the Transformative Leadership Course and Corporate Governance for Public Boards Course

Professional Experience:

Possesses extensive experience in education, administration, governance, and trade union leadership. Career spans both classroom teaching and high-level organizational leadership.

Leadership Roles:

Has served in several leadership positions in education sector and national unions.

Community Engagement:

Actively involved in public service and community leadership. Currently serves as a member of the Nyeri Municipal Board.

8. 

Designation: Board Member

Board Committee Role: Chairman - Audit, Governance & Risk Committee

Qualifications:

Holds a Bachelor of Laws (LLB) degree and a Postgraduate Diploma in Law from the Kenya School of Law. Is a Certified

	Ms. Winfred W. Mwangi	Public Secretary (CPS-K) and a Certified Professional Mediator, with a solid legal and governance background. **Professional Experience:** An Advocate of the High Court of Kenya with over 10 years of post-admission experience in private legal practice. Areas of specialization include legal advisory, corporate governance, mediation, and regulatory compliance.
9.	 **Ms. Eunice W. Mwathi**	**Designation:** Board Member **Board Committee Role**: Audit, Governance & Risk Committee Member **Qualifications:** Holds a Bachelor of Education (Arts) and a Diploma in Business Management. Has also undertaken professional training in Leadership and Emotional Intelligence as well as Management of People and Resources, among other leadership development programs. **Professional Experience:** Brings valuable experience in governance, education, policy development, and strategic management. Skilled in stakeholder engagement, institutional leadership, and community-based programming. **Leadership Roles and Portfolios Held:** Held various leadership positions in the community, both National and County governments and is currently serving as a member of the Nyeri Municipal Board **Community Service:** Pioneer of the Annual Drug Awareness Walks in Nyeri and Champion for the "Better Tomorrow for Teenage Mothers" initiative under the Nyeri County Department of Gender

10.



Mr. Wilson G. Watene

Designation: Board Member

Board Committee Role: Technical Committee Member

Qualifications:

Holds a Bachelor of Commerce degree (Marketing option) and a Certificate of Proficiency in Insurance. Has a solid background in business development and administrative operations.

Professional Experience:

Experienced in business management and administration, with a practical understanding of the private sector and market dynamics.

Community Engagement:

Actively involved in community-based organizations and is a member of the Nyeri Business Community groups, contributing to local economic and social development.

Part B. Management Profile

S. No	Name	Details of qualifications and experience
	 **CS Perister M. Kigwa – Municipal Manager**	**Main Area of Responsibility:** Head of Municipal Administration **Qualifications:** Holds a Master's Degree in Business Administration (Entrepreneurship option), is a Certified Public Secretary (CPS-K) Membership No.4133, Bachelors in Business Administration (Entrepreneurship option), and a Diploma in Information Communication & Technology (ICT). Holds various leadership and governance certificates including; Strategic Leadership Development Programme (SLDP), Senior Management Course (SMC), Transformative Leadership Course, and Corporate Governance for Public Boards Course, among others. **Professional Experience:** A seasoned professional with extensive twenty (20) years of experience in governance, administration, finance, and strategic management.
	 **CPA Eunice W. Mwangi – Assistant Accountant General**	**Main Area of Responsibility:** Municipal Budgeting, Accounting, and Resource Mobilization **Qualification:** Certified Public Accountant (K), ICPAK Membership No. 6203, holds a Diploma in Human Resource Management, ISO Certification course, Senior management course (SMC) and Strategic Leadership Development Program (SLDP) among others. **Experience:** Experienced Management Professional with a comprehensive twenty-three (23) years of experience in accounting, budgeting, revenue management and audit in the public sector.



Eng. Joseph N. Mwangi - Principal Superintending Engineer

Main Area of Responsibility:

Coordinates and supervises physical infrastructural development in the municipality.

Qualifications:

Registered Professional Engineer with a Bachelor of Science in Civil Engineering from the University of Nairobi.

Experience:

Experienced in structural engineering design and construction supervision of both steel and reinforced concrete structures.



Joseph G. Njomo – Deputy Director Physical Planning

Main Area of Responsibility

Physical and Land Use Planning and Development Control

Qualifications

Holds a Master of Arts degree in Project Planning and Management from the University of Nairobi, a Bachelor of Arts degree in Planning from the University of Nairobi. Holds a certificate in Project Planning and Management Course and Senior Management Course (SMC) from Kenya School of Government

Experience:

A qualified and dedicated professional with eleven (11) years of experience in governance and physical planning, specializing in project planning, development control, and land use policy implementation.



John Mwangi – Principal Assistant Public Health Officer

Main Area of Responsibility

Environmental Health, Sanitation, and Public Health Risk Monitoring

Qualifications:

Holds a Diploma in Environmental Health Science, Senior Management Course, Supervisory skills course, Participatory Hygiene and Transformation Sanitation course, Home based care course among others.

Experience:

An experienced public health officer with thirty-three (33) years

---

	hands-on expertise in environmental health monitoring, sanitation standards enforcement, and implementation of promotive and preventive health programs.

Part C: Governance Arrangements.

Nyeri Municipal Board upholds the principles of transparency, accountability, and integrity in its operations. The Board is committed to effective governance structures, policies, and practices that support the Municipality's strategic objectives and ensure value for stakeholders.

i. Appointment and Removal of Board Members

Under the Urban Areas and Cities Act, 2011, as amended in 2019, the board comprises representatives from the county government, professional associations, private sector, informal sector and neighbourhood associations.

Board members are appointed through a structured and transparent process guided by the Urban Areas and Cities Act and relevant county legislation. The process includes public advertisement of vacancies, shortlisting and vetting by relevant county organs followed by formal appointment by the County Government of Nyeri.

Removal of board members follows due process based on performance, misconduct, or failure to meet statutory obligations.

ii. Roles and Functions of the Board

The Board is responsible for policy formulation, strategic oversight, budget approval and performance monitoring of the Municipality. It ensures alignment with the County Integrated Development Plan (CIDP), Municipality Integrated Development Plan (IDeP) and the Municipal Charter. It also oversees public participation in governance processes.

iii. Induction, Training and Development

Newly appointed board members undergo an induction program to familiarize them with the municipal governance structure, legal framework, financial systems, and stakeholder engagement processes. Ongoing training and capacity-building initiatives are held periodically in collaboration with institutions such as the Kenya School of Government and Council of Governors.

iv. Board Members' Performance

Performance evaluations are conducted annually. The assessment includes self-evaluation, peer review, and external input where necessary. The results inform training needs, strategic planning, and overall effectiveness.

v. Board Meetings and Attendance

During the reporting period, the Board held four (4) scheduled meetings. This registered a full attendance (100%). Attendance is a key performance metric and is reported to the County Executive Committee Member (CECM) in charge of Urban Development.

vi. Succession Plan

The Board serves a five-year term, which is renewable once. To ensure continuity and leadership stability, the Governor, during the reconstitution of the Board, ensures that at least fifty percent of the members are reappointed. This strategic reappointment process preserves institutional memory and sustains the momentum of ongoing programs and initiatives.

vii. Policy to Manage Conflict of Interest

Members are required to declare interests at the beginning of each meeting and recuse themselves where necessary. Disclosure is documented in the minutes and any breach is subject to disciplinary procedures.

viii. Board Remuneration

Board remuneration is determined by the Salaries and Remuneration Commission (SRC) and includes sitting allowances and reimbursements for official tasks. Payments are made transparently and are disclosed in financial reports.

ix. Ethics and Conduct

The Board upholds high ethical standards anchored in the Leadership and Integrity Act and the Board Charter. Members sign a Code of Conduct and are expected to exhibit professionalism, impartiality and accountability. Breaches are addressed through established disciplinary mechanisms.

x. Governance Audit

The Board shall conduct regular governance audits to assess compliance with applicable laws, policies, and good governance principles. Audit findings shall be documented and corrective actions followed up.

xi. Communication Policy

The Board ensures key decisions, plans, and performance reports are shared through public notices, community forums, and the County Government's website. Stakeholder feedback is integral to continuous improvement.

xii. Committees' Terms of Reference

The Board has established specialized committees with clear terms of reference (ToRs), these are:

- **Finance and Administration Committee** – This committee is responsible for overseeing all aspects related to municipal finance and administration. Its key functions include; reviewing and monitoring budgets, financial statements, resource allocation, procurement processes, human resource matters and administrative policies. Additionally, the committee

undertakes any other duties delegated by the Board, ensuring financial integrity, compliance with legal frameworks and efficient operation of municipal functions.

- **Technical Committee** – The Technical Committee oversees the technical and operational dimensions of service delivery within the municipality. It is tasked with evaluating the progress of ongoing municipal projects and programmes, ensuring that implementation aligns with planned objectives. The committee also sets and reviews service delivery standards, procedures and quality controls to promote efficiency and effectiveness.
- **Audit, Governance and Risk Committee** – The committee is responsible for strengthening the accountability, transparency, and integrity of municipal operations. It provides oversight on internal controls, financial reporting, and risk management systems to ensure that the municipality complies with statutory and regulatory requirements. The committee also monitors governance practices, reviews ethical conduct, and ensures the Board operates within the principles of good corporate governance. Additionally, it identifies potential risks affecting the municipality and recommends mitigation strategies.

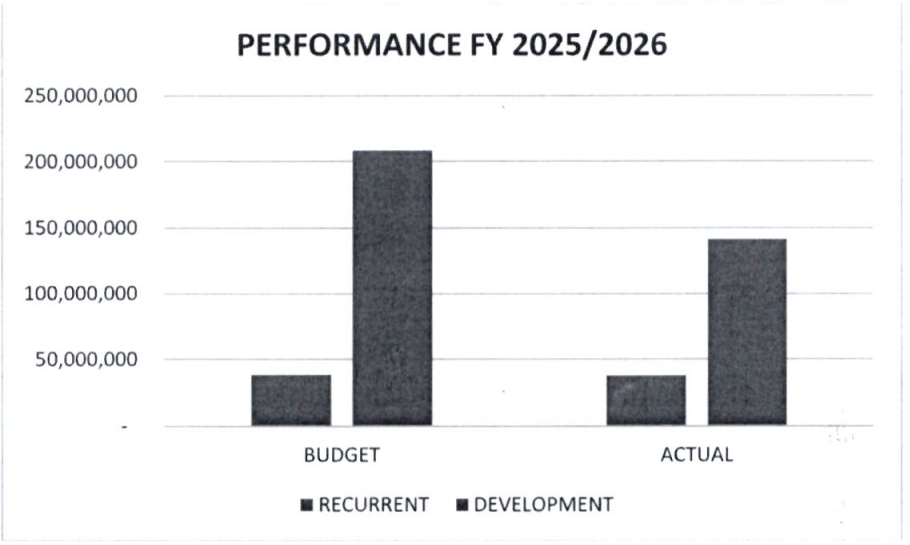
6. Financial Performance Overview

FY 2025/2026 Financial and Operational Performance Report

In the F/Y 2025/2026 the Municipality of Nyeri was originally allocated a municipal vote amounting to Kshs.172,265,880, comprising a conditional grant of Kshs.35,000,000 and county funding of Kshs.137,265,880.

During the 2nd quarter, a Supplementary Budget for the FY 2025/2026 was assented to on 9th Dec 2025, increasing the Municipal vote to Kshs.247,035,072 comprising a conditional grant of Kshs.63,868,406 and County funding of Kshs.183,166,666 This facilitated improved alignment of resources to priority programmes, enhanced expenditure prioritization, and strengthened fiscal planning for the remainder of the financial year.

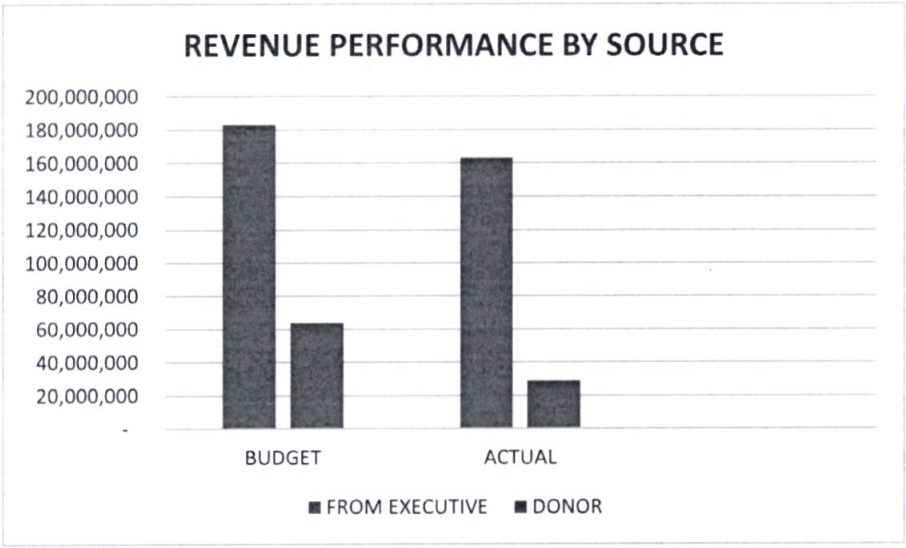
The actual performance in the year under review was kshs.179,193,066 comprising of Kshs.37,936,997 and kshs141,256,069 as Recurrent and Development respectively.



PERFORMANCE FY 2025/2026		
	BUDGET	ACTUAL
RECURRENT	38,352,164	37,936,997
DEVELOPMENT	208,682,908	141,256,069

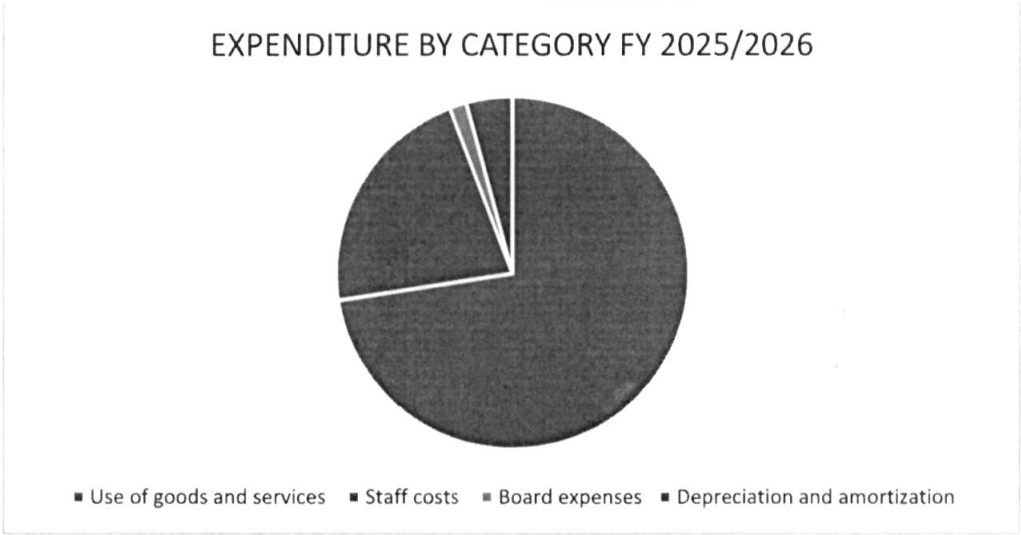
1. Revenue

The Municipality had budgeted for a revenue of kshs.247,035,072 comprising of revenue share from the executive of kshs.183,162,630 and a donor funding of kshs.63,872,422. However, the donor funding was received late and hence the under performance in the donor funded programs



REVENUE PERFORMANCE BY SOURCE FY 2025/2026		
	BUDGET	**ACTUAL**
FROM EXECUTIVE	183,162,630	163,478,428
DONOR	63,872,442	28,872,442
TOTAL	247,035,072	192,350,870

1. Expenditure



EXPENDITURE FY2025/2026	
Use of goods and services	91,264,489
Staff costs	27,213,623
Board expenses	2,018,000
Depreciation and amortization	5,319,515

2. Revenue and Expenditure per Budget Estimates

   The Municipality of Nyeri has been on an upward trajectory in terms of the revenue and expenditure performance as the County Executive increased the budgetary support from kshs 118,435,095 to kshs 163,478,428 form the previous year.

3. Assets of Nyeri Municipality

The Municipality of Nyeri's asset base as at 30th June 2026 stood at Kshs.65.6 million, reflecting strong growth from the previous year's Kshs.28.9 million. The assets are composed of current assets such as cash balances of Kshs.12.1 million and inventories valued at Kshs.11.0million, alongside non-current assets totalling Kshs.42.5 million, which include motor vehicles and infrastructure works. This expansion highlights the municipality's focus on infrastructure development and prudent financial management, with reduced cash balances signalling active project execution.

Overall, the asset growth demonstrates enhanced capacity for service delivery and positions the municipality for sustainable urban development.

4. Liabilities of the Entity

The Municipality of Nyeri's liabilities as at 30th June 2026 amounted to Kshs.491,500 reflecting, accrued expenses stood at Kshs.491,500, capturing obligations incurred during the year but payable in subsequent periods. No long-term borrowings or provisions were reported, indicating that the municipality's debt exposure remains low and manageable. Overall, the liability structure underscores prudent financial management, with obligations concentrated in short-term payables linked to ongoing development projects and operational expenditures. This positions the municipality to meet its commitments while sustaining service delivery.

5. Multi-Year Operational and Financial Performance (3–5 Years)

The operational performance of the Municipality of Nyeri during FY 2025/2026 reflected steady progress in project implementation, governance, and service delivery. The municipality successfully executed its recurrent operations within approved budget ceilings, ensuring continuity of essential services such as solid waste management, traffic enforcement, and urban maintenance. Development expenditure, while lower than budgeted, facilitated significant infrastructure investments, including roads and civil works, which expanded the municipality's asset base.

Citizen engagement was strengthened through public forums, enhancing accountability and participatory governance. Institutional performance improved through capacity-building initiatives for staff and board members, reinforcing financial management and oversight mechanisms. Routine services were maintained without major disruptions, and compliance with public financial management regulations was upheld.

Compared to FY 2024/2025, the municipality demonstrated greater fiscal discipline and more robust project execution, supported by the supplementary budget that increased available resources. While cash balances declined due to active project spending, the tangible growth in infrastructure assets underscores a shift toward long-term service delivery capacity. Overall, operational performance in FY2025/2026 was marked by prudent resource utilization, strengthened governance, and enhanced citizen participation, positioning the municipality for sustainable urban development.

6. ***Key Projects and Investment Decisions***

During FY 2025/2026, the Municipality of Nyeri undertook several key projects and investment decisions that significantly shaped its operational and financial performance. The most notable investments were in infrastructure development, particularly roads and civil works, which accounted

for the bulk of capital expenditure and expanded the municipality's non-current assets. The municipality also invested in motor vehicles to strengthen service delivery capacity, especially in waste management and transport oversight.

In addition, resources were directed towards urban beautification, streetscaping, and maintenance of public spaces, reinforcing the municipality's mission of creating a clean and habitable environment. The management of the Field Marshal Muthoni Kirima Transport Terminus was a priority project, focusing on transport regulation, market management, and revenue collection. Investments in public participation forums and capacity-building initiatives for staff and board members further enhanced governance and accountability.

Overall, these projects reflect a deliberate shift from liquidity toward tangible, long-term investments that strengthen infrastructure, improve service delivery, and foster sustainable urban growth. The decisions made in FY2025/26 demonstrate a balance between operational efficiency and strategic development priorities.

7. Risk Analysis and Statutory Compliance

The Municipality of Nyeri's risk analysis for FY 2025/2026 highlights exposure primarily in areas of financial management, project execution, and service delivery. Key risks identified include delays in development project implementation, potential revenue shortfalls from market fees and permits, and operational risks linked to waste management and traffic enforcement. To mitigate these, the municipality strengthened internal controls, enhanced monitoring systems, and aligned expenditure with approved ceilings. Oversight by the County Treasury, Auditor General, and development partners further reduced fiduciary risks.

On statutory compliance, the municipality adhered to the Public Finance Management Act, International Public Sector Accounting Standards (IPSAS), and county-level regulations. Budget execution was conducted within approved ceilings, Authority to Incur Expenditure (AIE) was processed in line with requirements, and reporting obligations to the Office of the Controller of Budget and Auditor General were met. Citizen forums were held to comply with participatory governance provisions, while environmental and sustainability reporting ensured compliance with statutory frameworks.

Overall, the entity demonstrated strong compliance with statutory requirements and proactive risk management, balancing fiscal discipline with service delivery. This approach not only safeguarded public resources but also enhanced accountability and public trust in municipal operations.

8. Economic and Sector Outlook

The economic and sector outlook for the Municipality of Nyeri in FY 2025/2026 reflects both opportunities and challenges shaped by national trends and local priorities. On the economic front, the municipality benefited from increased allocations through conditional grants such as the Urban Development Grant and Urban Institutional Grant, which supported infrastructure expansion and service delivery. This aligns with Kenya's broader push for urban modernization under the Kenya Urban Support Programme. Locally, revenue collection from market fees, parking, and permits remained steady, though the municipality continues to face risks of underperformance in own-source revenue due to compliance gaps and economic pressures on small businesses.

Sector-wise, the municipality prioritized transport infrastructure, Solid waste management and beautification projects, positioning Nyeri as a cleaner and more habitable urban center. The management of the Field Marshal Muthoni Kirima Transport Terminus is expected to enhance mobility, trade, and revenue generation. Investments in roads and civil works will improve connectivity and stimulate local commerce, while beautification and environmental management initiatives strengthen the municipality's attractiveness for tourism and investment.

The future outlook of the Municipality is positive, with continued support from development partners and county government expected to drive growth. However, sustainability will depend on strengthening revenue collection, maintaining fiscal discipline, and mitigating risks such as delayed project execution. Overall, Nyeri Municipality is well-positioned to leverage its expanding asset base and governance reforms to achieve long-term economic resilience and improved urban service delivery.

7. Statement of Performance against Predetermined Objectives for the FY2025/2026

The core mandate of Nyeri Municipality is to provide effective urban governance and facilitate sustainable development. Its mandate encompasses urban planning and development control, provision and coordination of essential services and infrastructure, environmental management, promotion of economic development, and improvement of the overall quality of life for residents and businesses within the municipality.

Pursuant to Section 6(2) of the County Governments Act, which empowers county governments to delegate any of their functions to decentralized units within the county, the County

Government of Nyeri, through Executive Order No. 2 of 2024 dated 21st August 2024, has delegated the following functions to the Municipality of Nyeri.

1. Municipal solid waste management
2. Municipal beautification and street scaping
3. Municipal traffic management and enforcement
4. Management of field marshal Muthoni Kirima Transport Terminus
5. Revenue collection within the Municipality of Nyeri
6. Planning and development control
7. Municipal public transport

Strategic Development Priorities FY 2025/2026

- Improve municipal infrastructure through upgrading roads, bridges, culverts and drainage systems.
- Strengthen waste management services through efficient waste collection, disposal and provision and maintenance of skip bins.
- Enhance service delivery and operational efficiency through improved supervision, equipment and municipal facilities.

PROGRAMMES PERFORMANCE

Sub Programme	Key Outcomes/ Outputs	Key performance indicators	Planned Targets	Achieved Targets	Remarks
Grading, gravelling and upgrading of roads	Roads graded, gravelled and upgraded	No. of kms	7	11	One project is ongoing
Installation of Bridges and culverts	Bridges and culverts Installed	No.	2	1	One project is ongoing
Rehabilitation and maintenance of drainages	Drainage channels rehabilitated	No. of Kms	0.7	0.75	One project is ongoing
Waste Collection & Disposal	Waste Collected	No. Tons	12000	11049	Day to day activities are ongoing as scheduled

Purchase of Skip bins	Skip bins purchased	No.	15	15	Complete
Repair of Skip Bins	Repaired Skip Bins	No.	13	13	Complete
Purchase of supervision vehicle	Vehicle purchased	No.	1	1	Complete

Challenges Encountered During Implementation

The major challenge encountered during the implementation of the programmes and projects for the FY 2025/2026 was delayed disbursement of funds. The delays affected the timely commencement and completion of planned programmes and projects within the financial year.

Other challenges included rising costs of construction materials and services, which affected the cost of implementing infrastructure projects, as well as increasing demand for municipal services resulting from urban growth.

8. Environmental and Sustainability Reporting

a. Sustainability Strategy and Profile

Global political and economic trends, particularly climate change, have heightened the need for sustainable practices. Nyeri Municipality has responded by aligning with the Sustainable Development Goals, especially Goal 11 on sustainable cities and Goal 13 on climate action.

During the reporting period, Nyeri Municipality made significant progress in environmental sustainability and social inclusion by constructing eco-friendly roads, improving waste management, and promoting local procurement to support youth, women, and PWDs.

The Municipality also emphasized local content in procurement, with a significant portion of contracts allocated to local suppliers

b. Environmental Performance

Nyeri Municipality recognizes sustainability as central to effective urban governance, service delivery and socio-economic development, guided by its vision of a safe, habitable, competitive and prosperous municipality. Its priorities include improving physical and social infrastructure, strengthening solid waste management, enhancing municipal capacity and promoting environmental

sustainability. These priorities are aligned with national and county policies, relevant legislation, the SDGs, the Paris Agreement and other sustainability principles.

In response to increasing climate and environmental risks, Nyeri Municipality developed the Urban Climate Risk Profile in 2025 as a mitigation and adaptation measure to identify key climate risks and guide appropriate interventions. The profile highlights risks such as flooding, soil erosion and the urban heat-island effect, informing measures including improved drainage and roads, conservation of forests and water catchment areas, urban greening, tree planting, water harvesting and climate-resilient infrastructure. During the reporting period, progress was made in infrastructure, drainage, roads and solid waste management, although limited resources, increasing waste generation and pressure on urban infrastructure remain key challenges.

c. Employee Welfare

Nyeri Municipality prioritizes employee welfare by fostering a fair, inclusive, and safe working environment. It invests in continuous capacity building through workshops, training, and seminars to enhance staff skills. A structured performance appraisal system supports goal setting, feedback, and recognition. The Municipality also upholds compliance with the Occupational Safety and Health Act of 2007, ensuring workplace safety standards.

d. Occupational safety and health

The Municipality is committed to providing a safe and healthy working environment in accordance with the Occupational Safety and Health Act, 2007 (OSHA) and other applicable labour and workplace safety requirements. Particular attention is required for employees undertaking waste collection. Measures to reduce occupational risks include provision and proper use of appropriate personal protective equipment (PPE).

e. Marketplace Practices

- **Responsible Competition Practices**

Nyeri Municipality ensures fair competition in all aspects of service delivery. Open, transparent tendering procedures are followed for all contracts.

- **Responsible Supply Chain and Supplier Relations**

The Municipality emphasizes ethical and responsible business practices in its supply chain. Suppliers are required to adhere to strict standards of fair treatment, including honouring contracts and respecting agreed payment practices. In the procurement of goods and services, a portion of the

budget is allocated to local suppliers, ensuring that we support the local economy while maintaining competitive procurement processes.

- **Responsible Marketing and Advertisement**

The Municipality maintains ethical marketing practices, ensuring that all communication with the public is clear, accurate, and transparent. This includes public sensitization campaigns where citizens are informed about available services and can access them online. Diversity and inclusivity are key principles in our outreach efforts, and we ensure that our communication materials cater to all demographics.

- **Product Stewardship or Awareness Creation**

Nyeri Municipality works diligently to protect citizens' rights through the provision of adequate service information and the protection of consumer data. Our customer service centres are trained to assist residents in navigating their rights and resolving any disputes.

f. Corporate Social Responsibility/Community Engagements

During the reporting period, the Municipality continually engaged the community in the clean-up exercise, contributing to environmental conservation and urban greening. These efforts reflect the Municipality's commitment to building a sustainable, inclusive, and resilient community.

9. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2026 which show the state of the Municipality affairs.

Principal activities

The principal activities of the Municipality are *as stipulated on page v-vi*.

Performance

The performance of the Municipality for the year ended June 30, 2026 are set out on pages xxviii-xxxiv

Board Members

The members of the Board who served during the year are shown on pages xv-xxi. There were no changes in the Board during the financial year are as shown below:

Auditors

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

In conclusion, Nyeri Municipality has made notable strides in embedding sustainability into its operations. Despite ongoing challenges in waste management and infrastructure, the Municipality remains committed to environmental stewardship, social inclusion, and economic development, aiming to be a model for sustainable urban growth.

.....

CS Perister M. Kigwa

Secretary to the Board

10.Statement of Management's Responsibilities

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

The Municipal manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of June 30th, 2026. 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 City/Municipality, (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv)Safeguarding the assets of the City/Municipality, (v)Selecting and applying appropriate accounting policies, and (vi)Making accounting estimates that are reasonable in the circumstances.

The Municipal Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban* Areas and Cities Act No. 13 of 2011. The Municipal Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30th, 2026, and the financial position as at that date.

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

In preparing the financial statements, the directors have assessed the fund's ability to continue as a going concern. Nothing has come to the attention of the Municipal Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Municipality's financial statements were approved by the Board on 10th Sept 2026 and signed on its behalf by:

.....	.....
Mr. Jeremiah Ichaura	**CS Perister M. Kigwa**
Chairperson of the Board	**Accounting officer of the Board**

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF NYERI FOR THE YEAR ENDED 30 JUNE, 2026 - COUNTY GOVERNMENT OF NYERI

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.

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

The three parts of the Report 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, Cap. 412A, and the Public Audit Act, Cap. 412B. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying second year transitional IPSAS Accrual financial statements of Municipality of Nyeri set out on pages 1 to 53, which comprise of the statement of financial position as at 30 June, 2026 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, 412B. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the second year transitional IPSAS accrual financial statements present fairly, in all material respects, the financial position of Municipality of Nyeri – County Government of Nyeri as at 30 June, 2026 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 Nyeri Municipal Charter, 2018, Urban Areas and Cities Act, Cap. 275, the County Government Act, Cap. 265 and the Public Finance Management Act, Cap.412A and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budgeted revenue and actual amounts on comparison basis of Kshs.247,035,072 and Kshs.192,350,870 respectively, resulting to underfunding of Kshs.54,684,202 or 22% of the final approved budget. The Municipality spent Kshs.179,193,066 against actual receipts of Kshs.192,350,870 resulting to an under expenditure of Kshs.13,157,804.

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

My opinion is not modified in respect of this this matter.

Key Audit Matters

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

Other Matter

Prior Year Unresolved Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of Municipality in 2025/2026 revealed that one issue on Lack of Operational and Financial Autonomy remained unresolved.

Other Information

Management is responsible for the Other Information set out on page iii to xxxvii which comprise of Who We Are, Chairman's Report, Municipal Manager Report, Corporate Governance Statement, Financial Performance Overview, Statement of Performance against Predetermined Objectives, Report of the Municipality Board Members, Statement of Management Responsibilities as outlined in the financial statements. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON 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 effects of the matter 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

Lack of Operational and Financial Autonomy

As previously reported, a follow-up review of the administrative structures and financial frameworks revealed that the Municipality continues to lack the necessary operational

and financial autonomy required to function as a decentralized urban entity as highlighted below;

i. Systemic operational restrictions persist across several critical management segments, including budget implementation, Board oversight expenses, and own-source revenue management.

ii. The Municipality's staff structure approved by the County Assembly was not provided for audit review, therefore, the number of personnel to be appointed in the positions had not been determined and no placements had not been done. The Municipality was using County Staff to execute its services.

iii. Audit verifications established that authorizations, expenditure approvals, and executive directives governing these municipal core programs are consistently issued directly by the County Executive.

This concentration of administrative control over delegated functions limits the Municipality's operational independence, thereby impeding its ability to execute its statutory development mandates effectively, efficiently, and transparently. This is contrary to Section 21(1)(a) of the Urban Areas and Cities Act, Cap. 275 which gives Municipality Boards executive authority as delegated by County Executives.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, Cap.412B based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of the Management and the Municipality Board

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, Cap. 412B.

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, Cap. 412B 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, Cap. 412B. 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, Cap. 412B.

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

30 September, 2026

12.Statement of Financial Performance for the Year Ended 30th June 2026.

Description	Note	FY 2025/2026 Kshs.	FY 2024/2025 Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	163,478,428	118,435,094
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues (*Specify)*	9	-	-
		163,478,428	**118,435,094**
Revenue from exchange transactions			
Interest income	10	-	-
Miscellaneous Income	11	-	-
		-	-
Total revenue		**163,478,428**	**118,435,094**
Expenditure			
Use of goods and services	12	91,264,489	67,053,226
Staff costs	13	27,213,623	21,376,061
Board expenses	14	2,018,000	2,600,000
Finance costs	15	-	-
Depreciation and amortization	16	5,319,515	-
Repairs and maintenance	17	-	-
Total expenses		**125,815,627**	**91,029,287**
Other gains/losses			
Gain/loss on disposal of assets	18	-	-
Surplus/(deficit) for the period		**37,662,801**	**27,405,807**

The notes set out on pages 19 to 53 form an integral part of these Financial Statements. The entity financial statements were approved on 10th Sep 2026 and signed by:

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CS Perister M. Kigwa

CPS M/No.4133

Municipal Manager

.....

CPA Eunice W. Mwangi

Head of Finance

ICPAK M/No. 6203

13.Statement of Financial Position as at 30th June 2026

Description	Note	FY 2025/2026 Kshs.	FY 2024/2025 Kshs.
Assets			
Current assets			
Cash and cash equivalents	21	12,076,232	28,872,442
Receivables from exchange transactions	22	-	-
Receivables from non-exchange transactions	23	-	-
Prepayments	24	-	-
Inventories	25	10,961,243	75,856
Total current assets		**23,037,475**	**28,948,298**
Non-current assets			
Property, plant, and equipment	27	42,526,675	-
Intangible assets	29	-	-
Biological Assets	30	-	-
Total Non-current Assets		**42,526,675**	**-**
Total assets (A)		**65,564,150**	**28,948,298**
Liabilities			
Current liabilities			
Trade and other payables	33	491,500	1,538,449
Refundable deposits from customers	34	-	-
Provisions	35	-	-
Borrowings	37	-	-
Employee benefit obligations	38	-	-
Deferred Income	39	-	-
Social Benefits	40	-	-
Total current liabilities		**491,500**	**1,538,449**
Non-current liabilities			
Provisions	35	-	-
Borrowings	37	-	-
Non-current employee benefit obligation	38	-	-
Deferred Income	39	-	-
Social Benefits	40	-	-
Total liabilities (B)		**491,500**	**1,538,449**
Net Assets (A-B)		**65,072,650**	**27,409,849**
Represented by:			
Capital/Development Grants/Fund			-
Reserves			4,042
Accumulated surplus		65,072,650	27,405,807
Net Assets/Equity		**65,072,650**	**27,409,849**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10th Sep. 2026 and signed by:

.....

CS Perister M. Kigwa

CPS M/No.4133

Municipal Manager

.....

CPA Eunice W. Mwangi

Head of Finance

ICPAK M/No. 6203

14.Statement of Changes in Net Assets for the Period Ended 30 June 2026

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 30TH June 2024 (previous year)		-	4,042	4,042
Surplus/(deficit) for the year	-	-	27,405,807	27,405,807
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
Bal as at 30 Jun 2025	-	-	27,409,849	27,409,849
Bal as at 1 July 2025 (current year)	-	-	**27,409,849**	**27,409,849**
Adjustment to recognize assets(Cash & Cash equivalents)				-
Surplus/(deficit) for the year		-	37,662,801	**37,662,801**
Payables settlement	-	-	-	-
Inventories utilized			-	
Revaluation gain/loss	-	-	-	-
Balance as at 3oth June 2026	-	-	**65,072,650**	**65,072,650**

15. Statement of Cash Flows for the Period Ended 30th June 2026

Description	Note	FY 2025/2026	FY 2024/2025
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		**163,478,428**	**118,435,094**
Public contributions and donations		-	-
Interest received		-	-
Miscellaneous receipts *(Specify)*		-	-
Total Receipts		**163,478,428**	**118,435,094**
Payments			
Use of goods and services		103,267,625	67,053,226
Staff costs		27,142,823	21,376,061
Board expenses		2,018,000	2,600,000
Finance costs			-
Total Payments		**132,428,448**	**91,029,287**
Net cash flows from operating activities		**31,049,981**	**27,405,807**
Increase in Accounts Receivables			-
Increase in trade payables			**1,538,449**
Cash flows from investing activities			(75,856)
Purchase of PPE & intangible assets		47,846,190	-
Proceeds from sale of PPE		-	-
Net cash flows used in investing activities		**47,846,190**	**1,462,593**
Cash flows from financing activities			
Receipts from Capital grants			-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		**-**	**1,462,593**
Net increase/(decrease) in cash & cash equivalents		**(16,796,210)**	**28,868,400**
Cash And Cash Equivalents At 1 July	21	28,872,442	4,042
Cash And Cash Equivalents At 30 June 2026	21	**12,076,232**	**28,872,442**

16.Statement of Comparison of Budget & Actual for the Period ended 30th June 2026

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Budget carryovers from the previous year*	-	-	-		-	0%
Receipts						
Transfers from the County Government	137,265,880	45,896,750	183,162,630	163,478,428	19,684,202	**89%**
Donor funding : (a)Urban Development Grant			-	-	-	
(b) Urban Institutional Grant	35,000,000	28,872,442	63,872,442	28,872,442	35,000,000	**45%**
Miscellaneous income (*specify*)	-	-	-	-	-	**%**
Total Receipts	**172,265,880**	**74,769,192**	**247,035,072**	**192,350,870**	**54,684,202**	**22%**
Payments						
Use of goods and services	7,974,873	3,211,564	11,186,437	10,774,174	412,263	**96%**
Other Capital Grants	35,000,000	28,872,442	63,872,442	16,795,810	47,076,632	**26%**
Staff Costs	25,866,007	1,279,720	27,145,727	27,145,727	2,905	**100%**
Capital programs	103,425,000	41,405,466	144,830,466	124,480,260	20,350,206	**86%**
Total expenditure Payments	**172,265,880**	**74,769,192**	**247,035,072**	**179,193,066**	**67,842,006**	**73%**
Capital Expenditure Payments						
Surplus for the period				**13,157,804**		

Budget Reconciliation

	Description of Particulars	Amount in Kshs
1	Actual Surplus Amounts as per the statement of Budget	**13,157,804**
2	Accounts payables	(1,081572)
3	opening balances	-
4		
5	Adjustment on cash and cash equivalent	
	Closing Cash and Cash Equivalent as per the statement of Cash flows	**12,076,232**

17.Notes to the Financial Statements

1. General Information

Municipality of Nyeri is established by and derives its authority and accountability from the Urban Areas and Cities Act, No. 13 of 2011 (as amended in 2019), and the Municipality of Nyeri Charter dated 24th August 2018. The municipality is under the County Government of Nyeri and is domiciled in Kenya.

2. Statement of Compliance and Basis of

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) applicable to the second-year adoption of the Accrual basis of accounting. The entity has applied the requirements of IPSAS 33 in determining the appropriate treatment of assets, liabilities, revenue and expenses on the transition to accrual basis IPSASs. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the *Municipality's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements. The financial statements have been prepared in accordance with the Public Finance Management Act, CAP 412A and with the International Public Sector Accounting Standards (IPSAS).

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), the Urban Areas and Cities Act and the entity has taken advantage of the transitional provisions under IPSAS 33 and therefore these 2nd years financial statements are transitional financial statements and the following elements of the financial statements have not been recognised as the entity has taken advantage of the transition provisions outlined in IPSAS 33.

- For recognition of historical assets the Municipality is awaiting the valuation of the assets by the Nyeri County Executive since they are to be inherited from the County Government

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

3. Application of New and revised standards (IPSAS)

i. New and amended standards and interpretations in issue effective in the year ended 30th June 2026.

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30th June 2026.

Standard	Effective date and impact:
IPSAS 43: Leases	***Applicable 1st January 2025*** The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	***Applicable 1st January 2025*** 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.
IPSAS 46: Measurement	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.

	iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47: Revenue	***Applicable 1st January 2026*** This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48: Transfer Expenses	***Applicable 1st January 2026*** The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49: Retirement Benefit Plans	***Applicable 1st January 2026*** The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	***Applicable 1st January 2027*** The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii. Early adoption of standards

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

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

In the F/Y 2025/2026 the Municipality of Nyeri was originally allocated a municipal vote amounting to Kshs.172,265,880, comprising a conditional grant of Kshs.35,000,000 and county funding of Kshs.137,265,880.

During the 2nd quarter, the First Supplementary Budget for the FY 2025/2026 was assented to on 9th Dec 2025, increasing the Municipal vote to Kshs.247, 035,072 comprising a conditional grant of Kshs.63,868,406 and County funding of Kshs.183,166,666 This facilitated improved alignment of resources to priority programmes, enhanced expenditure prioritization, and strengthened fiscal planning for the remainder of the financial year.

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

using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial
Statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Cash flow has been presented under Budget Reconciliation section of these financial statements.

c) Property, plant and equipment

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

d) Intangible assets

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

e) Biological Assets

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

f) Financial instruments

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

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

Financial assets

Classification of financial assets

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

on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

g) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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

h) Provisions

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

i) Social Benefits

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

j) Contingent liabilities

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

k) Contingent assets

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

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates
The Municipality recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

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

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

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

q) Related parties

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Events after the reporting period

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

Two types of events can be identified:

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

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

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

u) Currency

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

5. Significant judgments and sources of estimation uncertainty

The preparation of the Municipality's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts

of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Municipality based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Municipality. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	-	32,309,300
Payments by County on behalf of the entity	163,478,428	86,125,794
Unconditional development grants	-	-
Total	**163,478,428**	**118,435,094**

(a)Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance* Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	FY 2023/2024
			Kshs	Kshs	Kshs
xx State Department	-	-	-	-	-
XX Ministry	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

7. Public Contributions and Donations

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Donation from development partners	-	-
Contributions from the public	-	-
Total	**-**	**-**

8. Levies, Fines and penalties

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Levies	-	-
Fines	-	-
Penalties	-	-
Others *(indicate and specify)*	-	-
Total	-	-

9. Other Revenues

Description	30 Jun 2026	FY 2024/2025
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others *(indicate and specify)*	-	-
Total	-	-

10. Interest income

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Interest income from investments	-	-
Interest income on bank deposits	-	-
Others *(Specify)*	-	-
Total interest income	-	-

11. Miscellaneous income

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Income from sale of tender documents	-	-
Others *(specify)*	-	-
Total other income	-	-

12. Use of Goods and Services

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Utilities, supplies and services	269,825	40,000
Communication, supplies and services	596,399	269,992
Domestic travel and subsistence	494,915	1,048,500
Foreign travel and subsistence		-
Printing, advertising, supplies & services	49,385	201,426
Rent and rates	-	-
Training expenses	335,000	228,546
Hospitality supplies and services	2,377,531	386,638
Insurance costs	-	-
Specialized materials and services	1,451,364	1,577,445
Office and general supplies and services	557,471	735,550
Fuel, oil and lubricants	10,910	39,750
Other operating expenses UIG	16,804,210	3,440,900
Maintenance– vehicles and other equipment	487,120	5,961,210
Routine maintenance – other assets	12,880	89,820
Contracted Professional Services	1,956,800	1,937,350
Audit fees		-
Hire of Transport, equipment etc	-	-
Bank Charges	-	-
Acquisition programs expended	65,860,680	51,096,099
Total	**91,264,489**	**67,053,226**

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Access Roads	18,453,437	-
Bridges	2,452,425	-
Construction of Roads - Other	7,978,125	-
Other Infrastructure and Civil Works	35,482,235	-
Purch. of Specialised Plant. -	1,494,458	-
Total	**65,860,680**	**-**

13. Staff costs

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Salaries and wages	27,213,623	19,227,391
Staff gratuity	-	-
Social security contribution	-	-
Other staff costs *(House, Leave & extraneous allowances)*	-	2,148,670
Total	**27,213,623**	**21,376,061**

14. Board expenses

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	1,052,000	543,000
Medical Insurance	-	-
Induction and Training	-	783,000
Travel and accommodation	966,000	1,274,000
Conference Costs	-	-
Other allowances (*Specify)*	-	-
Total	**2,018,000**	**2,600,000**

15. Finance costs

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	**-**	**-**

16. Depreciation and amortization

Description	30-Jun-26	FY 2024/2025
	KShs	KShs
Property, plant and equipment	5,319,515	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	**5,319,515**	**-**

NB: Reducing balance method of depreciation adopted as per the NALM policy June 2020.

17. Repairs and Maintenance

Description	30-Jun-26	FY 2024/2025
	KShs	KShs
Property- Buildings	-	-
Office equipment	-	-
Furniture and fittings	-	-
Motor vehicle expenses	-	-
Maintenance of civil works	-	-
Total repairs and maintenance	-	-

18. Gain/(loss) on disposal of assets

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

19. Impairment Loss

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Others specify	-	-
Total Impairment Loss	-	-

20. Surplus/Deficit from Discontinued Operations

Description	Insert Current FY	Insert Comparative FY
	Kshs.	Kshs.
Revenues *(specify)*	-	-
Expenses *(specify)*	-	-
Surplus/Deficit	-	-

21. Cash and cash equivalents

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
CBK Municipality of Nyeri Urban Development Grant	4,036	4,036
CBK Municipality of Nyeri Urban Institutional Grant	12,072,196	28,868,406
Total cash and cash equivalents	**12,076,232**	**28,872,442**

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

Financial institution	Account number	30-Jun-26	FY 2024/2025
		Kshs.	Kshs.
a) **Fixed deposits account**			
Kenya Commercial bank		-	0
Equity Bank, etc		-	0
Sub- total		**-**	**-**
b) On - call deposits			
Kenya Commercial bank		-	0
Equity Bank - etc		-	0
Sub- total		**-**	**0**
c) Current account			
Kenya Commercial bank		-	0
Equity Bank - etc		-	0
Sub- total		**-**	**0**
d) CBK Municipality of Nyeri Urban Institutional Grant	1000372222	12,072,196	28,868,406
Municipality of Nyeri Urban Development Grant	1000372214	4,036	4036
Cash in hand		-	0
Mobile Money		-	0
Sub- total		**12,076,232**	**28,872,442**
Grand total		**12,076,232**	**28,872,442**

22. Receivables from exchange transactions

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Current Receivables	-	-
Imprests	-	-
Other exchange debtors(Retention)	-	-
Less: impairment allowance	-	-
Total Current receivables (a)	-	-
Non-Current receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Non- current receivables (b)	-	-
Total	-	-

Ageing analysis for Receivables from exchange transactions

Description	30-Jun-26		FY 2024/2025	
	Kshs		Kshs	
	Current FY	**% of the total**	**Comparative FY**	**% of the total**
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

23. Receivables from Non-Exchange transaction

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Transfer from County Executive	-	-
Transfer from XXXX Fund	-	-
Total	-	-

Ageing analysis for Receivables from non-exchange transactions

Description	30-Jun-26		FY 2024/2025	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	**-**	**%**	**-**	**%**

24. Prepayments

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Other (Fuel)	-	-
Total	**-**	**-**

25. Inventories

Description	30-Jun-26	Insert FY 2024/2025
	Kshs	Kshs
Consumable stores Office fittings	4,293,432	75,856
Medical supplies	-	-
Unutilized Fuel	6,667,811	
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Less: allowance for impairment	-	-
Total inventories at the lower of cost and net realizable value	**10,961,243**	**75,856**

Detailed Disclosure on Inventories

Description	30-Jun-26	Insert FY 2024/2025
Opening balance	**75,856**	**-**
Additional Inventory in the year	14,169,827	75,856
Inventory expensed in the year	3,284,442	-
Write-downs in the year	-	-
Others specify	-	-
Closing balance	**10,961,241**	**75,856**

26. Non-Current Assets Held for Sale

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Motor Vehicles	-	-
Furniture	-	-
Office Equipment	-	-
ICT Equipment	-	-
Total	**-**	**-**

27. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Water Infrastructures	Solid waste & Sewer Infrastructure	Roads Infrastructure Assets	Other Infrastructures & civil works	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs			Shs		Shs	Shs
Depreciation Rate		**0**	**16.67%**	**12.50%**	**30%**		**10%**	**10%**	**10%**		
As at 1 July 2025 (previous year)	-	-	-	-	-			-		-	-
Additions	-	-	-	-	-			-		-	-
Disposals	-	-	-	-	-			-		-	-
Transfers/adjustments	-	-	-	-	-			-		-	-
Revaluation Adjustment	-	-	-	-	-						
As at 30th June 2026	-	-	-	-	-			-		-	-
Additions for the year	-	-	8,019,432		-		7,513,219	30,991,065	1,324,474	-	**47,846,190**
Disposals for the year	-	-	-	-	-			-		-	-
Transfer/adjustments	-	-	-	-	-			-		-	-
Revaluation Adjustment	-	-	-	-	-						
As at 30th June 2026(Current year)	-	-	**8,019,432**	-	-		**7,513,219**	**30,991,065**	**1,324,474**	-	**47,846,190**
Depreciation and impairment											
At 1July 2025 (previous year)	-	-	-	-	-			-		-	-
Depreciation	-	-	-	-	-			-		-	-
Impairment	-	-	-	-	-			-		-	-
Transfers/ Adjustments	-	-	-	-	-			-		-	-
As at 30 June 26	-	-	-	-	-			-		-	-
Depreciation for the year	-	-	**1,336,839**	-	-	-	**751,232**	**3,099,107**	**132,447**	-	**5,319,515.**
Disposals for the year	-	-	-	-	-			-		-	-
Impairment for the year	-	-	-	-	-			-		-	-
Transfer/adjustment	-	-	-	-	-			-		-	-
As at 30th June 2026(Current year)	-	-	**1,336,839**	-	-		**751,322**	**3,099,107**	**132,447**	-	**5,319,515**
NBV as at 30th Jun 2025 (previous year)	-	-	-	-	-			-		-	-
NBV as at 31st Mar 2026 (current year)	-	-	**6,682,593**	-	-		**6,761,897**	**27,891,959**	**1,192,027**	-	**42,526,675**

28. Right of Use Assets

	Buildings	Motor Vehicles	Equipment	Others Specify	Total
	Kshs	Kshs	Kshs		Kshs
As at 1 July 20xx Current Year	-	-	-	-	-
Additions in the period	-	-	-		-
Remeasurement/Adjustments		-		-	-
Disposals/Terminations	-	-			
As at 30 June 20xx	-	-	-	-	-
Accumulated Depreciation					
As at 1 July 20xx Current Year	-	-	-	-	-
Charge for the year	-	-	-	-	-
Elimination on Disposal/Transfer out	-	-	-	-	-
As at 30 June 20xx	-	-	-	-	-
NBV As at 30 June 20xx	=	=	=	=	=

29. Intangible assets

Current FY

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment	-	-
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

Previous FY

Description	Indefinite life	Definite life	Work in Progress	Total
Rate	Kshs	Kshs	Kshs	Kshs
Cost/Value at 1st July (Previous FY)	-	-	-	-
Additions	-	-	-	-
Transfers	-	-	-	-
Disposal	-	-	-	-
Cost/Value at 30th of June	-	-	-	-
Amortization and impairment				
At 1st July 20xx		-	-	-
Amortization charge for the year		-	-	-
Disposal		-		
Impairment loss	-	-	-	-
At the end of the period	-	-	-	-
NBV at 30th June 20xx (previous year)	-	-	-	-

30. Biological Assets

Description	30-Jun-26	FY 2024/2025
	Kshs	Kshs
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
Total	-	-

31. Tangible Natural Resources Held for Conservation

Current FY

	Sub-soil assets	Water	Wildlife	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 20xx **(Current FY)**	-	-	-	-
Additions	-	-	-	-
Adjustments				
As at 30 June 20xx	-	-	-	-
Accumulated Depreciation & Impairment				
As at 1 July 20xx	-	-	-	-
Charge for the year	-	-	-	-
Impairment				
As at 30 June 20xx	-	-	-	-
NBV as at 30 June 20xx	-	-	-	-

Previous FY

	Sub-soil assets	Water	Wildlife	Total
	Kshs	Kshs	Kshs	Kshs
As at 1 July 20xx (Previous FY)	-	-	-	-
Additions	-	-	-	-
Adjustments				
As at 30 June 20xx	-	-	-	-
Accumulated Depreciation & Impairment				
As at 1 July 20xx	-	-	-	-
Charge for the year	-	-	-	-
Impairment				
As at 30 June 20xx	-	-	-	-
As at 30 June 20xx	-	-	-	-

32. Heritage Assets

Current FY

	Artefacts & Collections	Category xx	Category yy	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 2025	-	-	-	-
Additions	-	-	-	-
Adjustments	-	-	-	-

Disposal				
As at 30 June 2026	-	-	-	-
Accumulated Depreciation & Impairment				
As at 1 July 2025	-	-	-	-
Charge for the year		-	-	-
Impairment	-	-	-	-
Adjustments				
Disposal				
As at 30 June 2026	-	-	-	-
NBV as at 30th June 2026	-	-	-	-

Previous FY

	Artefacts & Collections	Category xx	Category yy	Total
	Kshs	Kshs	Kshs	Kshs
As at 1 July 20xx	-	-	-	-
Additions	-	-	-	-
Adjustments	-	-	-	-
Disposal				
As at 30 June 20xx	-	-	-	-
Accumulated Depreciation & Impairment				
As at 1 July 20xx	-	-	-	-
Charge for the year	-	-	-	-
Impairment	-	-	-	-
Adjustments				
Disposal				
As at 30 June 20xx	-	-	-	-
As at 30 June 20xx	-	-	-	-

33. Trade and Other Payables

Description	30 Jun 2026		FY 2024/2025	
	Kshs.		Kshs.	
Trade payables	491,500		1,538,449	
Retentions	-		0	
Accrued expenses	-		0	
Other payables *(Specify)*	-		0	
Total trade and other payables	**491,500**		**1,538,449**	
Ageing analysis:	**30-Jun-26**	**% of the Total**	**FY 2024/2025**	**% of the Total**
Under one year	491,500	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	**491,500**	**%**	**-**	**%**

34. Refundable deposits and prepayments from customers

Description	30-Jun-26		FY 2024/2025	
	Kshs		Kshs	
Rent deposits	-		-	
Prepayments	-		-	
Others (*specify*)	-		-	
Total	-		-	
Ageing analysis:	**30-Jun-26**	**% of the Total**	**FY 2024/2025**	**% of the Total**
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

35. Provisions

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Balance at the beginning of the year	-	-
Additional Provisions (*Specify)*	-	-
Provision utilised	-	-
Balance at the end of the year	-	-
Current Portion of provision	-	-
Long term portion of provision	-	-
Total Provisions	-	-

36. Lease Liabilities

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
At the start of the period	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
At end of the period	-	-

Analysed as:

Description	Amount
Current	-
Non- Current	-
Total	-

37. Borrowings

The table below shows the classification of borrowings long-term and current borrowings:

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	-

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Balance at beginning of the period	-	-
Borrowings during the year	-	-
Repayments of borrowings during the period	-	-
Balance at end of the period	-	-

The table below shows the Distribution of borrowings:

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

38. Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
Total	-	-	-	-

39. Deferred Income

Description	30-Jun-26	FY 2024/2025
	Kshs	Kshs
National/County Government	-	-
International Funding Bodies	-	-
Public Contributions and Donations	-	-
Total Deferred Income	-	-

The deferred income movement is as follows:

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

Analysed as:

Description	Amount
	Kshs
Current	-
Non- Current	-
Total	-

40. Social Benefit Liabilities

Description	30-Jun-26	FY 2024/2025
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
PWD benefit scheme	-	-
Elderly social benefit scheme	-	-
Total	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

41. Liabilities from Discontinued Operations/NCA Held for Sale

Description	Insert Current FY	Insert previous FY
	Kshs	Kshs
Specify	-	-
Specify	-	-
Total	-	-

42. Cash generated from operations

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	**37,662801**	-
Adjusted for:		
Depreciation	(5,319,515)	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Working Capital adjustments	-	
Increase in inventory	-	
Increase in receivables	-	-
Decrease in payables	(1,293,305)	
Net cash flow from operating activities	**31,049,981**	-

43. Related party balances

a) Nature of related party relationships

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

a) The County Government.

b) The Parent County Government Ministry.

c) County Assembly.

d) Key management.

e) Municipality Board

b) Related party transactions

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Board Members	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
Total	-	-

e) Due to related parties

Description	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
Total	-	-

44. Contingent liabilities

Contingent liabilities	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Court case against the entity	-	-
Bank guarantees	-	-
Total	-	-

45. Contingent Assets

Contingent Assets	30-Jun-26	FY 2024/2025
	Kshs.	Kshs.
Court case against the entity	-	-
Others Specify	-	-
Total	-	-

46. Financial risk management

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

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

I. Credit risk

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

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30th June 2026 (current year)				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	12,076,232	-	-	-
Total	**12,076,232**	**-**	**-**	**-**
At 30 June 2025 (previous year)				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	28,872,442	-	-	-
Total	**28,872,442**	**-**	**-**	**-**

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

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

II. Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30th June 2026 (current year)				
Trade payables	491,500	-	-	491,500
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	**491,500**	**-**	**-**	**491,500**
At 30 Jun 2025 (previous year)				
Trade payables	1,538,449	-	-	1,538,449
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	**1,538,449**	**-**	**-**	**1,538,449**

III. Market risk

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

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

IV. Foreign currency risk

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

Description		Other currencies	Total
	Kshs.	Kshs.	Kshs.
At 30th June 2026 (current year)			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities			-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
2026 (current year)			
Euro	-	-	-
USD	-	-	-
2025 (previous year)			
Euro	-	-	-
USD	-	-	-

V. Interest rate risk

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

Management of interest rate risk

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

VI. Capital risk management.

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

Description	30-Jun-26 Kshs.	FY 2024/2025 Kshs.
Revaluation reserve	-	-
Capital/Development Grants/City/Municipality		4,042
Accumulated surplus	65,072,650	27,405,807
Total Funds	**65,072,650**	**27,409,849**
Total borrowings	-	-
Less: cash and bank balances	12,076,232	(28,948,298)
Net debt/(excess cash and cash equivalents)	(12,076,232)	1,538,449
Gearing	**-**	**-**

47. Program for Results (PforR) Disclosure

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

18. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	Lack of Operational and Financial Autonomy	The remaining functions are being transferred through a phased approach to allow the Municipality to attain the required financial independence, institutional capacity, and compliance with public finance management regulations necessary for sustainable service delivery. This approach ensures fiscal prudence, mitigates operational and financial risks, and maintains compliance with the applicable legal	Not Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		and regulatory framework.		
	Weaknesses in the Internal Audit Function	To strengthen internal controls and enhance oversight at municipal level, an Internal Auditor has since been deployed to the Nyeri Municipality and has conducted municipality-specific internal audit assignments during the year 2025/2026	Resolved	
	Lack of Fraud Management Policy	The Nyeri Municipal Board has developed Fraud Policy within the 2025/2026 financial year to strengthen governance, accountability, and	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
		internal control frameworks.		
	Lack of Risk Management Policy	The Nyeri Municipal Board has developed a Risk Management Policy during the 2025/2026 financial year to enhance risk identification, mitigation, and monitoring, and to strengthen governance, accountability, and internal control systems.	Resolved	
	Irregular Payment of Claims/ Payment of Travel Allowances Outside the Imprest System	Management ensures that each activity is supported by an official authorization memo detailing the nature of the activity and the associated budgetary implications.	Resolved	

Guidance Notes:

a) Use the same reference numbers as contained in the external audit report.

b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.

c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue.

d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.



……..

To be Signed by the Accounting officer of the Entity

Appendix 2: Inter-Entity Transfers

				CITY/MUNICIPALITY NAME:
				Breakdown of Transfers from the County Executive of xxx County
	FY 2024/2025			
a.	Recurrent Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
			-	
			-	
		Total	**-**	
b.	Development Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
		-	-	
			-	
			-	
		Total	**-**	
c.	Direct Payments	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
		1st july-30th June 2026	163,478,428	FY 2025/2026
			0	
		Total	**163,478,428**	

....

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

Appendix 3: Reporting of Climate Relevant Expenditures

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

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

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

Appendix 4: Disaster Expenditure Reporting Template

Date:

Entity

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

NYERI MUNICIPALITY URBAN INSTITUTE GRANT
COUNTY GOVERNMENT OF NYERI
Account number :1000372222
BANK RECONCILIATION JUNE 2026
F.O 30

		Ksh	Ksh	Ksh
Balance as per Bank certificate:				**12,368,616**
Less:				
	Payments in cash book not yet			
	recorded in bank statement	296,420		
	(Unpresented cheques)			
	Receipts in bank statement not			
	yet recorded in cash book			
Add:				
	Payments in bank statement not			
	yet recorded in cash book			
	Receipts in cashbook not yet	-		
	recorded in bank statement			
	Balance as per Cash book:			**12,072,196**

I certify that I have verified the bank balances in the cash book with Bank statement and that The above reconciliation is correct.

Prepared By: ……

Signature: ……..

Accountant:

Approved By: ……

Signature: ……

Assistant Accountant General