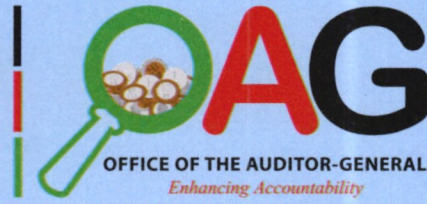


REPUBLIC OF KENYA



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KISII MUNICIPALITY**

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

	PAPERS LAID
DATE	12.11.25.
TABLED BY	S.M.L
COMMITTEE	-
CLERK AT THE TABLE	Angela.



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**KISII MUNICIPALITY**  
**County Government of Kisii**

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

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

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**1. Acronyms and Definition of Key Terms**

**A. Acronyms**

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury

**B. Definition of Key Terms**

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

**Comparative Year**- Means the prior period.

<b>Financial performance</b>	Statement of revenues and expenses
<b>Surplus</b>	A situation in which revenues are more than expenses
<b>Deficit</b>	A situation in which expenses are more than revenues
<b>Financial position</b>	Statement of assets and liabilities as at a particular time
<b>Asset</b>	A resource with economic value and future benefits to an entity
<b>Liability</b>	An obligation that an entity owes to others, such as debt or taxes
<b>Statement of Cash flow</b>	The movement of cash into and out of an entity over a period of time.
<b>Net assets</b>	Residual interest in the assets of an entity after deducting liabilities

**2. Key Entity Information and Management**

**a) Background information**

Kisii Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 (amended 2019) and Cities and Municipal Charter on 4<sup>th</sup> September, 2018. The Municipality is under the County Government of Kisii and is domiciled in Kenya.

**b) Principal Activities**

The principal activity/mission/ mandate of the Municipality is to provide for efficient and accountable management of the affairs of the municipality, provide for governance mechanism that will enable the inhabitants of the municipality to participate in determining the social services and regulatory framework which will satisfy their needs and expectations, provide for services, laws and other matters for municipality's benefit, provide high standard of social services in a cost effective manner to inhabitants of the municipality and fostering the economic, social and environmental wellbeing of its community.

**c) Key Management**

The Municipality management is under the following key organs:

- County Department in charge of Municipalities
- Board of Management
- Accounting Officer/Municipality Manager
- Management

**d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

<b>Ref</b>	<b>Position</b>	<b>Name</b>
1	CECM Lands and physical planning and urban planning	Grace K Nyarango
2	C.O Lands and physical planning and urban planning	Cleophas Okioi
3	Municipality Manager	Afuna Ondara
4	Municipal Engineer	Haron Oyaro

**e) Fiduciary Oversight Arrangements**

**i) Audit and Risk Management Committee**

The functions and responsibilities of the audit committee were as follows:

- To obtain assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably.
- To provide an independent review of the County Executive's reporting functions to ensure the integrity of financial reports.
- To monitor the effectiveness of the County Executive's performance management and performance information.
- To provide strong and effective oversight of County Executive's internal audit function.
- To provide effective liaison and facilitate communication between management and external audit.
- To provide oversight of the implementation of accepted audit recommendations.
- To ensure that the County Executive effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behaviour.

**ii) County Assembly committees**

**. County Assembly of Kisii County**

The responsibilities of the County Assembly of Kisii were as follows:

- To vet and approve nominees for appointment to county public offices as may be provided for in the relevant laws;
- To perform the roles set out under Article 185 of the Constitution;
- To approve the budget and expenditure of the county government in accordance with Article 207 of the Constitution, and the legislation contemplated in Article 220(2) of the Constitution, guided by Articles 201 and 203 of the Constitution;
- To approve the borrowing by the county government in accordance with Article 212 of the Constitution;
- To approve county development planning; and
- To perform any other role as may be set out under the Constitution or legislation

**iii) Committees of the Senate**

**Public Accounts and Investment Committee of the Senate**

The main function of the Senate Public Accounts and Investment Committee is to invite the Governor to appear before it to adduce evidence on the reports of the Auditor-General

**f) Registered Offices**

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

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P.O. Box 4550-40200

Fire Station Building

Next to Storm Hotel

KISII, KENYA

**g) Contacts**

Kisii Municipality

Telephone: (254) 582030005

E-mail: [info@kisii.go.ke](mailto:info@kisii.go.ke)

Website: [www.kisii.go.ke](http://www.kisii.go.ke)

**h) Bankers**

Equity Bank-Kisii Branch

A/C No. 0510280766471

SBM-Kisii Branch

A/C No. 0252375439001

**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 Adviser**

The Attorney General

State Law Office





Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya





**3. Kisii Municipality Board**

Serial No.	Name	Details of qualifications and experience
1	<p>Jamil Shamji- Chairman</p> 	<p>. He holds B.A in Marketing.            Hold a certificate for sustainable Urban development.            He is the Chairman of Kisii Municipal board,            Director (non -executive)of Diamond trust bank ltd,            Director Sansora bakers and confectioners ltd.            He was a director of Kisii teaching and referral hospital from October 2014 – Feb 2022.            He is the owner of A.JiwaShamnji.            He is 62 years old.</p>
2	<p>Dr.JacquelineNyaanga-Vice Chair</p> 	<p>She holds MBA in Strategic management and BA in mass communication. She is the vice chair of Kisii Municipality and Chair of the Audit and risk committee.She has over 5 years experience in Strategic and Administration experience in private and public institutions.            She is an independent board member. She is 39 years old.</p>
3	<p>Afuna Ondara-Secretary</p> 	<p>He holds Bachelors in Education Science.            He has over 10 years experience in administration in the public sector.            He is 48 Years old            He is the Secretary to the board.</p>
4	<p>Albert Omari- Member</p> 	<p>He holds MBA in marketing and a B.E.D Arts degree.            He is the chair of the finance and planning committee of Kisii Municipality board.            He is an independent board member.He is 46 years old.</p>





County Government of Kisii

Kisii Municipality

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

5	Jones Mokaya- Member 	He holds a bachelor's degree in land economics. He has over 20 years experience in matters of planning, Budgetary policy making and resource management. He is 65 years old.
6	George Onkoba-Member 	He is a holder of Bachelor of Arts in Business management from university of Dallas. He is an entrepreneur and leader with rich background in multiple industries including beer distribution, courier services, transportation and constructions.He represents the Business community.He is 58 years old
7	PanclasChweya-Member 	He holds a degree (Bsc. Lab) He has more than 5 years experience in entrepreneurship and business operations. He is represents the Youth. He is 30 years old
8	EverlineMoraa- Member 	She holds MSc in Human settlement and bachelors of Urban and regional planning. She is a registered planner with 18 years' experience in professional physical and land use activities she participated in preparation of county spatial plans for counties and planning for formal settlements. She is 44 years old.

4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	Grace K. Nyarango 	MBA in Business Administration CECM Lands and physical planning and urban planning. He aided the establishment of a material recovery facility, development of county spatial plan, integrated strategic urban development plan and other related plans.
2.	Cleopas Okioi 	Bachelor of commerce in IT C.O Lands and physical planning and urban planning.
3.	Afuna Ondara 	Bachelors in Education Science Municipality Manager
4.	Haron Oyaro  Municipal Engineer	BSC Civil Engineering

**5. Municipality Board Chairperson's Report**

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives are to:

- a) Support for the establishment, operationalization and strengthening of the institutional framework for urban management.
- b) Strengthening coordination of urban finances.
- c) Provision of support for planning, urban infrastructure, and service delivery.

**Objectives To Be Attained**

- a) Provide for efficient and accountable management of the affairs of the Municipality
- b) Provide a higher standard of social services in a cost effective manner to the inhabitants of the Municipality
- c) To provide for services, laws and other matters for the Municipality.
- d) Promote regulate the provision of refuse collection and solid waste management services.

**Challenges**

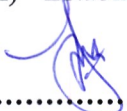
- a) Budgetary constraints.
- b) Lack of proper planning and development control.
- c) Human resource challenges.
- d) Lack of political goodwill.

**Opportunities**

- a) Extension of connectivity on the neighbouring and connecting roads.
- b) Opening up the area for support with other donor programmes on the Nyanchwa green belt under UKAid-sustainable urban Economic Development (SUED)
- c) Effective monitoring and protection of the riparian from encroachment and pollution.
- d) Potential for upgrading and improvement of the Nubia slum due to proximity to town areas.

**Successes**

- a) Construction of new fire station
- b) Nyanchwa link road
- c) Walkways around the municipality
- d) Upgrading of Jogoo-Kari-KIHBIT road to bitumen standards
- e) Construction of Guardian- Nyankongo bridge
- f) Establishment of waste management facility



.....

**Name: Jamiludin Shamji**

**Chairperson of the Board**

## **6. Report Of the Municipality Manager**

In the Current year, the Kisii Municipality had an approved budget of Kshs 291,024,212 for Development and Kshs. 142,957,337 for Recurrent. However there was no disbursement made by the County Treasury as the payments were made by the County Treasury on behalf of the Municipality.

The Municipality key development objectives are to:

- a) Support for the establishment, operationalization and strengthening of the institutional framework for urban management.
- b) Strengthening coordination of urban finances.
- c) Provision of support for planning, urban infrastructure, and service delivery.

### **Objectives To Be Attained**

- a) Provide for efficient and accountable management of the affairs of the Municipality
- b) Provide a higher standard of social services in a cost effective manner to the inhabitants of the Municipality
- c) To provide for services, laws and other matters for the Municipality.
- d) Promote regulate the provision of refuse collection and solid waste management services.

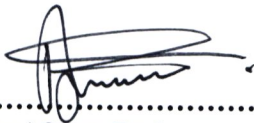
### **Challenges**

- a) Budgetary constraints.
- b) Lack of proper planning and development control.
- c) Human resource challenges.
- d) Lack of political goodwill.

### **Opportunities**

- a) Extension of connectivity on the neighbouring and connecting roads.
- b) Opening up the area for support with other donor programmes on the Nyanchwa green belt under UKAid-sustainable urban Economic Development (SUED)
- c) Effective monitoring and protection of the riparian from encroachment and pollution.
- d) Potential for upgrading and improvement of the Nubia slum due to proximity to town areas.

The management intend to make the Municipality more active in the so that enough resources are available as and when required.



.....  
**Name: Afuna Ondara**  
**Municipality Manager**

**7. Statement of Performance Against Predetermined Objectives for the FY 2024/2025**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a County Government entity shall prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board including a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Kisii Municipality plan are to:

- a) Provide quality physical infrastructure.
- b) Urban planning.
- c) Urban governance and administration

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

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Construction of Rangimbili-ElimuUmoja road and augmentation of Huduma centre-kisii hotel drain and associated works.	-To mitigate and manage storm water -To provide accessibility to backstreet	-Minimal accidents -Reduced waterborne diseases -Lower road maintenance costs effectively doing new roads	-Travel time -Number of passengers using the diverted road.	-Minimized misuse of road facility Controlled storm water management
Upgrading of Jogoo –KARI-KIHBIT Road to Bitumen Standards	-To open link to the New banana and Avocado factory (Cottage industry) -To open access of farmers to the Agricultural facility. -To provide connectivity to Jogoo residents	-Easy access to the cottage industry and Agricultural facility. -Enhanced connectivity with Jogoo residents	Easy access to the cottage industry and Agricultural facility. -Enhanced connectivity with Jogoo residents	-Increased productivity in the cottage industry.

**8. Corporate Governance Statement**

i. Process of appointment and removal of Board members.

- A member of the Board shall cease to hold office if the member
- is unable to perform the function of the office by reason of mental or physical infirmity
- is declared or becomes bankrupt or insolvent
- is convicted of a criminal offense and is sentenced to a term of imprisonment of 6 months or more
- resigns in writing to the county governor
- Without reasonable cause the member is absent from 3 consecutive meetings of the board or committee of the board of the municipality within one FY.
- Is found guilty of professional misconduct by the relevant professional body
- Dies
- Is disqualified from holding public office under the constitution.
- Fails to declare interest in any matter being considered or to be considered by the board or board committees.
- Engages in any gross misconduct

ii. Roles and functions of the Municipality Board members

- Oversee the affairs of the municipality
- Formulate and implement an integrated development plan
- Develop or adopt policies, plans, strategies, and programs and set targets for service delivery
- Administering and regulating its internal affairs
- Implementing applicable national and county legislation
- Monitoring the impact and effectiveness of any services, policies, programs or plans
- Preparing and submitting its annual budget estimates to the relevant county treasury for consideration and submission to the county assembly for approval as part of the annual county appropriation bill.

**County Government of Kisii**

**Kisii Municipality**

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

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- iii. Number of Municipality Board meetings held and the attendance to those meetings by members.

The board holds its sittings once every three months to transact its business. During the year the board held three (3) meetings attended as follows:

- a) On 17<sup>th</sup> July, 2024 seven members attended will two members were absent with apologies.
- b) On 12<sup>th</sup> September, 2024 eight members attended will one members was absent with apology.
- c) On 13<sup>th</sup> January, 2025 eight members attended will one members was absent with apology.

- iv. Existence of a service charter

Kisii Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 4<sup>th</sup> September, 2018 .The Municipality is under the County Government of Kisii and is domiciled in Kenya.

- v. Board remuneration

The board are not entitled to a salary but they are paid allowances as the county executive committee with the approval of the county assembly and the advice of the SRC determine.

- vi. The Succession Plan

The municipality does not have its standalone succession plan but the concept is addressed within the county's broader human resource policies and strategic planning frameworks which include the Kisii municipality integrated development plan and annual investment plans.

- vii. The Policy for Managing Conflicts of Interest

The municipality policies are governed by Kenya's leadership and integrity act 2012,the urban areas and cities act, and the county government act which mandates conflict of interest disclosures and procedures for public officers. The municipality also adheres to procedures outlined in its charter and related tender documents which prohibit bidders from having conflict of interest and specify disqualification for violations.

- viii. The Communication Policy

The municipality operates under the broader Kisii County's ICT and development policies emphasizing transparency, accountability and stakeholders' participation through ICT platforms.

**County Government of Kisii**

**Kisii Municipality**

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

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**9. Management Discussion and Analysis**

In the Current year, the Kisii Municipality had an approved budget of Kshs 291,024,212 for Development against an expenditure of kshs. 47,414,340 and Kshs. 142,957,337 for Recurrent against an expenditure of kshs 236,812,423. However there was no disbursement made by the County Treasury as the payments were made by the County Treasury on behalf of the Municipality.

The Municipality key development objectives are to:

- d) Support for the establishment, operationalization and strengthening of the institutional framework for urban management.
- e) Strengthening coordination of urban finances.
- f) Provision of support for planning, urban infrastructure, and service delivery.

**Objectives To Be Attained**

- a) Provide for efficient and accountable management of the affairs of the Municipality
- b) Provide a higher standard of social services in a cost effective manner to the inhabitants of the Municipality
- c) To provide for services, laws and other matters for the Municipality.
- d) Promote regulate the provision of refuse collection and solid waste management services.

**Challenges**

- a) Budgetary constraints.
- b) Lack of proper planning and development control.
- c) Human resource challenges.
- d) Lack of political goodwill.

**Opportunities**

- a) Extension of connectivity on the neighbouring and connecting roads.
- b) Opening up the area for support with other donor programmes on the Nyanchwa green belt under UKAid-sustainable urban Economic Development (SUED)
- c) Effective monitoring and protection of the riparian from encroachment and pollution.
- d) Potential for upgrading and improvement of the Nubia slum due to proximity to town areas.

**Risks**

The major risks facing the municipality include; water pollution and scarcity, loss of urban green spaces, climate change impacts, food contamination and health, dilapidated water supply, limited piped water, poverty and petty crime.

The management intend to make the Municipality more active in the so that enough resources are available as and when required.

**10. Environmental and Sustainability Reporting**

**1. Sustainability strategy and profile**

The Municipality has also engaged in capacity building of its human resource to ensure that they remain competitive and relevant in a competitive market

Socially the Municipality has built town access roads to ensure that the people enjoy improved and quality life by making ease access to the town.

**2. Environmental performance**

Kisii Municipality through the county government passed legislation in the County Assembly for the cutting of eucalyptus trees which have adversely affected the water table. The county has also encouraged the replacement of eucalyptus trees which have no effect to water table.

Through the ministry of environment water and natural resources, the county has initiated spring protection works and rehabilitation of water schemes.

It has also embarked on recovery of riparian land by partnering with other government agencies such as NEMA

**3. Employee welfare**

Kisii municipality through the County Government of Kisii provides equal employment opportunities to the citizen through advertisement of vacancies on its website and local media for easy access of the applicants. It also strives to attain the gender balance in the recruitment process.

The County Government of Kisii has consistently increased capacity building of its employees in equipping them on their career development. This involves necessary skills to enable them discharge their duties and responsibilities in an ever changing working environment.

It also takes care of employee's welfare through provision of comprehensive medical insurance scheme.

**County Government of Kisii**

**Kisii Municipality**

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

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**4. Market place practices**

The county has installed high mast solar streetlights in all major markets to enable a 24 hour economy. In empowering its citizens, the County through the department of trade, tourism and industrialization has constructed market stalls and shades to make business possible.

The Kisii Municipality has also constructed an access road to banana and avocado processing plant to enable the locals' access easy market of their locally grown produce

**5. Community Engagements**

The county has engaged in the construction of peoples' recreational park whose objective is to offers an opportunity for social groups as well as individuals of all ages to meet and interact.

The park also offers an opportunity for reduction of crime and juvenile delinquency. It has also provided an opportunity for people to experience nature and engage in physical activities and relax.

**11. Report of Kisii Municipality Board Members**

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the Municipality affairs.

**Principal activities**

The principal activities of the Municipality are to provide for efficient and accountable management of the affairs of the municipality, provide for governance mechanism that will enable the inhabitants of the municipality to participate in determining the social services and regulatory framework which will satisfy their needs and expectations, provide for services, laws and other matters for municipality's benefit, provide high standard of social services in a cost effective manner to inhabitants of the municipality and fostering the economic, social and environmental wellbeing of its community.

**Performance**

The performance of the Municipality for the year ended June 30, 2025 is set out on page 1.

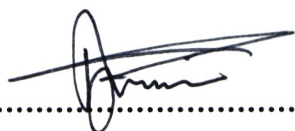
**Board Members**

The members of the Board who served during the year are shown on page vi and vii.

**Auditors**

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

By Order of the Board



.....  
**Name: Afuna Ondara**  
**Secretary of the Board**

**12. Statement of Management's Responsibilities**

Section 180 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the 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 Municipality 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 the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Municipality 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 Municipality 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 30, 2025, and the financial position as at that date.

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

**County Government of Kisii**

**Kisii Municipality**

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

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 Municipality 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 29/6/2025 and signed on its behalf by:



.....  
**Name: Jamil Udin Shamji**

**Chairperson of the Board**



.....  
**Name: Afuna Ondara**

**Accounting officer of the Board**

# REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON KISII MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2025**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kisii Municipality set out on pages 1 to 38, which comprise the statement of financial position as at 30 June 2025,

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*Report of the Auditor-General on Kisii Municipality for the year ended 30 June, 2025*

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

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kisii Municipality as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards ( Accrual Basis)] and comply with the Kisii Municipal Charter and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1. Irregularities in Staff Cost Expenditure**

The statement of financial performance as disclosed under Note 8 reflected staff cost expenditure of Kshs.204,062,583. However, a review of records revealed that the Kisii Municipality staff establishment had not been approved by the Board. Further, although the Municipality Board had budgeted Kshs.95,000,000 for staff costs, the County Executive Treasury incurred expenditure amounting to Kshs.204,062,583 on behalf of the Municipality, resulting in an over-expenditure of Kshs.109,062,583. In addition, no evidence was provided to confirm that the Board had approved the excess expenditure. Further, the staff costs expenditure was not supported with the Municipality payroll, schedules of monthly payments, bank statements, payment vouchers of the salaries paid, personal files and letter. from the county public service board indicating the officers mandated to serve in the municipality, casting doubt on the accuracy of the figures reported in the financial statement.

In the circumstances, the accuracy, validity, and regularity of the staff cost expenditure of Kshs.204,062,583 could not be confirmed.

### **2. Going Concern**

The statement of financial performance for the year ended 30 June, 2025 reflected an operational deficit of Kshs.63,692,805. Further, the statement of changes in net assets reflected an accumulated deficit of Kshs.57,572,346 an indication that the Municipality had been continuously incurring deficits in its operations in the previous financial years.

In the circumstances, if strategies are not put in place to reverse the trend of accumulation of operational deficits, the Municipality is likely to face financial challenges in the future and may not be able to sustain service delivery.

### **3. Long Outstanding Trade and Other Payables**

The statement of financial position, as disclosed under Note 15, reflected trade and other payables of Kshs.28,022,529 as at 30 June, 2025. Included in this balance were amounts totaling Kshs.22,139,645 that had been outstanding for more than one year, contrary to Regulation 42(1)(b) of the Public Finance Management (National Government) Regulations, 2015, which requires that debt service payments form the first charge on the budget. Further, in the prior year, the Municipality had reported outstanding trade and other payables of Kshs.2,922,803. In the year under review, the payables increased to Kshs.28,022,529, reflecting a significant increase of Kshs.25,099,726. However, no satisfactory explanation or supporting documentation was provided to justify this increase.

In the circumstances, the regularity and accuracy of the Kshs.28,022,529 balance of trade and other payables balance could not be ascertained.

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

#### **Emphasis of Matter**

##### **1. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2025 reflects total budgeted receipts of Kshs.433,981,549 and actual receipts of Kshs.284,226,763 resulting in under-realization of Kshs.Kshs.149,754,786 or 35% of the budget. Similarly, the same statement reflects total budgeted expenditure of Kshs.142,957,337 and actual expenditure of Kshs.236,812,423, resulting in over expenditure of Kshs.93,855,086 or 66% of the budget.

The under-realization affected the planned activities and may have negatively impacted service delivery to the public. Further, the over expenditure of Kshs.93,855,086 was an indication of poor budgeting.

In the circumstances, there is a need for management to re-examine the budgeting process to ensure that future budgets are realistic, aligned to priority areas, and focused on improving service delivery to the residents of Kisii County.

##### **2. Project Implementation Status**

The statement of comparison of budget and actual amounts reflects a final budgeted expenditure of Kshs.433,981,549, which included capital expenditure payments of Kshs.291,024,212 for nineteen (19) projects that were to be implemented in the year

under review. However, the project implementation status report provided for audit review indicated that only five (5) projects valued at Kshs.47,414,340 had been implemented, while the remaining fourteen (14) projects, which were valued at Kshs.222,413,692.00 had not been initiated. The details of the projects are indicated in the table below;

No	Project	Amount
1	Urban Development Grant	95,993,018
2	Base works and drainage work for Gusii Stadium external parking	437,312
3	Civil works at Buspark stage	21,000,000
4	Construction of Nyangena hospital Road	513,170
5	Refurbishment of Kisii Municipality Offices	2,900,000
6	Repair and maintenance of civil works at Kisii Municipality	756,721
7	Rehabilitation of Bosongo Botori Road	724,759
8	Rehabilitation of Fire station Road	830,000
9	Prisons- Deliverance Jogoo	1,615,000
10	Tree planting and beautification for Kisii Municipality	20,000,000
11	Civil works in Kisii CBD	20,000,000
12	Civil works for lower side of Kisii main bus park	4,000,000
13	Renovation of fire station	3,643,712
14	Cabro works at Kisii CBD	50,000,000
	<b>Total</b>	<b>222,413,692</b>

In view of the foregoing, the residents of Kisii Municipality did not receive the expected services and benefits equivalent to Kshs.222,413,692. This indicates weak project implementation, poor utilization of allocated funds, and lack of value for money in public spending.

My opinion is not modified in respect of this matters.

### **Key Audit Matters**

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

## Other Matter

### Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in the Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Municipality in 2024/2025 revealed that the following matters remained unresolved:

S/No.	Financial Year	Audit Issue
1	2023/2024	Unconfirmed Revenue and Staff Costs Amounts
2	2023/2024	Unsupported Board Expenses
3	2023/2024	Budgetary Control and Performance
4	2023/2024	Unjustified Payments of Consultancy Fees
5	2023/2024	Failure to maintain Retention Account
6	2023/2024	Failure to Operationalize the Kisii Municipality Charter

### Other Information

The Management is responsible for the other information set out on pages iii to xx which comprises the Municipality Board Chairperson's Report, Report of the Municipality Manager, Statement of Performance Against the County Fund's Predetermined Objectives, Corporate Governance Statement, Environmental and Sustainability Reporting, Report of the Municipality Board Members and Statement of Management's Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

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

### Conclusion

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

### **Basis for Conclusion**

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*Report of the Auditor-General on Kisii Municipality for the year ended 30 June, 2025*

## **1. Anomalies in the Establishment of Waste Collection Facility**

The statement of financial position reflects the net book value of property, plant, and equipment of Kshs.389,127,326, as disclosed in Note 14 to the financial statements. This balance includes infrastructural assets valued at Kshs.330,198,615 out of which Kshs.48,205,942 represents additions during the year under review. Further, included in the additions was Kshs.12,638,758 in respect of a contract awarded to a company for the establishment of a waste collection facility. An audit review of the expenditure records revealed that the company had been paid Kshs.12,638,758 on 27 March, 2025. In addition, the works were to be executed within eight months (16 July, 2024 to 16 January, 2025). However, physical inspection on 2 September, 2025 confirmed that the project was incomplete despite the expiry of the contract period and the contractor was not on site despite getting paid the full contract sum. The audit also revealed that the project scope was varied, resulting in increased costs of Kshs. 3,048,060. However, the approval by the board, revised bills of quantities, technical evaluation report and updated implementation schedule reflecting the revised scope were not availed for audit review.

In the circumstances, the Municipality is in breach of the law.

## **2. Failure to Maintain Retention Account**

As reported in the prior year's audit, the statement of financial position reflected cash and cash equivalent balances of Kshs.108,155 as disclosed under Note 12 to the financial statements. However, the audit revealed that the Municipality had not established and maintained a separate bank account for retention monies to cover potential defects in construction contracts.

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

## **3. Failure to Operationalize the Kisii Municipality Charter**

As reported in the previous year, the Kisii Municipality Board failed to operationalize the Municipality Charter, thereby denying the Municipality the opportunity to perform its functions as outlined in Clause 2.3.1 of the Charter. Further, the report from the Municipality Manager in the financial statements indicated that no disbursements were made by the county treasury directly to the Municipality. Instead, all payments were executed by the county treasury on behalf of the Municipality. This arrangement is contrary to Clause 3.1.3 of the Kisii Municipality Charter, which mandates a principal and agency relationship between the Municipality Board and the County Government of Kisii. In addition, although a Gazette Notice No. 9071 of 17 May 2024, approved by the Governor, provided for the transfer of municipal functions to the Board, the directive has not been fully implemented. Specifically, revenue collection continues to be managed by the county executive revenue department. Further, the Municipal Board has yet to maintain records or track all treasury matters relating to its recurrent and development budgets.

In the circumstances, the effectiveness of service delivery to the residents of Kisii Municipality cannot be confirmed.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Internal Audit and Audit Committee Function**

A review of the Governance structure of the Municipality revealed that although the Municipality had an internal audit function, the internal audit charter, and risk management policy and framework had not been approved by the Board's audit committee. In addition, the Audit Committee held only three (3) meetings during the year under review, contrary to Regulation 172(1) of the Public Finance Management (County Government) Regulations, 2015, which requires audit committees to meet at least once every three months.

In the circumstances, management had not put in place an effective system to adequately monitor the Municipality's governance processes, accountability mechanisms, and control environment, nor to provide objective advice on issues relating to risk, compliance, and governance.

#### **2. Irregular Composition of the Board**

A review of the governance structure revealed that the Municipality had a board of seven (7) members that had been appointed on 11 June, 2024, by the Governor through a gazette notice No.7873. Further, the financial statements reflected that in the year under review the Board had eight members inclusive of the Fund manager who was the secretary of the board which was contrary to Section 14 of the Urban Areas and Cities

Act, 2011 and Clause 3.3.1 on composition and term of the board of the Municipality of the Kisii Municipality Charter which required the board to be composed of nine members. In addition, the audit could not ascertain which umbrella bodies the members represented as per the requirement of Clause 3.3.3 of the Kisii Municipality Charter, which required five (5) members of the Board to be nominated by various umbrella bodies within the Municipality.

In the circumstances, the Municipality is in breach of the law.

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 Board of Directors**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

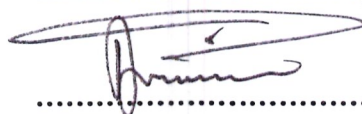
**22 October, 2025**

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

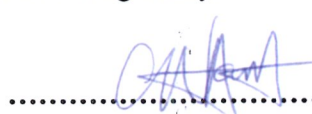
**14. Statement of Financial Performance for The Year Ended 30 June 2025.**

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	236,812,423	229,294,901
Public contributions and donations		-	-
Levies Fines and Penalties		-	-
Other revenues		-	-
			-
<b>Revenue from exchange transactions</b>			
Interest income		-	-
Miscellaneous Income		-	-
<b>Total revenue</b>		<b>236,812,423</b>	<b>229,294,901</b>
<b>Expenditure</b>			
Use of goods and services	7	53,016,850	21,929,045
Staff costs	8	204,062,583	205,011,946
Board expenses	9	1,338,000	762,000
Finance costs		-	-
Depreciation and amortization	10	39,384,681	-
Repairs and maintenance	11	2,703,114	2,104,015
<b>Total expenses</b>		<b>300,505,228</b>	<b>229,807,006</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets		-	-
<b>Surplus/(deficit) for the period</b>		<b>(63,692,805)</b>	<b>(512,105)</b>

The notes set out on pages 1 to 38 form an integral part of these Financial Statements. The entity financial statements were approved on 29/08/ 2025 and signed by:



Name: Afuna Ondara  
Municipality Manager



Name: CPA George Ogware  
Head of Finance  
ICPAK M/No.8093

County Government of Kisii  
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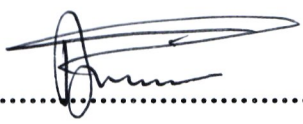
15. Statement of Financial Position for the Year ended 30 June 2025

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	108,155	108,155
Receivables from exchange transactions		-	-
Receivables from non-exchange transactions		-	-
Prepayments		-	-
Inventories		-	-
<b>Total current assets</b>		<b>108,155</b>	<b>108,155</b>
<b>Non-current assets</b>			
Property, plant, and equipment	14	389,127,326	380,306,065
Intangible assets		-	-
Biological Assets		-	-
<b>Total Non-current Assets</b>		<b>389,127,326</b>	<b>380,306,065</b>
<b>Total assets (A)</b>		<b>389,235,481</b>	<b>380,414,220</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	28,022,529	2,922,803
Refundable deposits from customers		-	-
Provisions		-	-
Borrowings		-	-
Employee benefit obligations		-	-
Deferred Income		-	-
Social Benefits		-	-
<b>Total current liabilities</b>		<b>28,022,529</b>	<b>2,922,803</b>
<b>Non-current liabilities</b>			
Provisions		-	-
Borrowings		-	-
Non-current employee benefit obligation		-	-
Deferred Income		-	-
Social Benefits		-	-
<b>Total liabilities (B)</b>		<b>28,022,529</b>	<b>2,922,803</b>

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Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
<b>Net Assets (A-B)</b>		<b>361,212,952</b>	<b>377,491,417</b>
<b>Represented by:</b>			
Capital/Development Grants/Fund		418,785,298	371,370,958
Reserves			-
Accumulated surplus		(57,572,346)	6,120,459
<b>Net Assets/Equity</b>		<b>361,212,952</b>	<b>377,491,357</b>

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 29/08/2025 and signed by:



.....

**Name: Afuna Ondara**  
**Municipality Manager**  
**Date:**



.....

**Name: CPA George Ogware**  
**Head of Finance**  
**ICPAK M/No. 8093**  
**Date:**

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

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

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
<b>Bal as at 1 July 2023</b>	<b>371,370,958</b>	-	<b>6,632,564</b>	<b>378,003,522</b>
Surplus/(deficit) for the year		-	(512,105)	(512,105)
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
<b>Bal as at 30 Jun 2024</b>	<b>371,370,958</b>	-	<b>6,120,459</b>	<b>377,491,417</b>
<b>Bal as at 1 July 2024</b>	<b>371,370,958</b>	-	<b>6,120,459</b>	<b>377,491,417</b>
Surplus/(deficit) for the year			(63,692,805)	(63,692,805)
Funds received during the year	47,414,340	-	-	<b>47,414,340</b>
Revaluation gain/loss	-	-	-	-
<b>Balance as at 30 June 2025</b>	<b>418,785,298</b>	-	<b>(57,572,346)</b>	<b>361,212,952</b>

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

**17. Statement Of Cash Flowsfor The Year Ended 30 June 2025**

Description	Note	2024-2025	2023-2024
		Kshs.	Kshs.
<b>Cashflowsfromoperatingactivities</b>			
<b>Receipts</b>			
Transfers from the County Government		236,812,423	229,294,901
Public contributions and donations			-
Interest received			-
Miscellaneous receipts			-
<b>Total Receipts</b>		<b>236,812,423</b>	<b>229,294,901</b>
<b>Payments</b>			
Use of goods and services		30,697,810	21,929,045
Staff costs		204,062,583	205,011,946
Board expenses		1,252,500	762,000
Repair and maintenance		799,530	2,104,015
<b>Total Payments</b>		<b>236,812,423</b>	<b>229,807,006</b>
<b>Net cash flows from operating activities</b>	16	<b>-</b>	<b>(512,105)</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets		-	(16,786,235)
Proceeds from sale of PPE			-
Retention money		-	1,358,623
Refund of retention money			(5,663,628)
<b>Net cashflows used in investing activities</b>			<b>(21,091,240)</b>
<b>Cashflowsfromfinancingactivities</b>			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
<b>Net cashflows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp;cash equivalents</b>		<b>-</b>	<b>(21,603,345)</b>
Cash And Cash Equivalents At 1 July 2024	12	108,155	21,711,500
<b>Cash And Cash Equivalents At 30 June 2025</b>	12	<b>108,155</b>	<b>108,155</b>

**Kisii Municipality**  
**County Government of Kisii**  
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**18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2025**

Description	Originalbudget	Adjustments	Finalbudget	Actualon comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	D	e=(c-d)	f=d/c
<b>Budget carryovers from the previous year</b>	-	-	-	-	-	-
<b>Receipts</b>						
Transfers from the County Government	433,981,549	-	433,981,549	284,226,763	149,754,786	65
Public contributions and donations	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Unspent balances	-	-	-	-	-	-
<b>Total Receipts</b>	<b>433,981,549</b>	<b>-</b>	<b>433,981,549</b>	<b>284,226,763</b>	<b>149,754,786</b>	<b>65</b>
<b>Payments</b>						
Use of goods and services	41,457,337		41,457,337	30,697,810	10,759,527	74
Board expenses	2,500,000		2,500,000	1,252,500	1,247,500	50
Staff Costs	95,000,000		95,000,000	204,062,583	(109,062,583)	215
Repair and Maintenance	4,000,000		4,000,000	799,530	3,200,470	20
<b>Total expenditure Payments</b>	<b>142,957,337</b>		<b>142,957,337</b>	<b>236,812,423</b>	<b>(93,855,086)</b>	<b>166</b>
<b>Capital Expenditure Payments</b>	<b>291,024,212</b>		<b>291,024,212</b>	<b>47,414,340</b>	<b>243,609,872</b>	<b>16</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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

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**Budget notes**

- a) Use of goods was underutilized as there was no disbursement from County exchequer.
- b) Board expenses was underutilized as there was no disbursement from County exchequer
- c) Repair and maintenance was underutilized as there was no disbursement from County exchequer

**Budget Reconciliation**

	<b>Description of Particulars</b>	<b>Amount in Kshs</b>
	Balance as per statement of budget and actuals	-
	Add balance b/f	108,155
	<b>Closing Cash and Cash Equivalent as per the statement of Cash flows</b>	<b>108,155</b>

**19. Notes to the Financial Statements**

**1. General Information**

Kisii Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 4<sup>th</sup> September, 2018 .The Municipality is under the County Government of Kisii and is domiciled in Kenya.

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies.

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

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

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**3. Application of New and revised standards (IPSAS)**

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

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

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

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43: Leases	<b>Applicable 1<sup>st</sup> January 2025</b> 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	<b>Applicable 1<sup>st</sup> January 2025</b> 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.
IPSAS45: Property Plant and Equipment	<b>Applicable 1<sup>st</sup> January 2025</b> 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 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.

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<p>IPSAS 46: Measurement</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b> The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS47: Revenue</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS48: Transfer Expenses</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS49: Retirement Benefit Plans</p>	<p><b>Applicable 1<sup>st</sup> January 2026</b> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
<p>IPSAS 50: Exploration For &amp; Evaluation of Mineral Resources</p>	<p><b>Applicable 1<sup>st</sup> January 2027</b> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> </ul>

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	<ul style="list-style-type: none"><li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li><li>iii. Disclosures that identify and explain the amounts in the entity's financial 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.</li></ul>
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**iii. Early adoption of standards**

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

**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**

The original budget for FY 2024/2025 was approved by the County Assembly on 30<sup>th</sup> June, 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Kisii Municipality upon receiving the respective approvals in order to conclude the final budget.

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.

**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.

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

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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 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

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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-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**o) Foreign currency transactions**

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

**p) Borrowing costs**

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

**q) Related parties**

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

**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.

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**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 period. 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.

### **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.

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**Notes to the Financial Statements**

**6. Transfers from the County Government**

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent		
Payments by County on behalf of the entity- Recurrent	236,812,423	229,294,901
Cash Deposit	-	700
<b>Total</b>	<b>236,812,423</b>	<b>229,295,601</b>

**7. Use of Goods and Services**

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Utilities, supplies and services	47,350,000	18,124,308
Communication, supplies and services		54,600
Domestic travel and subsistence	269,040	1,055,600
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	-	698,800
Rent and rates	-	-
Training expenses	-	-
Hospitality supplies and services	-	-
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	397,810	-
Fuel, oil and lubricants	1,000,000	1,991,132
Other operating expenses	-	-
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	4,000,000	-
Audit fees	-	-
Hire of Transport, equipment	-	-
Bank Charges	-	4,605
Social Benefit expenses	-	-
<b>Total</b>	<b>53,016,850</b>	<b>21,929,045</b>

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**8. Staff costs**

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Salaries and wages	174,844,320	181,036,024
Staff gratuity	-	-
Social security contribution	29,218,263	23,975,921
Other staff costs	-	-
<b>Total</b>	<b>204,062,583</b>	<b>205,011,946</b>

**9. Board expenses**

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	1,338,000	762,000
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	-
Conference Costs	-	-
Other allowances	-	-
<b>Total</b>	<b>1,338,000</b>	<b>762,000</b>

**10. Depreciation and amortization**

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Property, plant and equipment	39,384,681	-
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total depreciation and amortization</b>	<b>39,384,681</b>	<b>-</b>

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**11. Repairs and Maintenance**

Description	2024-2025	2023-2024
	KShs	KShs
Property- Buildings	-	-
Office equipment	-	-
Furniture and fittings	-	-
Motor vehicle expenses	2,703,114	2,104,015
Maintenance of civil works	-	-
<b>Total repairs and maintenance</b>	<b>2,703,114</b>	<b>2,104,015</b>

**12. Cash and cash equivalents**

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	108,155	108,155
Others	-	-
<b>Total cash and cash equivalents</b>	<b>108,155</b>	<b>108,155</b>

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

Financial institution	Account number	2024-2025	2023-2024
		Kshs.	Kshs.
<b>a) Current account</b>			
SBM bank	0252375439001	286	286
Equity Bank	0510280766471	107,869	107,869
<b>Sub- total</b>		<b>108,155</b>	<b>108,155</b>
<b>b) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
<b>Sub- total</b>		<b>108,155</b>	<b>108,155</b>
<b>Grand total</b>		<b>108,155</b>	<b>108,155</b>

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**13. Inventories**

	<b>2024-2025</b>	<b>2023-2024</b>
<b>Opening balance</b>	-	-
Additional Inventory in the year	-	-
Inventory expensed in the year	-	-
Write-downs in the year	-	-
Others specify	-	-
<b>Closing balance</b>	-	-

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**14. Property, Plant and Equipment**

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Infrastructural Assets	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>Depreciation Rate</b>								
<b>As at 1 July 2023</b>	-	53,919,752	1,400,000	3,806,643	2,498,262	313,925,844	4,755,564	380,306,065
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2024</b>	-	53,919,752	1,400,000	3,806,643	2,498,262	313,925,844	4,755,564	380,306,065
Additions for the year	-	-	-	-	-	48,205,942	-	-
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>	-	53,919,752	1,400,000	3,806,643	2,498,262	366,887,350	-	428,512,007
<b>Depreciation and impairment</b>								
<b>At 1 July 2023</b>	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-

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Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Infrastructural Assets	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>Depreciation Rate</b>								
Impairment	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-
<b>As at 30 June 2024</b>	-	-	-	-	-	-	-	-
Depreciation for the year	-	1,213,194	175,000	475,830	831,921	36,688,735	-	39,384,681
Disposals for the year	-	-	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>	-	1,213,194	175,000	475,830	831,921	36,688,735	-	39,384,681
<b>NBV as at 30<sup>th</sup> Jun 2024</b>	-	53,919,752	1,400,000	3,806,643	2,498,262	313,925,844	4,755,564	380,306,065
<b>NBV as at 30<sup>th</sup> Jun 2025</b>	-	52,706,558	1,225,000	3,330,813	1,666,341	330,198,615	-	389,127,326

**Note:** Included in the purchase of Plant, Property and Equipment addition for the year amount of Kshs. 48,205,942 is a payable of Kshs. 791,602.

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**15. Trade and Other Payables**

Description	2024-2025		2023-2024	
	Kshs.		Kshs.	
Trade payables	-		-	
Retentions	2,922,803		2,922,803	
Payables-Recurrent	24,308,124		-	
Payables- Development	791,602		-	
<b>Total trade and other payables</b>	<b>28,022,529</b>		<b>2,922,803</b>	
<b>Ageing analysis:</b>	<b>2024-2025</b>	<b>% of the Total</b>	<b>2023-2024</b>	<b>% of the Total</b>
Under one year	5,882,884	21	1,358,623	79
1-2 years	2,194,225	8	1,564,180	21
2-3 years	17,920,020	64	-	-
Over 3 years	2,025,400	7	-	-
<b>Total</b>	<b>28,022,529</b>	<b>100</b>	<b>2,922,803</b>	<b>100</b>

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**16. Cash generated from operations**

Description	2024-2025	2023-2024
	Kshs.	Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	<b>(63,692,805)</b>	<b>(512,105)</b>
<b>Adjusted for:</b>		
Depreciation	39,384,681	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	24,308,124	-
<b>Net cash flow from operating activities</b>	<b>-</b>	<b>(512,105)</b>

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**17. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Transfers from related parties'	-	-
Transfers to related parties	-	-

**c) Key management remuneration**

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Board Members	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
<b>Total</b>	-	-

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**e) Due to related parties**

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
<b>Total</b>	-	-

**18. Contingent liabilities**

Contingent liabilities	2024-2025	2023-2024
	Kshs.	Kshs.
Court case against the entity	-	-
Bank guarantees	-	-
<b>Total</b>	-	-

**19. Contingent Assets**

Contingent liabilities	2024-2025	2023-2024
	Kshs.	Kshs.
Court case against the entity	-	-
Others Specify	-	-
<b>Total</b>	-	-

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**20. 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.
<b>At 30 June 2025</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2024</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-

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Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

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 Municipality 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.
<b>At 30 Jun 2025</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 Jun 2024</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

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**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 on-going 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		<b>Other currencies</b>	<b>Total</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>At 30 June 2025</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
<b>Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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**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.
<b>2025</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2024</b>			
Euro	10%	-	-
USD	10%	-	-

**V. Interest rate risk**

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

**Management of interest rate risk**

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

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**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 Municipality:

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital/Development Grants/City/Municipality	-	-
Accumulated surplus	-	-
<b>Total Funds</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	-	-

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**20. Appendices**

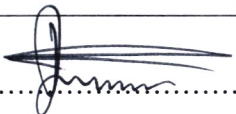
**Appendix 1. Progress on Follow up of Auditors Recommendations.**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.0	Unconfirmed revenue and staff costs amounts	The management is in the process of solving the matter	Not resolved	31 <sup>st</sup> January 2026
2.0	Unsupported board expenses	The management has solved the matter	Resolved	
	Budgetary control and performance	The management is in the process of solving the matter	Not resolved	31 <sup>st</sup> January 2026
1.0	Unjustified Payments of Consultancy fees	The management has solved the matter	Resolved	

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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
2.0	Anomalies in the upgrading of Jogoo-KARI-KIHBIT Road to bitumen standards	The management has solved the matter	Resolved	
3.0	Failure to maintain retention account	The management is in the process of solving the matter	Not resolved	31 <sup>st</sup> January 2026
4.0	Failure to operationalize the Kisii municipality charter	The management is in the process of solving the matter	Not resolved	31 <sup>st</sup> January 2026



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Name: Afuna Ondara

**Accounting officer of Kisii Municipality**

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