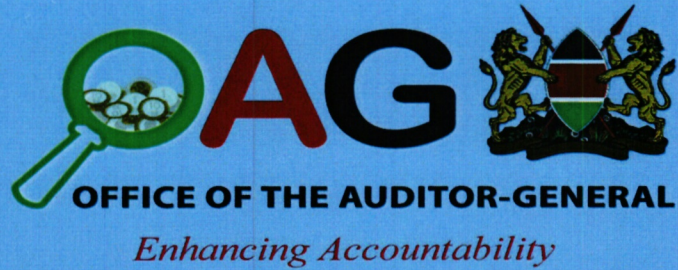


REPUBLIC OF KENYA



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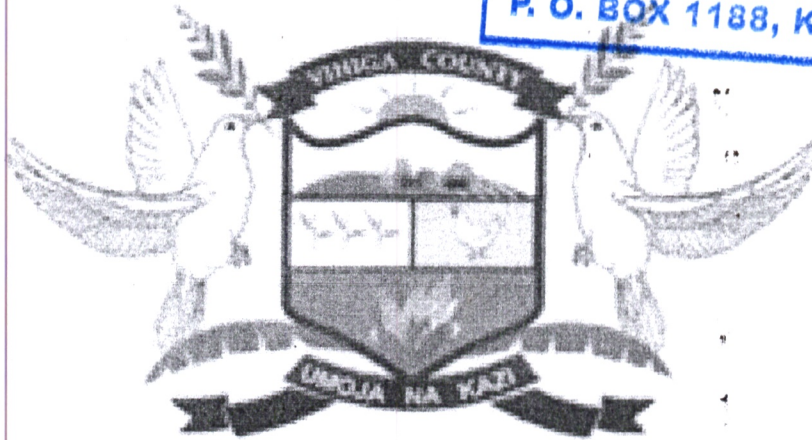
THE AUDITOR-GENERAL

ON

VIHIGA MUNICIPAL BOARD

**FOR THE YEAR ENDED
30 JUNE, 2022**

Issued 30th June 2022



**VIHIGA MUNICIPALITY
COUNTY GOVERNMENT OF VIHIGA**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR
ENDED 30TH JUNE, 2022**

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

County Government of Vihiga
Vihiga Municipality
Annual Report and Financial Statements for the year ended June 30, 2022

County Government of Vihiga
Vihiga Municipality
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1. Key Entity Information and Management

Background information

Vihiga Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Repeal Vihiga Municipal Charter of 2020. The Municipality is under the County Government of *Vihiga* and is domiciled in Kenya.

Principal Activities

The Fund's principal activity aims to facilitate a sustainable urbanization process through an integrated urban and regional planning management framework of Kenyan urban centres and towns. Aligned to that goal, the MTP identifies a series of investment programs to enhance infrastructure, connectivity and accessibility, safety and security. Developing the basic institutions required for effective urban management is critical to deliver these investments and for urbanization to contribute to sustainable growth in Kenya.

The fund's objective of the Kenya Urban Support Program is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya. Economic growth has been accompanied by rapid urbanization. Nonetheless Kenya remains under-urbanized. This means Kenya can still leverage the benefits of urbanization for improving economic opportunities and living conditions. The Government of Kenya has recognized the need to manage urbanization as part of its overall development strategy.

Kenya Vision 2030 Highlights Rapid Urbanization. As one of Four key challenges facing the Country. Within The Over-arching framework of vision 2030, the urbanization component of the Second Medium Term Plan (MTP2)

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Municipality Board

Ref	Position	Name
1.	Chair – Person & Independent member	Eng. Josephat Amadi
2	Vice Chair Person & independent member	Mrs. Dorcas Wodera
3	CECM, Physical Planning, Land & Housing/Executive Board Member	Hon. Lumbasio Henry
4	Chief Officer- Physical Planning, Land & Housing & Executive Board Member	Mr. Clement Manyulu
5	Chair-Finance Committee & Independent Board member	Prof - David Kikaya
6	Chair-Audit Committee & Independent Board member	Mr. Seth Ambale
7	Chair Social Services & Independent Board member	Mrs. Carolynne Andahi
8	Chair-technical Committee & Independent Board member	Mr. Isaac Nyamweno
9	Chair-procurement Committee & Independent Board Member	Mr. Nicholas Simani
10	Municipal Manager	Hon Andrew Ahuga
11	AG. Chief Officer- Physical Planning, Land & Housing & Executive Board Member	Mr. Hezekiah Nganyi

Key Management

Ref	Position	Name
1	Municipality Manager	Hon. Andrew Mwenesi
2	Accountant	Mr. Omukuya Richard
3	Environmentalist	Mrs. Alice Musuluve
4	Supply chain management officer	Mr. Ainea Angola
5	Internal auditor	Mrs. Sylvia Tekel
6	Administrator	Mrs. Wilberforce Lumumba
7	Engineer	Eng. Phares Adamba

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Vihiga Municipality

Annual Report and Financial Statements for the year ended June 30, 2022

a). Registered Offices

P.O. Box 344-50300 Maragoli
Dawn Towers Plaza
Kakamega-Kisumu Highway
Mbale, KENYA

Contacts

Telephone:(+254) 722952380

Website: www.vihigacountygo.ke

b). Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

Equity Bank of Kenya
Mbale branch
P.O. Box 60
Maragoli 50300

c). Independent Auditor



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

d).Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

County Attorney General
Vihiga County Government
P.o Box 344-50300
Maragoli, Kenya

2. Vihiga Municipality Board

Name	Details of qualifications and experience
<p>Eng. Josephat Amadi</p> 	<p>The Chairperson and independent member</p> <p>Eng. Josephat Amadi is a reputable and industrious engineer who has worked with KENHA and KURRA in different capacities he holds a Degree and masters in the same field. His zealous and superb performance made him rise in ranks at both KENHA and KURRA.</p> <p>At the said institutions he managed projects worth more than 500 Million and they were delivered successfully in different areas across the Country. He brings vast experience to Vihiga Municipal Board as both the Chairperson and project management and fund utilization. Born in 9th September, 1964</p>
<p>Mrs. Dorcas Wodera</p> 	<p>The vice chair person</p> <p>Mrs Wodera Dorcas is a seasoned Human Resource and Public Administration practitioner, she has a Master's degree in the same field, she served in various capacities in the National Government, and previously she served as the Vihiga County Transition Coordinator.</p> <p>She brings immense experience to Vihiga Municipal Board in areas of Human Resource management and Public administration. Currently she is the Vice chair and independent board member and Chairperson of the Human Resource Committee. Born in 11, June, 1956</p>
<p>Prof. Kikaya David.</p>	<p>Prof Amb. David Kikaya is a seasoned Diplomat who has served the Republic of Kenya in various capacities under the ministry of Foreign Affairs as an Ambassador. He lectures at the</p>



Mr. Seth Ambale Ambani

University of USIU. Currently he serves on various boards across the Country. He brings on board a vast experience in public Sector He is an independent Board Member & also the Finance Committee Chairperson. Born in 1st April, 1965



Principal Seth Ambale Ambani is a highly experienced High School Administrator and Manager. He holds a B. ED degree (Science) from Manitoba University in Canada in addition to Diploma in Education from Kenyatta University. He has undergone training in administration and management at Kenya Education Staff Institute (1990) and Kenya School of Government (2019). He brings a wealth of experience in administration and management to Vihiga Municipal Board where he is the Chairman of the Audit Committee and an independent member of the board born in 5th October, 1957

Mrs Carolyne Andahi



Mrs Carolyne Andahi is a career business woman with knowledge in business management. Currently CEO Precious Events. Director KNCCI-Vihiga. Holds a diploma in business management from university of Connecticut and certificate in Entrepreneurship from USIU. She is Vice Chair to the Board's Finance committee and a member of the Human Resource committee. She brings on board vast experience from the private sector. She is an independent member of the board. born in 14th December, 1972

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Planner Isaac Mamboh Nyamweno



Planner Isaac Mamboh Nyamweno, is a seasoned registered planner Phd Degree in Urban and Regional Planning from University of Jaramogi Oginga Odinga where he works as faculty member. He is also a lead expert in Environmental Impact assessment/Audit. He brings a wealth of experience in spatial planning and Project management to the Board. He is the Chairman of technical committee & a member of both Procurement and Research Committees. He is an independent member of the board. born in 18th February, 1969

Mr. Nicholas MagotsweSimani



Nicholas Magotswe Simani is a trained Development Economist and a Holder of a Master's Degree in Development Economics. In addition, Mr. Simani has pursued additional graduate courses in Agricultural Economic and Business Administration. He is a Lead Expert in Environmental Impact Assessment and Audits having been licensed in 2005. He brings a wealth of expertise and experience in Environmental Impact Assessments and Audits, Rural Development Economics, Business Administration and Agricultural Finance Planning to the Board, acquired during his 20 years at the Agricultural Finance Corporation. Mr. Simani is chairman of the Supply Chain Committee, a member of the Finance Committee and Technical Committee of the Board. He is an independent member of the board. born in 19th June, 1970

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Hon. Henry Lumbasio



CECM-Physical Planning Land & Housing/ Executive Board Member
A career civil servant who has worked in the public sector for quite a long time he has a degree in Land Economics and post graduate in Urban and Regional planning. he therefore brings on board the unique combination of both a Valuer and Physical Planner in the profession born in 23rd December, 1962

Hon. Andrew Ahuga Mwenesi



Municipal Manager/Secretary to the Board.
Graduated with a degree in Economics. Mr Andrew has served as Leader of Majority at the inaugural County Assembly of Vihiga. During his tenure he tabled important bills which helped lay a foundation for the County Government of Vihiga. He brings immense source of experience both in administration and management of Public Funds having pioneered various successful institutions such as schools and financial institutions / companies. The manager is the chief executive officer (CEO) of the board born in 24th January, 1966

10. Mr. Clement Manyulu



Chief Officer- Physical Planning Land & Housing/ Executive Board Member
A career civil servant who has worked in the public sector for quite a long time has a master's degree in public health and has worked in various departments as administrative head. born in 12th April, 1978





11. Mr. Hezekiah Nganyi



AG. Chief Officer- Physical Planning
Land & Housing/ Executive Board
Member

A career civil servant who has worked in the public sector for quite a long time he has a degree in Land Economics and a member professional surveyor. he therefore brings on board the unique combination of both a Valuer and Physical Planner in the profession born in 26th December, 1959

3. Management Team

Name	Details of qualifications and experience
<p>Hon. Andrew Ahuga Mwenesi</p> 	<p>Municipal Manager/Secretary to the Board. Graduated with a degree in Economics. Mr Andrew has served as Leader of Majority at the inaugural County Assembly of Vihiga. During his tenure he tabled important bills which helped lay a foundation for the County Government of Vihiga. He brings immense source of experience both in administration and management of Public Funds having pioneered various successful institutions such as schools and financial institutions / companies. born in 24th January, 1966</p>
<p>C.P.A. Livingstone Imbayi</p> 	<p>Chief Officer-Finance & Economic Planning, holds Masters in Finance and CPA- K A career civil servant who has worked in the public sector for quite a long time, previously he worked with the office of Controller of Budget before being appointed as the Chief Officer-Finance and Economic planning. He brings on board a vast experience in the Public Sector. born in 4th January, 1976</p>
<p>Mr. Clement manyulu</p> 	<p>Chief Officer- Physical Planning, Land & Housing/ Executive Board Member A career civil servant who has worked in the public sector for quite a long time has a master's degree in public health and has worked in various departments as administrative head. 12th April, 1978</p>
<p>Hon. Henry Lumbasio</p> 	<p>CECM-Physical Planning Land & Housing/ Executive Board Member A career civil servant who has worked in the public sector for quite a long time he has a degree in Land Economics and post graduate in Urban and Regional planning. he therefore brings on board the unique combination of both a Valuer and Physical Planner in the profession born in 23rd December, 1962</p>

4. BOARDCHAIRPERSON'S REPORT



The Vihiga Municipal Board comprises of resourceful individuals e.g., engineers, HR specialist, International Relations professor, planners, environmentalist, education principal and business person and economist.


The Vihiga Municipal Board has envisaged targets set out in Corporate Governance, The Vihiga County Strategic Plan, Urban Integrated Development Plan, Donor funded Annual Municipal Investment Plan and Budget, delegated functions from the Executive and opportunities with the County OSR.

The Municipality Charter defines roles, responsibilities and functions which are far reaching with respect to devolution. I trust that the records will demonstrate a scorecard in enforcing the charter to deliver improved service and livelihoods to residents of the urban area of

Vihiga.

The FY 2021/2022 carried a lot of enthusiasm in laying strong foundations via planning budgeting & capacity building in readiness for partnerships, investments, development under the principal/ agency relationship with the Vihiga County Government.

The municipal board undertook the following projects; beautification phase iii of Majengo, Mudete and Chavakali urban centres.


Eng. Josphat Amadi

CHAIRMAN- VIHIGA MUNICIPAL BOARD

5. REPORT OF THE ACCOUNTING OFFICER

Mbale Town is within the Vihiga Municipality and a capital of Vihiga County. It has the best plans which are outlined in relation to its planning activities which in turn will transform its outer look in the long term. A plan that will encompass social-economic and technological aspects in its implementation. This shall open up areas of investment, provision of housing, development and maintenance of sewerage lines; provision of high standards of education, improvement and developing of non-motorized walkways; improving on the existing green spaces e.g. Mbale Municipal Park, provisional of social amenity services.

A vibrant urban centre not only entices residents whereby they can access services at conveniences but also it provides many opportunities for investors and business.

On the above note; increased population of the Town (demographically), it would result to a growing economy of the town. It's imperative for a town to have working and strong economy as this will form a foundation for its development.

Urban investment is no longer tied to having a Central Business District whereby majorly all businesses take place from but virtually it has to encompass a wide range of opportunities i.e. for investment and development.

It's from this angle that we need to understand that higher demographic drives a higher demand for products and services. Thus, it would lead to a spill over effect of higher demand of eg. goods and services, housing among other essential services.

A smart town has to take care of its inhabitants thus had resulted in plans of upgrading of Mbale Municipal grounds into a recreational park. The park apart from offering relation atmosphere to the residents it will also be an income generating to the Municipality, upgrading of the existing walkways eg from Governor's office -Mbale-Equity to North End, construction of wetland behind Mbale prison, installation of High mast in the Municipality to improve on the security and improve also on the economy of the Town; Mbale, beautification of Majengo, Chavakali, & Mudete urban centres and other activities planned.

The above-mentioned programs will be pursued with vigor and aggressiveness to ensure they are achieved in both short and long-term basis. The Municipality is committed and hence it calls for support from the concerned stakeholders within and outside the Municipality of Vihiga.

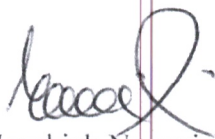
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The Boundaries of the Urban Area overseen to be the Vihiga Municipal Board includes the towns of Mbale (County HQs), Majengo, Chavakali and Mudete amongst many smaller markets and business centers.

The Vihiga Municipal Board secured a budget vote within the budget ceiling of the Department of physical Planning, Lands and Housing in the County budget of 2021/22 during the 1st supplementary budget.

The Vihiga Municipal Board has:

- (a) Prepared a KUSP Annual Investment Plan and budget 2021/22 which has been approved by the Vihiga County Assembly.
- (b) Participated in the County Budget cycle for 2021/22 FY.
- (c) Prepared and worked towards implementing an annual Work plan:
 - (i) Transfer of functions.
 - (ii) Spatial Planning
 - (iii) Budgetary and administrative independence
 - (iv) Staff recruitment. During the year the Municipality benefited from posting of an intern environmentalist posted under the National Hygiene Program and supported by the KUSP.
 - (v) Setting up efficient and accountable management structures.
 - (vi) The County Executive seconded permanent employees to the municipality i.e Accountant, Engineer, physical planner, ICT officer, supply chain management officer, economist, administrator, secretaries and registry clerks.
 - (vii) The county executive also furnished partitioned and paid rent for the municipal board offices located in Mbale town, at Dawn plaza.
 - (viii) The county facilitated the municipal manager training on urban development at Singapore during the year under review.
 - (ix) The county executive help the municipality met its budget constrains by funding the deficit with kshs.19,315,525



Mr. Hezekiah Nganyi
CHIEF OFFICER-PHYSICAL PLANNING LAND AND URBAN DEVELOPMENT

6. Statement of Performance against Predetermined Objectives for the FY 2021/2022

Introduction

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 Vihiga Municipality 2021-2022 plan are to:

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

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Urban planning	To control urban development	To create orderly development in urban areas	Number of developments conforming with rules and regulations governing urban development	In FY under review we beautify urban centres by 100%.
Quality physical infrastructure.	To control urban physical infrastructure	Design and develop quality urban physical infrastructure	Number of urban physical infrastructure that are sustainable and confirm with design and engineering standards	In the FY under review we developed urban physical infrastructure by 20%
Urban governance and administration	Manage urban governance and administration	Develop urban policy and programmes that align to the mission, vision and objective	Acquire software and develop systems that will improve on	During the FY under review the board developed several structures and

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Program	Objective	Outcome	Indicator	Performance
		of the municipal board	governance & administration	systems

7. Corporate Governance Statement

Development and upgrading of urban areas are on the upscale Course. Vihiga Municipality is making strides in ensuring it positions itself on a better competitive advantage over municipalities

We advise Vihiga Municipal Board and other stakeholders to leverage on professional support available across industries and sectors, to collaborate and create solutions to urban challenges. The stakeholders need to consider the Vihiga municipal as a whole in making investment and renewal decisions in order to maximize cross-sector synergies and avoid negative unintended consequences amongst them.

Finally, challenges and threats that are being faced by the Municipalities in this era can be transformed into opportunities that can improve the livelihood of the residents of Vihiga Municipality. We can start to explore in business activities that have leading solutions like the development of spatial planning, physical infrastructure, digital technology and social service provision.

Vihiga Municipal Board had five full board meetings; the meetings had the required quorum. Board members do not draw any remuneration from the Vihiga Municipal Board.

8. Management Discussion And Analysis

The management undertook the following projects during the year under review Calmos Enterprises Limited did pending works under beautification phase one and was paid kshs. 1,404,750.00 and a balance of kshs. 840,606.00 will be paid the subsequent year.

Tallons Africa Limited undertook upgrade of Mbale Munoywa Zimbalo road to bitumen standards and was paid kshs. 1,369,313.00 and kshs. 7,369,313.00. the board retained 2% value added tax and paid Kenya revenue authority kshs. 586,513.00 for VAT and kshs.1,020,532.00 for withholding tax

Chaju Builders Limited Construction beautification phase 2 and was paid kshs. 2,599,327.00 and kshs. 8,691,715.00 retention monies

Navola Green Consultancy Ltd for preparing Environmental Impact Assessment safety safe guards and was paid kshs. 1,492,414.00 and kshs. 1,492,414.00 VAT was paid to KRA amounting to kshs. 55,173.00 and consultancy fee of 5% kshs. 160,000.00

Tallons Africa Limited undertook beautification of Majengo, Mudete and Chavakali and was paid kshs. 4,722,872.00 kshs. 7,536,323.00 kshs. 15,104,480.00 and kshs. 22,140,357.00. the management withhold taxes at 3% kshs. 152,373.00 kshs. 501,945.00 kshs. 769,725.00 VAT at 2% kshs 442,371.00 Kshs.288,474.00 Kshs. 90,200.00 and 156,948.00 retention monies amounting to kshs. 2,822,264.00 is yet to be paid.

Atom Investment Ltd undertook Construction of wetland and bio digester and unpaid retention monies was kshs. 1,585,710.00

In-line with project implementation manual (POM).The municipality eligible areas include upgrading of the non motorised walkways, street lighting, fire stations, the municipality through citizens fora's prioritised the below mentioned projects, creation recreational park at Mbale. upgrading of the existing non -motorised walkways within the municipality urban centres.

9. Environmental and Sustainability Reporting

Vihiga Municipal Board exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on pillars: putting the residents/Citizen first, delivering environmentally friendly and relevant goods and services, and improving operational excellence.

Below is a brief highlight of our achievements in each pillar.

1. Sustainability strategy and profile

Some Mbale traders have occupying the newly constructed Mbale urban centre non - motorised sidewalks, hence hindering smooth flow of traffic

2. Environmental performance

The municipal board has constructed a wetland and bio-digester behind the Mbale prison, the wet land will address waste water from the nearby facilities, offices, business and residential areas of the urban centres, also the bio - digester which will produce environment friendly gases, will be a source of revenue to the County and also will be donated to the Mbale prison and referral hospital for various uses e.g. Cooking for patients and inmates.

3. Employee welfare

Employees of the municipality, have been trained on the project operation manual (POM) by World Bank, gem tool, urban areas and cities act, and other requisite policies and procedures.

Most of the employees are under permanent and pensionable terms of employment; they enjoy pension, gratuity, medical scheme by NHIF, and transport allowance.

4. Market place practices

a) Responsible competition practice.

There is fair competitive practice between municipalities and cities, where each municipality operates within its boundaries which are clearly marked.

b) Responsible Supply chain and supplier relations

The municipality procures for goods and services through E-procurement Platform and pays through IFMIS system. The management abides by the enabling legislations, the county government act, urban areas and cities act, public procurement act, public finance management act (PFMA) and project operation manual (POM)

c) Responsible marketing and advertisement

The management of the municipality through the County Public Service Board and County Executive advertises widely for newly created or vacant position. Also proposals for construction, supply and delivery, professional contracts are advertised through nationally circulated print media, the county website and the Kenyan gazette notices.

d) Product stewardship

Municipality usually safeguard consumer rights and interests by ensuring that there products are guided by professionals e.g Engineers, Accountants, land Surveyors, Quantity Surveyors, economists, legal officers e.t.c authorise by signing at payment vouchers, certificates, site minutes, evaluation minutes and guides municipality project implementations

5. Community Engagements

-during beautification phase of Majengo, Mudete and Chavakali urban centres the spoilt Cut off soil was donated for free to brick making groups within the municipality

-There were public FORA across the municipality; the aim of the public FORA was to engage the community on selection from Municipality IDEP projects to be implemented in the next financial year.

10. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Municipality affairs.

Principal activities

The principal activities of the Municipality aim to facilitate a sustainable urbanization process through an integrated urban planning management framework of Vihiga urban centres and towns. Align to the goal; the MTP identifies a series of investment programs to enhance infrastructure, connectivity and accessibility safety and security. Developing the basic institutions required for effective urban management is critical to deliver these investments and for urbanization to contribute to sustainable growth in Vihiga Municipality

Performance

The performance of the Municipality for the year ended June 30, 2022. Are set out on page 29-35

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Board Members

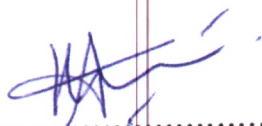
The members of the Board who served during the year are shown on page vii-x. The changes in the Board during the financial year are as shown below:

Outgoing name	Outgoing position	Incoming name	Incoming position
Hon. Lumbasio Henry	CECM Physical planning, Land, Housing & Urban Development	Hon. Paul Mbuni	CECM Physical planning, Land, Housing & Urban Development
Mrs Lucy Ijai	Chief Officer Physical planning, Land, Housing & Urban Development	Mr. Clement Manyulu	Chief Officer Physical planning, Land, Housing & Urban Development
Mrs Mwanaidi Abdi	Member of the board		
Mr Andrew Mwenesi	Member of the board		

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:

Secretary of the Board

11. 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, 2022. 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 City/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, 2022, 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


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systems of internal financial control. In preparing the financial statements, the Municipality Manager has assessed the Municipality's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

Nothing has come to the attention of the 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 Municipal financial statements were approved by the Board on 3rd October, 2022 and signed on its behalf by:

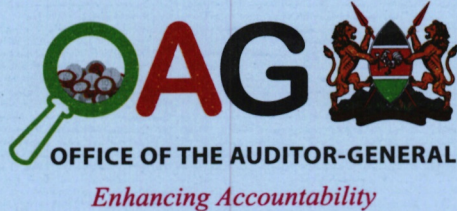

.....
Eng. J. O. Amadi

Name:

Chairperson of the Board


.....
Name: HEZEKIAH WANYIRI
**Chief Officer-Physical Planning Land and
Urban Development**

REPUBLIC OF KENYA



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Website: www.oagkenya.go.ke

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

REPORT OF THE AUDITOR-GENERAL ON VIHIGA MUNICIPAL BOARD FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the 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 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 Government achieves value for money and that such funds are applied for the intended purpose.
- 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, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

Disclaimer of Opinion

I have audited the accompanying financial statements of Vihiga Municipal Board set out on pages 26 to 56, which comprise the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other

explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Anomalies in the Financial Statements

Review of the financial statements revealed the following anomalies, including instances of non-compliance with the financial reporting template for cities and municipal boards, issued June, 2022, contrary to Section 164(1) of the Public Finance Management Act, 2012, which provides 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:

- i. The statement of financial performance and statement financial position reflect balances which, despite being in agreement with the balances shown in the trial balance, differ with corresponding balances reflected in the ledger.
- ii. Further, the two statements reflects three comparative balances which differ with corresponding closing balances disclosed in the previous year's audited financial statements, resulting in adjustments or variances as follows:

	Prior Year Balance (Kshs.)	Reported Opening Balance (Kshs.)	Adjustment (Kshs.)
Transfer from County Government	259,750,700	8,800,000	250,950,700
Capital Fund	93,850,192	344,800,892	(250,950,700)
Surplus for the Year	249,772,874	(1,177,826)	248,595,048

However, prior period disclosure notes supporting the adjustments were not provided for audit.

- iii. The statement of cash flows reflects use of goods and services amount of Kshs.724,395, while the statement of comparison of budget and actual amounts discloses a corresponding amount of Kshs.360, resulting in an unexplained variance of Kshs.724,035.
- iv. The Management discussion and analysis report does not disclose all the projects carried out by the Board during the year. It also does not disclose the operational and financial performance of the Board during the year; the Board's compliance with statutory requirements; and major risks facing the Board, material arrears in statutory and other financial obligations as required by the Public Sector Accounting Standards Board.

- v. The statement of changes in net assets reflects funds received during the year amount of Kshs.84,324,535, being transfers from the County Government of Vihiga. This is contrary to the prescribed reporting template, which requires transfers from the County Government to be disclosed in the statement of financial performance under revenue from non-exchange transactions.
- vi. The page numbering in the financial statements is erroneous as the numbering starts from page 26, instead page 1.

In the circumstances, the accuracy and fair presentation of the financial statements could not be confirmed. Also, Management was in breach of the law.

2. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.568,313,513 as disclosed in Note 8 to the financial statements. However, the following audit issues were noted:

2.1. Unsupported Expenditure on Acquisition of Assets

The balance of Kshs.568,313,513 includes additions amount of Kshs.83,661,240 out of which, an amount of Kshs.21,636,713 was paid to two contractors towards the upgrading of Mbale-Muronywa-Zimbolo Road to bitumen standards, and beautification of Mable town Phase 2. However, apart from payment vouchers, other documents supporting the latter amount were not provided for audit.

2.2. Failure to Charge Depreciation on Property, Plant and Equipment

The balance of Kshs.568,313,513 represents the cost of the listed assets. However, although the financial statements were prepared on accrual basis of accounting, no depreciation or impairment had ever been charged on these assets. This was non-compliance with IPSAS 17 on property, plant and equipment.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.568,313,513 and the validity of the expenditure of Kshs.21,636,713 could not be confirmed.

3. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actuals on comparable basis amounts of Kshs.92,685,790 and Kshs.84,324,535 respectively, resulting in an under funding of Kshs.8,361,255 or 9% of the budget. Similarly, the Board expended Kshs.83,661,600 against an approved budget of Kshs.92,711,934, resulting to an under expenditure of Kshs.13,573,439 or 15% of the budget.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1. Non-compliance with the Urban Areas and Cities Act, 2011 on Development of Integrated Development Plans for Urban Areas and Cities

Review of the Vihiga Municipality Integrated Development Plan (VCIP) prepared in accordance with the provisions of the urban areas and cities Act, 2011 revealed the following anomalies and/or omissions:

- i. The VCIP provided for audit did not have: a framework for affirmative action, detailing identified communities that do not have access to basic services; determined affirmative action measures required to ensure marginalized communities access the equalization funds; and the Board's strategies priorities and objectives, including economic goals considered for affirmative action in relation to marginalized groups' access to services.
- ii. Although Section 39(3)(a) of the Urban Areas and Cities Act, 2011 requires that a notice be given to the public within fourteen (14) days from the date of adoption of an Integrated Development Plan, evidence to conform that this law was complied with was not provided for audit.
- iii. Section 42 of the Urban Areas and Cities Act, 2011 requires that an annual review of the Integrated Development Plan be conducted to assess performance against the key performance indicators and performance targets. However, there was no evidence that this requirement was met as the annual Monitoring and Evaluation Reports were not provided for audit.

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

2. Stalled Street Lighting Project

As previously reported, the Municipality had contracted a supplier to supply, install, test and commission five high mast lights at a cost of Kshs.211,115,858. The contract was to take a period of eighteen (18) weeks from 2 June, 2020. However, the supplier had been paid a sum of Kshs.20,037,750 as at 30 June, 2021 and no additional budgetary allocation was set aside for the project in the year under review, implying that the project had been abandoned. Further, audit inspection revealed that the masts had not been labelled and the project was not operational.

In the circumstances, value for money of the expenditure of Kshs.20,037,750 could not be confirmed.

3. Failure to Hold a Minimum of Four (4) Board Meetings

Review of the Board meeting minutes revealed that the Board only held three (3) meetings in the year instead of four (4) as required by the Vihiga Municipality Charter. Further scrutiny of the minutes revealed that 2 out of 3 Board meeting minutes were not signed by the chairman and secretary of the Board, an indication that they had not been confirmed to be true records of proceedings.

In the circumstance, the board did not discharge its oversight mandate as required by the law.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1) (a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

Lack of Annual Audit Work Plan an Internal Audit Reports

Scrutiny of the Internal Audit Function revealed that the Internal Audit Department did not have Internal Audit Charter to guide the internal auditor on his role, responsibilities and authority. Also, an annual work plan had not been developed and, therefore, there was no evidence to confirm activities planned for the year by the Internal Auditor. The Internal Auditor failed to undertake Internal Audit as no internal audit report was prepared and shared with the Audit Committee on the state of risk management, control and governance within the organization.

In the circumstances, the effectiveness of internal controls, risk management and governance within the Board could not be confirmed.

Responsibilities of 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 control 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 control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting, unless Management is aware of the intention to terminate the Board or 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 are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Board'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 International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Vihiga Municipal Board Management in accordance with ISSAI 130 on 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 June, 2023

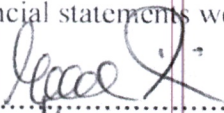
Report of the Auditor-General on Vihiga Municipal Board for the year ended 30 June, 2022


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13. Statement of Financial Performance for The Year Ended 30 June, 2022.

	Notes	2021/22	2020/21
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	0	8,800,000
Total revenue		0	8,800,000
Expenditure			
Finance cost	9	(5,460)	0
Communication, supplies & services	9	(724,395)	0
Domestic travel and subsistence	9	0	(9,977,826)
Total use of goods services expense	9	(729,855)	(9,977,826)
Surplus/(deficit) for the period		(729,855)	(1,177,826)

The notes set out on pages 33 to 57 form an integral part of this Financial Statements. The entity financial statements were approved on 27 February, 2023 and signed by:


 Name: **EZEKIAH NGANI**
 Chief Officer-Physical Planning Land and Urban Development

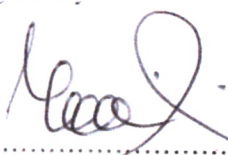

 Name: **GEORGEY A. MWANGI**
 Head of Finance

ICPAK M/No 22616

14. Statement of Financial Position as At 30 June 2022

	Note	2021/22	2020/21
		Kshs.	Kshs.
Assets			
Current Assets			
Cash and cash equivalents	7	12,884,944	7,702,924
Total current Assets		12,884,944	7,702,924
Property, plant, and equipment	8	568,313,513	484,652,273
Total Assets		581,198,457	492,355,197
Liabilities			
Current Liabilities			
Retention monies		(5,248,580)	0
Total Liabilities		(5,248,580)	0
Net Assets		575,949,877	492,355,197
Capital fund		429,125,427	344,800,892
reserves		-	0
Accumulated surplus		146,824,451	147,554,306
Total net Assets and Liabilities		575,949,878	492,355,198

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 3rd October, 2022 and signed by:



Name: **HESKIAH NGANI**
Chief Officer-Physical Planning Land and
Urban Development

Date: **18/4/23**

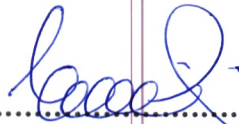



Name: **EOPHREY AICHO**
Head of Finance

ICPAK M/No **22616**
Date: **18/3/2023**

15. Statement of Changes in Net Assets As At 30 June 2022

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2020	93,850,192		148,732,132	242,582,324
Surplus/(Deficit) For the Period	-		(1,177,826)	(1,177,826)
Funds Received During the Year	250,950,700			250,950,700
Transfers				0
Revaluation Gain				0
Balance As At 30 June 2021	344,800,892		147,554,306	492,355,198
				0
Balance As At 1 July 2021	344,800,892		147,554,306	492,355,198
Surplus/(Deficit) For the Period		-	(729,855)	(729,855)
Funds Received During the Year	84,324,535	-	-	84,324,535
Transfers				0
Revaluation Gain				0
Balance As At 30 June 2022	429,125,427	0	146,824,451	575,949,878


.....
Name: **Hezekiah Nganyi**
Chief Officer-Physical Planning Land and Urban Development


.....
Name: **GEORGEY A. NJIRU**
Head of Finance
ICPAK M/No **22616**

16. Statement of Cash Flows for the Year Ended 30 June 2022

	Note	2021/22	2020/21
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government	9	84,324,535	259,750,700
Total Receipts		84,324,535	259,750,700
Payments			
Bank charges	9	(5,460)	(41,970)
Use of goods and services	9	(724,395)	(9,935,856)
Total Payments		(729,855)	(9,935,856)
Net cash flows from operating activities		83,594,680	249,814,843
Cash flows from investing activities			
Purchase of PPE & intangible assets	8	(83,661,240)	(359,227,572)
Net cash flows used in investing activities		(83,661,240)	(359,227,572)
Adjust for			
Increase/(decrease) in accounts payable		5,248,580	-
Net increase/(decrease) in cash & cash equivalents		5,182,020	(109,454,698)
Cash And Cash Equivalents At 1 July		7,702,924	117,157,623
Cash and cash equivalent as at 30 th June	7	12,884,944	7,702,924

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Name: **EZEKIAH NGANI**
Chief Officer- physical planning, land,
housing & urban planning



Name: **GEOFFREY AYIECHO**
Head of Finance
ICPAK M/No **22616**

17. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%
Transfers from the County Government	92,685,790	-	92,685,790	84,324,535	8,361,255	91%
Total Revenue	92,685,790	-	92,685,790	84,324,535	8,361,255	91%
Expenses	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	%
Acquisition of assets	92,685,790	-	92,685,790	83,661,240	9,024,550	90%
Use of goods and services	26,144	-	26,144	360	25,784	1%
Total Expenditure	92,711,934	0	92,711,934	83,661,600	9,050,334	90%

Budget notes

General expenses under –performance by 1 percent

The under –performance was due to management had deliberately maintained the bank running balance to ensure the account is not dormant and the management can be able to prepare statement of expenditure quarterly (SOE's as required by the donor world bank) using the bank statements that usually attract bank charges and also use the bank statements that attract bank charges to prepare books of original entry and to avail to internal and external auditors when need.

Use of goods and services under –performance by 90 percent

Was due to the statutory defect liability period that requires that retention monies cannot be paid until the period has elapsed.

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Name: HERIBAH NGANI

Chief Officer- physical planning, land,
housing & urban planning

Date: 18/4/23



Name: A. N. N. N.

Head of Finance

ICPAK M/No 22616

Date: 18/3/2023

18. Notes to the Financial Statements

1. General Information

Vihiga Municipality is established by and derives its authority and accountability from urban and cities areas Act. 2016. The Municipality is a semi autonomous entity within the Vihiga County Government and is domiciled in Kenya.

The entity's principal activities aim to facilitate a sustainable urbanization process through an integrated urban planning management framework of Vihiga urban centres and towns. Align to the goal; the MTP identifies a series of investment programs to enhance infrastructure, connectivity and accessibility safety and security. Developing the basic institutions required for effective urban management is critical to deliver these investments and for urbanization to contribute to sustainable growth in Vihiga Municipality

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 areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, urban and cities areas Act. 2016. and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

(Notes to financial statements continued)

3. Application of New and revised standards (IPSAS)

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity;</p>

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	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement,</p>

	<p>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.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>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:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022

(Notes to financial statements continued)

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 City/Municipality and can be measured reliably.

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021/22 was approved by the County Assembly on 6th June, 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality did not recorded additional appropriations of following the governing body's approval.

The Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial

(Significant accounting policies continued)

statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts,

prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 1 of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the City/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) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and Receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Municipality has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The City/Municipality assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the City/Municipality of financial assets that can be reliably estimated asset or the entity of financial assets that can be reliably estimated.

(Significant accounting policies continued)

Evidence of impairment may include the following indicators:

- *The debtors or an entity of debtors are experiencing significant financial difficulty*
- *Default or delinquency in interest or principal payments*
- *The probability that debtors will enter bankruptcy or other financial reorganization*
- *Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

f) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

(Significant accounting policies continued)

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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.

(Significant accounting policies continued)

g) Provisions

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

h) 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

i) Contingent assets

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

(Significant accounting policies continued)

reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

j) Nature and purpose of reserves

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

k) 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.

l) Employee benefits– Retirement benefit plans

The City/Municipality provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the City/Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the City/Municipality does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to scheme obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefits are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported in the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting

(Significant accounting policies continued)

of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) 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.

o) 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 Administration.

p) 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. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

q) Comparative figures

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

(Significant accounting policies continued)

r) 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 is indicative of conditions that arose after the reporting date (*non-adjusting events after the reporting date*).

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

s) Currency

The financial statements are presented in Kenya Shillings (Kshs.).

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made e.g ;

Estimates and assumptions

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

Municipality. Such changes are reflected in the assumptions when they occur.

(Significant accounting policies continued)

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	2021/22	2020/21
	Kshs.	Kshs.
Transfers from County Govt.	0	8,800,000
Total	0	8,800,000

Transfers from the County Government of kshs. 84,324,535 is reported in Statement of Changes in net Assets

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

Financial institution	Account number	2021/22	2020/21
		Kshs.	Kshs.
Vihiga County KUSP UDG Account- CBK	1000388037	0	0
Vihiga County KUSP UIG Account- CBK	1000379917	0	0
Vihiga Municipality KUSP-UDG FUND -Equity bank	0960278950347	12,859,160	7,676,780
Vihiga Municipality KUSP-UIG FUND-Equity bank	0960278950377	25,784	26,144
	Total	12,884,944	
Total cash and cash equivalents			7,702,924

- Bank charges Vihiga Municipality KUSP-UIG FUND-Equity bank account number - 0960278950377 was kshs. 360 i.e kshs. 26,144 less kshs. 25,784

(Notes To The Financial Statements Continued)}

8. Property, Plant and Equipment

	Infrastructure and civil works	Motor vehicles	Furniture and fittings	Computers and Office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2020	105,497,616	19,475,001	0	452,084	125,424,701
Additions	346,311,572	12,916,000	0	0	359,227,572
Disposals	0	0	0	0	0
Transfers/Adjustments	0	0	0	0	0
At 30th June 2021	451,809,188	32,391,001	0	452,084	484,652,273
At 1st July 2021					
Additions	83,661,240	0	0	0	83,661,240
Disposals	0	0	0	0	0
Transfer/Adjustments	0	0	0	0	0
At 30th June 2022	535,470,428	32,391,001	0	452,084	568,513,513
Depreciation And Impairment					
At 1 st July 2020					
Depreciation					
Impairment					
At 30th June 2021					
At 1st July 2021					
Depreciation					
Disposals					
Impairment					
Transfer/Adjustment					
At 30th June 2022					
Net Book Values					
At 30th June 2021	451,809,188	32,391,001	0	452,084	484,652,273
At 30th June 2022	535,470,428	32,391,001	0	452,084	568,513,513

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9. Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
Communication, supplies and services	724,395	0
Domestic travel and subsistence	0	9,977,826
Finance costs	5,460	0
Total	729,855	9,977,826

Depreciation of has not been charged on Assets due to the municipality lacks depreciation policy

(Notes to the Financial Statements Continued)

Other Disclosures

10. Related party balances

a) Nature of related party relationships

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

- a) The Vihiga County Government.
- b) The department of Physical Planning, Land Housing and Urban Development.
- c) Vihiga County Assembly.
- d) Key management.
- e) Municipality Board

b) Related party transactions

	2021/22	2020/21
	Kshs.	Kshs.
Transfers from related parties'	84,324,535	259,750,700
Transfers to related parties	84,324,535	259,750,700

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c) Due from related parties

	2021/22	2020/21
	Kshs.	Kshs.
Due from parent Ministry	0	00
Due from County Government	0	259,750,700
Total	0	259,750,700

(Other Disclosures continued)

d) Due to related parties

	2021/22	2020/21
	Kshs.	Kshs.
Due to parent Ministry	0	0
Due to County Government	0	0
Due to Key management personnel	00	00
Due to County Assembly	00	00
Due to contractors(retention monies	5,248,580	0
Total	5,248,580	0

11. 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 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:

19. Annexes

Annex 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Anomalies in presentation of financial statements	The anomalies were amended	resolved	1 week
2	Incorrect comparable amounts	These amount fall under prior year amends	resolved	1 month
3	Inconsistencies in notes to the financial statements	The notes have been amended according to IPSAS standards	resolved	2 month
4	Trial balance	The trial balance have been prepared and presented for audit review	resolved	1 month
5	Erroneous treatment of transfers from county government	The error has been amended in the financial statement according to IPSAS standard	resolved	1 week
6	Unsupported cash and cash equivalents	Bank reconciliation have been availed for audit verification	resolved	1 month
7	Inconsistence in financial statements	The inconsistence have been amended	resolved	1 month



To be signed by the Accounting officer of the Entity

Annex 2: Inter Entity Transfers

VIHIGA MUNICIPAL BOARD				
Breakdown of Transfers from the County Executive of Vihiga County fy 2021/2022				
FY 2021/2022				
a.	Recurrent Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
		n/a	0	n/a
		Total	0	
b.	Development Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
		1-11-2021	65,009,010	2021/2022
		Total	65,009,010	
c.	Direct Payments	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
		27-04-2022	19,315,525	2021/2022
		Total	84,324,535	

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

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Annex 3: Reporting of Climate Relevant Expenditures

Name of the Organization vihiga county government

Telephone Number

Email Address

Name of CEO/MD/Head

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

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

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Annex 4: Disaster Expenditure Reporting Template

Date:

Entity

Period to which this report refers (FY)	Year	Quarter				
Name of Reporting Officer						
Contact details of the reporting officer:	Email	Telephone				
Column I Programme	Column II Sub-programme	Column III Disaster Type	Column IV Category of disaster related activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Column V Expenditure item	Column VI Amount (Kshs.)	Column VII Comments

TRIAL BALANCE FOR VIHIGA MUNICIPALITY FY 2021/2022

s/n	Details	DR	CR
1	Transfer from the county government		84,324,535
2	Fund balance B/F		7,702,924
3	retention		5,248,580
4	General Expenses	724,395	
5	Bank Charges	5,460	
6	Closing bank balances		
7	Vihiga Municipality KUSP-UDG FUND-Equity bank-0960278950347	12,859,160	
8	Vihiga Municipality KUSP-UIG FUND-Equity bank-0960278950377	25,784	
9	property plant and equipment	83,661,240	
	Total	97,276,039.00	97,276,039.00

DESCRIPTION	AMOUNT	
SUPPLY OF LAPTOPS AND ICT EQUIPMENTS	452,084.00	
supply and delivery of skip loader 10 tonnes complete with litter bin sahara beige(57c) vehicle number JALFVR23MF7000	9,459,052.00	
supply and delivery of exhauster 10 tonnes VIN NO JALFTR33HF7001944 ENGINE NO 496197	9,008,621.00	
supply and delivery of exhauster & skip loader 10 tonnes	671,551.00	
KRA 2% VAT suzu east africa ltd	335,777.00	
supply and instalation of high mast floodlights	14,632,305.00	
10% RETENTION	146,323.00	
3% WITHHOLDING TAX (RAJ ELECTRICALS)	536,457.00	
6% VAT (RAJ ELECTRICALS)	924,925.00	
BEAUTIFICATION (PHASE 1)	10,158,428.00	
KRA 3% kasumo enterprise	372,433.00	
KRA 6% kasumo enterprise	642,126.00	
consultancy services for environmental and social impact study within vihiga municipality	9,492,599.00	
KRA 6% VAT shomax consulting engineers ltd	546,599.00	
KRA 5% shomax consulting engineers ltd	528,379.00	
construction of waste water wetland and biodigester	3,873,870.00	
10% RETENTION	454,238.00	
KRA 3% withholding Atom investments	136,272.00	
KRA 6% VAT Atom investments	78,318.00	
supply and instalation of high mast floodlights (retention)	1,788,187.00	
BEAUTIFICATION (PHASE 1)	3,945,227.00	
KRA 3% withholding kasumo enterprises ltd	138,793.00	
KRA 2% VAT kasumo enterprises ltd	79,766.00	
construction of waste water wetland and biodigester	4,082,555.00	
CONSULTANCY SERVICES	5,278,264.00	
6% VAT	303,931.00	
5% professional fees	293,800.00	
pending works under beautification phase one	1,404,750.00	
pending works under beautification phase one retention monies	840,606.00	
upgrade of mbale munoywa zimbalo road to bitmun standards	1,369,313.00	
upgrade of mbale munoywa zimbalo road to bitmun standards	7,369,313.00	
3% withholding tax	1,020,532.00	
2% VAT	586,513.00	
beautification phase 2	2,599,327.00	
beautification phase 2	8,691,715.00	
EISA	1,492,414.00	
EISA	1,492,414.00	
2% VAT	55,173.00	
5% professional fees	160,000.00	
beautification of majengo, mudete and chavakali	4,722,872.00	
beautification of majengo, mudete and chavakali	7,536,323.00	
beautification of majengo, mudete and chavakali	15,104,480.00	
beautification of majengo, mudete and chavakali	22,140,357.00	
3% withholding tax	152,373.00	
VAT 2%	90,200.00	
3% withholding tax	265,128.00	
VAT 2%	156,948.00	
VAT 2%	288,474.00	
3% withholding tax	501,945.00	
3% withholding tax	769,725.00	
VAT 2%	442,371.00	
beautification of majengo, mudete and chavakali	2,822,264.00	
Construction of wetland and biodigester	1,585,710.00	
supply and instalation of high mast floodlights	43,600,000.00	
	6%	1,308,000.00
	10%	4,360,000.00
	3%	2,255,172.40
fabrication,transportation and instalation of garbage bins	9,372,800.00	
	6%	281,184.00
	10%	93,728.00
	3%	484,800.00

consultancy services for environmental and social impact study within vihiga municipality		8,721,360.00
	5%	502,190.00
	6%	485,450.00
consultancy services for environmental and social impact study within vihiga municipality		8,721,360.00
	5%	502,190.00
	6%	485,450.00
2020/2021		0
WETLAND AND BIODIGESTER		4,082,555.00
beautification phase 2		21,111,585.00
beautification phase 2		49,494,929.00
	2%	82,543.00
	3%	222,690
	2%	143,625
	3%	1,107,939
	2%	1,927,813
BEAUTICATION PHASE 2		95,318,070
upgrade of mbale munoywa zimbalo road to bitmun standards		14,821,180
CONSULTANCY SERVICES ON ENGINEERING DESIGN, EISIA, DRAWINGS OF MUNICIPAL URBAN CENTRES		4,828,499.00
compacting truck		12,693,310.00
	2%	264,190
	2%	91,098
CONSULTANCY SERVICES ON ENGINEERING DESIGN, EISIA, DRAWINGS OF MUNICIPAL URBAN CENTRES		100,000.00
3% WITHHOLDING		3,538,961
2% VAT		2,033,886
upgrade of mbale munoywa zimbalo road to bitmun standards		30,172,693
SKIP LOADER		671,551
2% VAT		78,318
upgrade of mbale munoywa zimbalo road to bitmun standards		71,409,866
2% VAT		138,793
3% WITHHOLDING TAX		136,272.00
2% VAT		79,766
CONSULTANCY SERVICES For environmental and social impact study engineering Design, drawings		9,492,599.00
	5%	528,378.00
	6%	546,599.00
TOTAL		568,313,512.40