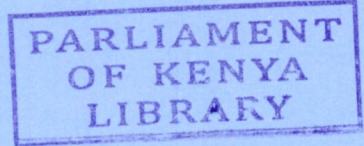


REPUBLIC OF KENYA



Administrator



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**MERU MUNICIPALITY**

**FOR THE YEAR ENDED**

**30 JUNE, 2025**

PAPERS LAID	
DATE	27/11/25
TABLED BY	S M L
COMMITTEE	—
CLERK AT THE TABLE	Ms. Nabalayo

**COUNTY GOVERNMENT OF MERU**

Revised 30<sup>th</sup> June 2025



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**MERU MUNICIPALITY**  
County Government of Meru

**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)**

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

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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

**B. Definition of Key Terms**

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

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

## **2. Key Entity Information and Management**

### **a) Background information**

Meru 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 12<sup>th</sup> June 2018. The Municipality is under the County Government of Meru and is domiciled in Kenya.

### **b) Principal Activities**

#### **Vision of Meru municipality:**

To be a tread-setting, dynamic Municipality delivering quality services.

#### **Mission**

To render affordable quality services, promote prosperity and facilitate social economic development through application of transparent corporate governance, integrated development planning, skills and sustainable use of resources

The principal mandate of Meru Municipality is to:

- Promote regulate and provide refuse collection and solid waste management services
- Maintenance of urban roads and associated infrastructure
- Maintenance of storm drainage and flood controls
- Maintenance of walkways and other non-motorized transport infrastructure
- Maintenance of recreational parks and green spaces
- Maintenance of street lighting
- Maintenance and regulation of traffic controls and parking facilities
- Maintenance of bus stands and taxi stands
- Regulation of outdoor advertising
- Maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management
- Promotion, regulation and provision of municipal sports and cultural activities
- Promotion, regulation and provision of animal control and welfare
- Enforcement of municipal plans
- Maintenance of administrative offices

### **c) Key Management**

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

- County Executive Committee Member - Department of Lands, Physical planning, Urban Development, Housing and Public Works
- Meru Municipality Board
- Chief Officer- Department of Lands, Physical planning, Urban Development, Housing and Public Works

**County Government of Meru**

**Meru Municipality**

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

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- Municipality Manager

**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:

Ref	Position	Name
1	Municipality Manager	Dr. Jotham M. Kirimi
2	Director of Planning	Ms. Elizabeth Mburu
3	Head of Administration Services	Ms. Rahab Gatwiri
4	Head of Social Services	Ms. Joseph Mutunga
5	Head of Enforcement Services	Mr. Peter Muriuki
6	Head of Supply Chain Management	Ms. Winnie Karimi
7	Head of Accounts	Ms. Hellen Kairuthi

**e) Fiduciary Oversight Arrangements**

*[Provide a high-level description of the key fiduciary oversight arrangements covering (say)]:*

- i) Audit, Risk and Compliance Committee
- ii) County Assembly committees
- iii) Committees of the Senate
- iv) County Internal Audit

**f) Registered Offices**

P. O. Box 120 -60200  
Consolidated Bank Building  
Moi Highway  
Meru, KENYA

**g) Contacts**

Telephone: (+254) 725935270  
E-mail: [merumunicipality12@gmail.com](mailto:merumunicipality12@gmail.com), [merumunicipality@meru.go.ke](mailto:merumunicipality@meru.go.ke)  
Website: [www.merumunicipality.meru.go.ke](http://www.merumunicipality.meru.go.ke)

**h) Bankers**

Commercial Banks  
KCB Bank -Meru Branch  
A/C No. 1334800685

**i) Independent Auditor**

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

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

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**j) Principal Legal Adviser**

The County Attorney

County Law Office



County Hqs



P.O. Box 120-60200



City Square 00200

Nairobi, Kenya

3. Municipality Board

Serial No.	Name	Details of qualifications and experience
1	 <p><b>Mr. Joshua kiriti Mungania</b></p>	<p>Joshua is a seasoned public administrator. He is a holder of Masters in Project Management and Bachelor of Arts from the University of Nairobi. He has attended several short courses which includes Senior Management Course, Advanced Public Administration and a Paramilitary Course at the Administration Police Training college in Embakasi.</p> <p>He is also a member of the Occupation Council Tharaka University; the Chairman Chamber of Commerce, Meru; a Board Member, Meru Level Five Hospital; and a renowned Businessman.</p>
2	 <p><b>Jackline Kendi Kimathi</b></p>	<p>Jackline Kendi Kimathi is an accomplished legal professional, public secretary, and certified accountant with a rich and diverse background in law, governance, and business advisory.</p> <p>She is a Managing Partner at Kimathi &amp; Muchiri Advocates, she brings over a decade of progressive legal experience, ranging from corporate compliance and litigation to constitutional law and legal research. Kendi holds a Bachelor of Laws (LL.B Hons) from the University of Nairobi. She is a finalist in both the Certified Public Accountants (CPA) and Certified Public Secretaries (CPS) programs.</p> <p>Jackline is a member of good standing in several professional bodies, including the Law Society of Kenya (LSK), the Federation of Women Lawyers (FIDA Kenya), and is an associate member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p>



3	 <p><b>Mr. Joseph Kaburu Mbogori</b></p>	<p>Mbogori is a seasoned Human Resource practitioner with a bachelor's degree in Business Administration, majoring in Human Resource Management. He also has attended several short courses namely; Senior Management, KEBS Assessment and Examination ISO 9001-2015 Internal Quality Auditor, Supervisory Management Course, NEMA -Environment Compliance Auditor and Performance Management for PAS Supervisors.</p> <p>He has a wealth of experience from the Kenya Forest Department where he was employed in 1919 as a Clerical Officer and raised through the ranks to a Human Resource Management Administrator. He joined Kenya School of Government 2006 as a Human Management Resource Officer until his retirement in 2020.</p>
4	 <p><b>Mr. Charles Kibiti Ikunyua</b></p>	<p>Charles is a retired civil servant and accomplished Animal Scientist with over 33 years of distinguished service in Kenya's public sector with an immense contribution in livestock development and agricultural extension services in the country.</p> <p>He has served as the Provincial Director of Livestock Development in Eastern Province, based in Embu, where he oversaw livestock production activities in partnership with farmers across multiple districts (now counties).</p> <p>Charles holds a Bachelor of Science in Animal Science from California Polytechnic State University, USA, a Diploma in Animal Science from Egerton University, Kenya and a Diploma in Poultry Science from Barneveld College, The Netherlands. He also holds a Certificate in Ruminant Nutrition in the Tropics from Hoinehem University, Germany.</p> <p>He served as a Board Member of Nkabune Technical Institute, providing governance oversight and supporting institutional advancement in agricultural and technical training. Currently, he is an active coffee farmer continuing to inspire farmers, students and professionals in the sector.</p>

<p>5</p>	 <p><b>Ms. Penina Kambura Mutwiri</b></p>	<p>Penina Kambura is a qualified educationist, counseling professional and humanitarian leader with extensive experience in teaching, mentorship and advocacy. She holds a Bachelor of Education degree from Moi University and a Higher Diploma in Counseling Psychology.</p> <p>She currently serves as a tutor at Meru Teachers Training College. She is the Deputy Manager of the Kenya Red Cross Society, Meru Branch, where she provides leadership in humanitarian response, community resilience programs and volunteer coordination.</p> <p>As a visually impaired professional, she is actively involved in organizations and associations representing persons living with disabilities, where she plays both active and leadership roles. Her participation reflects her strong commitment to promoting equity, empowerment and opportunities for people with disabilities.</p>
<p>6</p>	 <p><b>Planner. David Ntarangwi Rukunga</b></p>	<p>Planner. Ntarangwi is a practitioner of urban, regional &amp; environmental planning of over 20 years He has a Masters in Urban &amp; Regional Planning from the University of Nairobi. He is a distinguished and eminent fellow of Kenya Institute of Planners. Corporate Member of Kenya Institute of Planners, a Corporate Member of Architectural Association of Kenya, a Registered and Practicing Physical Planner, Planner's Registration Board of Kenya and a Licensed Lead Expert, NEMA</p> <p>He served at the Ministry of land and settlement in the department of planning as a District Physical planner in the then Districts in Kenya, The principal consultant in a consulting firm (NTARA &amp; ASSOCIATES) of Urban, Regional and Environmental Planners At Meru Town. He is currently carrying out several assignments - Urban Comprehensive Development Plans Strategic Land-Use Plans, Change Of Users, Extension Of Leases/Users, and Environmental Impact Assessment (E.I.A) among Other Related Projects as the Principal consultant.</p>

**County Government of Meru**

**Meru Municipality**

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

7	 <p><b>Mr. Latif Kinyua mbaya</b></p>	<p>Latif has a Diploma in Medical Laboratory Services. He has worked as a Community volunteer - Meru county/ municipality (mjini, shauri yako, Gakoromone &amp; majengo), coordinated and implemented community development projects in partnership with local stakeholders.</p> <p>He has been involved in identification of community needs through surveys, meetings, and field assessments the Meru Municipality informal settlements. He has mobilized community groups and facilitated capacity-building workshops, monitored and evaluated development programs to ensure effectiveness and sustainability of development projects.</p> <p>He has been keen in preparation of detailed reports and proposals for funding, partnerships, and policy input and worked with government departments, NGOs, and donor agencies to align local initiatives with county development goals.</p>
8	 <p><b>Ms. Joy Karwitha Kaaria</b></p>	<p>CEC - Department of Lands, Physical planning, Urban Development, Housing and Public Works. By virtue of this position and as provided for under the Urban Areas and Cities Act(Revised 2019) she serves as an ex-official member of the Meru Municipality Board where she plays a vital role in guiding urban governance, planning and service delivery within the municipality.</p> <p>She holds a bachelor of Commerce degree and master's degree in Management Information System.</p> <p>She has prioritized the modernization and digitization of land registries and urban management system.</p>
9	 <p><b>Arch. Martin Gitije</b></p>	<p>Chief Officer - Department of Lands, Physical planning, Urban Development, Housing and Public Works.</p> <p>By virtue of this position and as provided for under the Urban Areas and Cities Act(Revised 2019) he serves as an ex-official member of the Meru Municipality Board where he guides on professionalism in construction industry in the county.</p> <p>He has worked on several projects gaining experience through integration of knowledge and practice to advance human dignity, common interest and sustainable built and natural resources.</p> <p>He holds a bachelor of Architectural studies degree and a bachelor of Architecture degree.</p>

10






**Dr. Jotham M. Kirimi**

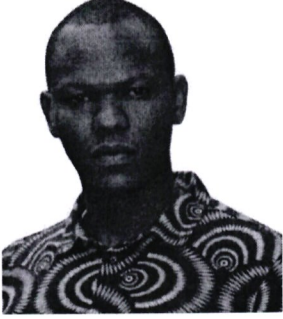


Dr. Jotham M. Kirimi is a seasoned public administrator who strongly believes in efficient service delivery and transformative governance. With over 20 years of progressive leadership experience, he has served in key senior capacities within the County Government of Meru.

He is currently the Municipal Manager of Meru Municipality and County Programme Coordinator of the Kenya Devolution Support Program II (KDSP II).

Among his key responsibilities include overseeing urban governance, citizen-centered service delivery and the implementation of strategic development initiatives of Meru Municipality.

**4. Key Management Team**

<b>S/ No</b>	<b>Name</b>	<b>Details of qualifications and experience</b>
1.	 <b>Dr. Jotham M. Kirimi</b>	<p>Dr. Jotham M. Kirimi is a seasoned public administrator who strongly believes in efficient service delivery and transformative governance. With over 20 years of progressive leadership experience, he has served in key senior capacities within the County Government of Meru.</p> <p>He is currently the Municipal Manager of Meru Municipality and County Programme Coordinator of the Kenya Devolution Support Program II (KDSP II).</p> <p>Among his key responsibilities include overseeing urban governance, citizen-centered service delivery and the implementation of strategic development initiatives of Meru Municipality.</p>
2.	 <b>Planner. Elizabeth Mburu</b>	<p>Elizabeth is a seasoned Physical Planner with over 15 years of experience in the civil service, specializing in urban development and planning. She holds a Bachelor's Degree in Urban and Regional Planning from the University of Nairobi and brings a wealth of knowledge and practical expertise to her role as Director of Lands and Physical Planning.</p>
3.	 <b>Ms. Rahab Gatwiri</b>	<p>Rahab is an administrator by profession with over 10 yrs work experience in the public sector. With these experiences I coordinate administrative support across the directorate, manage inventory, interdepartmental communication field staff logistical support for operation and liason with county administration offices.</p>

4.	 <p><b>Mr. Joseph Mutunga</b></p>	<p>Joseph is a dedicated and results -driven social development and welfare officer with a strong academic background in public administration and development studies. Experienced in designing, implementing and monitoring social welfare programs aimed at improving the quality of life for communities.</p>
6.	 <p><b>Ms. Winnie Karimi</b></p>	<p>Winfred is a procurement professional with a Bachelor's Degree in Business Administration Procurement Option. She has an extensive background spanning 10 years in both public and private sector experience.</p> <p>Her experience working with private and public entities has allowed her to easily navigate the business administration world, giving her clients sound advice for careful planning to fulfil short and long term supply chain management goals.</p>
7.	 <p><b>Ms. Hellen Kairuthi</b></p>	<p>Hellen is a professional accountant (CPA 'K') with subtle knowledge in accounting and auditing fields. She is currently an Accountant in the Meru Municipality under the Department of Lands Physical Planning, Urban Development, Housing &amp; Public Works, in the County Government of Meru. Her experience spans both in private and public institutions which grounds her to support sound financial management goals of the organization.</p> <p>Her duties include support to the Municipality Management to achieve prudence in financial management through preparation of well-supported payments, book keeping and preparation of summative financial reports.</p>

## 5. Municipality Board Chairperson's Report



During the reporting period under review, Meru Municipality which received its charter in 2018 made significant steps towards actualizing its mandate as defined in the UACA, 2019. Under Urban Cleanliness and Civic Engagement function, the Municipality launched the Ngarisha Jiji initiative in 2024 to restore public hygiene, civic pride and shared responsibility in maintaining urban cleanliness. Clean-up campaigns were successfully conducted in the CBD, Makutano, and Gakoromone market. This activity is now a monthly scheduled activity.

To ensure participatory governance, the Board operationalized board committees for Finance, Planning and Environment. It convened regular public forums, budget consultations and ward-level engagement meetings. The Board has initiated the development of the Integrated Urban Development Plan (IUDF), the Local Physical and Land Use Plan and other vital planning instruments.

To support sound foundational institutional development, the Board has spearheaded development of various policies which are currently under review by ad hoc committees. These includes Meru Municipality Public Cemeteries Policy; Staff Voluntary Welfare Scheme Policy; Policy on Certification of Board Minutes Extracts and Approvals; Registry Office Operations Policy; Policy on Implementation of Board Resolutions; Policy on Custodianship, Disposal and Regeneration of Trees; Policy on Professional Working Relationships; Commenced establishment of the Meru Municipal Court (construction is complete, gazettelement and operationalization are pending); and developed draft municipal bylaws for public health, solid waste, hawking, street vending, noise regulation and general urban order; Initiated plans for the establishment of the Meru Municipality Enforcement Force, tasked with enforcing municipal bylaws, safeguarding public spaces and ensuring orderly conduct within the Municipality.

### **Persistent and Emerging Challenges**

Albeit the commitment to achieve its mandate, the Municipality Board been faced with various persistent and emerging challenges as hereunder;

- a) Legal and Administrative Constraints - Municipal Charter remains unimplemented, limiting the Municipality's autonomy. Sections 20 and 21 of the UACA, which authorize the County to delegate urban services, remain non-executed.
- b) Financial Decline - The Municipality budget was slashed from KES 67 million in earlier years to KES 6 million by 2024/25. No authority to retain own-source revenue (from markets, parking fees), undermining financial sustainability.
- c) Infrastructure Deterioration - Marigiti Market (built in 1974) is dilapidated and other informal markets coming up like Kiorone banana market, Soko Mjinga, Bishop Kiogora Kathita, and the area near Kinoru Stadium gate lacking sheds, drainage, lighting and essential amenities.
- d) Solid Waste Management, Environmental and Social Crisis - Absence of a municipal waste incinerator and/or a material recovery facility has overburdened existing dumpsites. Kanyuru River suffers from severe pollution due to illegal discharge and unmanaged garages, hotels and estates waste.
- e) Nteere Park is vandalized, insecure and underutilized. Rising numbers of street children and beggars indicate growing urban poverty and insufficient social support systems.
- f) Operational Deficiencies - No recruitment of sanitation or enforcement officers for over a decade.
- g) Departments such as ICT, engineering and planning are severely under-resourced. Lack of a Municipal Yard for solid waste teams, storage, repairs, impound holding and field coordination. Lack of a formal Enforcement Force has left the Municipality unable to effectively implement bylaws or address urban disorder.

- h) Growing Informal Trade and Space Constraints - Surge in hawkers and small-scale traders, yet no public land remains to accommodate them.

**Outstanding Issues and Pending Matters**

- a) Legal Autonomy - there is need to fast-track gazettement and implementation of the Municipal Charter; activate UACA Sections 20 and 21.
- b) Revenue Framework - the Board should secure legislative and executive authority to retain and utilize own-source revenue.
- c) Municipal Court - this court should operationalized to enforce municipal laws.
- d) Bylaws and Enforcement - the Board should spearhead enactment of bylaws and formally establish and operationalize the Meru Municipality Enforcement Service with trained and well-kitted personnel.
- e) Social Inclusion - There is need to establish a Rescue Centre and structured social support for street families and other vulnerable groups.
- f) There is also need for Marigiti Market refurbishment. This can began in a phased strategy. Kanyuru River & Nteere Park require rehabilitation initiatives in partnership with NEMA, WRMA, and local partners. While Kiorone Banana Market sits on public land, informal markets such as Soko Mjinga, Bishop Kiogora-Kathita and the area near Kinoru Stadium gate operate on road reserves or private plots, lacking sheds, drainage, lighting and basic amenities needs to be addressed. On the short-term provide temporary shelters, improve surface drainage and install lighting at Kiorone. For the others, enhance cleanliness and order through municipal cleansing team and coordination with landowners. On Medium-Term engage affected traders, landowners and stakeholders to explore relocation or regularization options, supported by structured layouts and services. On Long-Term prioritize development of formal, serviced markets in strategic locations to absorb displaced traders and support dignified, regulated trading.
- g) Municipal Yard: Construct a multipurpose yard for waste management, tools storage, enforcement logistics and field operations.
- h) Office Infrastructure: Fully transfer and renovate the consolidated County building for exclusive municipal use, including modern ICT and secure record-keeping systems.

**Conclusion**

Despite systemic and financial constraints, the Board has laid solid groundwork for structured urban governance, service delivery and participatory development. During the coming financial years, the board is focused on addressing the above-identified challenges especially taking over of the municipality functions to strengthen the financial base of the municipality finance the much needed services.



**Joshua Kirimi Mungania**  
**Chairman - Meru Municipality Board**

## 6. Report of the Municipality Manager



During the financial year under review, the Municipal Administration, working with stakeholders and communities, has made measurable progress across several priority areas:

- **Urban Cleanliness:** The *Ngarisha Jiji* campaign has transformed waste management and public hygiene in key urban zones. Civic education efforts in the campaign have fostered a shared culture of cleanliness under the “Cleanliness Starts with Me” tagline.
- **Infrastructure:** Under the Green Mobility Programme, 6 km of Non-Motorized Transport (NMT) corridors have been constructed, alongside upgraded walkways and expanded street lighting.
- **Revenue Mobilization:** Improved enforcement measures have enhanced local revenue performance.
- **Kenya Urban Support Programme (KUSP II):** Meru Municipality has used the county co-funding under this programme to prepare ground for implementation of KUSP II programme. Key among the activities done are staff training, audits of development and development control.

### Challenges

Despite the milestones achieved, the Meru Municipality continues to face significant and systemic constraints that hinder optimal service delivery and urban transformation as detailed hereunder:

- **Budget Cuts:** During the year under review, the Municipality budget was reduced from Kshs. 67 million to paltry Kshs. 9 million. This in turn delayed or stalled implementation of critical programs, particularly in sanitation, solid waste management, infrastructure maintenance and enforcement operations.
- **Weak Enforcement Capacity:** The Municipality still lacks a fully established and resourced Municipal Inspectorate. As a result, there are enforcement gaps particularly during weekends, holidays, early mornings, and evenings which has leads to unregulated vending and food hawking, illegal construction and encroachment on public spaces and traffic indiscipline by public service vehicles and taxis.
- **Poor Infrastructure in Key Markets:** Gakoromone Market suffers from leaking roofs, deteriorated drainage, collapsed gates, unpaved access roads, poor lighting, illegal structures and poor market day management, resulting in insecurity and unhygienic conditions.
- **Degradation of Public Spaces:** Nteere Park is neglected, with broken infrastructure, poor landscaping, minimal security presence, absence of public amenities and increased criminal activity, reducing its recreational and ecological value.
- **Staffing & Equipment Gaps:** The Municipality is critically understaffed, especially in the cleansing and enforcement departments. Most cleaning staff are on short-term contracts, undermining morale and continuity. The existing fleet of waste collection vehicles three rucks and two skip trucks are over 10 years old and increasingly unreliable.
- **Un-transferred Functions:** Several urban functions legally assigned to the Municipality under the Urban Areas and Cities Act (UACA) have not been devolved. These include: Storm water management, Street lighting installation and maintenance, Development control and planning enforcement, Minor water and sanitation works. This has led to duplication of efforts, blurred accountability and service delivery gaps.
- **Lack of Allocated Revenue Streams:** The Municipality has not been officially assigned specific revenue streams, contrary to the provisions of the UACA. This weakens its financial autonomy and planning

capacity and constrains revenue generation potential critical for sustaining operations and long-term investments.

- **Fragmentation of Land Records and Documentation:** The transfer of land administration functions and property documentation to the County Department of Lands has resulted in the fragmentation of vital land records including valuation rolls, plot registers, development approvals and ownership history. This disaggregation has disrupted the Municipality's ability to effectively manage Property records, Enforcement of planning regulations, Updating of rates

In conclusion, I wish to state Meru Municipality is on the right course to achieve city status and prudence in management of the available resources is critical. The Municipality administration is top of this agenda and we envisage good progress in the next financial year.



.....  
**Dr. Jotham M. Kirimi**  
**Municipality Manager**

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

The Vision of Meru Municipality is to be a trend-setting, dynamic Municipality delivering quality services while her Mission is to render affordable quality services, promote prosperity and facilitate social-economic Development through application of transparent corporate governance, integrated development planning, skills development and the sustainable use of resources.

To attain the vision and mission, the key development objectives of the Meru City/Municipality 2023-27 Integrated Development plan are to:

- a) Build an enabling legal, institutional and governance framework for Meru Municipality
- b) Provide quality urban infrastructure development and management.
- c) Provide urban planning services and development control
- d) provide urban environment management services
- e) Promote trade and enterprise development
- f) Provide disaster management services

During the year under review and in the face of constrained budget (Kshs. 9 million), the Municipal administration laid emphasis on environmental management development area. The available resources were applied in solid waste management fleet (repairs and fuel) as well as management of Nkunga dumpsite.

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
<b>Environment Management</b>	To support and prevent pollution in Meru municipality	1. Improved health 2. Enhanced cleanliness 3. Improved recycling and reuse practices at point of waste generation	<ul style="list-style-type: none"><li>● Number of garbage trucks in service</li><li>● No. of dumpsites maintained</li></ul>	In FY under review the Municipality had all the 6 trucks maintained and in service.  Waste in Nkunga dumpsite was spread and compacted.

## 8. Corporate Governance Statement

During the Financial year under review, the Municipality had an incomplete Board having some of the nominated members rejected by the County Assembly. A process to replace the rejected names was initiated and a new complete Board is now in place. The new Board was appointed in accordance with Section 14-17 of Urban and Cities Act (UCA), 2012 and has complied with requirements of the Constitution on gender and disability mainstreaming.

### **Roles and Functions of the Board**

- a) oversee the affairs of the city or municipality;
- b) develop and adopt policies, plans, strategies and programmes, and may set targets for delivery of services;
- c) formulate and implement an integrated development plan;
- d) control land use, land sub-division, land development and zoning by public and private sectors for any purpose, including industry, commerce, markets, shopping and other employment centres, residential areas, recreational areas, parks, entertainment, passenger transport, agriculture and freight and transit stations within the framework of the spatial and master plans for the city or municipality as may be delegated by the county government;
- e) as may be delegated by the county government, promote and undertake infrastructural development and services within the city or municipality;
- f) develop and manage schemes, including site development in collaboration with the relevant national and county agencies;
- g) maintain a comprehensive database and information system of the administration and provide public access thereto upon payment of a nominal fee to be determined by the board;
- h) administer and regulate its internal affairs;
- i) implement applicable national and county legislation;
- j) enter into such contracts, partnerships or joint ventures as it may consider necessary for the discharge of its functions under this Act or other written law;
- k) monitor and, where appropriate, regulate city and municipal services where those services are provided by service providers other than the board of the city or municipality;
- l) prepare and submit 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;
- m) as may be delegated by the county government, collect rates, taxes levies, duties, fees and surcharges on fees;
- n) settle and implement tariff, rates and tax and debt collection policies as delegated by the county government;
- o) monitor the impact and effectiveness of any services, policies, programmes or plans;
- p) establish, implement and monitor performance management systems;
- q) promote a safe and healthy environment;
- r) facilitate and regulate public transport; and
- s) perform such other functions as may be delegated to it by county government or as may be provided for by any written law.

### i. Appointment of Board Members, Process of Appointment and Removal of Directors, Size, Diversity and Demographics of the Board and Existence of the Board Charter

The governance structure of a Municipality in Kenya, including the Meru Municipal Board, is anchored in Part V of the *Urban Areas and Cities Act, No. 13 of 2011 (Revised 2019)*, which provides the legal basis for the

establishment, composition and operations of municipal boards. The Board is the principal organ of governance and policy direction for the Municipality, exercising delegated authority from the County Government.

### **Appointment of Board Members**

Under Section 14(1) of the Act, every Municipality shall have a Board comprising not less than five and not more than nine members, appointed by the County Governor with the approval of the County Assembly. The appointments must reflect the principles of inclusivity, equity, transparency and merit as set out in Article 10 and Chapter Six of the Constitution of Kenya.

The membership of the Board is designed to represent key sectors of society, including professional bodies, resident associations, business communities, and special interest groups, ensuring a multi-sectoral approach to urban governance. The County Executive Committee Member (CECM) responsible for Urban Development oversees the nomination process and ensures that the candidates meet the statutory qualifications.

### **Process of Appointment**

The process of appointment is guided by Section 14(2) and (3) of the Act and entails the following steps:

1. **Public Notification:** The County Government issues a public notice inviting applications or nominations from qualified persons or organizations within the Municipality.
2. **Shortlisting and Vetting:** The applications are reviewed to ensure compliance with statutory qualifications and integrity standards under Chapter Six of the Constitution and the Leadership and Integrity Act.
3. **Approval by the County Assembly:** Upon recommendation by the Governor, the nominees are subjected to vetting and approval by the County Assembly to confirm their suitability for appointment.
4. **Formal Appointment:** After approval, the Governor formally appoints the Board members by a Gazette Notice, indicating their names and terms of service.

### **Removal of Board Members**

The removal of a Board member is governed by Section 15 of the Act, which provides that a member may be removed from office on grounds of misconduct, incompetence, violation of the Constitution or any other law, or physical or mental incapacity. The Governor, upon due process and recommendation by the County Executive Committee, may initiate the removal procedure. In such cases, the affected member must be given an opportunity to be heard in accordance with the principles of natural justice and the Fair Administrative Action Act, 2015.

### **Size, Diversity and Demographics of the Board**

The Urban Areas and Cities Act provides that the Board shall have between five and nine members, ensuring a manageable yet representative size for effective deliberation and decision-making. The composition must reflect:

- Gender balance in line with Article 27(8) of the Constitution (no more than two-thirds of either gender).
- Inclusivity of marginalized groups and youth, ensuring representation of persons with disabilities and other vulnerable populations.
- Sectoral diversity, drawing members from business, professional and community-based sectors to enrich decision-making with multiple perspectives.

- Local representation, ensuring that residents of the Municipality are actively represented on the Board.

This structure promotes participatory urban governance, balanced decision-making, and accountability to the citizens of Meru Municipality.

### **Existence of the Meru Municipality Board Charter**

To operationalize and entrench sound corporate governance practices, the Meru Municipal Board is guided by a formally adopted Board Charter, developed in accordance with the Urban Areas and Cities Act, No. 13 of 2011 (Revised 2019), the County Governments Act, 2012 and the principles of public service integrity, accountability, and transparency.

The Meru Municipality Board Charter serves as the foundational governance instrument defining the mandate, powers, roles, responsibilities and ethical conduct of the Board and its members. It provides a comprehensive framework for the orderly, transparent and effective discharge of the Board's statutory and policy functions.

The Charter outlines in detail the operational and procedural framework of the Board, including the frequency and conduct of meetings, quorum requirements, voting procedures, declaration and management of conflicts of interest, establishment and functioning of committees and procedures for performance monitoring and evaluation. It also delineates the relationship between the Board, the Municipal Manager and the County Executive, ensuring a clear separation of oversight, executive and administrative functions in line with the principles of checks and balances.

Furthermore, the Charter institutionalizes the core governance values of the Meru Municipal Board transparency, accountability, collective responsibility, professionalism and responsiveness to public interest. It embeds mechanisms for ethical leadership, stakeholder engagement and decision-making based on evidence and inclusivity.

The Meru Municipal Board Charter thus stands as a critical governance tool that ensures the Board operates strictly within the legal framework, maintains integrity and ethical standards and continuously upholds the trust of the people of Meru Municipality through effective, participatory and accountable urban governance.

### **ii. Roles and Functions of the Board**

The roles and functions of the Municipal Board are explicitly set out under Section 20 of the Urban Areas and Cities Act (Revised 2019) and other enabling legislation. The Board acts as the executive and policy-making arm of the Municipality, responsible for ensuring efficient, accountable and participatory urban management.

#### **Core Roles and Functions**

1. **Implementation of Policies and Laws:**  
The Board is responsible for implementing national and county legislation applicable to the Municipality, including policies and plans adopted by the County Assembly.
2. **Municipal Planning and Development Control:**  
It oversees the preparation, adoption, and implementation of integrated development plans, spatial plans,

- and urban renewal strategies in accordance with the County Integrated Development Plan (CIDP) and Physical and Land Use Planning Act, 2019.
3. **Service Delivery and Infrastructure Management:**  
The Board manages and maintains municipal infrastructure and services such as roads, drainage systems, solid waste management, street lighting, public open spaces and urban cleanliness, ensuring that they meet established standards.
  4. **Financial Oversight and Resource Mobilization:**  
The Board exercises oversight over municipal revenues and expenditures, ensures prudent financial management, and promotes local revenue generation in compliance with the Public Finance Management Act, 2012.
  5. **Stakeholder Engagement and Citizen Participation:**  
The Board ensures inclusive governance by promoting public participation and stakeholder engagement in planning, budgeting, and implementation of municipal projects, consistent with Article 174(c) and (d) of the Constitution.
  6. **Policy Formulation and Strategic Direction:**  
It formulates urban policies, strategies, and operational frameworks to guide sustainable urban development and effective service delivery within the Municipality.
  7. **Human Resource and Institutional Oversight:**  
The Board provides oversight on staffing, performance appraisal and capacity development of the municipal administration, ensuring adherence to the County Public Service Board regulations.
  8. **Environmental Management and Urban Sustainability:**  
The Board promotes environmental protection, climate resilience and sustainable land use within the Municipality, aligning with national and international environmental frameworks.
  9. **Conflict Resolution and Governance Accountability:**  
The Board mediates and resolves urban management disputes, promotes inter-agency coordination and ensures compliance with governance standards, ethics and accountability measures.
  10. **Reporting and Accountability:**  
The Board reports regularly to the County Executive Committee Member responsible for Urban Development and the County Assembly on its operations, financial performance and service delivery outcomes.

In summary, the corporate governance framework of the Meru Municipal Board, as derived from the *Urban Areas and Cities Act, 2011 (Revised 2019)*, embodies the principles of transparency, inclusivity, professionalism and accountability. Through a structured appointment process, a balanced and diverse Board composition, a well-defined Charter and clear statutory functions, the Board ensures that urban governance in Meru Municipality is responsive to the needs of its residents, compliant with legal provisions and aligned with Kenya's constitutional values of good governance and devolution.

## 9. Management Discussion and Analysis

During the reporting period, the Meru Municipality continued to implement its mandate of promoting sustainable urban management, infrastructure development, and effective service delivery within the Municipality. Guided by the Urban Areas and Cities Act, the County Governments Act, and the Public Finance Management Act, the Board and management jointly pursued policies and initiatives aimed at improving urban governance, enhancing revenue mobilization, strengthening financial accountability, and promoting a clean, safe and inclusive municipal environment.

This Management Discussion and Analysis provides a comprehensive overview of the Municipality's operational and financial performance, highlights major projects undertaken, reviews compliance with statutory obligations and identifies key risks and emerging opportunities.

### a. Operational and Financial Performance

The Municipality recorded steady operational progress during the year, focusing on infrastructure enhancement, public service improvement and the expansion of the local revenue base. The management adopted prudent financial management practices that ensured optimal utilization of resources while aligning all expenditures with the approved budget and work plans.

#### Operational Highlights

- **Cleanliness and Sanitation:** Daily waste collection coverage increased from 72% to 86%, with expanded collection routes across Makutano, Gakoromone and Gitimbine.
- **Urban Infrastructure:** Routine maintenance of urban access roads and the rehabilitation of stormwater drainage systems improved mobility and reduced flooding incidents.
- **Beautification and Green Initiatives:** The Municipality enhanced landscaping and tree planting programs, particularly around Nteere Park and the Meru Central Business District.
- **Stakeholder Engagement:** Continuous consultation with market traders, transport operators, and local residents promoted inclusivity and transparency in decision-making.

#### Financial Overview

The financial position of the Meru Municipality showed notable improvement during the reporting period, reflecting sound fiscal discipline, enhanced revenue collection, and effective expenditure management. The growth in own-source revenue was driven by increased compliance in payment of market fees, parking charges, and business licensing, following the successful implementation of stricter revenue monitoring and enforcement mechanisms.

The Municipality also benefited from timely disbursement of conditional grants and county transfers, which supported ongoing infrastructural development, beautification projects, and service delivery enhancements. These funds were efficiently utilized in accordance with approved work plans and budget allocations, ensuring that expenditure remained aligned with strategic priorities.

The positive financial performance underscored management's commitment to prudent resource utilization, transparency and accountability. Recurrent expenditures were maintained within sustainable limits, while development spending recorded a significant rise due to accelerated implementation of capital projects such as market modernization, drainage rehabilitation, and street lighting expansion.

## **County Government of Meru**

### **Meru Municipality**

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

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Overall, the Municipality demonstrated fiscal responsibility and operational efficiency, positioning itself on a solid path toward financial sustainability and improved service delivery. This performance also reinforced stakeholder confidence in the Board's stewardship and the management's ability to translate resources into tangible urban development outcomes for the people of Meru.

#### **b. Key Projects and Investment Decisions**

The Municipality implemented several transformative projects designed to improve urban mobility, promote local trade and enhance the quality of life for residents.

<b>S/No.</b>	<b>Project/Investment</b>	<b>Description</b>	<b>Status</b>	<b>Impact</b>
1.	Makutano Fresh Produce Market Modernization	Construction of modern stalls and improved drainage	Completed	Boosts local trade, enhances hygiene and supports CASA Games 2025
2.	Nteere Park Rehabilitation	Landscaping, seating, lighting, and security installations	Yet to be implemented	Will improve recreation and tourism appeal
3.	Kanyuru River Restoration Project	Pollution control and riverbank protection	Ongoing	Enhances environmental sustainability
4.	Solid Waste Management Facility	Expansion of collection fleet and new dumping site fencing	90% Complete	Increases efficiency and environmental compliance
5.	Street Lighting Expansion	Installation of additional streetlights across Makutano and Gakoromone	Completed	Enhances safety and business hours extension

These projects are expected to contribute to the broader goal of attaining city status for Meru by 2027, while promoting green growth, employment creation and inclusive urbanization. Compliance with Statutory Requirements

The Municipality remained fully compliant with the relevant statutory and regulatory frameworks.

- **Financial Management:** Compliance with the Public Finance Management Act, 2012 was ensured through timely submission of financial statements, quarterly reports, and adherence to budgetary ceilings.
- **Procurement:** All procurement activities followed the Public Procurement and Asset Disposal Act, 2015, guaranteeing transparency and competitiveness.
- **Environmental Compliance:** Environmental Impact Assessments (EIA) were conducted for all major projects as required by the Environmental Management and Coordination Act (EMCA), 1999 (Amended 2015).
- **Labour and Safety:** The Municipality maintained compliance with occupational health and safety standards and adhered to employment laws, ensuring equitable workforce management.
- **Public Participation:** Consistent with Article 10 of the Constitution and Section 91 of the County Governments Act, the Municipality held consultative meetings with stakeholders before major project implementation.

Overall, the management maintained high standards of governance, transparency, and accountability, in line with the oversight expectations of the Meru Municipal Board and the County Government of Meru.

#### d. Major Risks and Financial Obligations

The Municipality recognizes that effective risk management is critical to sustaining operational excellence and fiscal integrity. Key risks identified include:

S/No.	Risk Category	Description	Mitigation Strategy
1.	Revenue Risk	Delays in fee collection and compliance by traders	Adoption of digital revenue collection systems
2.	Environmental Risk	Urban pollution and waste disposal challenges	Implementation of the Integrated Solid Waste Management Plan
3.	Infrastructure Risk	Rapid urbanization outpacing service infrastructure	Strategic infrastructure planning and phased investments
4.	Human Resource Risk	Limited skilled personnel in technical departments	Continuous capacity-building and staff training
5.	Financial Obligations	Occasional delays in conditional grant disbursement	Close coordination with County Treasury and use of internal revenue buffers

#### Material Arrears:

As of the reporting period, the Municipality had cleared most statutory and supplier arrears, maintaining compliance with financial obligations. A few pending payments related to development projects were in the process of verification and settlement within the subsequent quarter.

#### e. Other Relevant Information

- **CASA Games 2025 Preparations:** The Municipality made significant infrastructural and environmental preparations ahead of hosting the County Assemblies Sports Association (CASA) Games scheduled for November 2025. This initiative has boosted investment in roads, sanitation, and beautification works.
- **Digital Transformation:** Introduction of an integrated digital records and e-revenue platform enhanced efficiency, reduced revenue leakages, and promoted real-time monitoring of financial performance.
- **Public-Private Partnerships (PPP):** Engagements with local enterprises, such as Mafuko Industries, supported market branding and public facility improvement through collaborative investment.
- **Sustainability Agenda:** The Municipality committed to the Green Meru Initiative, focusing on tree planting, water conservation and low-emission public lighting systems.

The overall performance of the Meru Municipality during the reporting period was positive and progressive. Both operational and financial indicators point to improved service delivery, responsible financial stewardship, and strategic investment in sustainable urban infrastructure. The management remains committed to enhancing efficiency, transparency and community engagement, with a renewed focus on achieving City Status by 2027.

## **10. Environmental and Sustainability Reporting**

### **1. Sustainability Strategy and Profile**

The Meru Municipality continues to pursue a sustainability agenda that balances economic growth, social inclusion, and environmental protection in alignment with global and national development frameworks. The Municipality's approach to sustainability is guided by the Sustainable Development Goals (SDGs), the Kenya Vision 2030, the County Integrated Development Plan (CIDP), and the Urban Areas and Cities Act, No. 13 of 2011 (Revised 2019). These frameworks collectively underscore the need for resilient, inclusive, and environmentally conscious urban development.

During the reporting period, global and national macroeconomic and political shifts particularly those linked to climate change, urbanization pressures, global inflation, and environmental degradation influenced the Municipality's sustainability priorities. The Board and management recognized that rapid population growth, waste generation and changing climatic conditions required strategic interventions to secure the Municipality's long-term ecological and socio-economic stability.

#### **Alignment with Global Sustainability Frameworks**

The Municipality's sustainability strategy draws from the principles of the United Nations Sustainable Development Goals (SDGs), particularly:

- SDG 6: Clean Water and Sanitation – through improvement of drainage and waste management systems.
- SDG 8: Decent Work and Economic Growth – by promoting inclusive procurement and local enterprise development.
- SDG 11: Sustainable Cities and Communities – by enhancing urban planning, green infrastructure, and social amenities.
- SDG 13: Climate Action – through tree planting, pollution control and waste reduction measures.

The Municipality's operational philosophy also aligns with Agenda 2063 (The Africa We Want), emphasizing sustainable urbanization, local resource utilization and climate-resilient infrastructure

#### **Sustainability Priorities and Policy Framework**

The Meru Municipality has established a clear Sustainability Policy Framework anchored on four core pillars:

1. **Environmental Stewardship:** Ensuring the Municipality's operations and projects minimize environmental degradation, reduce pollution and enhance green spaces.
2. **Economic Viability:** Promoting responsible financial management, local enterprise development and sustainable investment in infrastructure.
3. **Social Inclusion:** Mainstreaming equity in service delivery and ensuring fair participation of youth, women and persons with disabilities (PWDs) in all economic opportunities.
4. **Governance and Accountability:** Strengthening institutional structures, public participation, and ethical management of public resources.

The Municipality's Environmental and Social Management Plan (ESMP) further provides operational guidelines for project implementation, ensuring that all urban development initiatives undergo environmental assessment and comply with national standards.

### **Key Achievements**

During the reporting period, the Municipality achieved significant milestones in advancing sustainability:

- **Waste Management and Cleanliness:** Improved waste collection coverage and introduced waste segregation at source initiatives. This reduced illegal dumping and promoted a cleaner urban environment.
- **Greening and Beautification:** Implemented tree planting and landscaping projects around Nteere Park, major road corridors and public facilities, contributing to carbon sequestration and improved aesthetics.
- **Inclusive Procurement:** Increased the proportion of contracts awarded to local suppliers and special groups Youth, Women and Persons with Disabilities (PWDs) in accordance with the Public Procurement and Asset Disposal Act (PPADA), 2015, ensuring fair participation in economic opportunities.
- **Sustainable Infrastructure:** Prioritized use of environmentally friendly materials in infrastructure works and expanded non-motorized transport networks to encourage walking and cycling.
- **Stakeholder Engagement:** Strengthened partnerships with local industries, community organizations, and development partners in advancing sustainability projects such as market modernization and riverbank rehabilitation.

### **Challenges and Mitigation Measures**

Despite the positive strides, the Municipality faced several challenges that constrained full realization of its sustainability goals:

1. **Limited Financial Resources:** Funding gaps affected the pace of implementing large-scale sustainability projects such as solid waste treatment facilities and stormwater systems.
  - *Mitigation:* Enhanced revenue mobilization through digitization of revenue systems and advocacy for additional county and development partner support.
2. **Climate Change Impacts:** Unpredictable rainfall patterns and extreme weather events disrupted infrastructure works and increased maintenance costs.
  - *Mitigation:* Integration of climate resilience in project design and promotion of green infrastructure solutions.
3. **Rapid Urbanization:** Population growth and informal settlements exerted pressure on public utilities and land use.
  - *Mitigation:* Strengthened urban planning controls and development of a long-term integrated spatial plan.
4. **Waste Disposal Challenges:** The rising volume of solid waste outpaced existing disposal capacity.
  - *Mitigation:* Development of a new waste transfer and recycling facility and adoption of a community-based waste collection model.

### **Service Delivery Charter**

The Municipality continued to implement its Service Delivery Charter, which defines service standards, timelines, and quality expectations for residents and stakeholders. The Charter promotes transparency, responsiveness and accountability in the delivery of essential services such as business licensing, waste collection, road maintenance, and urban planning approvals. Regular citizen feedback forums were held to assess performance against these commitments, ensuring that service delivery remained citizen-centered and efficient.

### **Contracts Management and Inclusive Procurement**

In adherence to national procurement laws and equity principles, the Municipality applied transparent and inclusive procurement practices. A deliberate effort was made to empower local contractors and suppliers, particularly those registered under the Access to Government Procurement Opportunities (AGPO) program.

- Approximately 30% of municipal contracts were allocated to Youth, Women, and PWD categories, promoting social inclusion and economic empowerment.
- Preference was given to local enterprises within Meru County for small and medium-sized contracts, thereby stimulating local employment and growth.

The Municipality maintained an open and competitive procurement process, ensuring value for money and compliance with the Public Procurement and Asset Disposal Act (2015)

### **1. Environmental Performance**

The Meru Municipality operates under the guidance of the Meru County Environmental Policy and the National Environment Management Authority (NEMA) Regulations, which together establish the framework for environmental stewardship, pollution control and sustainable use of natural resources. The Municipality's internal policy emphasizes sustainable urban management, focusing on minimizing the ecological footprint of its operations while ensuring a clean, green and healthy urban environment for residents and visitors.

#### **Implementation of the Policy**

The Municipality has mainstreamed environmental considerations across all departments. Environmental compliance and sustainability are key components in planning, waste management, infrastructure development and service delivery. This is evidenced by:

- Regular environmental audits and inspections of markets, offices, and public spaces.
- The enforcement of NEMA-approved waste collection and disposal procedures.
- Inclusion of environmental standards in tender and procurement documents for public works and service contracts.
- Integration of environmental education in public awareness campaigns targeting traders, residents, and institutions.

### **Successes**

- Significant reduction in illegal dumping due to structured waste collection routes and designated collection points.

- Introduction of waste segregation bins within the Municipality offices and major markets to promote recycling.
- Establishment of a tree-planting and beautification program, enhancing biodiversity and urban greenery.
- Progressive shift toward automation of office processes, promoting a paperless environment.
- Collaboration with partners to pilot eco-friendly technologies such as solar lighting in selected facilities.

### **Shortcomings and Mitigation Measures**

Despite the progress, challenges remain, including inadequate waste segregation at source, limited recycling infrastructure, and sporadic public participation in clean-up activities. To mitigate these, the Municipality is:

- Strengthening public awareness on waste sorting and recycling.
- Partnering with private recyclers to improve the recycling value chain.
- Expanding investment in waste transfer stations and environmentally sound landfills.
- Introducing incentive-based community cleanliness programs to sustain behavioral change.

### **Biodiversity and Waste Management Efforts**

The Municipality continues to prioritize biodiversity protection through green space conservation, tree planting along roads and riverbanks, and enforcement against encroachment on wetlands. Waste management follows the "Reduce, Reuse, Recycle" hierarchy, with measures including:

- Reduction of single-use plastics within offices and events.
- Reuse of materials where possible in municipal operations.
- Recycling initiatives with community-based groups for plastics and organic waste.
- Controlled and licensed disposal of non-recyclable waste.

### **Reducing Environmental Impact**

Efforts to reduce the environmental impact of operations include:

- Automation of administrative systems to minimize paper use.
- Transition to biodegradable packaging within municipal facilities and markets.
- Maintenance of the municipal vehicle fleet to minimize carbon emissions.
- Installation of bins for segregated waste disposal in all compounds and public spaces.
- Promotion of refillable water dispensers to reduce the use of plastic bottles.

### **Climate Change Initiatives**

In addressing climate change, the Municipality promotes climate-smart and energy-efficient practices such as:

- Adoption of solar-powered lighting in offices, markets and streets.
- Encouragement of eco-friendly technologies like energy-saving jikos and eco-toilets in public facilities.
- Promotion of drought-resistant trees and landscaping species to adapt to changing rainfall patterns.
- Incorporation of green building designs featuring open natural lighting and automated systems to reduce energy consumption.
- Engagement in community sensitization programs on sustainable urban agriculture, waste recycling and clean energy adoption.

Overall, the Municipality's environmental performance reflects a growing institutional commitment to sustainability and climate resilience, guided by legal frameworks, community participation and a continuous drive toward green transformation.

## **1. Employee Welfare**

The Meru Municipality's approach to employee welfare is grounded in the principles of fairness, inclusivity, and continuous professional growth. The Municipality operates under the Meru County Human Resource Management Policies and Procedures Manual, the County Governments Act, 2012, the Public Service (Values and Principles) Act, 2015, and the Occupational Safety and Health Act (OSHA), 2007. These frameworks collectively ensure a safe, equitable and empowering work environment for all employees.

### **Hiring Policies and Inclusivity**

The Municipality's recruitment and selection process is merit-based, transparent, and aligned with constitutional requirements under Article 232 of the Constitution of Kenya, 2010, which upholds fairness, representation, and diversity in public service. During hiring, deliberate effort is made to achieve gender balance, inclusivity of persons with disabilities (PWDs) and representation of youth. This is achieved through:

- Job advertisements that explicitly encourage applications from women, youth and PWDs.
- Compliance with the national requirement that at least 5% of all employees are persons with disabilities.
- Gender-sensitive recruitment panels and interview practices.
- Stakeholder engagement, especially with the County Public Service Board and relevant departments, to ensure recruitment needs reflect the Municipality's operational priorities and equity considerations.

These policies are reviewed periodically typically every three years or as directed by emerging legal, social, or operational changes to remain aligned with evolving human resource and labour standards.

### **Capacity Building, Skills Development and Career Management**

The Municipality invests in continuous professional development to enhance employee competencies and service delivery standards. Efforts include:

- Regular in-house and external training workshops tailored to specific departmental needs.
- Sponsorship and study leave programs for professional advancement.
- Mentorship and coaching initiatives to support career progression.
- Succession planning strategies to ensure continuity in critical functions.

Performance appraisal is conducted annually using a structured system that emphasizes accountability, achievement of targets and personal development. The appraisal outcomes inform promotions, training opportunities, and performance-based rewards. Recognition programs such as "Employee of the Quarter" and certificates of merit for outstanding service are also part of the motivation framework.

### **Occupational Safety and Health (OSHA) Compliance**

The Municipality strictly adheres to the Occupational Safety and Health Act (OSHA), 2007 and related regulations to guarantee a safe and healthy working environment. The Municipality has an established Safety and Wellness Committee that regularly conducts risk assessments, safety audits, and employee sensitization on occupational safety. Key safety measures include:

- Provision of Personal Protective Equipment (PPE) for field staff such as cleaners, enforcement officers, and drivers.
- Regular inspection of machinery, vehicles, and workspaces to ensure compliance with safety standards.
- Enforcement of safety signage and designated emergency exits in all municipal buildings.
- Health and safety awareness sessions focusing on ergonomics, hygiene and emergency preparedness.

### **Review of Work-Related Injuries and Mitigation**

The Municipality maintains an updated record of work-related incidents and reports them promptly in compliance with OSHA requirements. In the reporting period, the cases of work-related injuries have remained minimal and mostly involved minor incidents among field staff. Corrective measures taken include:

- Immediate medical attention and compensation under the Work Injury Benefits Act (WIBA).
- Enhanced supervision in high-risk work areas.
- Continuous refresher training on safe handling of equipment and waste materials.
- Periodic review of field protocols to eliminate hazards and ensure staff welfare.

In conclusion, Meru Municipality's employee welfare framework demonstrates a strong institutional commitment to equitable recruitment, skill development, occupational safety, and holistic staff wellbeing. The ongoing integration of gender equity, inclusivity and workplace safety practices continues to foster a motivated and high-performing workforce dedicated to efficient public service delivery.

**1. Market place practices**

The Meru municipality is fair and just enterprise in all its transactions in respect to Meru residents. Specifically the Municipality strives to be a market leader in open and fair practices as outlined hereunder;

**a) Responsible competition practices.**

The Municipality as a procuring entity adheres to the fair competition practices as espoused in the Public procurement and Asset Disposal Act, 2015 (rev. 2022) and its Regulations. Pursuant to these, the Municipality procures from the County list of pre-qualified suppliers and competitive bidding and award is practiced. In case a bidder feels aggrieved, appropriate grievance redress mechanisms have been put in place to address them. The Municipality is a declared no corruption area and appropriate infrastructure established to report corruption. The County has gone cash-less in all revenue collection and this is expected to curb various vices that are associated with cash transactions.

**b) Responsible Supply chain and supplier relations**

The Meru Municipality supply chain management is done in accordance with Public procurement and Asset Disposal Act, 2015(rev. 2022) and its attendant regulations. The municipality practices fairness in enlisting of suppliers and awards of contracts for all goods and services provided. To ensure this happens, all procurement is done from the list of the County pre-qualified contractors and through a competitive process in accordance with law and regulations on procurement.

**c) Responsible marketing and advertisement or Responsible engagement with the citizens**

Regular citizen engagement is conducted by the Municipality Administration to ensure the residents of the Municipality are governed with laws and policies that they have given their inputs. This is done through citizen for a as per Section 22 of the UCA, 2012. In these for also, the citizens are given an opportunity not only to air their views but also to give their proposals on the various services of the Municipality. Regular media briefs and use of the Municipality and the County Social Media handles are also used to provide information and receive feedback from the residents.

**d) Product stewardship or Awareness creation**

The Municipality administration exists to safeguard social, economic and political interests of the residents in the Municipality. To ensure this constant communication through electronic and face to face engagement is done to ensure residents are properly informed on all happenings in the Municipality. In case of any campaigns in health, environment and social aspects, the Municipality Administration is always at the forefront to serve its residents. Recently through the monthly Ng'arisha JiJi campaign, the residents are constantly being educated on the polluter responsibility and the need to separate waste at source which is the only sure method of encouraging circular economy on matters waste management.

Similarly, the right to peaceful demonstration and picketing as enshrined in our Constitution is respected by allowing groups of residents' audience to present their issues and memorandum for action by the Municipality Administration.

**2. Corporate Social Responsibility/Community Engagements**

In respect to corporate social responsibility, the Meru Municipality has been involved in street children rehabilitation, support to Meru Hospice and provision of trade-friendly spaces for low-class traders/residents especially in Mjini and Majengo informal settlements.



**11. Report of the 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 City/Municipality include urban cleanliness, infracturacture and revenue mobilization.

**Performance**

The performance of the Municipality for the year ended June 30, 2025 are set out on page 1 to 7.

**Board Members**

The members of the Board who served during the year are shown on page V11 to X.

**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

***Dr. Jotham M. Kirimi***

**Secretary of the Board**

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


The 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 City/Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of City/Municipality's transactions during the financial year ended June 30, 2025, and the financial position as at that date.

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

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (*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 City/Municipality Manager to indicate that the City/Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

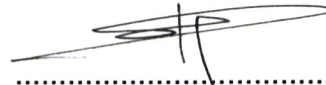
**Approval of the financial statements**

The Meru Municipal's financial statements were approved by the Board on 21<sup>st</sup> Aug, 2025 and signed on its behalf by:



.....

**Joshua K. Mungania**  
**Chairperson of the Board**



.....

**Dr. Jotham M. Kirimi**  
**Accounting Officer of the Board**

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON MERU MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF MERU**

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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.

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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**

#### **Opinion**

I have audited the accompanying financial statements of Meru Municipality- County Government of Meru set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant

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*Report of the Auditor-General on Meru Municipality for the year ended 30 June, 2025 – County Government of Meru*

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, the financial statements present fairly, in all material respects, the financial position of Meru 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 Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.9,000,000 and Kshs.6,000,000 respectively resulting to an under-funding of Kshs.3,000,000 or 33% of the budget.

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

### **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. There were no key audit matters to report in the year under review.

### **Other Information**

The Municipality Board is responsible for the Other Information set out on page i to xxxvi which comprise of Key Entity Information and Management, Municipality Board Members, Management Team, Chairman's Statement, Statement of Performance Against Predetermined Objectives, Report of the Municipal Manager, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the 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.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.Lack of Meru Municipality Independence**

The Meru Municipality was granted Municipal Charter on 18 August, 2020 which was supposed to grant operational independence from the County Government of Meru. However, review of the operations of the Municipality revealed lack of autonomy as detailed below: -

- i. The Municipality's budget was prepared and controlled by the County Executive and there was no budget approval by the Municipality Board.
- ii. The Municipality's staff structure was approved by the County Assembly was not provided for audit review, therefore, the number of personnel to be appointed in the positions had not been determined and no placements had not been done. The Municipality was using County Staff to execute its services.
- iii. Except from project accounts with joint signatories from the County Treasury, the Municipality's expenditure was controlled by the County Treasury and did not have independent operations account.
- iv. The County Government has continued to perform a number of functions which were transferred to the Municipality.

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

#### **2. Failure to Submit Financial Statements**

Review of records provided for audit revealed that the Municipal Charter was granted to the Meru Municipality on 17 December, 2018 as per Gazette Notice No.460, Vol. CXXI -

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No.9 dated 18 January, 2019 and functions transferred to the Municipality with effect from 01 June, 2019 as per Kenya Gazette Notice No.4724, Vol. CXXI - No.68 of 31 May, 2019. The records further indicate that the Meru Municipality Board Members were appointed on 13 November, 2018. However, the Board did not submit financial statements of Municipality for the year ended 30 June, 2019 to 30 June, 2024 to the Auditor-General as required under Section 46 of the Urban Areas and Cities Act, 2011.

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

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

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

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the 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. Lack of a Risk Management and Fraud Policy

Municipality's Management has not put in place a risk management policy, strategies and risk register to mitigate against possible risks. This is in contravention of Regulation 158, of the Public Finance Management (County Government) Regulations, 2015 which requires Accounting Officer to ensure that a County Government Municipality develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations.

In addition, it was observed that the Municipality lacks a disaster recovery plan or business continuity plan which outlines how it will continue operating during an unplanned disruption in service. Management has not instituted its own policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure. Further, the management did not perform formal risk assessments during the financial year audited.

In the circumstances, the Municipality is exposed to possible losses of funds and interruptions operations of business where unexpected events occur with no plan to mitigate their impact.

## **2. Lack of Information Technology (IT) Policy**

Audit review of the information technology processes indicated that there was no IT Policy in place, covering areas such as data management, cybersecurity, hardware/software procurement, or user guidelines. Evidence of ad-hoc IT practices was observed, but without formal documentation.

In the circumstances, effectiveness of systems of internal controls not be confirmed.

## **3. Lack of a Strategic Plan**

Review of the vision and strategic goals set by the Municipality records provided indicated that no strategic plan was existing. Therefore, it was not possible to confirm the strategic road map of the Municipality.

In the circumstances, effectiveness of internal controls not be confirmed.

## **4. Lack of an Approved Staff Establishment**

Review of the key policy documents provided for audit revealed that Meru Municipality lacked an approved staff establishment that ought to determine the optimal number of staff, report on the staff in-post and the vacancies within the Municipality.

In the circumstances, the Municipality may be operating without the optimal number of staff and service delivery to the public may be affected.

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

## **Responsibilities of the Management and the Municipality Board**

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

In preparing the financial statements, Management is responsible for assessing Meru 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 Municipal Board 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**

**14 November, 2025**

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

Description	Note	FY 2024/2025
		Kshs.
<b>Revenue from non-exchange transactions</b>		
Transfers from the County Government	5	9,000,000
Public contributions and donations		-
Levies Fines and Penalties		-
Other revenues ( <i>Specify</i> )		-
<b>Revenue from exchange transactions</b>		
Interest income		-
Miscellaneous Income		-
		-
<b>Total revenue</b>		<b>9,000,000</b>
<b>Expenditure</b>		
Use of goods and services	6	6,468,560
Staff costs		-
Board expenses		-
Finance costs		-
Depreciation and amortization		-
Repairs and maintenance	7	2,461,075
<b>Total expenses</b>		<b>8,929,635</b>
<b>Other gains/losses</b>		
Gain/loss on disposal of assets		-
<b>Surplus/(deficit) for the period</b>		<b>70,365</b>

The notes set out on pages 6 to 28 form an integral part of these Financial Statements. The entity financial statements were approved on 21<sup>st</sup> August 2025 and signed by:

.....  
**Dr. Jotham M. Kiriimi**


**Name:**  
**City/Municipality Manager**

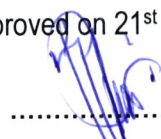
.....  
**Name: CPA. Timothy Kaaria**  
**Head of Finance**  
**ICPAK M/No: 3263**

5. Statement of Financial Position As At 30 June 25

Description	Note	FY 2024/2025
		Kshs.
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	8	5,412
Receivables from non-exchange transactions	9	3,000,000
<b>Total current assets</b>		3,005,412
<b>Non-current assets</b>		
Property, plant, and equipment		
<b>Total Non-current Assets</b>		-
<b>Total assets (A)</b>		3,005,412
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	10	2,935,047
<b>Total current liabilities</b>		2,935,047
<b>Non-current liabilities</b>		
Deferred Income		
<b>Total Non-current liabilities</b>		-
<b>Total liabilities (B)</b>		2,935,047
<b>Net Assets (A-B)</b>		70,365
<b>Represented by:</b>		
Accumulated surplus		70,365
<b>Net Assets/Equity</b>		70,365

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 21<sup>st</sup> August, 2025 and signed by:

  
 .....  
**Dr. Jotham M. Kirimi**  
 City/Municipality Manager  
 Date:

  
 .....  
**Name: Timothy Kaaria**  
 Head of Finance  
 ICPAK M/No:3263  
 Date:

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**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> (previous year)	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
<b>Bal as at 30 Jun 2024</b>	-	-	-	-
<b>Bal as at 1 July 2024</b> (current year)				
Surplus/(deficit) for the year	-	-	<b>70,365</b>	<b>70,365</b>
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
<b>Balance as at 30 June 2025</b>	-	-	<b>70,365</b>	<b>70,365</b>

*(Provide details on the nature and purpose of reserves)*

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

Description	Note	2024- 2025
		Kshs.
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from the County Government	5	6,000,000
Public contributions and donations		-
Interest received		-
Miscellaneous receipts ( <i>Specify</i> )		-
<b>Total Receipts</b>		<b>6,000,000</b>
<b>Payments</b>		
Use of goods and services	6	4,504,576
Staff costs		
Board expenses		
Finance costs		
Repairs and maintenance	7	1,490,011
<b>Total Payments</b>		<b>(5,994,588)</b>
<b>Net cash flows from operating activities</b>	8	<b>5,412</b>
<b>Cash flows from investing activities</b>		
Purchase of PPE & intangible assets		-
Proceeds from sale of PPE		-
<b>Net cash flows used in investing activities</b>		<b>-</b>
<b>Cash flows from financing activities</b>		
Receipts from Capital grants		-
Proceeds from borrowings		-
Repayment of borrowings		-
<b>Net cash flows used in financing activities</b>		<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>5,412</b>
Cash And Cash Equivalents At 1 July 2024	8	-
<b>Cash And Cash Equivalents As At 30 June</b>	8	<b>5,412</b>

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

18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	B	c=(a+b)	d	e=(c-d)	f=d/c
<b>Budget carryovers from the previous year*</b>	-	-	-	-	-	-
<b>Receipts</b>						
Transfers from the County Government	6,000,000.0	3,000,000	9,000,000.00	6,000,000.000	-	66%
Public contributions and donations	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous income ( <i>specify</i> )	-	-	-	-	-	-
<b>Total Receipts</b>	6,000,000.0	3,000,000	9,000,000.00	6,000,000.000	-	66%
<b>Payments</b>						
Use of goods and services	4,505,000	2,011,900	6,516,900	4,504,576	2012324	69%
Repair and maintenance	1,495,000	988,100	2483,100	1,490,011	993,089	60%
Board expenses						
Staff Costs	-	-	-	-	-	
Finance costs	-	-	-	-	-	
<b>Total expenditure Payments</b>	-		9,000,000	5,994,588	3,005,412	66%
<b>Capital Expenditure Payments</b>	-					
<b>Surplus for the period</b>				5,412		

## **19. Notes to the Financial Statements**

### **1. General Information**

Meru Municipality is established by and derives its authority and accountability from the Urban Areas and Cities Act, No. 13 of 2011 (Revised 2019), and was formally conferred with municipal status through a Gazette Notice issued by the Meru County Government in accordance with the provisions of Section 9 of the Act. The Municipality functions as a semi-autonomous administrative unit under the Meru County Government, domiciled in the Republic of Kenya.

The Municipality operates within the broader framework of Kenya's devolved system of governance as provided for under the Constitution of Kenya, 2010, which mandates county governments to promote social and economic development, manage county public works and services and ensure effective urban management and development.

The principal activities of Meru Municipality include urban cleanliness and environmental management, development and maintenance of infrastructure and public amenities, and revenue mobilization to support sustainable service delivery. In addition, the Municipality plays a key role in urban planning, traffic and transport management, solid waste management, beautification, and promoting public health standards within its jurisdiction.

Through these functions, the Municipality seeks to enhance the quality of urban life, promote local economic development, and ensure orderly growth in line with the County Integrated Development Plan (CIDP), the Meru Municipality Integrated Development Plan (IDeP) and the national Vision 2030 aspirations.

The Municipality operates through a governance and management framework anchored on the Meru Municipal Board, the Municipal Manager and the Municipal Administration, working collaboratively to deliver efficient, transparent, and accountable services to residents and stakeholders.

### **1. 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

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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 (*include any other applicable legislation*) and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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

*(When an IPSAS becomes effective on 1<sup>st</sup> January 2025, it is applicable in Kenya from 1<sup>st</sup> July 2025)*

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

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

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

Standard	Effective date and impact:
IPSAS 43: Leases	<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. <b>State the expected impact of the standard to the Entity if relevant</b>
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. <b>State the expected impact of the standard to the Entity if relevant</b>
IPSAS 45: 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 an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets. <b>State the expected impact of the standard to the Entity if relevant</b>
IPSAS 46: Measurement	<b>Applicable 1<sup>st</sup> January 2025</b> The objective of this standard was to improve measurement guidance across IPSAS

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	<p>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><b>State the expected impact of the standard to the Entity if relevant</b></p>
IPSAS 47: Revenue	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><b>State the expected impact of the standard to the Entity if relevant</b></p>
IPSAS 48: Transfer Expenses	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><b>State the expected impact of the standard to the Entity if relevant</b></p>
IPSAS 49: Retirement Benefit Plans	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><b>State the expected impact of the standard to the Entity if relevant</b></p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><b>Applicable 1<sup>st</sup> January 2027</b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral</li> </ul>

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	<p>resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</p> <p><b>State the expected impact of the standard to the Entity if relevant</b></p>
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**iii. Early adoption of standards**

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

### **3. 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 2024/25 was approved by the County Assembly on 5<sup>th</sup> August 2025. 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 City/Municipality upon receiving the respective approvals in order to conclude the final budget.

The City/Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts,

prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Cashflows has been presented under 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) Biological Assets**

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

**f) Financial instruments**

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

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

**Financial assets**

**Classification of financial assets**

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

measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

### **Subsequent measurement**

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

### **Amortized cost**

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

### **Fair value through net assets/ equity**

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

### **Fair value through surplus or deficit**

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

### **Trade and other receivables**

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

### **Impairment**

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

### **Financial liabilities**

#### **Classification**

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

### **g) Inventories**

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

Raw materials: purchase cost using the weighted average cost method

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

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

**h) Provisions**

Provisions are recognized when the City/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 City/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 City/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 City/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 City/Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

**l) Nature and purpose of reserves**

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

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

The City/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 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.

**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 City/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 City/Municipality, or vice versa. Members of key management are regarded as related parties and comprise the Board members, the City/Municipality Managers and City/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.

**s) Comparative figures**

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

**t) Events after the reporting period**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

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

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

The City/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.

#### **4. Significant judgments and sources of estimation uncertainty**

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

##### **Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The City/Municipality based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the City/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 City/Municipality.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of funds to replace the asset.
- v) Changes in the market in relation to the asset.

**Notes to the Financial Statements**

**5. Transfers from the County Government**

Description	FY/2024/2025
	Kshs.
Transfers from County Govt. – Recurrent	9,000,000.00
Payments by County on behalf of the entity	-
Unconditional development grants	-
<b>Total</b>	<b>9,000,000.00</b>

(Provide brief explanation for this revenue)

**(a) Transfers from County Government entities (Categorized)**

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance* Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year
			Kshs	Kshs
Department of lands, public works and urban development	9,000,000.00	-	-	9,000,000.00
<b>Total</b>	<b>9,000,000.00</b>	<b>-</b>	<b>-</b>	<b>9,000,000.00</b>

**6. Use of Goods and Services**

Description	FY 2024/2025
	Kshs.
Utilities, supplies and services	-
Communication, supplies and services	-
Domestic travel and subsistence	2,433,700.00
Foreign travel and subsistence	-
Printing, advertising, supplies & services	-
Rent and rates	-
Training expenses	-
Hospitality supplies and services	100,000.00
Insurance costs	-
Specialized materials and services	-
Office and general supplies and services	98,275.85

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Fuel, oil and lubricants	3,408,777.00
Other operating expenses (cleaning materials)	144,907.75
Routine maintenance - vehicles and other equipment	281,000
Routine maintenance – other assets	-
Contracted Professional Services	-
Audit fees	-
Hire of Transport, equipment etc	-
Bank Charges	1,900.00
Social Benefit expenses*	-
<b>Total</b>	<b>6,468,560</b>

**7. Repairs and Maintenance**

Description	FY 2024/2025
	KShs
Property- Buildings	-
Office equipment	-
Furniture and fittings	-
Motor vehicle expenses	2,461,075
Maintenance of civil works	-
<b>Total repairs and maintenance</b>	<b>2,461,075</b>

**8. Cash and cash equivalents**

Description	FY 2024/2025
	Kshs.
Fixed deposits account	-
On – call deposits	-
Current account	5,412
Others( <i>specify</i> )	-
<b>Total cash and cash equivalents</b>	<b>5,412</b>

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

Financial institution	Account number	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
Kenya Commercial bank	1334800685	5,412	
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>5,412</b>	-

**9. Receivables from Non-Exchange transaction**

Description	FY/2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfer from County Executive	3,000,000	-
<b>Total</b>	<b>3,000,000</b>	-

**Ageing analysis for Receivables from non-exchange transactions**

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	3,000,000	33.3%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%

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<b>Total</b>	-	%	-	%
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**10. Trade and Other Payables**

Description	FY 2024/2025		FY 2023/2024	
	Kshs.		Kshs.	
Trade payables	2,935,047		-	
Retentions	-		-	
Accrued expenses	-		-	
Other payables ( <i>Specify</i> )	-		-	
<b>Total trade and other payables</b>	<b>2,935,047</b>		<b>-</b>	
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	2,935,047	54%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	<b>2,935,047</b>	<b>%</b>	<b>-</b>	<b>%</b>

## 11. Cash generated from operations

Description	FY 2024/2025
	Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	70,365
<b>Adjusted for:</b>	
Depreciation	-
Amortisation	-
Gains/ losses on disposal of assets	-
<b>Working Capital adjustments</b>	
Increase in inventory	-
Increase in receivables	(3,000,000)
Increase in payables	2,935,047
<b>Net cash flow from operating activities</b>	<b>5,412</b>

## 12. Financial risk management

The City/Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The City/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 City/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 City/Municipality's financial risk management objectives and policies are detailed below:

### I. Credit risk

The City/Municipality has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the City/Municipality's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the City/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 (current year)</b>				

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Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	3,000,000	3,000,000	-	-
Bank balances	5,412	5,412	-	-
<b>Total</b>	<b>3,005,412</b>	<b>3,005,412</b>	-	-
	-	-	-	-
<b>At 30 June 2024 (previous year)</b>	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

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

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

The table below represents cash flows payable by the City/Municipality under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the

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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 (current year)</b>				
Trade payables	2,935,047	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>2,935,047</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 Jun 2024 (previous year)</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### **III. Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the City/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 City/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 City/Municipality's exposure to market risks or the manner in which it manages and measures the risk.

### **IV. Foreign currency risk**

The City/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 City/Municipality's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period .

### **V. Capital risk management.**

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

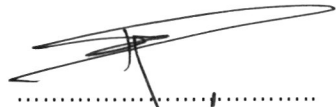
**20. Appendices**

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
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This is the first year of reporting. There exists no prior year audit recommendations


  
 .....  
**Jotham M Kiri**  
 Accounting officer


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**Appendix 2: Inter-Entity Transfers**

CITY/MUNICIPALITY NAME:				
Breakdown of Transfers from the County Executive of Meru County				
FY 2024/2025				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	Transfer from County Government	22/11/2024	6,000,000	2024/2025
		<b>Total</b>	<b>6,000,000</b>	

*(The above amounts have been communicated to and reconciled with the parent Department in the County.)*

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

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**Appendix 2: Inter-Entity Transfers**

CITY/MUNICIPALITY NAME:				
Breakdown of Transfers from the County Executive of Meru County				
	<b>FY 2024/2025</b>			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	Transfer from County Government	22/11/2024	6,000,000	2024/2025
		<b>Total</b>	<b>6,000,000</b>	

*(The above amounts have been communicated to and reconciled with the parent Department in the County.)*

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