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REPORT

OF

THE AUDITOR-GENERAL

ON

ISIOLO MUNICIPALITY

FOR THE YEAR ENDED

30 JUNE, 2025

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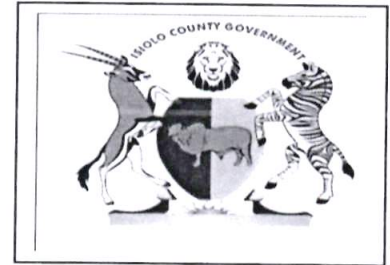
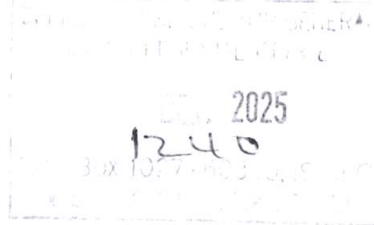
COUNTY GOVERNMENT OF ISIOLO

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



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**ISIOLO MUNICIPALITY**  
*County Government of Isiolo*

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

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

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## 1. Acronyms and Definition of Key Terms

### A. Acronyms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
D.O. B	Date of Birth
EACC	Ethics and Anti-corruption commission
P FM	Public finance Management
ID.NO	Identity card No for Kenya Citizens
UIG	Urban Institutional Grant
UDG	Urban development Grant
OPA	Operational Account

### 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

Isiolo 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> April 2019.

The Municipality is under the County Government of Isiolo and is domiciled in Kenya.

### b) Principal Activities

- The principal mandate of the Municipality is to Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations.
- Ensure that public resources and authority are utilized or exercised, as the case may be, to their satisfaction. - Enjoy efficiency in service delivery.

### c) Key Management

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

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

### d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 20- and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Municipality Manager	Mr. Halake Osman Dadacha
2	Head of Directorate Enforcement/Deputy Manager	Mr. Kabelo Adan Halkano
3	Fire and Rescue Department	Mr. Hosea Kirimi
4	Head of Accounting and Finance	CPA. Gedion Musomi Nyakundi
5	Hadija Halake Dida	Human Resource Management

**e) Fiduciary Oversight Arrangements**

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

- i) Audit and Risk Management Committee
- ii) County Assembly committees
- iii) Committees of the Senate

**f) Registered Offices**

P.O. Box 923-60300  
Kiwanjani, off EACC Road  
EACC Road  
ISIOLO, KENYA

**g) Contacts**

Telephone: (+254) 721311074  
E-mail: [info@isiolomunicipality.go.ke](mailto:info@isiolomunicipality.go.ke)  
Website: [www.isiolomunicipality.go.ke](http://www.isiolomunicipality.go.ke)

**h) Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000 - 00200  
Nairobi, Kenya  
National Bank of Kenya  
Isiolo Branch

**i) Independent Auditor**

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

**j) Principal Legal Adviser**

The Attorney General

State Law Office




Harambee Avenue




P.O. Box 40112





City Square 00200

Nairobi, Kenya




3. Municipality Board




Serial No.	Name	Details of qualifications and experience
1	Hassan Wako Wario –Board Chair 	<p><b><u>Chairman,</u></b>                      D.O.B -1944                      ID NO.-0077113</p> <p><b><u>QUALIFICATION.</u></b>                      Degree in Business Management-Finance option                      Certified Public secretary (CPS(K))</p> <p><b><u>EXPERIENCE</u></b>                      Worked as deputy clerk in the former local county council government</p>
2	Ms Bone Omar Godana 	<p><b><u>Vice Chair.</u></b>                      D.O.B -14/10/1996                      ID NO.-33474301</p> <p><b><u>QUALIFICATION.</u></b>                      Degree in Business Management-Human Resource Management option</p>
3	Mr Stephen Gathongo Wacheke 	<p><b><u>Member</u></b>                      D.O.B -03.02.1956                      ID NO:- 1843429</p> <p><b><u>QUALIFICATION.</u></b>                      Diploma in Agriculture Extension in Agriculture.                      Worked in the public sector as community development officer.</p> <p><b><u>EXPERIENCE</u></b>                      Worked in the public sector as community Development Officer.</p>




<p>4.</p>	<p>Ms Zeinabu Guyo Tache</p> 	<p><b>Member</b>  D.O.B -10/01/1995  ID NO.-32222749  <b>QUALIFICATION.</b>  Degree in Bachelors in international relations.  <b>EXPERIENCE</b>  Worked as social worker in the communities.</p>
<p>5.</p>	<p>Mr Halake Osman Dadacha</p> 	<p><b><u>MUNICIPAL MANAGER</u></b>  D.O.B -15/08/1974  ID NO.-12874904  <b><u>QUALIFICATION.</u></b>  Degree in Bachelors in international relations.  <b><u>EXPERIENCE</u></b>  Worked as social worker in the communities.</p>
<p>6</p>	<p>Mr Mohamed Dahir Ahmed</p> 	<p><b><u>Member</u></b>  D.O.B -1973  IDNO. -12542911  <b><u>QUALIFICATION.</u></b>  Diploma in Disaster management.  <b><u>EXPERIENCE</u></b>  Chair in transport industry within the municipality of Isiolo and worked with NGOs dealing with emergencies</p>

<p>7</p>	<p>Mr Lemantago S Charles</p> 	<p><b><u>Member</u></b>  D,O,B -1978  IDNO. -21217284  <u>QUALIFICATION.</u>  Diploma in education management.  <b><u>EXPERIENCE</u></b>  Served in the public sector as an educationist.</p>
<p>8</p>	<p>Mr Geofery Kinyua Nabea</p> 	<p><b><u>Member</u></b>  D.O.B -11/01/1961  IDNO. -7446169  <b><u>QUALIFICATION.</u></b>  Diploma in community Development.  <b><u>EXPERIENCE</u></b>  Served as social worker in the public sector</p>
<p>9</p>	<p>Hon Hussein Jirmo Katelo</p> 	<p>Member CECM Urban Development  D.O.B -17/8/1993  IDNO. -30480710  <b><u>QUALIFICATION.</u></b>  Master of Business administration finance option.  <b><u>EXPERIENCE</u></b>  He is the current CeC for urban Development</p>
<p>10</p>	<p>Mr. Sheriff Mohamed</p> 	<p><b><u>County Chief Officer Urban Development</u></b>  D.O.B -02/10/1990  IDNO. -3324356  <b><u>QUALIFICATION</u></b>  Bachelors of Arts in development studies  <b><u>EXPERIENCE</u></b>  He is the current Chief officer for Urban Development.</p>

4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	Municipality Manager: 	<p><i>Also, indicate the main area of responsibility – without details</i></p> <p><b><u>MUNICIPAL MANAGER</u></b>            D.O.B -15/08/1974            ID NO.-12874904</p> <p><b><u>QUALIFICATION.</u></b>            Bachelors of arts in religious studies and History.            Post graduate diploma in education (PGDE)            Masters in Governance peace and security.            PhD in peace and conflict studies on- going.</p> <p><b><u>EXPERIENCE</u></b>            He is the current Municipal Manager</p>
2.	Mr Kabelo Adam Halkano 	<p>The current deputy Manager-Isiolo Municipality.</p> <p><b><u>QUALIFICATION.</u></b>            Degree in Islamic studies            Masters in public Administration.            Post Graduate diploma in Education (PGDE)</p> <p><b><u>Main Area of Responsibility.</u></b>            Head of Directorate Enforcement /Deputy Manger</p>
3.	CPA Gedion Musomi 	<p><b><u>QUALIFICATION.</u></b>            Degree in Business management accounting option.            Masters in Business Administration strategic Management option (MBA)            CPA(K) (Certified Public Accountant, Kenya)            ICPAK MN,-23605</p> <p><b><u>Main Area of Responsibility.</u></b>            Head of accou nting and finance Isiolo Municipality</p>

4.	<p>Adan Wako</p> 	<p><b><u>QUALIFICATION.</u></b>          Bachelors of quantity surveying.          Reg. Q1341</p> <p><b><u>Main Area of Responsibility.</u></b>          Quantity Surveyor</p>
5	<p>Alex Mwangi</p> 	<p><b><u>QUALIFICATION.</u></b>          Bachelors of built environment urban and regional planning.</p> <p><b><u>Main Area of Responsibility.</u></b>          Planner</p>
6	<p>Abduba Ahmed</p> 	<p><b><u>QUALIFICATION.</u></b>          Bachelors of science in civil engineering.</p> <p><b><u>Main Area of Responsibility.</u></b>          Engineer</p>
7	<p>Kabale Tadicha</p>	<p><b><u>QUALIFICATION.</u></b>          Bachelors of environmental science.</p> <p><b><u>Main Area of Responsibility.</u></b>          Environment officer</p>

		
8	<p>Hosea Kirimi</p> 	<p><b><u>QUALIFICATION.</u></b> Military science and navigation</p> <p><b><u>Main Area of Responsibility.</u></b> Chief fire officer</p>
9	<p>Hadija Halake Dida</p> 	<p><b><u>QUALIFICATION.</u></b> Master's in Business Administration Human resource option</p> <p><b><u>Main Area of Responsibility.</u></b> Human Resource Director</p>

## 5. Municipality Board Chairperson's Report

This forward provides an update on the preparation and consolidation of the Municipal Financial Statements for the Financial Year 2024/2025. The process is progressing well and remains aligned to the Public Finance Management Act and applicable accounting standards. The purpose of this brief is to outline the progress made to date, highlight emerging challenges, and propose measures that will support timely and accurate completion of the statements.

During the period under review, the Municipality recorded notable progress despite operational constraints. The finance team successfully compiled the initial draft of the financial statements within the required timelines, supported by improved record retrieval and strengthened coordination across departments. These efforts contributed to the reduction of pending reconciliations, particularly on own-source revenue and expenditure vote books—an improvement compared to the previous financial year.

However, several challenges have affected the process and may hinder the completeness of the final statements if not addressed. These include inadequate supporting documentation for some expenditure items, delayed submission of departmental financial returns, and recurrent system downtimes on IFMIS that slowed data processing. Additionally, capacity gaps among some officers and limited budget allocations for audit and verification activities have contributed to delays and the need for extensive reviews.

To address these gaps and enhance compliance, several interventions are recommended. These include strengthening internal controls on documentation, enforcing strict submission timelines, and building the technical capacity of finance and departmental officers. Improving system reliability through close engagement with County ICT and IFMIS support units is also essential, alongside allocating adequate resources for field verification and regular quarterly internal audit reviews to detect issues early.

In conclusion, while the development of the Municipal Financial Statements for FY 2024/2025 has faced challenges, the overall progress remains positive. With strengthened processes, enhanced accountability, and improved technical support, the Municipality is well positioned to finalize accurate, comprehensive, and audit-ready financial statements within the stipulated timelines.



.....  
Name: Hassau Wamukoko

Chairperson of the Board

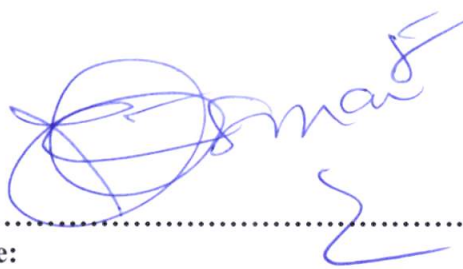
**6. Report Of the Municipality Manager**

The current Isiolo Municipal Board is the second-generation board of the Municipality and the second urban board established in Isiolo County, following the initial inauguration in 2019.

However, the Board is unable to report on its financial performance in accordance with Section 46(1) of the Urban Areas and Cities Act, 2011 where it stipulates the Municipality Board shall cause to be kept all proper books and record of accounts of its income, expenditure, assets and liabilities. Unfortunately, this has not been fulfilled by the Isiolo Municipality.

Of the total expected budget allocation of Kshs. 205,533,007—covering both recurrent and development expenditures, including Other Capital Grants and Transfers such as the KUSP-UIG allocation of Kshs. 32,309,300—this amount was not transferred to our Special Purpose Account as of 30th June 2025.

Given these circumstances, management is unable to provide accurate financial performance report, as the funds in question are already reflected in the County Treasury's report. However, the in-kind contributions have been captured in the financial statements.



.....  
**Name:**

**Municipality Manager**

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

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

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

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

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Urban planning	To control urban development	To create orderly development in urban areas	Number of developments conforming with rules and regulations governing urban development	In the FY 2024-2025, nothing much was done owing to lack of funds transfer to the municipality account.
Urban governance and administration	Managing urban growth	Provide inhabitants with better job opportunities and improved healthcare, housing, safety and social development.	Jobs created and improvement on healthcare facilities	In the FY 2024-2025, we didn't manage owing to lack of funds.
Provide quality physical infrastructure	Meeting economic development goals	increases the competitiveness of the Municipality economy	Number of physical infrastructure developments	In FY 2024-2025, we didn't manage much in construction of infrastructure.

Below we provide the progress on attaining the stated objectives:

*(NB: Entities can prepare this performance information as per the table below or in a more relevant format suitable for the nature of its activities)*

Program	Objective	Outcome	Indicator	Performance
Urban planning	To control urban development	To create orderly development in urban areas	Number of developments conforming with rules and regulations governing urban development	In FY under review we increased Housing unit by - %.
Program 2	-	-	-	-

## **8. Corporate Governance Statement**

In appointing members of the Board of the Municipality, the County Executive Committee shall ensure gender equity, representation of persons with disability, youth and marginalized groups. The term of the members of the Board of the Municipality shall be five (5) years on a part-time basis. Removal of members of the board of the municipality remains specified in Isiolo municipality charter.

The roles and functions of Isiolo Municipal board member will stand as specified by the charter.

The municipality will do induction and training for board member from time to time to enhance their performance.

The Board of the Municipality shall hold its sittings to transact the business of the Board once every three months Notwithstanding Article the Chairperson of the Board of the Municipality may, and upon request in writing by at least one-third of the members of the Board of the Municipality shall, convene a special meeting to transaction any urgent business of the Board of the municipality. All regular meetings of the Board of the Municipality called for the purpose of transacting public business, where a majority of the members elected are present, shall be open to the public. The excluded, however, no by-laws, resolution, rule or regulation shall be finally adopted at such an executive session. A majority of the members of the Board of the Municipality is a quorum to conduct business, but a smaller number may meet and compel attendance of absent members as prescribed by Board of the Municipality Rules.

The Board of the Municipality shall be a corporate body with perpetual succession and a common seal and shall in its own corporate name, be capable of:

- (a) Suing and being sued;
- (b) Taking, purchasing or otherwise acquiring, holding, charging or disposing of movable and immovable property;
- (c) Borrowing money or making investments within the limits imposed by law;
- (d) Entering into contracts; and
- (e) Doing or performing all other act or things for the proper performance of its.

The municipality function in accordance with the Urban Areas and Cities Act or any other written law which may lawfully be done or performed by a body corporate. There shall be a Government of Isiolo.

principal and agency relationship between the Board of the Municipality and the County Government of Isiolo.

Municipal Charter for Isiolo Municipality under Section 9 of the Urban Areas and Cities Act empowers the County Governor, on the resolution of the County Assembly, to confer on a qualifying town, the status of a Municipality by grant of charter in the prescribed form.

WHEREAS;

The Urban Areas and Cities Act does not have the prescribed form of a Municipal Charter IN EXERCISE of The Powers Conferred By Section 9 Of The Urban Areas & Cities Act (No. 13 Of 2011), I HIS EXCELLENCY, EGH, ABDI HASSAN, the Governor of Isiolo County certifies that this Charter set out in the Schedule hereto has been granted to Isiolo Municipality of in accordance with the provisions of the Act.

The Municipality board members or staff will not at one time be involved in conflict of interest. The Act defines situations when an individual board member's personal interest or the interest of their immediate family (spouse or dependent child) conflict with the broader municipality interest. It also imposes consequences on board members when they put their personal interests first. A member of the Board of the Municipality shall cease to hold office if the member: fails to declare his or her interest in any matter being considered or to be considered by the Board or Board Committee and as deduced under the Urban Areas and Cities act no 13 of 2011 article 16

***A member of a board shall cease to hold office if the member;***

- (a) is unable to perform the functions of the office by reason of mental or physical infirmity;
- (b) Is declared or becomes bankrupt or insolvent;
- (c) Is convicted of a criminal offence and sentenced to a term of imprisonment of six months or more;
- (d) Resigns in writing to the county governor;
- (e) Without reasonable cause, the member is absent from three consecutive meetings of the board or committee within one financial year;
- (f) Is found guilty of professional misconduct by the relevant professional body;
- (g) Is disqualified from holding a public office under the Constitution;
- (h) Is convicted of an offence and is sentenced to imprisonment for a term of six months or more;

- (i) in any particular case, the member fails to declare his or her interest in any matter being considered or to be considered by the board or committee;
- (j) engages in any gross misconduct; or
- (k) dies.

**[Act No. 12 of 2012, Sch.]**

The Board of the Municipality shall not be entitled to a salary. However, members of the Board of the Municipality shall be paid such allowances as the County Executive Committee shall, with the approval of the County Assembly, and on the advice of the Salaries and Remuneration Commission determine.

**9. Management Discussion and Analysis**

**KEY PROJECTS**

In the financial period, the municipality is in the process of finalizing the construction of fire station. The municipality is in the final stages of completion of Isiolo Modern Market.

The municipality's expenditures were within its budget limits; it is however expecting a lot of support from the county government and KUSP in order to enhance effective performance and service delivery.

*(The management should make use of tables, graphs, pie charts, and other descriptive tools to make the information as understandable as possible.)*

## **10. Environmental And Sustainability Reporting.**

Isiolo Municipality exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on Environmental policy and environmental performance: putting the residents/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

### **Environmental policy guiding Isiolo municipality**

The municipality depends on the national and county environmental laws and policies in day-to-day environmental management

1. Environment Management and Coordination Act (EMCA 1999) Amended 2015.
  - The Environmental (Impact Assessment and Audit) Regulations, 2009 Legal Notice No. 101;
  - The Environmental Management and Coordination (Waste Management) Regulations, 2006  
Legal Notice No. 121
  - The Environmental Management and Coordination (Water Quality) Regulations, 2006  
Legal  
Notice No. 120;
  - The Environmental Management and Coordination (Noise and Excessive Vibration  
Pollution Control) Regulations, 2009 Legal Notice No. 61;
  - The Environmental Management and Coordination (Air Quality Regulations 2014)
2. National Environment Policy (NEP 2012)
  - The policy sets out important provisions relating to the management of ecosystems and the sustainable use of natural resources, and recognizes that natural systems are under intense pressure from human activities particularly for critical ecosystems including forests, grasslands and arid and semi-arid lands. The objectives of the Policy include developing an integrated approach to Environmental management, strengthening the legal and institutional framework for effective coordination, promoting environmental management tools
  - The NEP applies during construction of infrastructure project i.e., on  
Environmental & Social Management and Monitoring Plan (ESMMP)

3. County Environment Action Plan (CEAP 2020-2024) - Intended to provide guidelines on solutions to some environmental impacts in the county.
4. The Isiolo County Climate Change Act of 2018

### **Biodiversity Management**

#### **1. Success;**

- Protection of Ecosystems
- Sustainable management of solid waste

#### **2. Short comings**

- General reduction of natural resources ability to sustain population growth
- Scarcity of resources i.e., water from Ewaso Nyiro River, pasture for livestock
- Increased poor land use system diminishing the viability of soils hence reducing farm productivity

#### **3. Efforts towards biodiversity management**

- Strict laws preventing cutting down of trees
- Incentives for reforestation and afforestation
- Concerted efforts by government, private institutions and civil society organizations and measures that enhance nature's ability to provide critical ecosystem services.

#### **4. Policies on waste management;**

- National Solid Waste Management strategy (2015)
- Environmental Management and Coordination (Waste Management) Regulations of 2006
- Isiolo Municipality Solid Waste Management Policy (Ongoing)

## 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, 2024 which show the state of Isiolo Municipality affairs.

### Principal activities

The principal activities of the Municipality are;

- i) Provide for efficient and accountable management of the affairs of the Municipality.
- ii) Provide for a governance mechanism that will enable the inhabitants of the Municipality to;
  - a. Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations.
  - b. Verify whether public resources and authority are utilized or exercised, as the case may be, to their satisfaction.
  - c. Enjoy efficiency in service delivery
- iii) Vigorously pursue the developmental opportunities which are available in the Municipality and to institute such measures as are necessary for achieving public order and the provisions of civic amenities, so as to enhance the quality of life of the inhabitants of the Municipality.
- iv) Provide a high standard of social services in a cost-effective manner to the inhabitants of the Municipality.
- v) Promote social cohesiveness and a sense of civic duty and responsibility among the inhabitants and stakeholders in the Municipality in order to facilitate collective action and commitment towards achieving the goal of a harmonious and stable community.
- vi) Providing for services and other matters for Municipality's benefit.
- vii) Fostering the economic, social and environmental well-being of its community.

### Performance

The performance of the Municipality for the year ended June 30, 2025 are set out on page i

### Board Members

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

Name: \_\_\_\_\_

Secretary of the Board



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

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

The Municipality manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2025.

This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safeguarding the assets of the Municipality.
- (v) Selecting and applying appropriate accounting policies, and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Urban Areas and Cities Act No. 13 of 2011. The Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30, 2024, and the financial position as at that date.

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

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Municipality Manager to indicate that the

Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

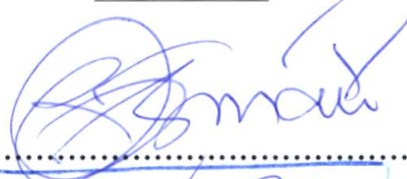
**Approval of the financial statements**

The Municipal's financial statements were approved by the Board on 8/12 2025 and signed on its behalf by:

  
**CHAIRMAN**  
MUNICIPALITY OF ISIOLO  
P. O. BOX 923 -60300,  
ISIOLO

Name: Hassan Waino Wako

Chairperson of the Board

  
**MUNICIPAL MANAGER**  
MUNICIPALITY OF ISIOLO  
Accounting officer of the Board  
Date: \_\_\_\_\_

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

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

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### **PREAMBLE**

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

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

A Disclaimer of Opinion is issued when the Auditor-General is unable to obtain sufficient appropriate audit evidence to form an opinion on the financial statements. 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.

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

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Isiolo Municipality set out on pages 1 to 46, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other

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

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

## **Basis for Disclaimer of Opinion**

### **1. Unsupported Cash and Cash Equivalents**

The statement of financial position and Note 19 to the financial statements reflect cash and cash equivalents negative balance totalling Kshs.21,821 representing overdrawn of three current accounts. However, cashbooks, bank reconciliation statements and certificate of bank balances were not provided for audit review. Further, Management did not provide explanations or supporting documentation to justify the overdrawn bank accounts, contrary to Section 119(4) of the Public Finance Management Act, 2012, which states that an Accounting Officer for a County Government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the County Treasury or a Board of a County Government entity.

In the circumstances, the accuracy and completeness of cash and cash equivalents negative balance of Kshs.21,821 could not be confirmed.

### **2. Unsupported In-Kind Contributions from the County Government**

The statement of financial performance and Note 6 to the financial statements reflect transfers from the County Government (In-kind contributions) of Kshs.31,567,375. However, Management did not provide supporting documentation to substantiate the nature, basis, or valuation of these in-kind contributions.

In the circumstances, the accuracy and completeness of transfers from the County Government (In-kind contributions) of Kshs.31,567,375 could not be confirmed.

### **3. Unsupported Expenditure**

The statement of financial performance reflects total expenditure of Kshs.31,901,467 as disclosed under Notes 12, 15, 16 and 17 to the financial statements, in respect of use of goods and services, finance costs, depreciation, repairs and maintenance expenses of Kshs.29,041,101, Kshs.20,817, Kshs.313,277 and Kshs.2,526,272 respectively. However, supporting documents, including payment schedules, procurement files, store records, appropriate authority, work tickets, bank statements and depreciation policy were not provided for audit review.

In the circumstances, the accuracy and completeness of the expenditure totalling Kshs.31,901,467 respectively could not be confirmed.

### **3. Property, Plant and Equipment**

The statement of financial position and Note 24 to the financial statements reflect property, plant and equipment (PPE) balance of Kshs.2,399,526. However, supporting documents, including ledgers and ownership documents were not provided for audit review.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.2,399,526 could not be confirmed.

### **4. Unconfirmed Comparative Balances**

The Municipality was granted a Municipal Charter effective 1 July, 2019, vide Gazette Notice dated 10 July, 2019. The Municipality Board was appointed on 1 January, 2019 and transfer of functions was gazetted on 24 May, 2019. This effectively made the Municipality a legal entity and a financially self-reporting entity. However, the comparative balances in the financial statements for the current financial year under review reflect nil balances inspite of the Municipality being in existence for the last five financial years since 2019/2020. Further, the Board failed to prepare and submit financial statements for audit in the mentioned financial years.

In the circumstances, the accuracy and completeness of the comparative nil balances in the financial statements could not be confirmed.

### **5. Errors in Presentation and Disclosure of Financial Statements**

Review of the financial statements revealed the following errors;

- i. Note 24 to the financial statements reflects property, plant and equipment (PPE) balance of Kshs.2,399,526. However, re-computation gives a balance of Kshs.2,039,453. The resultant variance of Kshs.360,073 was not explained.
- ii. The undated fixed assets register presented for audit review reflected assets values totalling Kshs.6,714,400. However, Note 24 to the financial statements on PPE reflects total assets values of Kshs.5,491,400 as at 1 July, 2023. The resultant variance of Kshs.1,223,000 was not reconciled or explained.
- iii. Note 12 to the financial statements reflects use of goods and services expenditure amount of Kshs.29,041,101. However, re-computation gave a balance of Kshs.29,061,919. The resultant variance of Kshs.20,818 was not explained.
- iv. The statement of comparison of budget and actual amounts reflects total budgeted and actual expenditure amounts of Kshs.84,571 809 and nil respectively. However, re-computation gives balances of Kshs.84,601,709 and Kshs.31,901,467. The resultant variances of Kshs.29,900 and Kshs.31,901,467 were not explained.

- v. The pagination shown in the table of content is not consistent and sequential. The roman numerals should sequentially follow each other up to the Report of the Independent Auditor.
- vi. The key management team section on page ix to xi do not include the required details of qualifications and experience of each member as required by the PSASB reporting template.
- vii. The progress on follow up of auditors recommendations and inter-entity transfers under Annex 1 and 2 to the financial statements are not signed by the accounting officer and head of the accounting unit respectively y as required.
- viii. Pages 41 and 43 were erroneously left blank.

In the circumstances, the accuracy of presentation and disclosure of the annual report and financial statements could not be confirmed.

## **6. Lack of Operational Autonomy**

The Isiolo Municipality was granted a Municipal Charter effective from 1 July, 2019, vide Gazette Notice dated 10 July, 2019 and thereby transferring specified functions and operational authority from the County Government of Isiolo to the Municipality. However, review of the Municipality's operations revealed that, more than seven years after the Charter came into effect, the Municipality did not exercise functional autonomy as required, as detailed below;

- a) The Municipality's budget was prepared and controlled by the County Executive, and there was no evidence of budget approval by the Municipality Board.
- b) The Municipality's expenditure, procurements and payroll management are centrally controlled by the County executive.
- c) The County Government has continued to perform the following functions but which were transferred to the Municipality.
  - i. Promotion, regulation and provision of refuse collection and solid waste management services;
  - ii. Constructions and maintenance of, storm drainage and flood control; street lighting; maintenance of urban roads; municipal market and any other ancillary market; bus and taxi stands; traffic and parking facilities; fire stations, provision of fire-fighting services emergency preparedness and disaster management;
  - iii. Promotion, regulation and provision of animal control and welfare; and
  - iv. Municipal planning and administration services including construction and maintenance of administrative offices.

In the circumstances, the operational autonomy of the Municipality could not be confirmed.

## **7. Lack of Approved Budget**

During the year under review, Management did not provide an approved budget for audit review. This was contrary to the International Public Sector Accounting Standards 24, Paragraph 9 which requires that an approved budget establish the expenditure authority for specified items, serving as the legal limit within which an entity must operate.

In the circumstances, the effectiveness of internal controls over budget management could not be confirmed.

## **8. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.205,533,007 and Kshs.31,901,467 respectively, resulting to a shortfall of Kshs.173,631,546, or 16% of the budget.

The shortfall in receipts affected the planned activities and may have impacted negatively on service delivery to the public.

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

### **Conclusion**

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

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

### **Conclusion**

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

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

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

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

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

15 December, 2025

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government(In Kind Contributions)	6	31,567,375	-
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues.	9	-	-
		<b>31,567,375</b>	
<b>Revenue from exchange transactions</b>			
Interest income	10	-	-
Miscellaneous Income	11	-	-
<b>Total revenue</b>		<b>31,567,375</b>	<b>-</b>
<b>Expenditure</b>			
Use of goods and services	12	29,041,101	-
Staff costs	13	-	-
Board expenses	14	-	-
Finance costs	15	20,817	-
Depreciation and amortization	16	313,277	-
Repairs and maintenance	17	2,526,272	-
<b>Total expenses</b>		<b>31,901,467</b>	<b>-</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	18	-	-
<b>Surplus/(deficit) for the period</b>		<b>(334,092)</b>	<b>-</b>

The notes set out on pages - to - form an integral part of these Financial Statements. The entity financial statements were approved on \_\_\_\_\_ 2025 and signed by:

Name: \_\_\_\_\_

Municipality Manager

MUNICIPAL MANAGER  
MUNICIPALITY OF ISIOLO  
PO BOX 923 60300 ISIOLO  
Date 08/12/25

Name: \_\_\_\_\_

Head of Finance

ICPAK M/No 23625

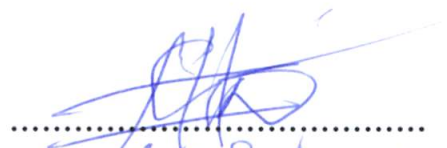
## 15. Statement of Financial Position As At 30 June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	19	(21,821)	-
Receivables from exchange transactions	20	-	-
Receivables from non-exchange transactions	21	-	-
Prepayments	22	-	-
Inventories	23	-	-
<b>Total current assets</b>		<b>(21,821)</b>	<b>-</b>
<b>Non-current assets</b>			
Property, plant, and equipment	24	2,399,526	-
Intangible assets	25	-	-
Biological Assets	26	-	-
<b>Total Non-current Assets</b>		<b>2,399,526</b>	<b>-</b>
<b>Total assets (A)</b>		<b>2,377,705</b>	<b>-</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	27	360,050	-
Refundable deposits from customers	28	-	-
Provisions	29	-	-
Borrowings	30	-	-
Employee benefit obligations	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
<b>Total current liabilities</b>		<b>360,050</b>	<b>-</b>
<b>Non-current liabilities</b>			
Provisions	29	-	-
Borrowings	30	-	-
Non-current employee benefit obligation	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Total liabilities (B)</b>		<b>2,017,655</b>	-
<b>Net Assets (A-B)</b>		<b>360,050</b>	-
<b>Represented by:</b>			
Capital/Development Grants/Fund		2,351,747	-
Reserves		-	-
Accumulated surplus		(334,092)	-
<b>Net Assets/Equity</b>		<b>2,017,655</b>	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 8/12 2025 and signed by:

  
  
 Name: \_\_\_\_\_  
 Municipality Manager  
 Date: \_\_\_\_\_

  
 Name: Gedion Munsom  
 Head of Finance  
 ICPAK M/No 23625  
 Date: 8/12/2025

## 16. Statement of Changes in Net Assets For the Year Ended 30 June 20-

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)	<b>2,351,747</b>	-	-	<b>2,351,747</b>
Surplus/(deficit) for the year	-	-	(334,092)	(334,092)
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
<b>Balance as at 30 June 2025</b>	<b>2,351,747</b>	-	<b>(334,092)</b>	<b>2,017,655</b>

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

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

Description	Note	FY 2024/2024	FY 2023/2024
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		-	-
Public contributions and donations		-	-
Interest received		-	-
Miscellaneous receipts ( <i>Specify</i> )		-	-
<b>Total Receipts</b>		-	-
<b>Payments</b>			
Use of goods and services		-	-
Staff costs		-	-
Board expenses		-	-
Finance costs		(20,817)	-
<b>Total Payments</b>		(20,817)	-
<b>Net cash flows from operating activities</b>	34	(20,817)	-
<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>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>Net increase/(decrease) in cash &amp; cash equivalents</b>		(20,817)	-
Cash And Cash Equivalents At 1 July	19	(1,003)	-
<b>Cash And Cash Equivalents At 30 June</b>	19	(21,820)	-

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 utilization
	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	205,533,007	0	205,533,007	0	-	-
Public contributions and donations	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Payment by county on behalf of entity (In- Kind)	-	-	-	31,901,467		16%
<b>Total Receipts</b>	<b>205,533,007</b>	-	<b>205,533,007</b>	<b>31,901,467</b>		<b>16%</b>
<b>Payments</b>						
Use of goods and services	84,601,709	-	84,601,709	31,901,467	-	-
Board expenses	-	-	-	-	-	-
Staff Costs	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
<b>Total expenditure Payments</b>	<b>84,571,809</b>	-	<b>84,571,809</b>	-	-	-
<b>Capital Expenditure Payments</b>	120,961,198	-	120,961,198	-	-	
<b>Surplus for the period</b>	<b>205,533,007</b>	-	<b>205,533,007</b>	<b>31,901,467</b>	-	<b>16%</b>

*(Budget carryovers\* This is for entities whose budget lapses at year-end, but the surpluses are not legally required to be remitted to the CRF. The funds need to be budgeted afresh. Budget carryovers should not include third-party funds such as contractors' retention.)*

*(Entities can present the Statement of Comparison of Budget & Actual amounts in a different format/categorization as approved by the governing body.)*

**Budget notes**

*[Provide an explanation of differences between actual and budgeted amounts (any over-utilisation and underutilisation of below 90%)]*

*(Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes.*

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	A
1	Reason for differences	-
2	Reason for differences	-
3	Reason for differences	-
4	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	-

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

### **1. General Information**

Isiolo 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 12thn April 2019. The Municipality is under the County Government of Isiolo and is domiciled in Kenya.

The principal mandate of the Municipality is to participate in determining the social services and regulatory framework which will best satisfy their needs and expectations.

Ensure that public resources and authority are utilized or exercised, as the case may be to their satisfaction, enjoy Efficiency in service delivery.

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*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.

3. Application of New and revised standards (IPSAS)

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

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

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

Standard	Effective date and impact:
IPSAS 43: Leases	<b><i>Applicable 1<sup>st</sup> January 2025</i></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><i>State the expected impact of the standard to the Entity if relevant</i></b>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b><i>Applicable 1<sup>st</sup> January 2025</i></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><i>State the expected impact of the standard to the Entity if relevant</i></b>
IPSAS 45: Property Plant and Equipment	<b><i>Applicable 1<sup>st</sup> January 2025</i></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><i>State the expected impact of the standard to the Entity if relevant</i></b>
IPSAS 46:	<b><i>Applicable 1<sup>st</sup> January 2025</i></b>

Measurement	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol 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> </ol> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></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><i>State the expected impact of the standard to the Entity if relevant</i></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><i>State the expected impact of the standard to the Entity if relevant</i></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><i>State the expected impact of the standard to the Entity if relevant</i></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> <ol style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> </ol>

	<p>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.</p> <p>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
--	---

**iii. Early adoption of standards**

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

#### **4. Significant Accounting Policies**

##### **a) Revenue recognition**

###### **i) Revenue from non-exchange transactions**

###### *Transfers from other government entities*

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

###### **ii) Revenue from exchange transactions**

###### *Interest income*

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

##### **b) Budget information**

The original budget for FY 2024/25 was approved by the County Assembly on 2<sup>nd</sup> August 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget.

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

statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. 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 section - of these financial statements.

**c) Property, plant and equipment**

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

**d) Intangible assets**

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

**e) Biological Assets**

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

**f) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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) are set out in *Note*.

### **Financial liabilities**

#### **Classification**

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

#### **g) Inventories**

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

Raw materials: purchase cost using the weighted average cost method

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange,

or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Municipality.

**h) Provisions**

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

**i) Social Benefits**

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

**j) Contingent liabilities**

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

**k) Contingent assets**

The Municipality does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are

appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

**l) Nature and purpose of reserves**

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

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

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

**n) Employee benefits – Retirement benefit plans**

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

**o) Foreign currency transactions**

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

**p) Borrowing costs**

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

**q) Related parties**

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

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Events after the reporting period**

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

- (a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) Those that are indicative of conditions that arose after the reporting date (*non-adjusting events after the reporting date*).

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

**u) Currency**

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

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

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

State all judgements, estimates and assumptions made.

### **Estimates and assumptions.**

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

### **Useful lives and residual values**

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

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	-	-
Payments by County on behalf of the entity	31,567,374.80	-
Unconditional development grants	-	-
<b>Total</b>	<b>31,567,374.80</b>	<b>-</b>

(a) Transfers from County Government entities (Categorized)

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

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the sending County office. An acknowledgement note/receipt should be raised in favour of the sending County office.) \*Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached. Total of column 1 should tie to note 6

The details of the reconciliation have been included under appendix -

7. Public Contributions and Donations

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**8. Levies, Fines and penalties**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Levies	-	-
Fines	-	-
Penalties	-	-
Others ( <i>indicate and specify</i> )	-	-
<b>Total</b>	-	-

**9. Other Revenues**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others ( <i>indicate and specify</i> )	-	-
<b>Total</b>	-	-

(Provide a brief explanation for this revenue)

**10. Interest income**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Interest income from investments	-	-
Interest income on bank deposits	-	-
Others ( <i>Specify</i> )	-	-
<b>Total interest income</b>	-	-

(Provide brief explanation for this revenue)

**11. Miscellaneous income**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Income from sale of tender documents	-	-
Others ( <i>specify</i> )	-	-
<b>Total other income</b>	-	-

**12. Use of Goods and Services**

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Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	7,134,377	-
Communication, supplies and services	-	-
Domestic travel and subsistence	6,392,600	-
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	-	-
Rent and rates	2,300,000	-
Training expenses	-	-
Hospitality supplies and services	500,000	-
Insurance costs	900,000	-
Specialized materials and services	8,200,000	-
Office and general supplies and services	1,496,230	-
Fuel, oil and lubricants	2,117,895	-
Other operating expenses ( <i>Specify</i> )	-	-
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	-	-
Audit fees	-	-
Hire of Transport, equipment etc	-	-
Bank Charges	20,817	-
Social Benefit expenses*	-	-
<b>Total</b>	<b>29,061,919</b>	<b>-</b>

\*Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.

**13. Staff costs**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Salaries and wages	-	-
Staff gratuity	-	-
Social security contribution	-	-
Other staff costs ( <i>Specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**14. Board expenses**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	-	-
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	-
Conference Costs	-	-
Other allowances ( <i>Specify</i> )	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**15. Finance costs**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Interest on Bank overdrafts	20,817	-
Interest on loans from banks	-	-
<b>Total</b>	<b>20,817</b>	<b>-</b>

**16. Depreciation and amortization**

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Property, plant and equipment	313,277	-
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total depreciation and amortization</b>	<b>313,277</b>	<b>-</b>

**17. Repairs and Maintenance**

Description	FY 2024/2025	FY 2023/2024
	Kshs	KShs
Property- Buildings	-	-
Office equipment	-	-
Furniture and fittings	-	-
Motor vehicle expenses	-	-
Maintenance of civil works	2,526,272	-
<b>Total repairs and maintenance</b>	<b>2,526,272</b>	<b>-</b>

**18. Gain/(loss) on disposal of assets**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Property, plant and equipment	-	-
Intangible assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**19. Cash and cash equivalents**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	(21,820.71)	-
Others( <i>specify</i> )	-	-
<b>Total cash and cash equivalents</b>	<b>(21,820.71)</b>	<b>-</b>

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*

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>			
NBK-UDG-01040226023900		(11,791.21)	-
UIG-01040226025000		(4,990)	-
OPA- 01040226023400		(5,039.50)	-
<b>Sub- total</b>		<b>(21,820.71)</b>	-
<b>d) Others(specify)</b>		-	-
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		-	-

## 20. Receivables from exchange transactions

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
<b>Current Receivables</b>		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Current receivables (a)</b>	-	-
<b>Non-Current receivables</b>		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-

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Less: impairment allowance	-	-
<b>Total Non- current receivables (b)</b>	-	-
<b>Total</b>	-	-

Ageing analysis for Receivables from exchange transactions

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

21. Receivables from Non-Exchange transaction

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfer from County Executive	-	-
Transfer from -- Fund	-	-
<b>Total</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	-	-	-	-
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	-	-	-	-

## 22. Prepayments

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Other ( <i>specify</i> )	-	-
<b>Total</b>	-	-

## 23. Inventories

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Consumable stores	-	-
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Less: allowance for impairment	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-

### Detailed Disclosure on Inventories

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

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24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>Depreciation Rate</b>		X%	X%	12.5%	30%	12.5%		
<b>As at 1 July 2023</b>	-	-	-	3,372,000	870,400	1,249,000	-	5,491,400
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2024</b>	-	-	-	3,372,000	870,400	1,249,000	-	5,491,400
Additions for the year	-	-	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>	-	-	-	3,372,000	870,400	1,249,000	-	5,491,400
<b>Depreciation and impairment</b>								
<b>At 1 July 2023</b>		-	-	1,503,363	713,804	554,057	-	2,771,245
Depreciation		-	-	233,580	46,979	86,868	-	367,426
Impairment		-	-	-	-	-	-	-

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Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>Depreciation Rate</b>		X%	X%	12.5%	30%	12.5%		
Transfers/ Adjustments		-	-	-	-	-	-	-
<b>As at 30 June 2024</b>		-	-	1,736,942	760,783	640,925	-	3,138,650
Depreciation for the year		-	-	204,382	32,885	76,009	-	313,276
Disposals for the year		-	-	-	-	-	-	-
Impairment for the year		-	-	-	-	-	-	-
Transfer/adjustment		-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>		-	-	1,941,324	793,668	716,934	-	3,451,926
<b>NBV as at 30<sup>th</sup> Jun 2024</b>	-	-	-	1,635,058	109,616.93	608,075	-	2,352,750
<b>NBV as at 30<sup>th</sup> Jun 2025</b>	-	-	-	76,731.85	1,605,860	716,934	-	2,399,526

(Include a brief description of WIP as a footer.)

**25. Intangible assets**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
<b>Cost</b>		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
<b>Amortization and impairment</b>		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
<b>NBV</b>	-	-

**26. Biological Assets**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
<b>Total</b>	-	-

**27. Trade and Other Payables**

Description	FY 2024/2025		FY 2023/2024	
	Kshs.		Kshs.	
Trade payables	360,050		-	
Retentions	-		-	
Accrued expenses	-		-	
Other payables ( <i>Specify</i> )	-		-	
<b>Total trade and other payables</b>	<b>360,050</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	360,050	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	<b>360,050</b>	<b>-</b>	<b>-</b>	<b>-</b>

**28. Refundable deposits and prepayments from customers**

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Rent deposits	-		-	
Prepayments	-		-	
Others ( <i>specify</i> )	-		-	
<b>Total</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	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	-	-	-	-

**29. Provisions**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Balance at the beginning of the year	-	-
Additional Provisions ( <i>Specify</i> )	-	-
Provision utilised	-	-
<b>Balance at the end of the year</b>	-	-
Current Portion of provision	-	-
Long term portion of provision	-	-
<b>Total Provisions</b>	-	-

**30. Borrowings**

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

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	-	-

(NB: the total of this statement should tie to note 29 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional

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*(disclosures on terms of borrowings, nature of borrowings, security, and interest rates should be disclosed)*

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
<b>Balance at beginning of the period</b>	-	-
Borrowings during the year	-	-
Repayments of borrowings during the period	-	-
<b>Balance at end of the period</b>	-	-

The table below shows the Distribution of borrowings:

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
<b>Borrowings</b>		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
<b>Total balance at end of the year</b>	-	-

### 31. Employee Benefit Obligations

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

**32. Deferred Income**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
National/County Government	-	-
International Funding Bodies	-	-
Public Contributions and Donations	-	-
<b>Total Deferred Income</b>	-	-

The deferred income movement is as follows:

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

*Include columns as needed for the various sources of income deferred*

*Analysed as:*

Description	Amount
	Kshs
Current	-
Non- Current	-
<b>Total</b>	-

### 33. Social Benefit Liabilities

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
PWD benefit scheme		
Elderly social benefit scheme	-	-
<b>Total</b>	-	-
Current social benefits	-	-
Non- current social benefits	-	-
<b>Total (tie to totals above)</b>	-	-

*Social benefit schemes include benefits such as cash transfers for the unemployed or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g. poverty, age, unemployment among others.*

### 34. Cash generated from operations

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	<b>(334,092)</b>	-
<b>Adjusted for:</b>		
Depreciation	313,277	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	<b>(20,817)</b>	-

*(The total of this statement should tie to the cash flow section on net cash flows from operating activities)*

**35. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

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

**c) Key management remuneration**

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

**d) Due from related parties**

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

e) Due to related parties

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

36. Contingent liabilities

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

(Give details)

37. Contingent Assets

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

### 38. Financial risk management

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

#### I. Credit risk

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

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June 20- (current year)</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 20- (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 Municipality has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality has significant concentration of credit risk on amounts due from -.

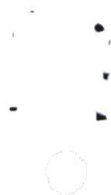
The Municipality Board sets policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

## **II. Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 Jun 20- (current year)</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 Jun 20- (previous year)</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-



### **III. Market risk**

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

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

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

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

Description		<b>Other currencies</b>	<b>Total</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>At 30 June 20- (current year)</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
<b>Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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*(The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.)*

**Foreign currency sensitivity analysis**

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
<b>2024/2025</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2023/2024</b>			
Euro	10%	-	-
USD	10%	-	-

**V. Interest rate risk**

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

**Management of interest rate risk**

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

**VI. Capital risk management.**

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

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

**39. Program for Results (PforR) Disclosure**

*This disclosure note is for entities that are implementing Programs for Results (PforR). Implementing entities are required to make disclosures in accordance with their respective financing agreements. The disclosure should capture the program's goal and expenditures designated in the expenditure framework.*

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

**20. Appendices**

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

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>

**Guidance Notes:**

- a) Use the same reference numbers as contained in the external audit report.
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue.
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.

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**To be Signed by the Accounting officer of the Entity**

Appendix 2: Inter-Entity Transfers

MUNICIPALITY NAME:				
Breakdown of Transfers from the County Executive of - County				
	FY 20-/20-			
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>
			-	
			-	
		<b>Total</b>	-	

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

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

**Appendix 3: Reporting of Climate Relevant Expenditures**

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

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

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

**Appendix 4: Disaster Expenditure Reporting Template**

Date:

Entity

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