

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

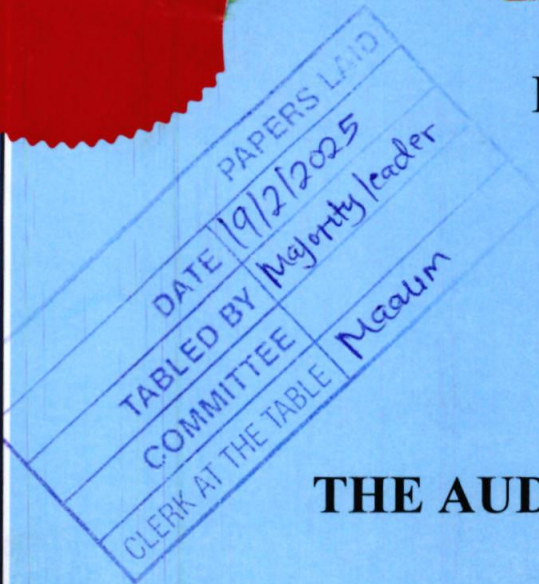
PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

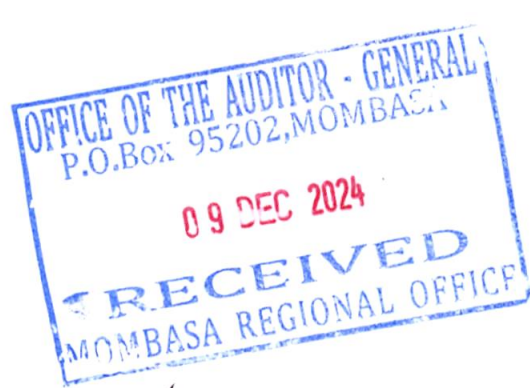
**ON**

**DIANI MUNICIPALITY**

**FOR THE YEAR ENDED  
30 JUNE, 2024**







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## DIANI MUNICIPALITY

*County Government of Kwale*

### ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30<sup>TH</sup> JUNE 2024

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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 Terms**

**A. Acronyms**

|       |                                                    |
|-------|----------------------------------------------------|
| CPA   | Certified Public Accountant                        |
| EACC  | Ethics and Anti-Corruption Commission              |
| FY    | Financial Year                                     |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| PSASB | Public Sector Accounting Standards Board           |

**B. Definition of Key Terms**

|                      |                                                                           |
|----------------------|---------------------------------------------------------------------------|
| Fiduciary Management | Key management personnel who have financial responsibility in the entity. |
| Comparative Year     | Means the prior period                                                    |



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

### **a) Background information**

Diani Municipality was 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 20<sup>th</sup> February 2019. The Municipality is under the County Government of Kwale and is domiciled in Kenya.

### **b) Principal Activities**

The Diani Municipality as indicated in the Urban Areas and Cities Act 2011, the County Governments Act 2012, and the municipal charter has the following mandates,

- a) Solid Waste Management
- b) Infrastructural Development
- c) Recreational Facilities and Green Spaces
- d) Animal Control and Welfare
- e) Resource Mobilisation

### **Vision**

A leading one-stop cultural resort city.

### **Mission**

To provide a world class infrastructure, safe, clean, and well managed resort city offering efficient services that promote development and diverse cultural experience.

### **Core Values**

The Municipality of Diani upholds integrity, efficiency and effectiveness, accountability and transparency, inclusivity, creativity and innovation, and customer-centric as its values.

The board's core objectives include;

The functions of the municipality as provided for in the charter are: —

- 1) Promotion, regulation and provision of refuse collection and solid waste management services
- 2) Construction and maintenance of urban roads and associated infrastructure.
- 3) Construction and maintenance of storm drainage and flood controls.
- 4) Construction and maintenance of walkways and other non-motorized transport infrastructure.
- 5) Construction and maintenance of street lighting.
- 6) Construction maintenance and regulation of traffic controls and parking facilities.
- 7) Construction and maintenance of bus stations and taxi stands.
- 8) Construction and maintenance of recreational parks and green spaces.
- 9) Promotion, regulation and provision of animal control and welfare
- 10) Any other functions as may be delegated by the County Executive Committee.

### **c) Key Management**

Diani Municipality's management is under the following key organs:

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

- Management

**d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:

| Ref | Position             | Name                 |
|-----|----------------------|----------------------|
| 1   | Municipality Manager | Khamisi Mwandaro     |
| 2   | Accountant           | CPA Christina Malila |
| 3   | Procurement officer  | Peter Kugomba        |

**e) Fiduciary Oversight Arrangements**

The key fiduciary oversight arrangements includes;

- i) Audit and Risk Management Committee

We have a strong independent internal audit section under the headship of a director.

- ii) County Assembly committees

There is established a county assembly audit committee serving as an oversight for the operations of the municipality.

- iii) Committees of the Senate

**f) Registered Offices**

P.O. Box 4,  
Kwale County Head Office  
Likoni – Kinango Road  
Kwale, KENYA

**g) Contacts**

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

**h) Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O Box 60000  
City Square 00200  
**NAIROBI KENYA**

Co-operative Bank  
Ukunda Branch  
Account Number 01141839229400  
Kwale, Kenya



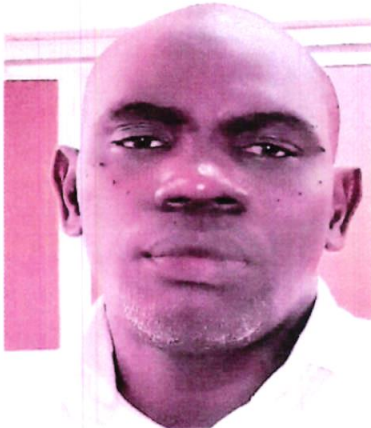
**i) Independent Auditor**

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

**j) Principal Legal 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          | Board Member 1<br>   | <p><b>NAME : MAJANI SAID ALI – BOARD CHAIR</b><br/> <b>DATE OF BIRTH:</b> 12<sup>th</sup> March 1982<br/>           Bachelor of Information Technology (Islamic University- Uganda)<br/>           Experience:<br/>           Teacher in Dar ulum Secondary, Gombato secondary and Ukunda secondary schools.<br/>           Project officer – Pact Kenya<br/>           Currently businessman<br/>           The trustee is an independent director.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 2          | Board Member 2<br> | <p><b>NAME : ATHUMAN BWIKA JUMA</b><br/> <b>DATE OF BIRTH:</b> 7<sup>th</sup> May 1974<br/>           2017-2019: Bachelor of Sharia\$ Islamic Studies<br/>           2016-AUG 2016: Diploma in Arabic Language\$ Islamic Studies - Umma University.<br/>           2015- DEC 2015: Certificate in Arabic Language \$ Islamic Studies - Umma University.<br/>           2014: Diani private - KCSE<br/>           1993-1997 : Arabic \$ Islamic Studies O'Leval Malindi. Naja Islamic centre</p> <p><b><u>PROFFESIONAL AND WORK EXPERIENCE</u></b><br/>           Year February 2020 to date - Kwale County BOARD MEMBER – Diani Municipality<br/>           2019.upto date. BOM Mabokoni Primary<br/>           2013 upto date: Chairman of county Busary Gombato Bongwe ward<br/>           2015 upto date. The Association of Madrasa Kenya (À. m. K. E) .<br/>           2013 upto date : Community mobilizer ummulqura intergrated ecde<br/>           1999 upto date: Working as a Teacher/Ustadh/Imam at Saifullah Islamic Centre ( Ukunda Mbuwani)<br/>           The trustee is an independent director and chairs the Gender and communications sub- committee</p> |



|   |                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3 | <p>Board Member 3</p>    | <p><b>NAME : MAMBEYA SULEIMAN HAMISI</b><br/> <b>DATE OF BIRTH:</b> 17<sup>th</sup> August 1986<br/> June 2016 – ERC - Solar PV Technician Licence Class T3<br/> Jan 2012 – July 2013 - Certificate; Engineers 'Training Programme - Davis &amp; Shirtliff Ltd.<br/> Aug 2006 – May 2011 – Egerton University - B.Sc. Agricultural Engineering<br/> Jan–April 2009 - Certificate in strategic planning and management of projects.<br/> Feb 2001- Dec 2004 - Sheikh Khalifah Bin Zayed</p> <p><b><u>PROFFESIONAL AND WORK EXPERIENCE</u></b><br/> Year February 2020 to date - Kwale County<br/> BOARD MEMBER – Diani Municipality<br/> December 2019 to date: Branch Manager Davis &amp; Shirtliff<br/> Jan. 2016 – 2019 – Solar specialist Davis &amp; Shirtliff<br/> 2014 – 2015 – Major trade manager and event organiser Davis &amp; Shirtliff.<br/> 2011 – 2014 – Sales manager Davis &amp; Shirtliff<br/> The trustee is an independent director and chairs the Environment sub-committee.</p> |
| 4 | <p>Board Member 4</p>  | <p><b>NAME : MAUREEN NJERI MUHINJA</b><br/> <b>DATE OF BIRTH:</b> 23<sup>rd</sup> December, 1969<br/> 1997 – 1999: University of Nairobi<br/> MA (Planning)<br/> 1989 – 1992: University of Nairobi<br/> BA (Sociology and Geography)<br/> 1987 – 1988: A levels<br/> Mary Leakey Girls High School<br/> 1983 – 1986: O Levels<br/> Precious Blood, Kagwe Girls School<br/> 1976 – 1982: Primary Education<br/> HGM, Lioki Primary School.</p> <p><b><u>PROFFESIONAL AND WORK EXPERIENCE</u></b><br/> Year February 2020 to date - Kwale County<br/> BOARD MEMBER (Diani Municipality)- (Chair Sub-committee on Urban Planning and Infrastructure<br/> Year 2012 to Date – Geospatial systems Limited (Kwale)<br/> Senior Planner<br/> Year 2004 to 2011 – Kwale County -<br/> Senior Planning Officer/ District Physical Planning Officer</p>                                                                                                                                                        |

|   |                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                                                                                                         | <p>Year 1999 to 2003 – Laikipia County - Senior Planning Officer/ District Physical Planning Officer</p> <p>The trustee is an independent director and chairs the sub-committee of Urban planning and infrastructure.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 5 | <p>Board Member 5</p>  | <p><b>NAME : MARIAM RASHID CHOKA</b><br/> <b>DATE OF BIRTH: 23<sup>rd</sup> May, 1991</b></p> <p>May 2015 to date – CPA Part II<br/> 2011 – 2015: Egerton University – Bachelor of Arts Economics and Sociology.<br/> 2006 – 2009: Kwale Girls High School<br/> 2002-2009: Zigira Primary School</p> <p><b><u>PROFFESIONAL AND WORK EXPERIENCE</u></b><br/> Year February 2020 to date - Kwale County<br/> BOARD MEMBER – Diani Municipality<br/> Nov. 2020 to date: Cashier at Diani Sea Resort<br/> Jan. 2019 – August 2020 - Accountant at Donje Milling Company<br/> June 2016 – June 2018 - Accountant at Kenya Red Cross Kwale Branch<br/> 2010 – 2011 - Worked as Untrained Teacher at Kwale Girls High School.<br/> The trustee is an independent director and serves as the vice chair for the Diani Municipality board and chairs the audit sub-committee.</p> |
| 6 |                      | <p><b>NAME:RACHAEL JOAN WANJIRU NDUNG’U</b></p> <p>Date of Birth: 10<sup>th</sup> Oct 1987</p> <p><b><u>Education Background</u></b><br/> 2006-2010: Bsc.Hospitality and Tourism</p> <p><b><u>Professional and work Experience</u></b><br/> 2023 Dec to Date: Diani Municipality Board<br/> 2016 to Date: The Residence Manager leopard<br/> 2014-2016: Ass. Operations Manager leopard<br/> 2012-2014:Ass.FrontOfficeManager-Leopard</p>                                                                                                                                                                                                                                                                                                                                                                                                                                |



|          |                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>7</p> | <p>Board Member 7</p>  | <p><b><u>NAME: JEREMIAH MUTERU MUCHIRI</u></b><br/> Date of Birth: 2<sup>nd</sup> oct 1968<br/> Educational Background<br/> 2019-2019: KEMI Dep of Education Management<br/> 2010-2011: CFBT Education Trust<br/> Certificate in Marketing and Accounting in School Management<br/> 1987-1988: Thunguma High School A Level Certificate(K.A.C.E)<br/> 1983-1986: Karima Secondary School O Level Certificate (KCE)<br/> <b><u>Professional and work Experience</u></b><br/> Nov 2023 to Date: Board Member, Diani Municipality<br/> 2019-2021: Board Member Kwale Education Board<br/> 2004-Date: Managing Director, ST.Mercy Academy,</p> |
| <p>8</p> |                       | <p><b>NAME : KHAMISI MWANDARO</b><br/> <b>DATE OF BIRTH:</b> 1<sup>st</sup> January 1964<br/> <br/> BA Economics and Sociology (UON)<br/> Diploma in clearing warehousing and practical freight forwarding.<br/> Experience:<br/> Sub county administrator – County Government of Kwale<br/> Operations coordinator – Grain bulk handlers<br/> Manager NCPB</p>                                                                                                                                                                                                                                                                            |



|     |                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9.  | <p>Chief Officer-Environment</p>  | <p><b>NAME: NEEMA SIHABA SUYA</b><br/> <b>POSITION:</b> County Chief Officer<br/> <b>DEPARTMENT:</b> Environment, Natural Resources and Urban Planning<br/> <b>Registered Professional Bodies:</b><br/> - Member, Conservation Coaches Network (CCNet)<br/> <b>Professional And Work Experience:</b><br/> - April 2023 to date: County Chief Officer, Kwale<br/> - July 2020 to April 2023: Project Officer, Governance, World Wide Fund For Nature (WWF-Kenya)<br/> - June 2017 to June 2020: Project Officer, Civil Society, WWF-Kenya<br/> - October 2012 to June 2018: Project Technical Assistant, WWF- Kenya<br/> - October 2011 to September 2012: Intern, WWF-Kenya<br/> - May 2009 to February 2011: Intern, Natuonal Environment Management Authority (NEMA)<br/> - February 2009 to May 2009: Intern, Ministry of Mines and Geology, Kwale.</p> |
| 10. |                                 | <p><b>NAME: SAUMU BEJA MAHAJA</b><br/> <b>Date of Birth: 16<sup>th</sup> April 1989</b><br/> She has a Master's degree in Environmental Studies Community Development and a Bachelor of Environmental Science from Kenyatta University.<br/> Her Professional Trainings and Certification include;</p> <ul style="list-style-type: none"> <li>• Project Planning and Management Training by East African Institute of Certified Studies</li> <li>• Geo-Spatial Database Development and Management Training at the Regional Centre for Mapping and Resource Development Nairobi</li> <li>• Monitoring and Evaluation Training by East African Institute of Certified Studie</li> </ul> <p>She is currently the County Executive Committee Member for Environment and Natural Resources For Kwale County.<br/> The trustee is an executive director.</p>    |

## 4. Key Management Team

| Serial No | Name                                                                               | Details of qualifications and experience                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.        |   | <p><b>NAME :KHAMISI MWANDARO</b><br/> <b>DATE OF BIRTH:</b> 1<sup>st</sup> January 1964</p> <p>BA Economics and Sociology (UON)<br/> Diploma in clearing warehousing and practical freight forwarding.<br/> Experience:<br/> Sub county administrator – County Government of Kwale<br/> Operations coordinator – Grain bulk handlers<br/> Manager NCPB</p>                                                                                                                                                                                                                                                                                                                                                                                            |
| 2         |  | <p><b>NAME : CHRISTINA MALILA</b><br/> <b>DATE OF BIRTH:</b> 19<sup>th</sup> Sept 1978<br/> <b>POSITION:</b> Senior Accountant-Diani Municipality</p> <p><b><u>Educational Background</u></b><br/> 2018-BBM (Finance Option), Moi University<br/> 2008-CPA(K), Vision Institute of Professionals<br/> Senior Management Course- Kenya School of Government</p> <p><b><u>Registered Professional Membership</u></b><br/> ICPAK Member No 13279<br/> AWAK Member No 626</p> <p><b><u>Work Experience</u></b><br/> 2023 To Date: Senior Accountant in charge of Diani Municipality<br/> 2016-2023 Accountant 1 Dept. of Education (Kwale County)<br/> 2015-2016: Internal Auditor, Tabasamu Sacco<br/> 2008-2015: Assistant Accountant, Tramom Sacco</p> |



|    |                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. |  | <p><b>NAME: PETER GWENDE KUGOMBA</b><br/><b>DATE OF BIRTH:</b> 1988<br/><b>POSITION:</b> Procurement officer</p> <p><b><u>Educational Background</u></b><br/>2012-2015-BBM (Procurement and supply Chain Management-KEMU</p> <p><b><u>Professional Membership</u></b><br/>KISM-Mno 77029<br/>Supplies Practitioners Licence Mno. K3316/2023</p> <p><b><u>Work Experience</u></b><br/>2021 to Date-Supply Chain Management Officer 1-Kwale county Government</p> |
|----|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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

Municipality of Diani Board is composed of 7 members; Four members of the Board of the Municipality appointed through a competitive process by the County Executive Committee and approved by the County Assembly and nominated members from the following backgrounds:

- i. An umbrella body representing professional associations in Diani.
- ii. An association representing the private sector in Diani.
- iii. A cluster representing registered associations of the informal sector in Diani.
- iv. A cluster representing registered neighbourhood associations in Diani.

The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralised system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments.

Diani Municipality is a child of the Kenya Urban Support Programme (KUSP) through the County Government of Kwale and the municipal charter of the municipality of Diani.

Diani Municipality has a board with a chairman. The Municipality has committees in place to enhance the operations of the municipality. The committees are:

- Finance committee – Chaired by Mariam Choka
- Planning committee – Chaired by Maureen Muhinja
- Community development committee – Chaired by Athuman Bwika
- Environment committee – Chaired by Suleiman Mambeya
- 

Diani Municipality had a budget of Kshs. 107,206,237 with an actual realisation of Kshs.63,434,905 being expenditure on Use of goods and projects. An Amount of Kshs 29,781,066 for projects was unutilised by close of the financial year. Construction of Bus park ksh.12,953,775, streetlights for Beach road Ksh,14,589,341 and Consruction of sign board Kshs.2,237,950 are all ongoing projects.

The Diani Urban Development Plan is complete. This is expected to create an enabling environment that will attract both internal (local) and external investors.

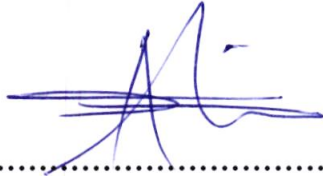
During the financial year 2023/2024 the municipality experienced financial challenges emanating from a lean budgetary allocation. The municipality desires to achieve more as per its mandate but insufficient budgetary allocation is a hindrance.



**Conclusion**

FY 2023/2024 was a good year in general. Good progress was made. I want to appreciate the other county departments especially the department of Finance and Economic Planning for their support when it comes to financial matters. Diani Municipality has seen timely payment of contractors and suppliers.

I also thank the Department of Environment and Natural Resources for the technical support. It is my sincere prayer that this cooperation continues.



.....  
**Name: Said Ali Majani**

**Chairperson of the Board**

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

It is with great pleasure that I present the Municipality of Diani financial statements for the year ended 30<sup>th</sup> June 2024. The financial statements present the financial performance of the Municipality over the past year.

The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralised system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments. Diani Municipality is a child of the Kenya Urban Support Programme (KUSP) through the County Government of Kwale.

### **Financing of the Municipality**

The Municipality received its funds from the county treasury being the share of county resources through the budgetary process.

### **Financial Performance**

#### **a) Revenue**

The only source of funding for the municipality during the financial year was the exchequer releases from the county treasury.

The municipality's approved budget was Ksh.107,206,237 To the close of the FY on 30<sup>th</sup> June 2024, the Municipality had the following projects ongoing:

- ✓ Cabropaving of Bahari Dhow beach access road Kshs. 11,460,000
- ✓ Streetlighting of Beach Road Road(Neptune) in Ukunda ward kshs.14,600,000
- ✓ Consruction of Bus park ksh.20,000,000
- ✓ Installation of municipality bill boards at Mvindeneni kshs.2,237,950

The table below represents an analysis of revenue performance during the year.

| <b>Revenue classification</b> | <b>Revenue budget<br/>(Kshs)</b> | <b>Actual<br/>(Kshs)</b> | <b>Realisation<br/>(%)</b> |
|-------------------------------|----------------------------------|--------------------------|----------------------------|
| County Treasury Disbursements | 107,206,237                      | 63,434,905               | 59%                        |
| <b>Total</b>                  |                                  |                          | <b>59%</b>                 |



**b) Payments**

The total expenditure for the year amounted to KShs 63,434,905 being expenditure on use of goods and construction of projects

**c) Cash flows**

In the FY 2023/2024, the Municipality experienced liquidity disruptions. This was as a result of untimely disbursement of funds by the County Treasury. As at the close of the financial under review, we had a bank balance (unspent) of Kshs 894 as supported by the bank balance certificate.

**d) Accounts receivables**

Imprest management is a critical area of focus in the Municipality. Our aim is to adhere to the PFM regulations on imprest management. We appreciate that we have no outstanding imprests as at 30<sup>th</sup> June, 2024.

**e) Pending bills**

There were no pending bills during the year although due to the delayed procurement of our projects, the municipality carried forwards outstanding commitments of kshs. 29,781,066

**f) Fixed assets**

Diani Municipality has financed roads and beautification projects, being assets acquired. Offices have been equipped among others. These forms the composition of the Municipality's assets which are well shown in the assets register.

**Risk management strategy**

A risk is any event that, if it occurs, will have an effect on at least one organization's objective. Risks are, in the context of the municipality's Strategic Plan, factors which have a likelihood of influencing the implementation of projects and programs. The municipality has little influence over these risks. However, there is need to identify them and develop mitigation strategies for managing any negative effects that may result from occurrence of the risks. The Risk Analysis for the municipality in its strategic plan has grouped these risks into five categories namely: Strategic Risks; Organizational Risks; Operational Risks; Financial Risks; and Technological Risks

For each risk factor, the municipality has identified measures that it plans to put in place for mitigation.

Risks are inevitable in the day to day operations of the municipality. The municipality has adopted risk sharing as a strategy by way of procurement of services of contractors in project implementation instead of doing works using own staff and equipment.

The municipality staff have an insurance cover taking care of their medical bills and workman's compensation in case of injury while on duty. The municipality is continuously acquiring and owning assets. The future plan is to insure all assets thereby transferring the risks associated with the ownership and use of these assets.

### **Value for money**

The concentration of activities in Diani is along the beach, hence the choice of the beautification of the beach road. Projects undertaken by the Municipality are chosen through the public participation process as stipulated by the constitution of Kenya 2010. This being the case, the citizens realised value for money for the projects implemented.

Despite the notable achievements, we have experienced some challenges during the year. These include:

- i. Mobility problems due to lack of vehicles for the municipality.
- ii. Lack of an office and a board room for the municipality staff. The municipality is still fully dependent on the county government for such resources/facilities.
- iii. Over reliance on the county seconded staff to perform municipality functions.
- iv. Over reliance on revenue allocated by the county executive.

### **Conclusion**

FY 2023/2024 was a good year in general which presented good progress of the Municipality.

I take this opportunity to thank H.E. the Governor and the Deputy Governor for their support. I would also want to thank the KUSP for their good gesture of supporting infrastructural development in the county through the Municipality initiative. Not to forget also my sincere thanks to the County Executive Committee Member in charge of Environment and the Chief Officer who have worked hand in hand to ensure that Diani Municipality achieves its mission.



I thank all the seconded staff of the county for their continued commitment and dedication through hard work in delivering services to the people of Diani Municipality.



**Name: Khamisi Mwandaro**  
**Municipality Manager**

#### 7. Statement of Performance against Predetermined Objectives for the FY 2023/2024

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

The key development objectives of the Diani Municipality as per the 2023-2024 plan are to:

- a) Ensure a safe tourist destination.
- b) Provide a clean environment through garbage collection.
- c) Prepare an urban development plan to control development within the municipality.

Below we provide the progress on attaining the stated objectives:

| Program                                                                          | Objective                                                       | Outcome                                      | Indicator                                      | Performance                                                                                                                                                                                                                                       |
|----------------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Ensure a safe tourist destination</b>                                         | To collaborate with other stake holders to minimise crime       | To create orderly development in urban areas | Number of tourists visiting Diani municipality | In FY under review there has been a significant increase in the number of tourists visiting Diani municipality. This is evident from the number of guests recorded by hotels and other players in the sector such as transport service providers. |
| Provide a clean environment                                                      | To mobilise resources for garbage collection                    | To collect all garbage in the Municipality   | Tonnes of garbage collected                    | Garbage collected                                                                                                                                                                                                                                 |
| Prepare an urban development plan to control development within the municipality | To guide in placement of facilities and institutions rightfully | A well planned municipality                  | Increased number of developers/investors       | Increased land value within the municipality.                                                                                                                                                                                                     |



**8. Corporate Governance Statement**

**a. Process of appointment and removal of Board members.**

The county governor shall, while considering the nominated members identified by the organizations specified, shall require the organizations to produce;

- (a) signed minutes as evidence of an accountable process of nomination;
- (b) evidence of compliance with statutory obligations;
- (c) vetting form to establish that the nominee has complied with the prescribed criteria for appointment as a member of the board.

A board of a municipality shall be appointed by the county governor with the approval of the county assembly. The administration committee members shall cease to be members if he/she;

- Is unable to perform the functions of the office by reason of mental or physical infirmity;
- Is declared or becomes bankrupt or insolvent;
- Is convicted of a criminal offence and sentenced to a term of imprisonment of six months or more;
- Resigns in writing to the County Governor;
- Without reasonable cause, absents for three consecutive meetings of the Board or Committee of the Board of the Municipality within one financial year;
- Is found guilty of professional misconduct by the relevant professional body;
- Is disqualified from holding a public office under the Constitution;
- Fails to declare his or her interest in any matter being considered or to be considered by the Board or Board Committees;
- Engages in any gross misconduct; or
- Dies.

**b. Roles and functions of the Municipality Board members,**

- (a) Promotion, regulation and provision of refuse collection and solid waste management services;
- (b) Construction and maintenance of urban roads and associated infrastructure;
- (c) Construction and maintenance of storm drainage and flood controls;
- (d) Construction and maintenance of walkways and other non-motorized transport infrastructure;
- (e) Construction and maintenance of recreational parks and green spaces;
- (f) Construction and maintenance of street lighting;
- (g) Construction maintenance and regulation of traffic controls and parking facilities;
- (h) Construction and maintenance of bus stations and taxi stands;
- (i) Promotion, regulation and provision of animal control and welfare;

**c. Induction and training of the Municipality Board members and member's performance,**

The administration committee members have so far satisfactorily undergone the following induction and trainings:

- K.U.S.P Induction
- Budget and Finance training
- Procurement and By-laws training
- Strategic plan formulation

**d. Number of Municipality Board meetings held and the attendance to those meetings and committee by members,**

All the four quarterly board meetings were held. Several other committees meetings were held. The municipality also conducted public for a meetings.

**e. Succession plan,**

When the Municipal Manager is temporarily disabled from acting as Municipal Manager or when the office of the Municipal Manager becomes vacant, the County Governor shall appoint a qualified person to be an Acting Municipal Manager. The County Governor shall inform the County Public Service Board of such appointment within seven (7) days. The Acting Municipal Manager shall have the authority and duties of the Municipal Manager, except that the Acting Municipal Manager may appoint or remove employees only with approval of the Board of the Municipality. An Acting Municipal Manager shall hold office for not more than six months.

**f. Existence of a service charter,**

The municipality service charter is currently in draft form pending approval by the relevant committees.

**g. Conflict of interest,**

There is a lack of clear designation and roles between county staff and Municipality staff.

**h. Board remuneration,**

The chairperson, vice chairperson and members of a board or town committee shall not receive a salary from the board or town committee but shall be paid such allowances and benefits 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****A. The operational and financial performance of the Municipality Board during the period.**

The Municipality received its revenue for both development and operations from the County Treasury through exchequer. The municipality had a budget of kshs. 107,102,237 out of which kshs. 28,104,000 and kshs. 79,102,237 was for recurrent and development respectively.

The municipality realised an expenditure of kshs. 63,434,905 translating to 59% absorption. The poor absorption was as a result of non-payment of our development projects amounting to kshs. 29,781,066 which were ongoing as at the close of the financial year. The development budget have been rolled over to the FY 2023-2024 as pending bills.

**Illustrated as;**

| Revenue classification                      | Revenue budget (KShs) | Actual (KShs)     | Realisation (%) |
|---------------------------------------------|-----------------------|-------------------|-----------------|
| Transfer from county treasury - Recurrent   | 28,104,000            | 16,450,618        | 59%             |
| Transfer from county treasury - Development | 79,102,237            | 46,984,287        | 59%             |
| <b>Total</b>                                | <b>107,206,237</b>    | <b>63,434,905</b> | <b>59%</b>      |

**B. Entity's key projects or investments decision implemented or ongoing,**

| Item No. | Project/Activity Name                              | Name and Address of Contractor/Suppliers | Contract or Purchase Order No. | Brief Description of Goods, Works or Services          | Total Value of Contract in Kshs | Project Status |
|----------|----------------------------------------------------|------------------------------------------|--------------------------------|--------------------------------------------------------|---------------------------------|----------------|
| 1.       | cabro paving of bahari dhow beach access road      | Kimlight Agencies                        | 1822114                        | Bahari dhow beach access road                          | 11,460,000                      | complete       |
| 2.       | Streetlights Beach Road (Swahili beach to Neptune) | Zeyban Company Limited                   | 1822108                        | Streetlights from Swahili beach to Neptune Beach hotel | 14,600,000                      | complete       |



|    |                                         |                      |         |                              |            |          |
|----|-----------------------------------------|----------------------|---------|------------------------------|------------|----------|
| 3. | Murraming of Mabu River/ Hill park road | Powerlead Limited    | 1822107 | Project in Zote beach        | 6,700,000  | complete |
| 4. | Construction of Bus park phase 11       | Tockal Limited       | 1822110 | Mvindeni market bus park     | 20,000,000 | Ongoing  |
| 5  | Construction of sign board              | Roleko Kenya Limited | 1822220 | Signboard at mvindeni office | 2,237,950  | ongoing  |

### C. The municipality's compliance with statutory requirements

The entity has by all standards endeavoured to comply the all the existing laws affecting its operations such as: procurement laws, employment/appointments and termination of the same, tax laws, environmental among others.

The entity has been routinely audited by both the internal auditor and The office of the Auditor general since its inception as required by law.

It worth noting that during the previous audits, no fundamental issues have been raised by both the internal and the office of The Auditor general. This is therefore an indication that the affairs of the municipality are run in a fair way and in accordance with the existing governing legal framework.

### Major risks facing the Municipality

The municipality in its strategic plan has identified the likely risks in different areas and also identified mitigation arrangements to be put in place. Some of the risks identified are illustrated in the table below;

| S/No | Risk Context           | Risks (Critical ones that are yet to be mitigated)                                                                                                                                                                                            | Risk Level | Mitigation                                                       |
|------|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------------------------------------------------------|
| 1.   | Human Resources        | <ul style="list-style-type: none"> <li>Recruitment</li> <li>Integrity and honesty</li> <li>Skills and competence</li> <li>Employee relations</li> <li>Employee wellness</li> <li>Employee retention</li> </ul> Occupational health and safety | Medium     | Develop appropriate policies, guidelines and procedure manuals   |
| 2.   | Litigation             | Claims by employees, public service providers or third parties                                                                                                                                                                                | Medium     | Enhance legal compliance<br>Sensitize employees on legal matters |
| 3.   | Information technology | <ul style="list-style-type: none"> <li>Security of the ICT systems</li> <li>Technology availability(uptime)</li> <li>Applicability of infrastructure</li> </ul> Integration/interface of systems                                              | High       | Update and integrate IT systems and infrastructure               |

|    |                    |                                                                                                                                                                                                                                      |        |                                                             |
|----|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------------------------------------------------------|
| 4. | Financial          | <ul style="list-style-type: none"><li>• Cash flow inadequacy</li><li>• Financial loss</li><li>• Wasteful expenditure</li><li>• Budget allocation</li><li>• Revenue collection</li><li>• Increasing operational expenditure</li></ul> | High   | Adhere to the provisions of Public Financial Management Act |
| 5. | Social environment | <ul style="list-style-type: none"><li>• Communication channels</li><li>• Cultural integration</li></ul> Entrenchment of value and ethics                                                                                             | Medium | Develop and implement communication strategy                |
| 6. | Disaster recovery  | <ul style="list-style-type: none"><li>• Disaster Management</li></ul> Contingency planning                                                                                                                                           | High   | Develop and implement disaster management policy            |

**10. Environmental And Sustainability Reporting**

Diani 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 three pillars: 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.

Diani Municipality values its residents and strives to create a safe environment for their day to day activities. This is achieved through provision of goods such as roads, street lighting, drainage, walk ways among others, and services such development planning, street cleaning & garbage collection, security through partnership with the security agencies, etc.

**1. Sustainability strategy and profile**

The top management especially the Accounting Officer makes reference to sustainable efforts, broad trends in political and macroeconomic factors affecting sustainability priorities, reference to international best practices and key achievements and failure.

The municipality partners well the county government of Kwale where it receives enormous support for its operations. The municipality being a resort city attracts much interest nationally and internationally thereby giving it no choice but to partner with all governmental and non-governmental sectors, local and international players so as to be alive to the realities and expectations of the world.

**2. Environmental performance**

This is one of the critical areas of the municipality's services. The municipality in collaboration with the Department of Environment and Public service and administration has successfully:

- i. Maintained a clean and friendly environment through community collaboration in cleanup exercises
- ii. Developed and implemented environmental awareness creation programs.
- iii. Developed Waste management policies.
- iv. Established measures to mitigate against water, air, noise and other forms of pollution.
- v. Improved Mwabungu dumping site through upgrading from the previous status.

**3. Employee welfare**

Employee welfare is one area the municipality is yet to come up with the framework required. This is so because the municipality is still fully reliant on the county seconded staff for its operations. However, the following are ways through which employee welfare can be achieved;

- Having an optimal staff organization structure for effective and efficient public service delivery.
- Harmonization of job grading and remuneration through job evaluation and making recommendations to the Salaries and Remuneration Commission on remuneration, pensions and gratuities for county employees;
- Promotion of the National Values and Principles as espoused by Articles 10 and 232 of the Constitution of Kenya;



- Strengthening county public service in the management of county affairs by upholding the requirements of Chapter 6 of the Constitution on Leadership and Integrity by recruiting and developing able and competent personnel with the highest standards of integrity;
- Regular monitoring, evaluation and reporting on the extent to which the National Values and Principles referred to in Articles 10 and 232 of the Constitution are compiled within the county public service;
- Facilitate disciplinary control over persons holding or acting in public service officers and ensuring the staff code of conduct is adhered to by all county employees; and
- Promoting coherent, integrated human resource planning and budgeting and carrying out staff audits to discourage incidences of “ghost workers” and advise the county government on human resources development and management.

#### **4. Market place practices**

##### **Corruption Prevention**

The Municipality is committed to preventing corruption, unethical practices and promote standards and best practices in governance in all its activities.

To achieve this, the Municipality has:

- i. Participated in corruption perception surveys undertaken by the department of Public Services Training & Development and office of the County Secretary (CS) in order to establish the corruption perception index, using a standard survey tool developed by the EACC (20%).
- ii. Participation in undertaking the corruption risk assessment.
- iii. Implemented low key recommendations emanating from the corruption risk assessments reports and corruption risk mitigation plans (30%).
- iv. Undertaken the following activities in the department:
  - Published notices on ‘No corruption zone’ and pin them on strategic locations (10%).
  - Complied with the Procurement guidelines as stipulated in the Act (10%).
  - Established a gift register (10%).
  - Created awareness on the Leadership and Act by distributing print outs of the Act to all officers (10%).
- v. Submitted quarterly performance reports to EACC on the above using the prescribed reporting format. (10%).

##### **a) Responsible competition practice.**

The municipality endeavours to undertake its responsibility of quality service provision to the public. Street lighting, drainage construction and maintenance, beautification of the beaches and beach roads, cleaning and garbage collection are some of the services the municipality offers to the municipality dwellers at no cost.

The Municipality is committed to preventing corruption, unethical practices and promote standards and best practices in governance in all its activities.

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

A responsible supply chain is one that takes into account all of the social and environmental impacts throughout every step of the supply network. A growing number of companies are working to improve the ethical responsibility of their supply chains through open communication and transparency.

The municipality does its procurement processes in an open way and as prescribed and governed by the relevant legislation. Suppliers are treated responsibly, contracts honoured and payments done as per the contract terms.

**c) Responsible marketing and advertisement**

Customer-centric marketing has been a theme amongst marketing strategies for several years. Responsible marketing is an approach that ensures you're not only meeting customers' needs but also having a positive impact on them and the community you're both a part of. The municipality cannot exist without its customers for they the reason for its existence. Public participation has continuously helped bridge the relationship between the municipality and its customers.

**d) Product stewardship**

Product stewardship is the act of minimizing the health, safety, environmental, and social impacts of a product and its packaging throughout all lifecycle stages, while also maximizing economic benefits. The municipality achieves this through mechanizing garbage collection, regular clean ups including drainage maintenance, maintenance of street lights and animal control among others.

**5. Community Engagements**

Through public participation the residents have played a role in decision making processes, participate in monitoring and evaluation, and demand for accountability from leaders and duty bearers and issue score cards for service delivery and performance. The citizenry development issues and priorities have been cascaded through developing County Annual Development Plans (CADP) that will implement this CIDP. There has been Introduction of sports competition award schemes & Establishment of functional talent centres for young people among others.



## **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 the Municipality affairs.

### **Principal activities**

The principal activities of the Municipality are;

- a. Solid waste management services
- b. Construction and maintenance of urban roads and associated Infrastructure;
- c. Construction and maintenance of storm drainage and flood Controls;
- d. Construction and maintenance of walkways and other non-motorized Transport infrastructure;
- e. Construction and maintenance of recreational parks and green Spaces;

### **Performance**

The performance of the Municipality for the year ended June 30, 2024 are set out on pages 1 to 7.

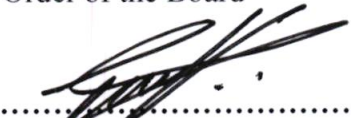
### **Board Members**

The members of the Board who served during the year are shown on page vi to x. There were no changes in the Board during the financial year under review.

### **Auditors**

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

By Order of the Board



.....

**Namei Khamisi Mwandaro**  
**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, 2024. 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, 2023, 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, nothing has come to the attention of the Municipality Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Municipality's financial statements were approved by the Board on 27<sup>th</sup> Sept 2024 and signed on its behalf by:

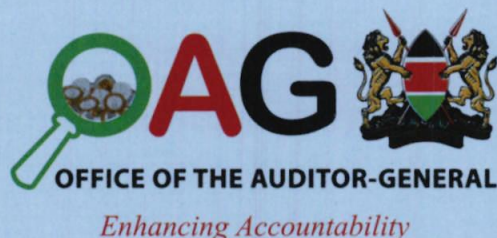
.....  
**Name:**  
**Chairperson of the Board**

.....  
**Name:**  
**Accounting officer of the Board**



# REPUBLIC OF KENYA

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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON DIANI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2024

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Diani Municipality set out on pages 1 to 41, which comprise the statement of financial position as at 30 June, 2024 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 have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Diani Municipality as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Financial Statements**

Review of the financial statements revealed the following anomalies;

- i. The statement of financial performance reflect transfer from county government of Kshs.16,450,618 while the statement of cash flows reflect the same as Kshs.5,305,120. However, the statement of financial position reflects receivables from non-exchange transaction of Kshs.6,417,621 instead of Kshs.11,145,498. The variance of Kshs.4,727,877 was not explained or reconciled.
- ii. The statement of financial position indicates receivables from exchange transactions balance of Kshs.6,417,621 while Note 21 to the financial statements reflect Kshs.Nil balance. The variance was not explained or reconciled.
- iii. The use of goods and services was amended from Kshs.21,284,344 to Kshs.16,449,723. However. the amendment of Kshs.4,834,621 was not supported with journal entries and supporting schedule.
- iv. The statement of financial performance reflects use of goods and services amount of Kshs.16,449,723, while the statement of cash flows reflects use of goods and services payments amount of Kshs.5,304,226 resulting in payables balance of Kshs.11,145,497. In addition, the statement of financial position reflects an increase in property, plant and equipment of Kshs.57,714,004 from prior year and the statement of net assets reflect capital funds received of Kshs.24,396,072 resulting in payables balance of Kshs.33,317,932. The total resultant payables from the use of goods and services and property plant and equipment is Kshs.44,463,429. However, the statement of financial position and Note 26 to the financial statements reflects trade and other payables balance of Kshs.35,188,991 resulting in an unexplained variance of Kshs.9,274,438.
- v. The statement of changes in net assets reflects capital /development funds received of Kshs.24,396,072 while the statement of cash flows reflects Nil.in addition IFMIS payment details reflects development expenditure of Kshs.24,277,230 resulting to an unexplained variance of Kshs.118,842.



- vi. The statement of changes in net assets reflects prior year adjustments of Kshs.2,103,505, while the statement of financial performance under the comparative year has no amendments. In addition, how the derivation of the adjustments is not explained in the financial statements.
- vii. The statement of comparison of budget and actual amounts reflects actual revenue of Kshs.16,450,618 while the statement of cash flows reflect cash receipts from county government of Kshs.5,305,120. The variance of Kshs.11,145,498 was not explained.
- viii. The statement of comparison of budget and actual amounts reflects original recurrent and development budget amount of Kshs.21,304,000 and Kshs.79,102,237 while the approved budget reflects the same as Kshs.21,369,811 and Kshs.44,000,000 respectively. The variances of Kshs.65,811 and Kshs.35,102,237 were not explained.

In the circumstances, the accuracy and completeness of financial statements could not be confirmed.

## **2. Misstatement of Financial Statements Balances**

### **2.1 Property, Plant and Equipment**

The statement of financial position and Note 24 to the financial statements reflects property, plant and equipment of Kshs.148,952,914 which include additions to roads and other infrastructure of Kshs.24,518,223. However, the proposed muramming of Mabu river – Hill park road in Tiwi ward was transferred to roads and other capital infrastructure as additions at an amount of Kshs.5,954,373 instead of the certified value of Kshs.6,615,970, resulting in an understatement of Kshs.661,597. In addition, the additions for the year under capital works in progress revealed an overstatement of Kshs.4,208,656 as a result of an addition of Kshs.12,953,775 for proposed construction of Diani Bus Park instead of the interim payment certificate value of Kshs.8,745,118.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.148,952,914 could not be confirmed.

### **2.2 Trade and Other Payables**

The statement of financial position reflects trade and other payables amount of Kshs.35,188,991. The schedule provided for trade and other payable includes Kshs.12,953,775 for construction of Bus Park Phase II. Review of supporting documents revealed two interim payment certificates (IPC) for the construction, IPC 1 for Kshs.8,745,118 and IPC 2 for Kshs.7,046,225. The IPC 2 was paid in full and hence account payable balance for the project of Kshs.8,745,118 and not Kshs.12,953,775 as reflected in the financial statements. The resultant variance Kshs.4,208,657 on trade and other payables was not explained or reconciled.

In the circumstances, the accuracy and completeness of trade payables of Kshs.12,953,775 could not be confirmed.

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

## **Emphasis of Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects receipts final budget and actual amounts on a comparable basis of Kshs.28,104,000 and Kshs.16,450,618 respectively resulting in under-funding of Kshs.11,653,382, or 41% of the budget.

The under-funding may have impacted negatively on the service delivery to the residents of Kwale County.

My opinion is not modified in respect of this matter.

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There are no key audit matters to report.

## **Other Matter**

### **Unresolved Prior Year Audit Issues**

In the auditor's report of the previous year, several issues were raised under Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not given any explanation on why the issues have not been resolved as at 30 June, 2024.

## **Other Information**

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

In connection with my audit on the Diani Municipality financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work



I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

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

### Conclusion

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

### Basis for Conclusion

#### 1. Delayed Completion of the Proposed Construction of Diani Municipality Bus Park

The statement of financial position and Note 24 to the financial statements reflect property, plant and equipment of Kshs.148,952,914 which includes additions on capital work in progress of Kshs.36,827,287. The additions in turn includes the proposed construction of Diani Municipal Bus Park awarded at contract sum of Kshs.27,979,557 and contract period of 180 days, commencing on 2 February, 2024 to 30 July, 2024. The contractor was paid Kshs.7,046,225 on 13 June, 2024. On 17 July, 2024 the contractor requested for contract period extension and was granted ninety-three (93) days to 30 November, 2024. However, the contractor's detailed schedule of works to completion was not provided for audit review while at the time of audit on 11 November, 2024, the works were not yet complete though the contractor was on site and the works were ongoing.

In the circumstances, the value for money on the project may not have been received.

#### 2. Unsupported Supplementary Budget

The Municipality had an original approved budget of Kshs.21,369,811 and Kshs.44,000,000 and final supplementary budget of Kshs.31,823,811 and Kshs.79,102,237 for recurrent and development respectively. However, the approved supplementary estimates lacked information regarding actual expenditure and commitments against the planned activities as at the date of request for supplementary allocations and footnotes explaining the reasons for the variations and the impact or implications for the affected programmes.

In addition, the final supplementary development budget of Kshs.79,102,237 included pending bills from previous years of Kshs.26,342,237 while the payables as at the 30

June, 2023 was Kshs.16,130,108. The variance of Kshs.10,212,129 was not explained or reconciled

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

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

### **Responsibilities of Management and 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Municipality's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Municipality or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements



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 for 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 IFPP 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**

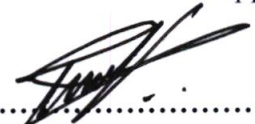
**Nairobi**

**24 December, 2024**

**14. Statement of Financial Performance for The Year Ended 30 June 2024.**

| Description                                   | Note | FY 2023-2024 | FY 2022-2023 |
|-----------------------------------------------|------|--------------|--------------|
|                                               |      | Kshs.        | Kshs.        |
| <b>Revenue from non-exchange transactions</b> |      |              |              |
| Transfers from the County Government          | 6    | 16,450,618   | 28,683,190   |
| Public contributions and donations            | 7    | -            | -            |
| Levies Fines and Penalties                    | 8    | -            | -            |
| Other revenues                                | 9    | -            | -            |
|                                               |      | 16,450,618   | 28,683,190   |
| <b>Revenue from exchange transactions</b>     |      |              |              |
| Interest income                               | 10   | -            | -            |
| Miscellaneous Income                          | 11   | -            | -            |
|                                               |      | -            | -            |
| <b>Total revenue</b>                          |      | 16,450,618   | 28,683,190   |
| <b>Expenditure</b>                            |      |              |              |
| Use of goods and services                     | 12   | 16,449,723   | 2,271,510    |
| Staff costs                                   | 13   | -            | -            |
| Board expenses                                | 14   | -            | -            |
| Finance costs                                 | 15   | -            | -            |
| Depreciation and amortization                 | 16   | 3,631,506    | -            |
| Repairs and maintenance                       | 17   | -            | -            |
| <b>Total expenses</b>                         |      | 20,081,230   | 2,271,510    |
| <b>Other gains/losses</b>                     |      |              |              |
| Gain/loss on disposal of assets               | 18   | -            | -            |
| <b>Surplus/(deficit) for the period</b>       |      | (3,630,612)  | 26,411,680   |

The notes set out on pages 19 to 40 form an integral part of these Financial Statements. The entity's financial statements were approved on ..... 27/9/24 ..... 2024 and signed by:

.....  
  
**Name: Khamisi Mwandaro**  
**Municipality Manager**

.....  
  
**Name: Christina Malila**  
**Head of Finance**  
**ICPAK M/No 13279**

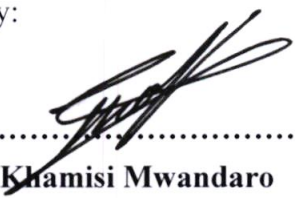


**15. Statement of Financial Position As At 30 June 2024**

| Description                                 | Note | FY 2023-2024       | FY 2022-2023       |
|---------------------------------------------|------|--------------------|--------------------|
|                                             |      | Kshs.              | Kshs.              |
| <b>Assets</b>                               |      |                    |                    |
| <b>Current assets</b>                       |      |                    |                    |
| Cash and cash equivalents                   | 19   | 894                | 3,657              |
| Receivables from exchange transactions      | 20   | -                  | -                  |
| Receivables from Non- exchange transactions | 21   | 6,417,621          | 26,408,023         |
| Prepayments                                 | 22   | -                  | -                  |
| Inventories                                 | 23   | -                  | -                  |
| <b>Total current assets</b>                 |      | <b>6,418,515</b>   | <b>26,411,680</b>  |
| <b>Non-current assets</b>                   |      |                    |                    |
| Property, plant, and equipment              | 24   | 148,952,914        | 91,238,910         |
| Intangible assets                           | 25   | -                  | -                  |
| <b>Total Non-current Assets</b>             |      | <b>148,952,914</b> | <b>91,238,910</b>  |
| <b>Total assets</b>                         |      | <b>155,371,429</b> | <b>117,650,590</b> |
| <b>Liabilities</b>                          |      |                    |                    |
| <b>Current liabilities</b>                  |      |                    |                    |
| Trade and other payables                    | 26   | 35,188,991         | 16,130,108         |
| Refundable deposits from customers          | 27   | -                  | -                  |
| Provisions                                  | 28   | -                  | -                  |
| Borrowings                                  | 29   | -                  | -                  |
| Employee benefit obligations                | 30   | -                  | -                  |
| Deferred Income                             | 31   | -                  | -                  |
| Social Benefits                             | 32   | -                  | -                  |
| <b>Total current liabilities</b>            |      | <b>35,188,991</b>  | <b>16,130,108</b>  |
| <b>Non-current liabilities</b>              |      |                    |                    |
| Provisions                                  | 28   | -                  | -                  |
| Borrowings                                  | 29   | -                  | -                  |
| Non-current employee benefit obligation     | 30   | -                  | -                  |
| Deferred Income                             | 31   | -                  | -                  |
| Social Benefits                             | 32   | -                  | -                  |
| <b>Total liabilities</b>                    |      | <b>35,188,991</b>  | <b>16,130,108</b>  |
| <b>Net assets</b>                           |      | <b>120,182,438</b> | <b>101,520,482</b> |

| Description                     | Note | FY 2023-2024       | FY 2022-2023       |
|---------------------------------|------|--------------------|--------------------|
|                                 |      | Kshs.              | Kshs.              |
| Capital/Development Grants/Fund |      | 50,093,119         | 25,697,047         |
| Reserves                        |      | -                  | -                  |
| Accumulated surplus             |      | 70,089,318         | 75,823,435         |
| <b>Net Assets/Equity</b>        |      | <b>120,182,437</b> | <b>101,520,482</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 27<sup>th</sup> September 2024 and signed by:

  
.....  
**Name: Khamisi Mwandaro**  
**City/Municipality Manager**  
**Date:**

  
.....  
**Name: Christina Malila**  
**Head of Finance**  
**ICPAK M/No 13279**  
**Date:**



**16. Statement of Changes in Net Assets For the Year Ended 30 June 2024**

| Description                       | Capital/<br>Developmen<br>t<br>Grants/Fun<br>d | Revaluatio<br>n<br>Reserve | Accumulate<br>d<br>surplus | Total              |
|-----------------------------------|------------------------------------------------|----------------------------|----------------------------|--------------------|
|                                   |                                                | Kshs.                      | Kshs.                      | Kshs.              |
|                                   |                                                |                            |                            |                    |
| <b>Bal as at 1 July 2023</b>      | <b>25,697,047</b>                              | <b>-</b>                   | <b>51,315,155</b>          | <b>77,012,202</b>  |
| Surplus/(deficit) for the year    | -                                              |                            | 26,411,680                 | 26,411,680         |
| Prior Year Adjustments            |                                                |                            | (1,903,400)                | (1,903,400)        |
| Funds transferred during the year | -                                              |                            | -                          |                    |
| Revaluation gain                  | -                                              |                            | -                          | -                  |
| <b>Bal as at 30 Jun 2023</b>      | <b>25,697,047</b>                              | <b>-</b>                   | <b>75,823,435</b>          | <b>101,520,482</b> |
|                                   |                                                |                            |                            |                    |
| <b>Bal as at 1 July 2024</b>      | <b>25,697,047</b>                              | <b>-</b>                   | <b>75,823,435</b>          | <b>101,520,482</b> |
| Surplus/(deficit) for the year    |                                                |                            | (3,630,612)                | (3,630,612)        |
| Funds received during the year    |                                                |                            | -                          | -                  |
| Prior Year Adjustment             |                                                |                            | (2,103,505)                | (2,103,505)        |
| Funds received during the period  | 24,396,072                                     |                            | -                          | 24,396,072         |
| Revaluation gain                  | -                                              |                            | -                          | -                  |
| <b>Balance as at 30 June 2024</b> | <b>50,093,119</b>                              | <b>-</b>                   | <b>70,089,318</b>          | <b>120,182,437</b> |

Prior year adjustment relates to correction of wrongly recognised recurrent revenue budget.

**17. Statement of Cash Flows for The Year Ended 30 June 2024**

| Description                                                   | Note | FY 2023-2024     | FY 2022-2023      |
|---------------------------------------------------------------|------|------------------|-------------------|
|                                                               |      | Kshs.            | Kshs.             |
| <b>Cash flows from operating activities</b>                   |      |                  |                   |
| <b>Receipts</b>                                               |      |                  |                   |
| Transfers from the County Government                          |      | 5,305,120        | 28,683,190        |
| Public contributions and donations                            |      |                  |                   |
| Interest received                                             |      |                  |                   |
| Miscellaneous receipts                                        |      |                  |                   |
| <b>Total Receipts</b>                                         |      | <b>5,305,120</b> | <b>28,683,190</b> |
| <b>Payments</b>                                               |      |                  |                   |
| Use of goods and services                                     |      | 5,304,226        | 2,271,510         |
| Staff costs                                                   |      |                  |                   |
| Board expenses                                                |      |                  |                   |
| Finance costs                                                 |      |                  |                   |
| <b>Total Payments</b>                                         |      | <b>5,304,226</b> | <b>2,271,510</b>  |
| <b>Net cash flows from operating activities</b>               | 33   | <b>894</b>       | <b>3,657</b>      |
|                                                               |      |                  |                   |
| <b>Cash flows from investing activities</b>                   |      |                  |                   |
| Purchase of PPE & intangible assets                           |      |                  |                   |
| Proceeds from sale of PPE                                     |      |                  |                   |
| <b>Net cash flows used in investing activities</b>            |      |                  |                   |
|                                                               |      |                  |                   |
| <b>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> |      | <b>894</b>       | <b>3,657</b>      |
| Cash And Cash Equivalents At 1 July                           | 19   | -                | -                 |
| <b>Cash And Cash Equivalents At 30 June</b>                   | 19   | <b>894</b>       | <b>3,657</b>      |



**18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2024**

| Description                             | Original budget   | Adjustments      | Final budget      | Actual on comparable basis | Performance difference | % of utilisation |
|-----------------------------------------|-------------------|------------------|-------------------|----------------------------|------------------------|------------------|
|                                         | Kshs.             | Kshs.            | Kshs.             | Kshs.                      | Kshs.                  |                  |
|                                         | a                 | b                | c=(a+b)           | d                          | e=(c-d)                | f=d/c            |
| <b>Revenue</b>                          |                   | <b>Kshs.</b>     | <b>Kshs.</b>      | <b>Kshs.</b>               | <b>Kshs.</b>           |                  |
| Transfers from the County Government    | 21,304,000        | 6,800,000        | 28,104,000        | 16,450,618                 | 11,653,382             | 59%              |
| Public contributions and donations      |                   |                  |                   |                            |                        |                  |
| Interest income                         | -                 | -                | -                 | -                          |                        |                  |
| Miscellaneous income ( <i>specify</i> ) | -                 | -                | -                 | -                          |                        |                  |
| <b>Total Revenue</b>                    | <b>21,304,000</b> | <b>6,800,000</b> | <b>28,104,000</b> | <b>16,450,618</b>          | <b>11,653,382</b>      | <b>59%</b>       |
| <b>Expenses</b>                         |                   |                  |                   |                            |                        |                  |
| Use of goods and services               | -                 | -                | -                 | -                          | -                      | 0%               |
| Board expenses                          |                   |                  |                   |                            |                        |                  |
| Staff Costs                             | -                 | -                | -                 | -                          | -                      | -                |
| Finance costs                           | -                 | -                | -                 | -                          | -                      | -                |
| <b>Total Expenditure</b>                | <b>21,304,000</b> | <b>6,800,000</b> | <b>28,104,000</b> | <b>16,450,618</b>          | <b>11,653,382</b>      | <b>59%</b>       |
| <b>Surplus for the period</b>           | <b>-</b>          | <b>-</b>         | <b>-</b>          | <b>894</b>                 | <b>-</b>               | <b>-</b>         |
|                                         |                   |                  |                   |                            |                        |                  |
| <b>Capital Expenditure</b>              | <b>79,102,237</b> | <b>-</b>         | <b>79,102,237</b> | <b>46,984,287</b>          | <b>60,221,950</b>      | <b>59%</b>       |

**Budget notes**

The municipality realised 59% actual utilization. This is because of the delayed Disbursement of funds. The recurrent budget was also not fully funded by the County treasury, hence the low realization.

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

### **1. General Information**

Diani Municipality is established by and derives its authority and accountability from the Urban Areas and Cities Act 2011. The City/Municipality is under the Kwale County Government and is domiciled in Kenya.

Like any other Municipality the world over, Diani Municipality's principal activity is to provide public services such as garbage collection, road infrastructure, street lighting, walk ways for pedestrians and non-motorised transport, among others.

### **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 Municipality 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, 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 2024.*

| Standard                                                                 | Effective date and impact:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>IPSAS 41:</b> Financial Instruments                                   | <p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> |
| <b>IPSAS 42:</b> Social Benefits                                         | <p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments | <p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

**County Government of Kwale**  
**Diani Municipality**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

| Standard                    | Effective date and impact:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                             | <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>                                                                                                                                                                                                                                                                               |
| Other improvements to IPSAS | <p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul> |

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

| Standard                                                                | Effective date and impact:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IPSAS 43                                                                | <p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>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.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> |
| IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations | <p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>                                                                                           |
| IPSAS 45: Property Plant and Equipment                                  | <p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>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</p>                                                                                                                                                                                                                                                                                                  |



|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                          | <p>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.</p>                                                                                                                                                                                                                                                                                |
| IPSAS 46:<br>Measurement                 | <p><b>Applicable 1<sup>st</sup> January 2025</b><br/> The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> |
| IPSAS 47:<br>Revenue                     | <p><b>Applicable 1<sup>st</sup> January 2026</b><br/> 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>                                                                                                                                                           |
| IPSAS 48:<br>Transfer<br>Expenses        | <p><b>Applicable 1<sup>st</sup> January 2026</b><br/> 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>                                                                                                                                                                                                                                    |
| IPSAS 49:<br>Retirement<br>Benefit Plans | <p><b>Applicable 1<sup>st</sup> January 2026</b><br/> 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>                                                                                                                                                                                                                                                                                                                                                               |

|  |  |
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iii. *Early adoption of standards*

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

**4. Significant Accounting Policies**

**a) Revenue recognition**

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

***Transfers from other government entities***

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Entity* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has 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 2023/2024 was approved by the County Assembly on 30<sup>th</sup> June 2023. Subsequent revisions or additional appropriations are 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 financial performance has been presented under section F 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) Financial instruments**

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

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

**Financial assets**

**Classification of financial assets**

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

principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

#### **Subsequent measurement**

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

#### **Amortized cost**

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

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

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

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

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



*(Significant accounting policies continued)*

**Financial liabilities**

**Classification**

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

**f) Inventories**

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

Raw materials: purchase cost using the weighted average cost method

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

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

**(Significant accounting policies continued)**

**g) Provisions**

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

**h) 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 need of society as a whole. The entity recognises a social benefit as an expense for the social benefit 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.

**i) 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.

**j) 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

**k) Nature and purpose of reserves**

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

**l) 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.



*(Significant accounting policies continued)*

**m) 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.

**n) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported in the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**o) 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.

**p) 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.

**q) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

*(Significant accounting policies continued)*

**r) Comparative figures**

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

**s) Events after the reporting period**

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

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

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

**t) 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 City/Municipality. Such changes are reflected in the assumptions when they occur.



**Useful lives and residual values**

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

- i) The condition of the asset based on the assessment of experts employed by the 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 2023-2024      | FY 2022-2023      |
|--------------------------------------------|-------------------|-------------------|
|                                            | Kshs.             | Kshs.             |
| Transfers from County Govt. – Recurrent    | 16,450,618        | 28,683,190        |
| Payments by County on behalf of the entity | -                 | -                 |
| Unconditional development grants           | -                 | -                 |
| <b>Total</b>                               | <b>16,450,618</b> | <b>28,683,190</b> |

(a) Transfers from County Government entities (Categorized)

| Name Of The Entity Sending The Grant | Amount recognized to Statement of financial performance* | Amount deferred under deferred income | Amount recognised in capital fund. | Total grant income during the year | FY 2021-2022 |
|--------------------------------------|----------------------------------------------------------|---------------------------------------|------------------------------------|------------------------------------|--------------|
|                                      | Kshs                                                     | Kshs                                  | 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 xxx

7. Public Contributions and Donations

| Description                        | FY 2023-2024 | FY 2022-2023 |
|------------------------------------|--------------|--------------|
|                                    | Kshs.        | Kshs.        |
| Donation from development partners | -            | -            |
| Contributions from the public      | -            | -            |
| <b>Total</b>                       | <b>-</b>     | <b>-</b>     |



Notes to the Financial Statements

8. Levies, Fines and penalties

| Description  | FY 2023-2024 | FY 2022-2023 |
|--------------|--------------|--------------|
|              | Kshs.        | Kshs.        |
| Levies       | -            | -            |
| Fines        | -            | -            |
| Penalties    | -            | -            |
| Others       | -            | -            |
| <b>Total</b> | -            | -            |

9. Other Revenues from Non-Exchange Transactions

| Description                              | FY 2023-2024 | FY 2022-2023 |
|------------------------------------------|--------------|--------------|
|                                          | Kshs.        | Kshs.        |
| Transfers from other government entities | -            | -            |
| Others                                   | -            | -            |
| <b>Total</b>                             | -            | -            |

(Provide a brief explanation for this revenue)

10. Interest income

| Description                      | FY 2023-2024 | FY 2022-2023 |
|----------------------------------|--------------|--------------|
|                                  | Kshs.        | Kshs.        |
| Interest income from investments | -            | -            |
| Interest income on bank deposits | -            | -            |
| Others (Specify)                 | -            | -            |
| <b>Total interest income</b>     | -            | -            |

(Provide brief explanation for this revenue)

11. Miscellaneous income

| Description                          | FY 2023-2024 | FY 2022-2023 |
|--------------------------------------|--------------|--------------|
|                                      | Kshs.        | Kshs.        |
| Income from sale of tender documents | -            | -            |
| Others                               | -            | -            |
| <b>Total other income</b>            | -            | -            |

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified  
Any writebacks or recoveries from write offs).

Notes to the Financial Statements

12. Use of Goods and Services

| Description                                        | FY 2023-2024      | FY 2022-2023     |
|----------------------------------------------------|-------------------|------------------|
|                                                    | Kshs.             | Kshs.            |
| Utilities, supplies and Services                   | -                 | -                |
| Communication, supplies and services               | 70,999            | 19,000           |
| Domestic travel and subsistence                    | 1,953,490         | 939,900          |
| Foreign travel and subsistence                     |                   |                  |
| Printing, advertising, supplies & services         | 30,000            |                  |
| Rent and rates                                     |                   |                  |
| Training expenses                                  |                   |                  |
| Hospitality supplies and services                  | 1,679,500         | 804,950          |
| Insurance costs                                    | 447,043           |                  |
| Specialized materials and services                 | 10,200            |                  |
| Office and general supplies and services           | 1,903,700         | 399,400          |
| Fuel, oil and lubricants                           | 6,298,000         |                  |
| Other operating expenses                           | 62,720            | 31,810           |
| Routine maintenance – vehicles and other equipment | 3,983,064         |                  |
| Routine maintenance – other assets                 |                   |                  |
| Contracted Professional Services                   |                   |                  |
| Audit fees                                         |                   |                  |
| Hire of Transport, equipment etc                   |                   | 60,000           |
| Bank Charges                                       | 11,007            | 16,450           |
| Social Benefit expenses*                           |                   |                  |
| <b>Total</b>                                       | <b>16,449,723</b> | <b>2,271,510</b> |

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

13. Staff costs

| Description                  | FY 2023-2024 | FY 2022-2023 |
|------------------------------|--------------|--------------|
|                              | Kshs.        | Kshs.        |
| Salaries and wages           | -            | -            |
| Staff gratuity               | -            | -            |
| Social security contribution | -            | -            |
| Other staff costs            | -            | -            |
| <b>Total</b>                 | <b>-</b>     | <b>-</b>     |



Notes to the Financial Statements

14. Board expenses

| Description                 | FY 2023-2024 | FY 2022-2023 |
|-----------------------------|--------------|--------------|
|                             | Kshs.        | Kshs.        |
| Chairman/Members' Honoraria | -            | -            |
| Sitting allowances          | -            | -            |
| Medical Insurance           | -            | -            |
| Induction and Training      | -            | -            |
| Travel and accommodation    | -            | -            |
| Conference Costs            | -            | -            |
| Other allowances            | -            | -            |
| <b>Total</b>                | -            | -            |

15. Finance costs

| Description                  | FY 2023-2024 | FY 2022-2023 |
|------------------------------|--------------|--------------|
|                              | Kshs.        | Kshs.        |
| Interest on Bank overdrafts  | -            | -            |
| Interest on loans from banks | -            | -            |
| <b>Total</b>                 | -            | -            |

16. Depreciation and amortization

| Description                                | FY 2023-2024     | FY 2022-2023 |
|--------------------------------------------|------------------|--------------|
|                                            | KShs             | KShs         |
| Property, plant and equipment              | 3,631,506        | -            |
| Intangible assets                          | -                | -            |
| Investment property carried at cost        | -                | -            |
| <b>Total depreciation and amortization</b> | <b>3,631,506</b> | -            |

Notes to the Financial Statements

17. Repairs and Maintenance

| Description                          | FY 2023-2024 | FY 2022-2023 |
|--------------------------------------|--------------|--------------|
|                                      | KShs         | KShs         |
| Property- Buildings                  | -            | -            |
| Office equipment                     | -            | -            |
| Furniture and fittings               | -            | -            |
| Motor vehicle expenses               | -            | -            |
| Maintenance of civil works           | -            | -            |
| <b>Total repairs and maintenance</b> | -            | -            |

18. Gain/(loss) on disposal of assets

| Description                   | FY 2023-2024 | FY 2022-2023 |
|-------------------------------|--------------|--------------|
|                               | Kshs.        | Kshs.        |
| Property, plant and equipment | -            | -            |
| Intangible assets             | -            | -            |
| <b>Total</b>                  | -            | -            |

19. Cash and cash equivalents

| Description                            | FY 2023-2024 | FY 2022-2023 |
|----------------------------------------|--------------|--------------|
|                                        | Kshs.        | Kshs.        |
| Fixed deposits account                 | -            | -            |
| On – call deposits                     | -            | -            |
| Current account                        | 894          | 3,657        |
| Others                                 | -            | -            |
| <b>Total cash and cash equivalents</b> | <b>894</b>   | <b>3,657</b> |

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



Notes to the Financial Statements

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

| Financial institution            | Account number | FY 2023-2024 | FY 2022-2023 |
|----------------------------------|----------------|--------------|--------------|
|                                  |                | 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>        |                |              |              |
| Cooperative Bank                 | 01141839229400 | 894          | 3,657        |
| <b>Sub- total</b>                |                | <b>894</b>   | <b>3,657</b> |
| <b>d) Others(specify)</b>        |                | -            | -            |
| Cash in transit                  |                | -            | -            |
| Cash in hand                     |                | -            | -            |
| Mobile Money                     |                | -            | -            |
| <b>Sub- total</b>                |                | -            | -            |
| <b>Grand total</b>               |                | <b>894</b>   | <b>3,657</b> |

20. Receivables from exchange transactions

| Description                                         | FY 2023-2024 | FY 2022-2023 |
|-----------------------------------------------------|--------------|--------------|
|                                                     | 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                              | -            | -            |
| Less: impairment allowance                          | -            | -            |
| <b>Total Non- current receivables (b)</b>           | -            | -            |
| <b>Total receivables from exchange transactions</b> | -            | -            |

Ageing analysis for Receivables from exchange transactions

| Description        | FY 2023-2024 |                | FY 2022-2023 |                |
|--------------------|--------------|----------------|--------------|----------------|
|                    | Kshs         |                | Kshs         |                |
|                    | FY 2023-2024 | % of the total | FY 2022-2023 | % 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 2023-2024 | FY 2022-2023      |
|---------------------------------------------------------|--------------|-------------------|
|                                                         | Kshs.        | Kshs.             |
| Transfer from County Executive                          | -            | 26,408,023        |
| Transfer from Fund                                      | -            | -                 |
| Prior year adjustment                                   | -            | -                 |
| <b>Total receivables from non-exchange transactions</b> | -            | <b>26,408,023</b> |

Prior year adjustment relates to correction of wrongly recognised recurrent revenue budget.

Ageing analysis for Receivables from non-exchange transactions

| Description        | FY 2023-2024 |                | FY 2022-2023 |                |
|--------------------|--------------|----------------|--------------|----------------|
|                    | Kshs         |                | Kshs         |                |
|                    | FY 2023-2024 | % of the total | FY 2022-2023 | % 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 2023-2024 | FY 2022-20223 |
|---------------------------|--------------|---------------|
|                           | Kshs.        | Kshs.         |
| Prepaid rent              | -            | -             |
| Prepaid insurance         | -            | -             |
| Prepaid electricity costs | -            | -             |
| Other prepayments         | -            | -             |
| <b>Total</b>              | -            | -             |

## 23. Inventories

| Description                                                            | FY 2023-2024 | FY 2022-2023 |
|------------------------------------------------------------------------|--------------|--------------|
|                                                                        | Kshs.        | Kshs.        |
| Stationery                                                             | -            | -            |
| Consumables                                                            | -            | -            |
| Other inventories                                                      | -            | -            |
| <b>Total inventories at the lower of cost and net realizable value</b> | -            | -            |

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(Notes to the Financial Statements Continued)

**24. Property, Plant and Equipment**

| Description                            | Land | Building | Motor vehicles | Computers | Furniture and fittings | Roads and Other Infrastructure | Capital Work in progress | Total       |
|----------------------------------------|------|----------|----------------|-----------|------------------------|--------------------------------|--------------------------|-------------|
|                                        | Shs  | Shs      | Shs            | Shs       | Shs                    | Shs                            | Shs                      | Shs         |
|                                        |      |          |                |           |                        | -                              |                          |             |
| <b>As at 1 July 2022</b>               | -    | -        | -              |           | -                      | 75,108,802                     | -                        | 75,108,802  |
| Additions                              | -    | -        | -              | 588,120   | -                      | 15,541,988                     | -                        | 16,130,108  |
| Disposals                              | -    | -        | -              | -         | -                      |                                | -                        | -           |
| Transfers/adjustments                  | -    | -        | -              | -         | -                      |                                | -                        | -           |
| <b>As at 30th June 2023</b>            | -    | -        | -              | 588,120   | -                      | 90,650,790                     | -                        | 91,238,910  |
| Additions for the year                 | -    | -        | -              | -         | -                      | 24,518,223                     | 36,827,287               | 61,345,510  |
| Disposals for the year                 | -    | -        | -              | -         | -                      |                                | -                        | -           |
| Transfer/adjustments                   | -    | -        | -              | -         | -                      |                                | -                        | -           |
| <b>As at 30<sup>th</sup> June 2024</b> | -    | -        | -              | 588,120   | -                      | 115,169,013                    | 36,827,287               | 152,584,420 |
| <b>Depreciation and impairment</b>     |      |          |                |           |                        |                                |                          |             |
| <b>As at 30<sup>th</sup> June 2022</b> | -    | -        | -              | -         | -                      | -                              | -                        | -           |



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| Description                               | Land | Building | Motor vehicles | Computers      | Furniture and fittings | Roads and Other Infrastructure | Capital Work in progress | Total              |
|-------------------------------------------|------|----------|----------------|----------------|------------------------|--------------------------------|--------------------------|--------------------|
|                                           | Shs  | Shs      | Shs            | Shs            | Shs                    | Shs                            | Shs                      | Shs                |
|                                           |      |          |                |                |                        | -                              |                          |                    |
| Depreciation                              | -    | -        | -              | -              | -                      | -                              | -                        | -                  |
| Impairment                                | -    | -        | -              | -              | -                      | -                              | -                        | -                  |
| Transfers/ Adjustments                    | -    | -        | -              | -              | -                      |                                | -                        | -                  |
| <b>As at 30 June 2023</b>                 |      | -        | -              | -              | -                      | -                              | -                        | -                  |
| Depreciation for the year                 |      | -        | -              | 176,436        | -                      | <b>3,455,070</b>               | -                        | <b>3,631,506</b>   |
| Disposals for the year                    |      | -        | -              | -              | -                      | -                              | -                        | -                  |
| Impairment for the year                   |      | -        | -              | -              | -                      | -                              | -                        | -                  |
| Transfer/adjustment                       |      | -        | -              | -              | -                      | -                              | -                        | -                  |
| <b>As at 30<sup>th</sup> June 2024</b>    |      | -        | -              | 176,436        | -                      | <b>3,455,070</b>               | -                        | <b>3,631,506</b>   |
|                                           |      |          |                |                |                        |                                |                          |                    |
| <b>NBV as at 30<sup>th</sup> Jun 2023</b> | -    | -        | -              | 588,120        | -                      | 90,650,790                     | -                        | <b>91,238,910</b>  |
| <b>NBV as at 30<sup>th</sup> Jun 2024</b> | -    | -        | -              | <b>411,684</b> | -                      | <b>111,713,943</b>             | <b>36,827,287</b>        | <b>148,952,914</b> |

(Notes to The Financial Statements Continued)

**25. Intangible assets**

| Description                        | FY 2022-2023 | FY 2021-2022 |
|------------------------------------|--------------|--------------|
|                                    | 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. Trade and other payables from exchange transactions**

| Description                           | FY 2023-2024        |                       | FY 2022-2023        |                       |
|---------------------------------------|---------------------|-----------------------|---------------------|-----------------------|
|                                       | Kshs.               |                       | Kshs.               |                       |
| Trade payables                        | 35,188,991          |                       | 16,130,108          |                       |
| Retentions                            | -                   |                       | -                   |                       |
| Accrued expenses                      | -                   |                       | -                   |                       |
| Other payables                        | -                   |                       | -                   |                       |
| <b>Total trade and other payables</b> | <b>35,188,991</b>   |                       | <b>16,130,108</b>   |                       |
| <b>Ageing analysis:</b>               | <b>FY 2023-2024</b> | <b>% of the Total</b> | <b>FY 2022-2023</b> | <b>% of the Total</b> |
| Under one year                        | 35,188,991          | %                     | -                   | %                     |
| 1-2 years                             | -                   | %                     | -                   | %                     |
| 2-3 years                             | -                   | %                     | -                   | %                     |
| Over 3 years                          | -                   | %                     | -                   | %                     |
| <b>Total</b>                          | <b>35,188,991</b>   | <b>%</b>              | <b>-</b>            | <b>%</b>              |



Notes to the Financial Statements

27. Refundable deposits from customers

| Description             | FY 2023-2024        |                       | FY 2022-2023        |                       |
|-------------------------|---------------------|-----------------------|---------------------|-----------------------|
|                         | KShs                |                       | KShs                |                       |
| Rent deposits           | -                   |                       | -                   |                       |
| Others                  | -                   |                       | -                   |                       |
| <b>Total</b>            | -                   |                       | -                   |                       |
|                         |                     |                       |                     |                       |
| <b>Ageing analysis:</b> | <b>FY 2023-2024</b> | <b>% of the Total</b> | <b>FY 2022-2023</b> | <b>% of the Total</b> |
| Under one year          | -                   | %                     | -                   | %                     |
| 1-2 years               | -                   | %                     | -                   | %                     |
| 2-3 years               | -                   | %                     | -                   | %                     |
| Over 3 years            | -                   | %                     | -                   | %                     |
| <b>Total</b>            | -                   | %                     | -                   | %                     |

28. Provisions

| Description                           | FY 2023-2024 | FY 2022-2023 |
|---------------------------------------|--------------|--------------|
|                                       | Kshs.        | Kshs.        |
| Balance at the beginning of the year  | -            | -            |
| Additional Provisions                 | -            | -            |
| Provision utilised                    | -            | -            |
| <b>Balance at the end of the year</b> | -            | -            |
|                                       |              |              |
| Current Portion of provision          | -            | -            |
| Long term portion of provision        | -            | -            |
| <b>Total Provisions</b>               | -            | -            |

## 29. Borrowings

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

| Description                             | FY 2023-2024 | FY 2022-2023 |
|-----------------------------------------|--------------|--------------|
|                                         | Kshs.        | Kshs.        |
| Short term borrowings (current portion) | -            | -            |
| Long term borrowings                    | -            | -            |
| <b>Total</b>                            | -            | -            |

| Description                                | FY 2023-2024 | FY 2022-2023 |
|--------------------------------------------|--------------|--------------|
|                                            | 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 2023-2024 | FY 2022-2023 |
|-----------------------------------------------|--------------|--------------|
|                                               | 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>       | -            | -            |

## 30. 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 employee benefits obligation</b> | -                    | -                                | -                | -     |



Notes to the Financial Statements

31. Deferred Income

| Description                        | FY 2023-2024 | FY 2022-2023 |
|------------------------------------|--------------|--------------|
|                                    | 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> | -      |

*Notes to the Financial Statements*

**32. Social Benefit Liabilities**

| Description                                    | FY 2023-2024 | FY 2022-2023 |
|------------------------------------------------|--------------|--------------|
|                                                | Kshs         | Kshs         |
| Health social benefit scheme                   | -            | -            |
| Unemployment social benefit scheme             | -            | -            |
| Orphaned and vulnerable benefit scheme         | -            | -            |
| People Living with disabilities benefit scheme |              |              |
| Elderly social benefit scheme                  | -            | -            |
| Bursary social benefits                        | -            | -            |
| <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 unemployment or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g poverty, age, unemployment among others.*

**33. Cash generated from operations**

| Description                                       | FY 2023-2024 | FY 2022-2023 |
|---------------------------------------------------|--------------|--------------|
|                                                   | Kshs.        | Kshs.        |
| <b>Surplus/ (deficit) for the year before tax</b> | (3,630,612)  | 26,411,680   |
| <b>Adjusted for:</b>                              |              |              |
| Depreciation                                      | 3,631,506    | -            |
| Amortisation                                      | -            | -            |
| Gains/ losses on disposal of assets               | -            | -            |
| <b>Working Capital adjustments</b>                |              |              |
| Increase in inventory                             | -            | (26,408,023) |
| Decrease in receivables                           | (19,058,638) | -            |
| Increase in payables                              | 19,058,638   | -            |
| <b>Net cash flow from operating activities</b>    | <b>895</b>   | <b>3,657</b> |

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



*Notes to the Financial Statements*

**34. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the City/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 City/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) City/Municipality Board; etc.

**b) Related party transactions**

| Description                     | FY 2023-2024 | FY 2022-2023 |
|---------------------------------|--------------|--------------|
|                                 | Kshs.        | Kshs.        |
| Transfers from related parties' | -            | -            |
| Transfers to related parties    | -            | -            |

**c) Key management remuneration**

| Description                 | FY 2023-2024 | FY 2022-2023 |
|-----------------------------|--------------|--------------|
|                             | Kshs.        | Kshs.        |
| Board Members               | -            | -            |
| Key Management Compensation | -            | -            |
| <b>Total</b>                | -            | -            |

**d) Due from related parties**

| Description                | FY 2023-2024 | FY 2022-2023 |
|----------------------------|--------------|--------------|
|                            | Kshs.        | Kshs.        |
| Due from parent Ministry   | -            | -            |
| Due from County Government | -            | -            |
| Due from County Assembly   | -            | -            |
| <b>Total</b>               | -            | -            |

*Notes to the Financial Statements*

**e) Due to related parties**

| Description                     | FY 2023-2024 | FY 2022-2023 |
|---------------------------------|--------------|--------------|
|                                 | Kshs.        | Kshs.        |
| Due to parent Ministry          | -            | -            |
| Due to County Government        | -            | -            |
| Due to Key management personnel | -            | -            |
| Due to County Assembly          | -            | -            |
| <b>Total</b>                    | -            | -            |

### 35. Contingent liabilities

| Contingent liabilities        | FY 2023-2024 | FY 2022-2023 |
|-------------------------------|--------------|--------------|
|                               | Kshs.        | Kshs.        |
| Court case against the entity | -            | -            |
| Bank guarantees               | -            | -            |
| <b>Total</b>                  | -            | -            |

### 36. Contingent Assets

| Contingent liabilities        | FY 2023-2024 | FY 2022-2023 |
|-------------------------------|--------------|--------------|
|                               | Kshs.        | Kshs.        |
| Court case against the entity | -            | -            |
| Others Specify                | -            | -            |
| <b>Total</b>                  | -            | -            |



## Notes to the Financial Statements

### 37. Financial risk management

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

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

#### 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 assessment 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<br>Kshs. | Fully performi<br>ng<br>Kshs. | Past due<br>Kshs. | Impaired<br>Kshs. |
|--------------------------------------------|-----------------------|-------------------------------|-------------------|-------------------|
| <b>At 30 June 2024</b>                     |                       |                               |                   |                   |
| Receivables from exchange transactions     | -                     | -                             | -                 | -                 |
| Receivables from non-exchange transactions | -                     | -                             | -                 | -                 |
| Bank balances                              | -                     | -                             | -                 | -                 |
| <b>Total</b>                               | -                     | -                             | -                 | -                 |
| <b>At 30 June 2023</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)

**Notes to the Financial Statements**

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 no significant concentration of credit risk.

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 2024</b>         |                   |                    |               |       |
| Trade payables                | -                 | -                  | -             | -     |
| Current portion of borrowings | -                 | -                  | -             | -     |
| Provisions                    | -                 | -                  | -             | -     |
| Employee benefit obligation   | -                 | -                  | -             | -     |
| <b>Total</b>                  | -                 | -                  | -             | -     |
| <b>At 30 Jun 2023</b>         |                   |                    |               |       |
| Trade payables                | -                 | -                  | -             | -     |
| Current portion of borrowings | -                 | -                  | -             | -     |
| Provisions                    | -                 | -                  | -             | -     |
| Employee benefit obligation   | -                 | -                  | -             | -     |
| <b>Total</b>                  | -                 | -                  | -             | -     |



**Notes to the Financial Statements**

**III. Market risk**

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

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

**IV. Foreign currency risk**

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

| Description                            |       | Other<br>currencies | Total |
|----------------------------------------|-------|---------------------|-------|
|                                        | Kshs. | Kshs.               | Kshs. |
| <b>At 30 June 2024</b>                 |       |                     |       |
| Financial assets                       | -     | -                   | -     |
| Investments                            | -     | -                   | -     |
| Cash                                   | -     | -                   | -     |
| Debtors/ receivables                   | -     | -                   | -     |
| <b>Liabilities</b>                     |       |                     |       |
| Trade and other payables               | -     | -                   | -     |
| Borrowings                             | -     | -                   | -     |
| Net foreign currency asset/(liability) | -     | -                   | -     |

*(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.)*

**Notes to the Financial Statements**

**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<br>currency rate | Effect on surplus/<br>deficit | Effect on<br>equity |
|-------------|----------------------------|-------------------------------|---------------------|
|-------------|----------------------------|-------------------------------|---------------------|

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|             | <b>Kshs.</b> | <b>Kshs.</b> | <b>Kshs.</b> |
|-------------|--------------|--------------|--------------|
| <b>2024</b> |              |              |              |
| Euro        | 10%          | -            | -            |
| USD         | 10%          | -            | -            |
| <b>2023</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.



**Notes to the Financial Statements**

**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's:

| Description                                  | FY 2023-2024 | FY 2022-2023 |
|----------------------------------------------|--------------|--------------|
|                                              | Kshs.        | Kshs.        |
| Revaluation reserve                          | -            | -            |
| Capital/Development Grants/City/Municipality | -            | -            |
| Accumulated surplus                          | -            | -            |
| <b>Total Funds</b>                           | -            | -            |
| Total borrowings                             | -            | -            |
| Less: cash and bank balances                 | -            | -            |
| Net debt/(excess cash and cash equivalents)  | -            | -            |
| <b>Gearing</b>                               | -            | -            |

**38. 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.

| Reference No.<br>on the external<br>audit Report | Issue /<br>Observations<br>from Auditor | Management<br>comments                                | Status:<br>(Resolved / Not<br>Resolved) | Timeframe:<br>(Put a date<br>when you<br>expect the issue<br>to be resolved) |
|--------------------------------------------------|-----------------------------------------|-------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------|
| i                                                | Non provision<br>of integrated<br>plan  | A draft awaiting<br>approval by<br>county<br>assembly | Not resolved                            | By December<br>2024                                                          |
| ii                                               | Non provision<br>of strategic plan      | A draft awaiting<br>approval by<br>county<br>assembly | Not resolved                            | By December<br>2024                                                          |
| iii                                              | Municipal<br>employees nit<br>recruited | recruited                                             | Resolved                                | Already<br>recruited                                                         |
| iv                                               | Nonexistence of<br>Asset Register       | Maintained                                            | Resolved                                | Will<br>continuously be<br>updated                                           |
|                                                  |                                         |                                                       |                                         |                                                                              |

The issues raised were resolved, However as at 30<sup>th</sup> June Integrated plan and strategic plans were at the Committee of County Assembly awaiting approval, we promise to make follow ups and ensure all Plans are approved.

  
 .....  
**Khamisi Mwandaro**



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**Appendix 2: Inter Entity Transfers**

| CITY/MUNICIPALITY NAME:                                          |                     |                            |                       |                                                    |
|------------------------------------------------------------------|---------------------|----------------------------|-----------------------|----------------------------------------------------|
| Breakdown of Transfers from the County Executive of Kwale County |                     |                            |                       |                                                    |
|                                                                  | <b>FY 2022/2023</b> |                            |                       |                                                    |
| a.                                                               | Recurrent Grants    | <u>Bank Statement Date</u> | <u>Amount (Kshs.)</u> | <u>Indicate the FY to which the amounts relate</u> |
|                                                                  |                     |                            | -                     |                                                    |
|                                                                  |                     |                            | -                     |                                                    |
|                                                                  |                     | <b>Total</b>               | -                     |                                                    |
| b.                                                               | Development Grants  | <u>Bank Statement Date</u> | <u>Amount (Kshs.)</u> | <u>Indicate the FY to which the amounts relate</u> |
|                                                                  |                     |                            | -                     |                                                    |
|                                                                  |                     |                            | -                     |                                                    |
|                                                                  |                     |                            | -                     |                                                    |
|                                                                  |                     | <b>Total</b>               | -                     |                                                    |
| c.                                                               | Direct Payments     | <u>Bank Statement Date</u> | <u>Amount (Kshs.)</u> | <u>Indicate the FY to which the amounts relate</u> |
|                                                                  |                     |                            | -                     |                                                    |
|                                                                  |                     |                            | -                     |                                                    |
|                                                                  |                     | <b>Total</b>               | -                     |                                                    |

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**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 |                 |                       |
|              |                     |                    |                    |    |    |    |    |                 |                       |
|              |                     |                    |                    |    |    |    |    |                 |                       |
|              |                     |                    |                    |    |    |    |    |                 |                       |
|              |                     |                    |                    |    |    |    |    |                 |                       |
|              |                     |                    |                    |    |    |    |    |                 |                       |

The entity did not incur any expenditure relating to climate change.



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**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   |
|           |               |               |                                                                                                                      |                  |                |            |
|           |               |               |                                                                                                                      |                  |                |            |
|           |               |               |                                                                                                                      |                  |                |            |

The entity did not incur any expenditure relating to disaster.