

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

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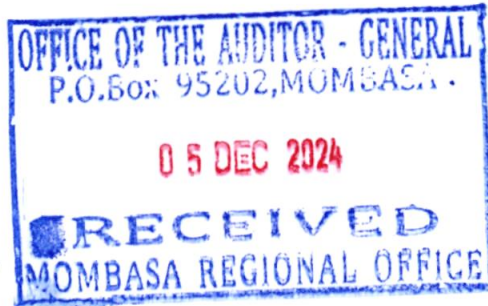
**ON**

**KWALE MUNICIPALITY**

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



PAPERS LAIL	
DATE	19/2/2025
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**KWALE 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 Key Terms

### A. Acronyms

PSASB	Public Sector Accounting Standards Board
EACC	Ethics and Anti-Corruption Commission
FY	Financial Year
ICPAK	Institute of Public Accountants of Kenya
KCB	Kenya Commercial Bank
Kshs	Kenya Shillings
KUSP	Kenya Urban Support Program
UDG	Urban Development Grant
CPA	Certified Public Accountant
IPSAS	International Public Sector Accounting Standards
PFM	Public Financial Management

### B. Definition of Key Terms

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

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

Fiduciary Management	Key management personnel who have financial responsibility in the entity.
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## **1. Key Entity Information and Management**

### **a) Background information**

Kwale 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 Kwale 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 Vision**

Excellence in environmentally friendly municipal management practices.

### **Mission**

To be a competitive municipality that excels in environmentally friendly management practices that support sustainable economic improvement through provisions of quality, equitable and efficient municipal services to the residents.

### **Core Values**

The Municipality of Kwale 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

Any other functions as may be delegated by the County Executive Committee.

**c) Key Management**

Kwale Municipality’s management is under the following key organs:

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

**d) Fiduciary Management**

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

Ref	Position	Name
1	Municipality Manager	Mwanawani Sheti
2	Accountant	CPA Bebewa Jackson Eshima
3	Procurement officer	Mwaiwe Mbito Mongo

**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  
Po Box 60000  
City Square 00200  
**NAIROBI KENYA**

Kenya Commercial Bank  
Po Box 43-80403  
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


## 2. Municipality Board


Serial No.	Name	Details of qualifications and experience
1	Board Member 1  	<p><b>Name: Seif Rocky Bendera</b>  <b>Date of Birth: 3<sup>rd</sup> February 1953</b>                      In1993, he went to the University of London to do Teachers Advisory Management. He also did Post Graduate Diploma of Education before undertaking Master’s in Education Degree.                      He was given a Medal (Head of State Commendation) –HSC by President Kibaki because of his outstanding performance in the community.                      Bendera has also worked as a Project Manager Kenya Schools Improvement Project under the Aga Khuaryan Foundation.                      He was a Director Kenya Maritime Authority for 6 years.                      The trustee is an independent director</p>
2	Board Member 2  	<p><b>Name: Bakari Nasoro Mwabudzuma</b>  <b>Date of Birth: 15<sup>th</sup> September 1952</b>                      He is a retired teacher. He holds a special Diploma in teaching (KISWAHILI).                      He:</p> <ol style="list-style-type: none"> <li>I. Has an experience of 35 years in teaching both in primary level (8 years) and secondary level (27years).</li> <li>II. Has a certificate in Guidance and Counselling from UON.</li> </ol> <p>The trustee is an independent director.</p>


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3	<p>Board Member 3</p> 	<p><b>Name: Anastasia Kanga Stephen</b>  <b>Date of Birth: 25th October, 1970</b></p> <p>She is a renowned Educationist with 20 years of experience in Special Schools and Learners with Disabilities. She holds a B.ED Honors degree in Special Education from the Kenyatta University and a Diploma, Special Education from the Kenya Institute of Special Education (KISE).</p> <p>M/s Anastasia is a member of the South Coast Residents Association; a Neighborhood Organization and voice of the Residents. The trustee is an independent director.</p>

<p>4</p>	<p>Board Member 4</p> 	<p><b>Name: Salim Said Mwayogwe</b>  <b>Date of Birth: 1<sup>st</sup> January, 1960</b></p> <p>He went to Kwale Primary School and Taru Secondary School.          He is a trained teacher at Kericho T.T.C          Has a diploma in ECD.          Currently, he is Chairman KNCCI, Chairman Mwaluganje Elephant Sentuary and a businessman at Kwale.          The trustee is an independent director.</p>
<p>5</p>	<p>Board Member 5</p> 	<p><b>Name: Mishi Koba</b>  <b>Date of Birth: 11th April, 1985</b></p> <p>She holds a Diploma in Hairdressing and beauty. She is a member of Kwale Line SACCO and a prominent business lady.</p> <p>She is also a Director of County Classic boutique and SPA</p> <p>The trustee is an independent director.</p>

6		<p><b>Name: Saumu Beja Mahaja</b>  <b>Date of Birth: 16<sup>th</sup> April 1989</b></p> <p>She has a Master's degree in Environmental Studies Community Development and a Bachelor of Environmental Science from Kenyatta University.</p> <p>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 Studies</li> </ul> <p>She is currently the County Executive Committee Member for Environment and Natural Resources For Kwale County.                  The trustee is an executive director.</p>
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7		<p><b>Name: Neema Suyu</b>  <b>Date of Birth: 25th May, 1986</b></p> <p>Neema Suyu is a highly skilled environmental scientist with over 10 years of experience in conservation work. She holds a Bachelor's Degree in Environmental Science with a comprehensive understanding of environmental systems and policies. She is also a conservation coach in by training and currently pursuing a Masters of Arts Degree in Governance and Leadership. Throughout her career, she has demonstrated a strong commitment to preserving and protecting natural resources. She has worked on numerous conservation projects with non-profit organizations. Her expertise in Policy advocacy analysis, environmental governance, conservation coaching, environmental assessment, environmental social safeguards, monitoring and mitigation has been invaluable in ensuring that these projects are carried out in an environmentally responsible manner.</p> <p>Neema has worked on projects ranging from habitat restoration, integrated water resources management, climate change adaptation, renewable energy, climate smart agriculture, intergenerational knowledge transfer, wildlife conservation, Nature Based Solutions to sustainable development and waste management. Her ability to work collaboratively with diverse stakeholders, including community members, government officials, private sector, religious leaders and</p>
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		<p>Community Based Organizations, has helped her to achieve measurable successes in her conservation efforts</p>
8		<p><b>Name: Suleiman Madaraka Mwatsefu</b></p> <p><b>Date of Birth: 27 th December, 1988</b></p> <p><b>Work experience;</b>                  Director - Kwale Albinism Network from 2022- present.                  Beautician- Beauty Point 2022                  Leader of Minority - Kwale Youth Assembly from 2022- present.                  Finance Officer - Kwale Arts CBO from 2019- present.                  TOT/ Facilitator of Value Based Education, Aga Khan Foundation from 2023- present.                  Content Creator- KBC from 2021-2023.                  Programs Coordinator - Kwale Arts from 2016- 2019</p> <p><b>Education;</b>                  Beauty Point College 2022- 2023                  Golini Secondary School 2005- 2009                  Likoni School for the Blind 1996- 2004</p>

		<p><b>Name:Saumu Hamisi Muttah</b>  <b>Date of Birth:</b>                  Graduate Civil Engineer from JKUAT .                  Diploma Holder in Civil Engineering from KIHBT                  Trained Technical Teacher (KTTC)                  Pursuing MSc.Civil Engineering(Transportation option)-JKUAT                  Works at Kenya National Highways Authority (Nairobi).</p>
9		<p><b>Name: Mwanawani Ramadhan Sheti</b>  <b>Date of Birth: 2nd February, 1986</b></p> <p><u>Education and Professional Qualification.</u></p> <ul style="list-style-type: none"> <li>• Masters in Business Administration-Finance ;2010-2014 Kenyatta University</li> <li>• Bachelor of Education Science and Information Technology;2005-2009 Maseno University</li> <li>• Kenya Certificate of Secondary Education,(KCSE);2000-2003 Mama Ngina Girls High School</li> </ul> <p><u>Professional Training and Certification:</u></p> <ul style="list-style-type: none"> <li>• Certified Investment and Financial Analyst; Sec 3</li> <li>• Information Communication Technology.</li> </ul> <p><u>Professional Experience:</u>                  Municipal Manager-Kwale Municipality                  Kwale County Government; Dec, 2018 to date                  Fund Manager-Kilifi County Micro Finance Fund.</p>


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		Kilifi County Government; Sep 2018- Nov 2018 Lecturer-School of Business and Economics, Finance Department. Pwani University; Sep 2015-Sep 2018 The trustee is an executive director.
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**3. Key Management Team**

Serial No	Name	Details of qualifications and experience
1.		<p>Name: Mwanawani Ramadhan Sheti                      Date of Birth: 2<sup>nd</sup> February 1986</p> <p>Position: Municipal Manager</p>
2.		<p>Name: CPA Bebewa Jackson Eshima                      Date of Birth: 8<sup>th</sup> August 1985</p> <p>Position: Municipal Accountant</p> <p>A master's of Science Finance Student at Jomo Kenyatta University of Agriculture and Technology, Holds a Bachelor's Degree in finance and Banking from Moi university and Certified Public Accountant of Kenya. Hold a Senior Management Course Certificate from Kenya School Of Government</p> <p>Currently a senior Accountant with the County Government of Kwale having worked for 9 years and 5 years in the private Sector.</p> <p>Board member of New Apostolic Church Investment Committee, Makamini and Mazeras Boys High School and Vinyunduni and Sakake Primary.</p>

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3.	 A black and white portrait of a young man with short hair, wearing a dark suit jacket over a light-colored collared shirt. He is looking directly at the camera with a neutral expression. The background consists of a wall with a grid-like pattern of light and dark squares.	Name: Mwaiwe Mbito Mongo Date of Birth: 1994  Position: Procurement officer
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#### **4. Municipality Board Chairperson's Report**

Municipality of Kwale Board is composed of 8 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 the Kwale.
- ii. An association representing the private sector in the Kwale.
- iii. A cluster representing registered associations of the informal sector in the Kwale.
- iv. A cluster representing registered neighbourhood associations in the Kwale.

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. Kwale 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 Kwale.

Kwale Municipality has a board with a chairman. The municipality has technical committees through which it handles different sectorial issues. The committees are the Audit committee, Finance, economic and Human Resource Management committee, Technical and Strategy Committee, Investment trade and Environment committee. These committees help in structuring the municipality and aligning programs to respective committees. Each committee has a chair and they are as follows;

- Bakari Mwabudzuma -Chair Audit Committee
- Mishi Koba - Chair Technical and Strategy Committee
- Anastancia Kanga - Chair Finance, economic and Human Resources Management
- Salim Mwayogwe - Chair Investment, trade and Environment Committee

Kwale Municipality had a budget of Kshs. 116,131,653 with an actual realisation of Kshs. 77,781,893.

#### **Conclusion**

FY 2023/2024 was a good year in general. Good progress was made and the momentum has been created to enable Kwale Municipality continue on a trajectory into prosperity. 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.

Kwale Municipality has seen timely payment of contractors and suppliers

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.....  
**Name: Seif Rocky Bendera**  
**Chairperson of the Board**

## 5. Report Of the Municipality Manager

It is with great pleasure that I present the Municipality of Kwale 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. Kwale Municipality is a child of the Kenya Urban Support Programme (KUSP) through the County Government of Kwale.

### Financing of the County Governments

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

### Financial Performance

#### a) Revenue

#### Figure 1: THE MUNICIPALITY OF KWALE DURING THE FY 2023/2024

The municipality received its budget funding for the financial year from the exchequer releases from the county treasury and the world bank through the KUSP.

The municipality's approved budget was Ksh 116,131,653. To the close of the fy on 30<sup>th</sup> June 2024, the Municipality had completed Baraza park project and had one project i.e tarmacking of Godoni road that was started. This project had a budget of kshs. 35,204,931 for last financial and 26,500,000 for this financial year.

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

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)	Realisation (%)
County Treasury Disbursements	116,131,653	77,781,893	67%
<b>Total</b>	<b>116,131,653</b>	<b>77,781,893</b>	<b>67%</b>

**b) Payments**

The total expenditure for the year amounted to KShs. 77,781,893.

	2023-2024	2022-2023
Development Expenditure	72,597,856	22,996,596
Recurrent Expenditure	5,184,037	4,759,157
	<b>77,781,893</b>	<b>27, 755,753</b>

**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. 484 as supported by the bank balance certificate for KCB account and Kshs. 520 from Central Bank Account.

**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**

Due to the delayed procurement of our projects, the municipality carried forwards pending bills to the next financial year.

**f) Fixed assets**

Kwale 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 Kwale is within the shopping center, hence the choice of the beautification of the Baraza park and Godoni-Chitsanze road which offers an ambience for relaxation and Mobility. 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 staff. The municipality is still heavily 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 Kwale 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 Kwale Municipality.



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**Name: Mwanawani Ramadhan Sheti  
Municipality Manager**

**6. 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 Kwale Municipality as per the 2023-2024 plan are to:

- a) Entrench environmentally friendly solid waste management practises.
- b) Modernize urban roads and related furniture.
- c) Develop green spaces and recreational facilities.
- d) Facilitate management of animals within the municipality.
- e) Enhance the institutional capacity, strengthening and positioning of the municipality.
- f) Generate, mobilize and enhance efficiency in the utilization of financial resources.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Entrench environmentally friendly solid waste management practises	To collaborate with other stakeholders in friendly environmental practices	To create orderly solid waste disposal	Designated solid waste disposal areas	In the FY under review we have had well managed solid waste collection and disposal
Modernize urban roads and related furniture	To mobilise resources for urban roads infrastructure improvement	To have improved urban roads and related furniture	Number of roads improved	Improved road furniture on KFS-Godoni-Chitsanze road
Develop green spaces and recreational facilities	To provide a conducive environment for positive social interactions	A well-equipped recreational facility within the municipality	Increased number of residents using the facility	One recreational park (Kwale baraza park Perimeter wall) done during the year under review

## 7. 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 fora 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,**

There exists Kwale municipality service charter.

**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.

## 8. 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. 116,131,653 out of which kshs.14,357,105 and kshs.101,774,548 was for recurrent and development respectively.

The municipality realised an expenditure of kshs. 5,184,782 on recurrent budget and kshs. 72,597,855 on development budget translating to 36% and 71% absorption respectively. The fair absorption was as a result of late procurement and Funds Disbursement from the County treasury. The same has been rolled over to the fy 2024-2025 as a pending bills and Commitments.

#### Illustrated as;

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
Transfer from county treasury - Recurrent	14,357,105	5,184,037	36%
Transfer from county treasury - Development	101,774,548	72,597,856	71%
<b>Total</b>	<b>116,131,653</b>	<b>77,781,893</b>	<b>67%</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.	Perimeter wall at baraza park in Kwale town	Cloemart Company ltd	1822097	Perimeter Wall at Baraza park Phase II	17,828,165	70% Complete
2	Construction of KFS-Godoni-	Suken Builders	2021979	Construction of KFS-Godoni-Chitsanze Road	147,441,525	40% Complete

	Chitsanze Road					
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**C. The municipality’s compliance with statutory requirements**

The entity has by all standards endeavoured to comply with 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> <li>Occupational health and safety</li> </ul>	Medium	Develop appropriate policies, guidelines and procedure manuals
2.	Litigation	Claims by employees, public service providers or third parties	Medium	Enhance legal compliance 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> <li>Integration/interface of systems</li> </ul>	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> </ul>	High	Adhere to the provisions of Public Financial Management Act

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 Annual Report and Financial Statements for the Year Ended June 30,2024

		<ul style="list-style-type: none"> <li>Increasing operational expenditure</li> </ul>		
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

Kwale 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.

Kwale 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.

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

### 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.

### 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 are 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 are 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, 2023 are set out on pages 1 to 6.

### Board Members

The members of the Board who served during the year are shown on page vii to ix. 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



.....  
**Name: Mwanawani Ramadhan Sheti**  
**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.

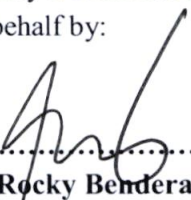
The Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required 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, 2024, and the financial position as at that date.


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

In preparing the financial statements, 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

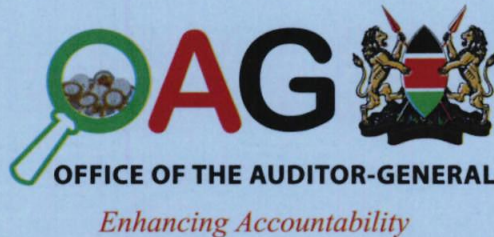
The Municipality's financial statements were approved by the Board on 25<sup>th</sup> September 2024 and signed on its behalf by:

  
.....  
**Name: Seif Rocky Bendera**  
**Chairperson of the Board**

  
.....  
**Name: Mwanawani Ramadhan Sheti**  
**Accounting officer of the Board**

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON KWALE 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 Kwale 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kwale 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

#### Unsupported Financial Statements Balances

The financial statements submitted for audit had the following unsupported balances;

- (i) The revised set of financial statements reflected adjustments of various balances from the previously submitted statements as indicated below but which were however not supported with schedules and journal entries.

Description	Original Financial Statements Balance	Revised Financial Statements Balance	Adjustment
Transfers from the county government	5,184,037	66,318,681	61,134,644
Depreciation and Amortization	3,693,060	3,548,426	(144,634)
Receivables from non-exchange transactions	16,683,427	0	16,683,427
Property, Plant and Equipment	129,332,794	128,320,363	(1,012,431)

- (ii) Information from Management in response to draft audit report indicate grants received from Kenya Urban Support Programmes of Kshs.11,462,356 which was neither supported nor disclosed in the financial statements.
- (iii) The statement of comparison of budget and actual amounts erroneously reflects recurrent and development expenditure original budget amounts of Kshs.14,357,105 and Kshs.101,774,548 instead of Kshs.23,142,091 and

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*Report of the Auditor-General on Kwale Municipality for the year ended 30 June, 2024*

Kshs.46,500,000 respectively. In addition, adjustments between the original approved budget and final approved budget of Kshs.8,784,986 and Kshs.55,274,548 for recurrent and development expenditure respectively were not reflected in the statement.

- (iv) The statement of cashflow reflect purchase of property, plant and equipment and intangible assets of Kshs.72,621,147 under cashflow from investing activities yet there was no evidence of funds outflow from the Municipality accounts. In addition, the financial position and the statement of changes in equity reflects capital/development grants of Kshs.2,339,915. The variance of Kshs.70,281,232 was not explained or reconciled.
- (v) The statement of financial performance reflects use of goods and services amount of Kshs.4,751,053 which includes domestic travel and subsistence allowance, printing, advertising, supplies and services, hospitality supplies and services and other operating expenses amounts of Kshs.2,424,060, Kshs.31,730, Kshs.312,055 and Kshs.72,663 respectively which were not supported with schedules.

In the circumstances, the accuracy and completeness of the respective financial statement balances could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kwale 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 final recurrent receipts budget and actual amounts on comparable basis of Kshs.14,357,105 and Kshs.5,184,037 respectively, resulting to under-funding of Kshs.9,173,068, or 64% of the budget. Similarly, the Municipality spent a balance of Kshs.72,597,855 against approved capital budget of Kshs.101,774,548, resulting to an under-utilization of Kshs.29,176,693 or 29% of the budget.

The under-funding and under-utilization may have impacted negatively on the Municipality's activities.

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

## **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 the effectiveness of internal controls, risk management and governance. However, the issues remained unresolved as at 30 June, 2024, contrary to Section 149(2)(1) of the Public Finance Management Act, 2012 which requires the accounting officers designated to try to resolve any issues resulting from an audit that remain outstanding.

## **Other Information**

Management is responsible for the other information set out on page iii to xxxii 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 Kwale 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 and 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, based on the audit procedures performed, except for 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,

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*Report of the Auditor-General on Kwale Municipality for the year ended 30 June, 2024*

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. Failure to Submit Performance Bond**

The statement of financial position and Note 24 to the financial statements reflects Work in Progress amounting to Kshs.54,152,648. Included in this amount is Kshs.9,825,345 incurred in respect to construction of perimeter wall and toilet for the Kwale Baraza Park Beatification Project. The tender was advertised in the Public Procurement Information Portal (PPIP) on 24 November, 2023, seven (7) bidders responded and on evaluation, the successful bidder awarded the contract at a sum of Kshs.17,828,165. However, review of the procurement documents revealed that the winning bidder did to submit performance bond.

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

### **2. Unsupported Supplementary Budget**

The Municipality had recurrent and development original approved expenditure budget of Kshs.23,142,091 and Kshs.45,500,000 and final supplementary budget of Kshs.14,357,105 and Kshs.116,131,653 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. This was contrary to Regulation 39(6) and (7) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the request for supplementary budget shall be presented in a format that facilitates comparison with the original budget and shall contain all the information necessary to enable a decision on the application to be reached and shall include (b) the actual expenditure and the outstanding liabilities or commitments against the item on the date when the request is made; (c) the amount of the supplement required, the reasons why the supplement is necessary and why it has not been possible to keep within the voted provision; (f) an analysis of the fiscal impact of the additional expenditure, or of the implications, if any, for the planned outputs and outcomes of the affected programmes and that the county government entity requesting additional funds through a supplementary budget process shall submit a memorandum to the County Treasury, on a date determined by County Treasury.

In addition, the final supplementary development budget of Kshs.116,131,653 included pending bills from previous years of Kshs.53,324,548 while the statement of financial position as at the 30 June, 2023 reflected trade and other payables balance of Kshs.2,044,957. The variance of Kshs.51,279,591 was not explained or reconciled.

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

### **3. Irregular Charge on Cash Vote**

The statement of financial performance reflects total expenditure of Kshs.8,731,979. Review of the IFMIS payment details revealed that payments amounting to Kshs.5,897,556 were made on the cash vote and not on the line items as budgeted. No explanation was provided for failure to process the transactions through the respective expenditure line items. This is contrary to Regulation 53(1) of the Public Finance Management (County Governments) Regulations, 2015, which provides that, except as provided for in the Act and the Regulations, an Accounting Officer of an entity may not authorize payment to be spending made out of funds earmarked for specific activities for purposes other than those activities.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.5,897,556 could not be confirmed.

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

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

##### **Conclusion**

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

##### **Basis for Conclusion**

##### **Regularity of Imprest Management**

The statement of financial performance and Note 12 to the financial statements reflect use of goods and services amount of Kshs.5,183,553 out of which Kshs.2,302,150 was expenses incurred through imprests. However, Management did not maintain memorandum cashbook for the standing imprest and imprest register for temporary imprests.

In the circumstances, the effectiveness of imprest management and control could not be confirmed.

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 as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards 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

27 December, 2024

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

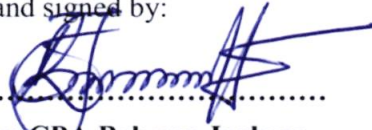
Description	Note	FY 2023-2024	FY 2022-2023
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	66,318,681	5,847,909
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues ( <i>Specify</i> )	9	-	-
		66,318,681	
<b>Revenue from exchange transactions</b>			<b>5,847,909</b>
Interest income	10	-	-
Miscellaneous Income	11	-	-
<b>Total revenue</b>		<b>66,318,681</b>	<b>5,847,909</b>
<b>Expenditure</b>			
Use of goods and services	12	4,751,053	4,759,157
Staff costs	13	-	-
Board expenses	14	432,500	-
Finance costs	15	-	-
Depreciation and amortization	16	3,548,426	-
Repairs and maintenance	17		-
<b>Total expenses</b>		<b>8,731,979</b>	<b>4,759,157</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	18	-	-
<b>Surplus/(deficit) for the period</b>		<b>57,586,702</b>	<b>1,088,752</b>

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The notes set out on pages 7 to 46 form an integral part of these Financial Statements. The entity's financial statements were approved on 25<sup>th</sup> September 2024 and signed by:



.....  
**Name: Mwanawani Ramadhan Sheti**  
**Municipality Manager**



.....  
**Name: CPA Bebewa Jackson**  
**Head of Finance**  
**ICPAK M/No 13433**


**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	1,004	11,487,024
Receivables from exchange transactions	20	-	2,044,957
Receivables from Non- exchange transactions	21	-	-
Prepayments	22	-	-
Inventories	23	-	-
<b>Total current assets</b>		<b>1,004</b>	<b>13,531,981</b>
<b>Non-current assets</b>			
Property, plant, and equipment	24	128,320,363	59,247,642
Intangible assets	25	-	-
<b>Total Non-current Assets</b>		<b>128,320,363</b>	<b>59,247,642</b>
<b>Total assets (A)</b>		<b>128,321,367</b>	<b>72,779,623</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	26	-	2,044,957
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>2,044,957</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>			<b>2,044,957</b>
<b>Net assets(A-B)</b>		<b>128,321,367</b>	<b>70,734,666</b>

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Description	Note	FY 2023-2024	FY 2022-2023
		Kshs.	Kshs.
Capital/Development Grants/Fund		2,339,915	2,339,915
Reserves		-	
Accumulated surplus		125,981,452	68,394,750
<b>Total net assets and liabilities</b>		<b>128,321,367</b>	<b>70,734,665</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 25<sup>th</sup> September 2024 and signed by:

.....  
  
 Name: Mwanawani Ramadhan Sheti  
 Municipality Manager  
 Date: 4/12/2024

.....  
  
 Name: CPA Bebewa Jackson  
 Head of Finance  
 ICPAK M/No 13433  
 Date: 4/12/2024

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

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
<b>Balance as at 1 July 2022</b>	-	-	185,858,678	185,858,678
Surplus/(deficit) for the period	-	-	1,088,752	1,088,752
Funds Transferred during the year	2,339,915	-	-	2,339,915
Revaluation gain	-	-	-	-
Prior Year Adjustment			(118,552,680)	(118,552,680)
<b>Balance as at 30 June 2023</b>	<b>2,339,915</b>	<b>-</b>	<b>68,394,750</b>	<b>70,734,665</b>
<b>Balance as at 1 July 2023</b>	2,339,915	-	68,394,750	70,734,665
Surplus/(deficit) for the period	-	-	57,586,702	57,586,702
Funds received during the year				
Revaluation gain	-	-		-
<b>Balance as at 30 June 2024</b>	<b>2,339,915</b>	<b>-</b>	<b>125,981,452</b>	<b>128,321,367</b>

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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		66,318,681	5,847,909
Public contributions and donations		-	-
Interest received		-	-
Miscellaneous receipts ( <i>Specify</i> )		-	-
<b>Total Receipts</b>		<b>66,318,681</b>	<b>5,847,909</b>
<b>Payments</b>			
Use of goods and services		4,751,053	4,759,157
Staff costs		-	-
Board expenses		432,500	-
Finance costs		-	-
<b>Total Payments</b>		<b>5,183,553</b>	<b>4,759,157</b>
<b>Net cash flows from operating activities</b>	33	<b>61,135,128</b>	1,088,752
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets		72,621,147	20,951,640
Transfer to County Retention Account			2,044,957
Proceeds from sale of PPE		-	
<b>Net cash flows used in investing activities</b>		<b>(72,621,147)</b>	<b>(22,996,597)</b>
<b>Cash flows from financing activities</b>			
Receipts from Capital grants		-	2,339,915
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>2,339,915</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(11,486,019)</b>	<b>(19,567,929)</b>
Cash And Cash Equivalents At 1 July	19	<b>11,487,024</b>	<b>31,054,953</b>
<b>Cash And Cash Equivalents At 30 June</b>	19	<b>1,005</b>	<b>11,487,024</b>

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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 utilization
	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	14,357,105	-	14,357,105	5,184,037	9,173,068	36%
Public contributions and donations	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous income (specify)	-	-	-	-	-	-
<b>Total Revenue</b>	<b>14,357,105</b>	<b>-</b>	<b>14,357,105</b>	<b>5,184,037</b>	<b>9,173,068</b>	<b>36%</b>
<b>Expenses</b>					-	
Use of goods and services	14,357,105	-	14,357,105	4,751,053	9,173,068	36%
Board expenses				432,500	-	
Staff Costs	-	-	-	-	-	
Finance costs	-	-	-	-	-	
<b>Total Expenditure</b>	<b>14,357,105</b>	<b>-</b>	<b>14,357,105</b>	<b>5,183,553</b>	<b>9,173,068</b>	<b>36%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>484</b>	<b>-</b>	<b>0%</b>
<b>Capital Expenditure</b>	<b>101,774,548</b>	<b>-</b>	<b>101,774,548</b>	<b>72,597,855</b>	<b>29,176,693</b>	<b>71%</b>

**Budget notes**

The actual expenditures of 36% for use of goods and 71% of Development projects was due to late disbursements of funds by the county treasury, which was because of delayed release of funds by the National Treasury. The balances have since been rolled over to the next financial year.

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

### **1. General Information**

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

Like any other Municipality the world over, Kwale 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 entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

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

There are no new standards effective in the financial year ended 30<sup>th</sup> June 2024.

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<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>
<p><b>IPSAS 42:</b> Social Benefits</p>	<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>

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*ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

<b>Standard</b>	<b>Effective date and impact:</b>
<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43: Leases	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.

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Standard	Effective date and impact:
IPSAS 46: Measurement	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>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: Revenue	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

**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 municipality 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 were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget.

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

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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 J 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. **The Municipality depreciation policy on assets except Land is as follows:-**

1. Land –N/A
2. Furniture and fittings-12.5% per Annum
3. Computers-33.33% per annum
4. Other Assets(other Civil works)-12.5% per annum
5. Roads-3.33% Per annum
6. Motor vehicles- 20% Per annum
7. Building -2% Per annum

**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.

*(Significant accounting policies continued)*

**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.

*(Significant accounting policies continued)*

**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.

*(Significant accounting policies continued)*

**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*.

**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.

*(Significant accounting policies continued)*

**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.

**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.

*(Significant accounting policies continued)*

**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 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.

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- 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. –	66,318,681	5,847,909
Payments by County on behalf of the entity	-	-
Unconditional development grants	-	-
<b>Total</b>	<b>66,318,681</b>	<b>5,847,909</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	Insert Comparative FY
	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*

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**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>	-	-

*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>	-	-

**10. Interest income**

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

(Provide brief explanation for this revenue)

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**11. Miscellaneous income**

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Income from sale of tender documents	-	-
Others ( <i>specify</i> )	-	-
<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	86,000	83,000
Domestic travel and subsistence	2,424,060	1,536,190
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	31,730	-
Rent and rates	-	544,379
Training expenses	-	120,640
Hospitality supplies and services	312,055	2,228,805
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	446,000	80,183
Fuel, oil and lubricants	591,821	-
Other operating expenses ( <i>Specify</i> )	72,663	118,640
Routine maintenance – vehicles and other equipment	144,849	-
Routine maintenance – other assets	--	16,700
Contracted Professional Services	-	-
Audit fees	-	-
Hire of Transport, equipment etc	641,875	-
Bank Charges	-	30,620
Social Benefit expenses*	-	-
Other Current Transfers	-	-

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Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
<b>Total</b>	<b>4,751,053</b>	<b>4,759,157</b>

**13. Staff costs**

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Salaries and wages	-	-
Staff gratuity	-	-
Social security contribution	-	-
Other staff costs ( <i>Specify</i> )	-	-
<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	222,500	-
Medical Insurance	-	-
Induction and Training	210,000	-
Travel and accommodation	-	-
Conference Costs	-	-
Other allowances ( <i>Specify</i> )	-	-
<b>Total</b>	<b>432,500</b>	<b>-</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>	<b>-</b>	<b>-</b>

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**16. Depreciation and amortization**

Description	FY 2023-2024	FY 2022-2023
	KShs	KShs
Property, plant and equipment	3,548,426	-
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total depreciation and amortization</b>	<b>3,548,426</b>	<b>-</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>	<b>-</b>	<b>-</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>	<b>-</b>	<b>-</b>

**19. Cash and cash equivalents**

Description	FY 2023-2024	FY 2022-20223
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	1,004	11,487,024
Others( <i>specify</i> )	-	-
<b>Total cash and cash equivalents</b>	<b>1,004</b>	<b>11,487,024</b>

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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>			
Kenya Commercial bank	1262607582	484	24,148
CBK - Development		520	11,462,876
<b>Sub- total</b>		<b>1,004</b>	<b>11,487,024</b>
<b>d) Others(specify)</b>		-	-
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>1,004</b>	<b>11,487,024</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	-	2,004,957
Less: impairment allowance	-	-
<b>Total Current receivables (a)</b>	-	<b>2,004,957</b>
<b>Non-Current receivables</b>		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Non- current receivables (b)</b>	-	-

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Total receivables from exchange transactions	-	2,004,957
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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	-	-	2,004,957	100
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total (a+b)</b>	-	-	<b>2,004,957</b>	<b>100</b>

21. Receivables from Non-Exchange transaction

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Transfer from County Executive		118,552,680
Transfer from Fund	-	-
<b>Less: Prior Year adjustment (Revenue Wrongly Recognised )</b>		(118,552,680)
<b>Total receivables from non-exchange transactions</b>		<b>0</b>

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>			-	-

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**22. Prepayments**

Description	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments( <i>specify</i> )	-	-
<b>Total</b>	-	-

**23. Inventories**

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

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24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Roads	Work in Progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs		Shs
<b>As at 1 July 2022</b>	-	-	-	-	-	-	36,251,045		<b>36,251,045</b>
Additions	-	-	-	-	-			22,996,597	<b>22,996,597</b>
Disposals	-	-	-	-	-	-	-		-
Transfers/adjustments	-	-	-	-	-	-	-		-
<b>As at 30<sup>th</sup> June 2023</b>	-	-	-	-	-		<b>36,251,045</b>	<b>22,996,597</b>	<b>59,247,642</b>
Additions for the year	-	-	-	-	-	10,474,144	7,994,355	54,152,648	72,621,147
Disposals for the year	-	-	-	-	-	-	22,996,597	(22,996,597)	-
Transfer/adjustments	-	-	-	-	-	-	-		-
<b>As at 30<sup>th</sup> June 2024</b>	-	-	-	-	-	<b>10,474,144</b>	<b>67,241,997</b>	<b>54,152,648</b>	<b>131,868,789</b>
<b>Depreciation and impairment</b>							-		-
<b>As at 30 June 2023</b>	-	-	-	-	-	-	-		-
Depreciation	-	-	-	-	-	-	-		-
Impairment	-	-	-	-	-	-	-		-
Transfers/ Adjustments	-	-	-	-	-	-	-		-

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Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Roads	Work in Progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs		Shs
<b>As at 30<sup>th</sup> June 2024</b>	-	-	-	-	-	-	-		-
Depreciation for the year	-	-	-			1,309,268	2,239,159		3,548,426
Disposals for the year	-	-	-	-	-	-	-		-
Impairment for the year	-	-	-	-	-	-	-		-
Transfer/adjustment	-	-	-	-	-	-	-		-
<b>As at 30th June 2024</b>	-	-	-			<b>1,309,268</b>	<b>2,239,159</b>		<b>3,548,426</b>
							-		-
<b>NBV as at 30th June 2023</b>	-	-	-	-	-	-	<b>36,251,045</b>	<b>22,996,597</b>	<b>59,247,642</b>
<b>NBV as at 30th June 2024</b>	-	-	-			<b>9,164,876</b>	<b>65,002,839</b>	<b>54,152,648</b>	<b>128,320,363</b>

*Capital work in Progress relates to proposed Construction of Perimeter wall at Kwale Baraza Park and Construction of KFS-Gondoni-Chitsanze Tarmack Road.*

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25. Intangible assets

Description	FY 2023-2024	FY 2022-2023
	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			2,044,957.00	
Retentions			-	
Accrued expenses	-		-	
Other payables ( <i>Specify</i> )	-		-	
<b>Total trade and other payables</b>			<b>2,044,957</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			2,044,957	100
1-2 years			-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>			<b>2,044,957</b>	<b>100</b>

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**27. Refundable deposits from customers**

Description	FY 2023-2024		FY 2022-2023	
	KShs		KShs	
Rent deposits	-		-	
Others ( <i>specify</i> )	-		-	
<b>Total</b>	-		-	
Ageing analysis:	FY 2023-2024	% of the Total	FY 2022-2023	% of the Total
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 ( <i>Specify</i> )	-	-
Provision utilised	-	-
<b>Balance at the end of the year</b>	-	-
Current Portion of provision	-	-
Long term portion of provision	-	-
<b>Total Provisions</b>	-	-

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**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>	-	-

*(NB: the total of this statement should tie to note 29 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)*

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>	-	-

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**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*

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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>	57,586,702	1,088,752
<b>Adjusted for:</b>		
Depreciation	3,548,426	-
Amortisation	-	-
Transfers to CRF	-	-
Gains/ losses on disposal of assets	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables		(2,044,957)
Increase in payables		2,044,957
<b>Net cash flow from operating activities</b>	<b>61,135,128</b>	<b>1,088,752</b>

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*(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.

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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 xxx against the entity	-	-
Bank guarantees	-	-
<b>Total</b>	-	-

**36. Contingent Assets**

Contingent liabilities	FY 2023-2024	FY 2022-2023
	Kshs.	Kshs.
Court case xxx 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

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the Municipality's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June 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

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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:

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Description		Other 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 currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
<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.

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**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>	-	-

**20. Appendices**

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Municipality Charter	The Charter Amendment is in process	Amendment Process on going	
2	Strategic Plan	In place	Approved	Resolved
3	Integrated Development Plan	In place	Approved	Resolved

**Guidance Notes:**

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



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

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Appendix 2: Inter Entity Transfers

CITY/MUNICIPALITY NAME:				
Breakdown of Transfers from the County Executive of Kwale County				
FY 2023/2024				
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>		

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

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

Name of the Organization

Telephone Number

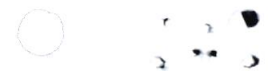
Email Address

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 Climate Relevant Expenditures during the financial year



**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 (Ksh s.)	Comments

The entity did not incur any expenditure relating to disaster during the financial year.