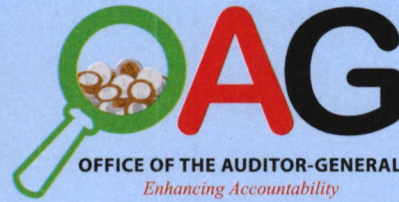
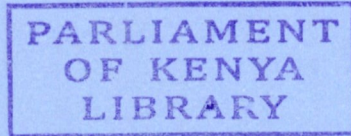


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

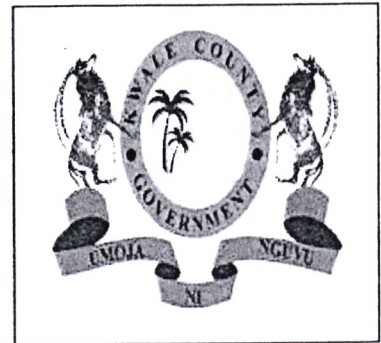
ON

LUNGA LUNGA MUNICIPALITY

FOR THE YEAR ENDED
30 JUNE, 2025

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





LUNGA LUNGA MUNICIPALITY

County Government of Kwale

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2025

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

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

B. Definition of Key Terms

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

2. Key Entity Information and Management

a) Background information

Lunga Lunga Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 11th July 2022. The Municipality is under the County Government of Kwale and is domiciled in Kenya.

b) Principal Activities

The Lunga Lunga 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 and Maintenance
- c) Recreational Facilities and Green Spaces
- d) Animal Control and Welfare
- e) Resource Mobilisation

Vision

To be the best municipality to Live, work, invest and prosper.

Mission

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

Core Values

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

The board's core objectives include;

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

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

c) Key Management

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

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

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Municipality Manager	Mbeyu Mumba
2	Senior Accountant	CPA Christina Malila
3	Procurement officer	Peter Kugomba

e) Fiduciary Oversight Arrangements

The key fiduciary oversight bodies for the County & entities for the year ended 30th June 2025 were:

- **Audit and Finance Committee activities;**

The county government has an established auditing and finance committee which was gazette on 29th June 2020.

The purpose of the audit committee is to provide assistance to the accounting officer or governing body.

An audit committee’s roles and responsibilities are as follows;

- i. Obtain assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably.
- ii. Provide an independent review of an entity’s reporting functions to ensure the integrity of financial reports.
- iii. Monitor the effectiveness of entity’s performance management and performance information
- iv. Provide strong and effective oversight of an entity’s internal audit function.
- v. Provide effective liaison and facilitate communication between management and external auditors.
- vi. Provide oversight of the implementation of accepted audit recommendations.
- vii. Ensure the entity effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behavior.

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The audit committee members are;

SRN	NAME	POSITION
1.	CPA Abdallah Mambo Dalu	Chairman
2.	FCPA Thomas Ludindi Mwadeghu	Member
3.	Mwanaidi Rama Mwang'ombe	Member
4.	Mwanamisi Ali Libondo	Member
5.	CPA Biasha Gasare	Secretary (Ag. Director Internal Audit)

- **County Assembly of Kwale;**
 - A. Public Accounts & Investment Committee
 - B. Budget and Appropriations Committee.
- Committees of the Senate

f) Registered Offices

P.O. Box 4,
Kwale County Lunga Lunga Town
Likoni – Lunga Lunga Road
Kwale, KENYA

g) Contacts

Telephone: (254)
E-mail: info@kwale.go.ke
Website: www.kwale.go.ke

h) Bankers

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

Kenya Commercial Bank
Ukunda Branch
Account Number 1320070051
Kwale, Kenya.

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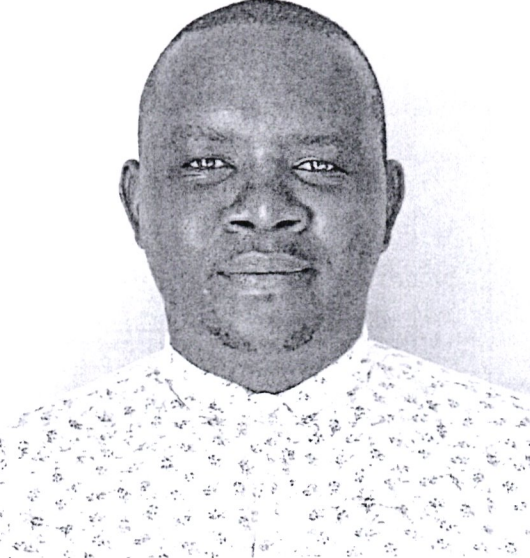
i) Independent Auditor

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


j) Principal Legal Adviser



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

3. Municipality Board


Serial No.	Name	Details of qualifications and experience
1	<p>Board Member 1</p> 	<p>NAME: RIZIKI JUMA NDEGWA DATE OF BIRTH: 24/11/1970 <u>Educational Background</u> 2002-2004 : BACHELOR IN EDUCATION 1993-1995 : DIPLOMA IN EDUCATION 1987-1990 : KCSE <u>Professional And Work Experience</u> 2023 Dec: Lunga lunga municipal board chairperson 2021–To date : Principal at Mwalewa Girls Secondary School. 2015-2021 Principal Mkwakwani Secretary School 1996-2014 : Secondary School Teacher</p>
2	<p>Board Member 2</p> 	<p>NAME: MUSYOKA KIOKO NDUTO DATE OF BIRTH: 28TH SEPTEMBER 1990 <u>Educational Background</u> 2013-2015 : CPA GRADUATE 2013-2014 : Computerized Accounting Certificate 2012-2013 : ATC Graduate 2006-2009 : KCSE Certificate <u>Professional And Work Experience</u> 2024 April-Date: Lunga Lunga Tuchape Kazi Sacco Chairman 2023 Dec – Date:</p>

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		<p>Lunga Lunga Municipality Vice Chair. 2023- Date : Vanga Ward Community Sacco Secretary(Supervisory Committee). 2017-2018 : Cattle deep construction Project Chairperson</p>
3	<p>Board Member 3</p> 	<p>NAME: TWAHA SALIM KIDEGE DATE OF BIRTH 22ND DECEMBER 1982 <u>Educational Background</u> 2019-2021: HIGHER DIPLOMA IN DERMATOVENEROLOGY 2006-2009: DIPLOMA IN CLINICAL MEDICINE AND SURGERY 2001-2004: KCSE CERTIFICATE <u>Professional And Work Experience</u> 2024 TO DATE: BOARD MEMBER -LUNGALUNGA MUNICIPALITY 2024 TO DATE: CHAIRPERSON VANGA WARD SACCO COMMUNITY 2014 TO DATE: RCO DERMATOLOGIST KWALE COUNTY</p>
4	<p>Board Member 4</p>	<p>NAME: BENDETTAH MUTHINA THOMAS Date of Birth: 1st Feb 1972 <u>Educational Background</u> 2016-2018: Bachelor of Community work 2016-Certificate of Community Psychological Response to Chronic & Trauma</p>

		<p>2012-Honorary Diploma in Developing people skills and communication Relation 2008-Certificate of computer applications <u>Professional and Work Experience</u> 2023 to Date-Board Member Lunga Lunga Municipality 2022-4W UNESCO chair prize on Gender wellbeing and culture peace 2013-Recognition Award for Global Engagement scholarship 2012-WWSF Prize for women’s creativity in Rural Life 2012-Nikumbuke Project Director 2007-Deputy Director Project Africa</p>
5	<p>Board Member 5</p> 	<p>NAME: JUMA HUSSEIN FUJO Date of Birth: 13 March 1975 <u>Educational Background</u> 2020-Higher Diploma in Dermatovenerology- MUHAS 2013-MPH-Reproductive Health 2011-2013-Bsc Public Health JKUAT 2002-2006-Diploma in clinical Medicine 1997-KCSE <u>Work Experience</u> 2010-Ministry of Health-Jomvu Model Health Centre 2015-Coast General Hospital 2016-Kombani Dispensary-Kwale county 2022-Diani Health Centre-Kwale County 2023-Sub-county Head of Health Services-Lunga Lunga Sub County.</p>


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6	Board Member 6 	<p>NAME: ALI OMAR ABUBAKAR D.O.B 19th June 1987 <u>Educational Background</u> 2013-2015 Bsc In Med Lab Sciences 2007-2010: Diploma In Med Lab Sciences 2003-2006: KCSE 1995- 2002: KCPE <u>Professional And Work Experience</u> Nov 2023 To Date: Lunga Lunga Municipality Board Member - Chairman Seaworld CBO -Founder And Chairman Tosha Educational Empowerment Mentorship Cbo (Teem).- Member Vanga Bmu -Kenya National Accreditation Services Assessor (Kenas) 2018 To Date: Health Lab Scientist And Dep. Quality Assurance Officer At Kenya Ports Authority 2015 To Date: Mentor And Trainer In Qms, Hts Services, Hiv Viral Load, Lims, Malaria Microscopy And Phlebotomy Techniques. 2015: Laboratory Manager Aids Relief Program 2010: Laboratory Quality Assurance Officer Aids Relief Program</p>
7	Board Member 7	<p>NAME: JOHN MANGISI MRISA Date of Birth 20 Aug 1965 <u>Educational Background</u></p>

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		<p>2004-2007: Diploma in Theology 2017-2018: Diploma in Bush Bible 1981-1984: K.C.E Certificate</p> <p>Work Experience 2023-To Date: Board member-Lunga Lunga Municipality 2017-2022: Mwereni ward Bursary Committee 2014-2017: Mwereni Secondary School-BOM Member 2010 to Date: H.M.C Overseer-Kwale County</p>
<p>8.</p>	<p>Municipality Manager</p> 	<p>NAME: MBEYU MUMBA MGANDI DATE OF BIRTH: 21st Nov 1996 POSITION: Municipal Manager 2023- Date: MSc. Env. Planning And Management 2016-2020: BSc. Environmental Management 2020(Sept-Oct): Certificate EIA/EA Course 2017 (Feb-Apr): Certificate Computer Application Registered professional</p> <p>Membership EIK Member No 4839</p> <p>Professional And Work Experience 2022 Dec- Present: Municipal Manager, Lunga Lunga Municipality</p>

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		<p>2021 Aug-2022 Dec: Associate Expert, Registered By NEMA 2021 (Jan-July): Intern, NEMA Kwale County 2019 (May-Aug): Attaché, NEMA Kwale County 2018 (May-Aug): Attaché, KFS Narok County</p>
9.	<p>Chief Officer- Environment</p> 	<p>NAME: NEEMA SIHABA SUYA POSITION: County Chief Officer DEPARTMENT: Environment, Natural Resources and Urban Planning Registered Professional Bodies: - Member, Conservation Coaches Network (CCNet) Professional And Work Experience: - April 2023 to date: County Chief Officer, Kwale - July 2020 to April 2023: Project Officer, Governance, World Wide Fund For Nature (WWF- Kenya) - June 2017 to June 2020: Project Officer, Civil Society, WWF-Kenya - October 2012 to June 2018: Project Technical Assistant, WWF- Kenya - October 2011 to September 2012: Intern, WWF-Kenya - May 2009 to February 2011: Intern, Natuonal Environment Management Authority (NEMA) - February 2009 to May 2009: Intern, Ministry of Mines and Geology, Kwale.</p>

10.



NAME: SAUMU BEJA MAHAJA

Date of Birth: 16th April 1989
 She has a Master's degree in Environmental Studies Community Development and a Bachelor of Environmental Science from Kenyatta University.

Her Professional Trainings and Certification include;


- Project Planning and Management Training by East African Institute of Certified Studies
- Geo-Spatial Database Development and Management Training at the Regional Centre for Mapping and Resource Development Nairobi
- Monitoring and Evaluation Training by East African Institute of Certified Studies

She is currently the County Executive Committee Member for Environment and Natural Resources



For Kwale County.

The trustee is an executive director.

4. Key Management Team

Serial No	Name	Details of qualifications and experience
1.		<p>NAME: MBEYU MUMBA MGANDI DATE OF BIRTH: 21st Nov 1996 POSITION: Municipal Manager 2023- Date: MSc. Env. Planning And Management 2016-2020: BSc. Environmental Management 2020(Sept-Oct): Certificate EIA/EA Course 2017 (Feb-Apr): Certificate Computer Application <u>Registered professional Membership</u> EIK Member No 4839 <u>Professional And Work Experience</u> 2022 Dec- Present: Municipal Manager, Lunga Lunga Municipality 2021 Aug-2022 Dec: Associate Expert, Registered By NEMA 2021 (Jan-July): Intern, NEMA Kwale County 2019 (May-Aug): Attaché, NEMA Kwale County 2018 (May-Aug): Attaché, KFS Narok County</p>
2.		<p>NAME : CHRISTINA MALILA DATE OF BIRTH: 19th Sept 1978 POSITION: Senior Accountant- Lunga Lunga Municipality <u>Educational Background</u> 2018-BBM (Finance Option), Moi University 2008-CPA(K), Vision Institute of Professionals</p>

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		<p>Senior Management Course-Kenya School of Government. <u>Registered professional Membership</u> ICPAK Member No 13279 AWAK Member No 626 <u>Work Experience</u> 2023 To Date: Senior Accountant in charge of Lunga Lunga Municipality 2016-2023 Accountant 1 Dept. of Education (Kwale County) 2015-2016: Internal Auditor, Tabasamu Sacco 2008-2015: Assistant Accountant, Tramom Sacco</p>
3.		<p>NAME: PETER GWENDE KUGOMBA DATE OF BIRTH: 1988 POSITION: Procurement officer <u>Educational Background</u> 2012-2015-BBM (Procurement and supply Chain Management-KEMU) <u>Professional Membership</u> KISM-Mno 77029 Supplies Practitioners Licence Mno. K3316/2023 <u>Work Experience</u> 2021 to Date-Supply Chain Management Officer 1-Kwale county Government</p>

5. Municipality Board Chairperson's Report

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

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

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.

Lunga Lunga 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 Lunga Lunga.

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

- Finance committee – Chaired by Ali Abubakar
- Planning committee – Chaired by Bendettah Thomas
- Audit committee – Chaired by Juma Fujo
- Environment committee – Chaired by Twaha Kidege

Lunga Lunga Municipality had a budget of Kshs. 84,469,927 with an actual realisation of Kshs.71,436,229 being expenditure on use of goods and projects budget. An amount of ksh 4,020,408 was unutilised by close of the financial year. Development of waste collection infrastructure/Skip bins ,Purchase of skip loader and Rehabilitation of Ziwani- Lunga Lunga market Road are all Complete and certificates raised by end of the period. They are all fully paid, apart from Ziwani-lunga lunga road which is 90% paid

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

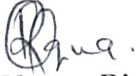
During the financial year 2024/2025 the municipality experienced financial challenges emanating from a lean budgetary allocation. The municipality desires to achieve more as per its mandate but insufficient budgetary allocation is a hindrance.

Conclusion

FY 2024/2025 was a good year in general. Good progress was made. I want to appreciate the other county departments especially the department of Finance and Economic Planning for their support when it comes to financial matters. Lunga Lunga Municipality has seen timely payment of contractors and suppliers.

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



Name: Riziki Ndegwa
Chairperson of the Board

6. Report of the Municipality Manager

It is with great pleasure that I present the Municipality of Lunga Lunga financial statements for the year ended 30th June 2025. 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. Lunga Lunga Municipality is a child of the Kenya Urban Support Programme (KUSP) through the County Government of Kwale.

Financing of the Municipality

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

Financial Performance

a) Revenue

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

The municipality's approved budget was Ksh 84,469,927. To the close of the FY on 30th June 2025, the Municipality had the following projects ongoing:

- ✓ Rehabilitation and Maintenance of Ziwani-Lungalunga Market road Ksh. 7,783,763
- ✓ Development of waste collection infrastructure/Skip bins Ksh. 2,497,000
- ✓ Purchase of skip loader ksh. 14,737,000
- ✓ Installation of highmast floodlight at Lunga town 3,500,000

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

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)	Realisation (%)
County Treasury Disbursements	84,469,927	71,436,229	85%
Total	84,469,927	71,436,229	85%

b) Payments

The total expenditure for the year amounted to KShs 71,436,229 being expenditure on use of goods and development projects

c) Cash flows

In the FY 2024/2025, 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 4,138 as supported by the bank balance certificate.

d) Accounts receivables

Imprest management is a critical area of focus in the Municipality. Our aim is to adhere to the PFM regulations on imprest management. We appreciate that we have no outstanding imprests as at 30th June, 2025.

e) Pending bills

The municipality carried forward pending bills/payables of kshs. 4,020,408

f) Fixed assets

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

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

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

Conclusion

FY 2024/2025 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

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Committee Member in charge of Environment and the Chief Officer who have worked hand in hand to ensure that Lunga Lunga 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 Lunga Lunga Municipality.


.....

**Name: Mbeyu Mumba
Municipality Manager**

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7. Statement of Performance against Predetermined Objectives for the FY 2024/2025

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

The key development objectives of the Lunga Lunga Municipality as per the 2024-2025 plan are to:

- a) Ensure a safe environment for travellers to the border line of Kenya and Tanzania
- b) Provide a clean environment through garbage collection.
- c) Prepare an urban development plan to control development within the municipality.

Below we provide the progress on attaining the stated objectives:

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

8. Corporate Governance Statement

a. Process of appointment and removal of Board members.

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

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

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

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

b. Roles and functions of the Municipality Board members,

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

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

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

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

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

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

e. Succession plan,

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

f. Existence of a service charter,

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

g. Conflict of interest,

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

h. Board remuneration,

The chairperson, vice chairperson and members of a board or town committee shall not receive a salary from the board or town committee but shall be paid such allowances and benefits as the county executive committee shall, with the approval of the county assembly, and on the advice of the Salaries and Remuneration Commission, determine.

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9. Management Discussion and Analysis

A. The operational and financial performance of the Municipality Board during the period.

The Municipality received its revenue for both development and operations from the County Treasury through exchequer. The municipality had a budget of kshs. 84,469,927 out of which kshs. 11,121,341 and kshs. 60,314,888 was for recurrent and development respectively.

The municipality realised an expenditure of kshs. 71,436,229 translating to 85% absorption. The absorption rate for the year was fairly good due to the fact that, funds were provided within time, however an amount of ksh 4,020,408. been rolled over to the FY 2024-2025 as pending bills for both recurrent and development

Illustrated as;

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
Transfer from county treasury -	84,469,927	71,436,229	85%
Total	84,469,927	71,436,229	85%

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.	Rehabilitation and Maintenance of Ziwani-Lungalunga Market road	Zubeir Investment Limited	2248221	Rehabilitation of Ziwani-Lungalunga Market road	7,783,763	complete
2.	Development of waste collection infrastructure/Skip bins	Tunu Link Investment	3496621	Cabro in Lung Lunga Market	2,497,000	complete
3.	Purchase of skip loader	Isuzu East Afrika	3496555	Review for Lunga Lunga Urban	14,737,000	complete
4.	Installation of high mast	N/A	N/A	High mast floodlight	3,500,000	Not tendered

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	floodlight at Lunga town					
	Development of waste infrastructure/skip bins	N/A	N/A	Skip bins	2,400,000	Not tendered

C. The municipality's compliance with statutory requirements

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

The entity has been audited by the internal auditors. However, the office of the Auditor general has not audited the municipality since inception, this is the first time to be audited.

D. 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"> Recruitment Integrity and honesty Skills and competence Employee relations Employee wellness Employee retention Occupational health and safety	Medium	Develop appropriate policies, guidelines and procedure manuals
2.	Litigation	Claims by employees, public service providers or third parties	Medium	Enhance legal compliance Sensitize employees on legal matters
3.	Information technology	<ul style="list-style-type: none"> Security of the ICT systems Technology availability(uptime) Applicability of infrastructure Integration/interface of systems	High	Update and integrate IT systems and infrastructure
4.	Financial	<ul style="list-style-type: none"> Cash flow inadequacy 	High	Adhere to the provisions

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

10. Environmental And Sustainability Reporting

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

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

1. Sustainability strategy and profile

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

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

2. Environmental performance

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

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

3. Employee welfare

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

- Having an optimal staff organization structure for effective and efficient public service delivery.
- Harmonization of job grading and remuneration through job evaluation and making recommendations to the Salaries and Remuneration Commission on remuneration, pensions and gratuities for county employees;
- Promotion of the National Values and Principles as espoused by Articles 10 and 232 of the Constitution of Kenya;
- Strengthening county public service in the management of county affairs by upholding the requirements of Chapter 6 of the Constitution on Leadership and Integrity by recruiting and developing able and competent personnel with the highest standards of integrity;

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

4. Market place practices

Corruption Prevention

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

To achieve this, the Municipality has:

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

a) Responsible competition practice.

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

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

b) Responsible Supply chain and supplier relations

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

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

c) Responsible marketing and advertisement

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

d) Product stewardship

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

5. Community Engagements

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

11. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2025 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, 2025 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 xiii. 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: Mbeyu Mumba
Secretary of the Board

12. Statement of Management’s Responsibilities

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

The Municipality manager is responsible for the preparation and presentation of the Municipality’s financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.


The Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality’s transactions during the financial year ended June 30, 2025, 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 ..30/10/2025.. and signed on its behalf by:


.....
Name: Riziki Ndegwa
Chairperson of the Board
30/10/2025


.....
Name: Mbeyu Mumba
Accounting officer of the Board
30/10/2025

REPUBLIC OF KENYA



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

REPORT OF THE AUDITOR-GENERAL ON LUNGA LUNGA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on the Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the 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 Lunga Lunga Municipality set out on pages 1 to 40, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in

net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Lunga Lunga Municipality as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2011 (amended 2019) and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.57,349,574 as disclosed in Note 24 to the financial statements. The balance includes additions for the year of Kshs.25,490,246 out of which Kshs.14,737,000 is in respect of motor vehicles. However, review of documents provided revealed that the amount relates to advance payment for supply and delivery of a skip loader delivered on 26 September, 2025. The payment should have been reported under prepayments instead of property, plant and equipment.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.57,349,574 could not be confirmed.

2. Failure to Disclose Restatement of Balances

The statement of financial position and Note 24 to the financial statements reflects Kshs.33,724,512 in respect to opening balance for property, plant and equipment. The balance differs with the audited prior year balance of Kshs.53,321,202 resulting in a variance of Kshs.19,596,690. Although, Management has indicated in the statement of changes in net assets that prior year adjustments were done to correct errors, the disclosures have not been made in the notes to financial statements as required under IPSAS 3.

In the circumstances, the accuracy, completeness and existence of the corrected errors of Kshs.19,596,690 and Kshs.10,196,696 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lunga Lunga 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 receipts budget and actual amounts on comparable basis of Kshs.84,469,927 and Kshs.71,436,229 respectively, resulting in under-realization of Kshs.13,033,698 or 15% of the budgeted revenue. Similarly, the statement reflects final total expenditure budget and actual on comparable basis of Kshs.84,469,927 and Kshs.71,434,063 respectively resulting in under expenditure of Kshs.13,035,864 or 15% of the budget.

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

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. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year's Audit Matters

In the prior years' audit reports, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the audit of the Municipality in 2023/2024 revealed that the following five (5) issues remained unresolved.

No.	Financial Year	Audit Issue
1.	2023/2024	Inaccuracies in the financial statements
2.	2023/2024	Land purchased in the name of County Government of Kwale
3.	2023/2024	Undisclosed contingent liability
4.	2023/2024	Lack of transfer of delegated authority
5.	2023/2024	Failure to prepare municipal integrated development plan

Other Information

The Management is responsible for the Other Information set out on page iii to xxxii which comprise of Key Entity Information and Management, Municipality Board, Key Management Team, Municipality Board Chairperson's Report, Report of the Municipality Manager, Statement of Performance Against the 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 Municipality's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance 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, I confirm that nothing 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

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

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

Conclusion

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

Basis for Conclusion

Non-collection of Own Generated Revenue

Review of documents provided for audit revealed that Lunga Lunga Municipality was financed solely through revenue allocated by the County Government of Kwale. The Municipality did not report any revenue collection activity to support its operations and

delivery of essential services to its residents. This is an indication that the conferment of Municipal status was done before meeting the criteria for demonstration of revenue collection capabilities or revenue collection potential.

In the circumstances, the effectiveness of governance and ability of the Municipality to achieve its objectives 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 the Management and Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial

statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

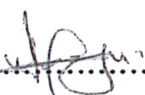
19 November, 2025


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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	71,436,229	7,727,771
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues	9	-	-
		-	-
Revenue from exchange transactions		71,436,229	7,727,771
Interest income	10	-	-
Miscellaneous Income	11	-	-
		-	-
Total revenue		71,436,229	7,727,771
Expenditure			
Use of goods and services	12	10,572,713	8,353,433
Staff costs	13	-	-
Board expenses	14	726,400	-
Finance costs	15	-	-
Depreciation and amortization	16	1,863,259	10,000
Repairs and maintenance	17	998,200	-
Total expenses		14,160,572	8,363,433
Other gains/losses			
Gain/loss on disposal of assets	18	-	-
Surplus/(deficit) for the period		57,275,657	(635,662)

The notes set out on pages 18 to 40 form an integral part of these Financial Statements. The entity's financial statements were approved on 30/10/2025 and signed by:

.....

Name: Mbeyu Mumba
Municipality Manager

.....

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

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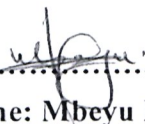
15. Statement of Financial Position As At 30 June 2025

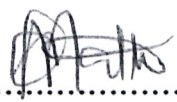
Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	19	4,138	1,972
Receivables from exchange transactions	20		-
Receivables from Non- exchange transactions	21		--
Prepayments	22		-
Inventories	23		-
Total current assets		4,138	1,972
Non-current assets			
Property, plant, and equipment	24	57,359,574	33,724,512
Intangible assets	25		-
Biological Assets	26		
Total Non-current Assets		57,359,574	33,726,484
Total assets (A)		57,363,713	33,726,484
Liabilities			
Current liabilities			
Trade and other payables	27	4,020,408	37,658,836
Refundable deposits from customers	28	-	-
Provisions	29	-	-
Borrowings	30	-	-
Employee benefit obligations	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
Total current liabilities		4,020,408	37,658,836
Non-current liabilities			
Provisions	29	-	-
Borrowings	30	-	-
Non-current employee benefit obligation	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
Total liabilities (B)		4,020,408	37,658,836

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Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
Net assets (A-B)		53,343,305	(3,932,352)
Represented by:			
Capital/Development Grants/Fund		16,300,000	16,300,000
Reserves			
Accumulated surplus		37,043,305	(20,232,352)
Net Assets/Equity		53,343,305	(3,932,352)

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 30/10/2025 and signed by:

.....

Name: Mbeyu Mumba
Municipality Manager
Date:30/10/2025

.....

Name: Christina Malila
Head of Finance
ICPAK M/No 13279
Date:30/10/2025

16. Statement of Changes in Net Assets For the Year Ended 30 June 2025

Description	Capital/ Development Grants/Fund	Revaluatio n Reserve	Accumulate d surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2023				
Surplus/(deficit) for the year			(635,662)	(635,662)
Prior year adjustment(overstatement of assets)			(19,596,690)	(19,596,690)
Prior year adjustment(understatement of revenue)			10,196,696	10,196,696
Prior year adjustment(understatement of expenditure)			(10,196,696)	(10,196,696)
Capital/Development Grants/Fund	16,300,000			16,300,000
Funds transferred during the year				
Revaluation gain				
Bal as at 30 Jun 2024	16,300,000		(20,232,352)	(3,932,352)
Bal as at 1 July 2024	16,300,000		(20,232,352)	(3,932,352)
Surplus/(deficit) for the period			57,275,657	57,275,657
Capital/Development Grants/Fund				
Capital/Development Grants/Fund	16,300,000			
Funds received during the period	-			
Revaluation gain				
Balance as at 30 June 2025	16,300,000		37,043,305	53,343,305

prior year adjustment relates to

1)correction of Overstatement of assets which was reported as 53,321,202 instead of 33,724,512

2)Revenue was understated by 10,196,696 and expenditure was understated to same amount which relates to review of urban plan

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		71,436,229	7,727,771
Public contributions and donations		-	
Interest received		-	
Miscellaneous receipts		-	
Total Receipts		71,436,229	7,727,771
Payments			
Use of goods and services		9,892,941	7,725,799
Staff costs		-	
Board expenses		726,400	
Finance costs		-	
Total Payments		10,619,341	7,725,799
Net cash flows from operating activities	34	60,816,888	1,972
Cash flows from investing activities			
Purchase of PPE & intangible assets		(60,814,722)	
Proceeds from sale of PPE			
Net cash flows used in investing activities		(60,814,722)	
Cash flows from financing activities			
Receipts from Capital grants			
Proceeds from borrowings			
Repayment of borrowings			
Net cash flows used in financing activities			
Net increase/(decrease) in cash & cash equivalents		2,166	1,972
Cash And Cash Equivalents At 1 July 2025	19	1,972	-
Cash And Cash Equivalents At 30 June 2025	19	4,138	1,972

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Budget carryovers from Fy 23-24						
Receipts		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	47,741,684	36,728,243	84,469,927	71,436,229	13,033,698	85%
Public contributions and donations						
Interest income						
Miscellaneous income						
Total Receipts	47,741,684	36,728,243	84,469,927	71,436,229	13,033,698	85%
Payments						
Use of goods and services	10,081,684	4,857,041	14,938,725	9,892,941	5,045,784	66%
Board expenses	1,500,000	-	1,500,000	726,400	773,600	48%
Staff Costs		-				
Finance costs						
Total Expenditure	47,741,684	36,728,243	84,469,927	71,434,063	13,035,864	85%
Capital Expenditure	36,160,000	31,871,202	68,031,202	60,814,722	7,216,480	89%
Surplus for the period		-	-	2,166		

Budget notes-The management did not utilise 11% of the Capital budget due to unprocured projects at the end of the year caused by late uploading of Supplementary 2 in the IFMIS.
 The Under-utilisation of Use of goods and Board expenses was as a result of late disbursement of funds from the National Treasury.
 The difference between the Original and Final budget was as a result of supplementary budgets.

19. Notes to the Financial Statements

1. General Information

Lunga Lunga 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, Lunga Lunga Municipality's principal activity is to provide public services such as garbage collection, road infrastructure, street lighting, and 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 Municipal 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, Urban Areas and Cities 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 2025.*

There are no new standards effective in the financial year ended 30th June 2025.

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

Standard	Effective date and impact:
IPSAS 43 Leases	<i>Applicable 1st January 2025</i> 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	<i>Applicable 1st January 2025</i> 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	<i>Applicable 1st January 2025</i> 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.
IPSAS 46: Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by:

	<ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p><i>Applicable 1st January 2026</i></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><i>Applicable 1st January 2026</i></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><i>Applicable 1st January 2026</i></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>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand

	the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.
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iii. Early adoption of standards

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

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the 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 2024/2025 was approved by the County Assembly on 30th June 2024. Subsequent revisions or additional appropriations are made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget.

The Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section F of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced *(Significant accounting policies continued)*

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 Depreciation method used is straight line method and the rates used are as follows

- Land 0%
- Computers 30%
- Furniture 12.5%
- Roads and other infrastructures 10%

d) Intangible assets

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

e) Biological Assets

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

f) Financial instruments

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

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

(Significant accounting policies continued)

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

cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the Principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

(Significant accounting policies continued)

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

g) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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

h)Provisions

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

(Significant accounting policies continued)

certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

Social benefits are cash transfers provided to 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.

j) Contingent liabilities

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

k) Contingent assets

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

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n)Employee benefits – Retirement benefit plans

The Municipality provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay

(Significant accounting policies continued)

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.

0)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.

p)Borrowing costs

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

q)Related parties

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

r)Cash and cash equivalents

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

S)Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. The Comparative figure for PPE has been restated.

t)Events after the reporting period

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

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

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

u)Currency

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

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made.

Estimates and assumptions.

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

(Significant accounting policies continued)

Useful lives and residual values

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

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	1,706,306	7,727,771
Payments by County on behalf of the entity	69,729,823	-
Unconditional development grants	-	-
Total	71,436,229	7,727,771

(a) Transfers from County Government entities (Categorized)

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

7. Public Contributions and Donations

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

Notes to the Financial Statements

8. Levies, Fines and penalties

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Levies	-	-
Fines	-	-
Penalties	-	-
Others	-	-
Total	-	-

9. Other Revenues

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others	-	-
Total	-	-

10. Interest income

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Interest income from investments	-	-
Interest income on bank deposits	-	-
Others	-	-
Total interest income	-	-

11. Miscellaneous income

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Income from sale of tender documents	-	-
Others	-	-
Total other income	-	-

(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 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Utilities, supplies and services	-	-
Communication, supplies and services	37,500	11,000
Domestic travel and subsistence	1,829,236	280,000
Foreign travel and subsistence		-
Printing, advertising, supplies & services		-
Rent and rates		-
Training expenses	500,600	-
Hospitality supplies and services	79,000	476,750
Insurance costs		-
Specialized materials and services		45,000
Office and general supplies and services	6,068,610	531,839
Fuel, oil and lubricants	2,051,680	-
Other operating expenses		30,000
Routine maintenance – vehicles and other equipment		-
Routine maintenance – other assets		-
Contracted Professional Services		6,975,901
Audit fees		-
Hire of Transport, equipment etc		-
Bank Charges	6,087	2,943
Social Benefit expenses*	-	
Total	10,572,713	8,353,433

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

13. Staff costs

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Salaries and wages	-	-
Staff gratuity	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

Notes to the Financial Statements

14. Board expenses

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	662,400	-
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	-
Conference Costs	64,000	-
Other allowances	-	-
Total	726,400	-

15. Finance costs

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

16. Depreciation and amortization

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Property, plant and equipment	1,863,259	10,000
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	1,863,259	10,000

Notes to the Financial Statements

17. Repairs and Maintenance

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Property- Buildings	-	-
Office equipment	-	-
Furniture and fittings	-	-
Motor vehicle expenses	998,200	-
Maintenance of civil works	-	-
Total repairs and maintenance	998,200	-

18. Gain/(loss) on disposal of assets

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

19. Cash and cash equivalents

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	4,138	1,972
Others	-	-
Total cash and cash equivalents	4,138	1,972

Notes to the Financial Statements

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

Financial institution	Account number	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial Bank	1320070051	4,138	1,972
		-	-
Sub- total		4,138	1,972
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
Sub- total		-	-
Grand total		4,138	1,972

20. Receivables from exchange transactions

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

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Ageing analysis for Receivables from exchange transactions

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	FY 2024-2025	% of the total	FY 2023-2024	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

21. Receivables from Non-Exchange transaction

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Transfer from County Executive	-	-
Transfer from Fund	-	-
Total	-	-

Ageing analysis for Receivables from non-exchange transactions

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	FY 2024-2025	% of the total	FY 2023-2024	% of the total
Less than 1 year	-	100%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	100%	-	%

22. Prepayments

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments	-	-
Total	-	-

23. Inventories

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

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Opening balance	-	-
Additional Inventory in the year	-	-
Inventory expensed in the year	-	-
Write-downs in the year	-	-
Others specify	-	-
Closing balance	-	-

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(Notes to the Financial Statements Continued)

24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Computers	Furniture and fittings	Roads and Other Infrastructure	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation rate	0		20%	30%	12.5%	10%	0	
Cost	-	-	-	-	-	-	-	-
As at 1 July 2023								
Additions	15,900,000	-	-	400,000	-		17,432,587	33,732,587
Disposals	-	-	-	-	-			
Transfers/adjustments		-	-	-	-			
Revaluation Adjustment								
As at 30th June 2024	15,900,000	-	-	400,000			17,434,512	33,732,587
Additions for the year		-	14,737,000		2,996,592	7,766,654		25,500,246
Disposals for the year	-	-	-		-			
Transfer/adjustments	-	-	-		-	17,432,587	(17,432,587)	
Revaluation Adjustment								

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Description	Land	Building	Motor vehicles	Computers	Furniture and fittings	Roads and Other Infrastructure	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation rate	0		20%	30%	12.5%	10%	0	
As at 30th June 2025	15,900,000	-	14,737,000	400,000	2,996,592	25,199,241		59,232,833
Depreciation and impairment								
At 1 July 2023	-	-	-	-	-	-	-	-
Depreciation	-	-	-	10,000	-	-	-	10,000
Impairment	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-
NBV as at 30th June 2024		-	-	10,000	-		-	10,000
Depreciation for the year		-	-	120,000	-	1,743,259	-	1,863,259
Disposals for the year		-	-	-	-	-	-	-
Impairment for the year		-	-	-	-	-	-	-
Transfer/adjustment		-	-	-	-	-	-	-
As at 30th June 2025	-	-	-	130,000	-	1,743,259	-	1,873,259
NBV as at 30th June 2024	15,900,000	-	-	390,000		-	17,434,512	33,722,587
NBV as at 30th June 2025	15,900,000	-	14,737,000	270,000	2,996,592	23,455,982	-	57,359,574

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25. Intangible assets

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

26. Biological Assets

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

27. Trade and other payables from exchange transactions

Description	FY 2024-2025		FY 2023-2024	
	Kshs.	% of the Total	Kshs.	% of the Total
Trade payables	4,020,408		37,658,836	
Retentions	-		-	
Accrued expenses	-		-	
Other payables	-		-	
Total trade and other payables	4,020,408		37,658,836	
Ageing analysis:	FY 2024-2025	% of the Total	FY 2023-2024	% of the Total
Under one year	4,020,408	%	37,658,836	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	4,020,408	%	37,658,836	%

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Payables Reconciliation

37,658,836 Actual payables as at 2023/2024

37,658,836 Opening Balance for payables

(4,020,408) closing Balance for payables

33,638,428 payments for the year

4,020,408.00 closing balance for payables

28. Refundable deposits from customers

Description	FY 2024-2025		FY 2023-2024	
	KShs		KShs	
Rent deposits	-		-	
Others	-		-	
Total	-		-	
Ageing analysis:	FY 2024-2025	% of the Total	FY 2023-2024	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

29. Provisions

Description	FY 2024-2025		FY 2023-2024	
	Kshs.		Kshs.	
Balance at the beginning of the year	-		-	
Additional Provisions	-		-	
Provision utilised	-		-	
Balance at the end of the year	-		-	
Current Portion of provision	-		-	
Long term portion of provision	-		-	
Total Provisions	-		-	

30. Borrowings

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

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

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

The table below shows the Distribution of borrowings:

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

31. Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
Total employee benefits obligation	-	-	-	-

Notes to the Financial Statements

32. Deferred Income

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

The deferred income movement is as follows:

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

Include columns as needed for the various sources of income deferred

Analysed as:

Description	Amount
	Kshs
Current	-
Non- Current	-
Total	-

Notes to the Financial Statements

33.Social Benefit Liabilities

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
People Living with disabilities benefit scheme		
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

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.

34.Cash generated from operations

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	57,265,657	(635,662)
Adjusted for:	-	
Depreciation	1,863,259	10,000
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Working Capital adjustments	-	-
Increase in inventory	-	-
Increase in receivables		
Increase in payables	1,677,973	627,634
Net cash flow from operating activities	60,816,888	1,972

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

Notes to the Financial Statements

35. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

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

c) Key management remuneration

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Board Members	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

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

Notes to the Financial Statements

e) Due to related parties

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

36. Contingent liabilities

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

37. Contingent Assets

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

Notes to the Financial Statements

38. Financial risk management

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

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

I. Credit risk

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

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2025				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2024				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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

Notes to the Financial Statements

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Municipality has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality has no significant concentration of credit risk.

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

II. Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 Jun 2025				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 Jun 2024				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

Notes to the Financial Statements

III. Market risk

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

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

IV. Foreign currency risk

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

Description		Other currencies	Total
	Kshs.	Kshs.	Kshs.
At 30 June 2025			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities			
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.
2025			
Euro	10%	-	-
USD	10%	-	-
2024			
Euro	10%	-	-
USD	10%	-	-

V. Interest rate risk

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

Management of interest rate risk

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

Notes to the Financial Statements

VI. Capital risk management.

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

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

26. Program for Results (PforR) Disclosure

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


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

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)
4.1	Inaccuracies in Financial Statements	Financial statements corrected	Resolved	Resolved
4.2	Lack of Transfer of Delegated Authority	Functions delegated as per gazette notice.	Resolved	Resolved
4.3	Failure to Prepare Municipal Integrated Development Plan	Prepared the IDEP	Resolved	Resolved
4.4	Undisclosed Contingent Liability	Contingent liability disclosed	Resolved	Resolved

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Appendix 2: Inter Entity Transfers

MUNICIPALITY NAME:				
Breakdown of Transfers from the County Executive of Kwale County				
FY 2024/2025				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		Total	-	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		Total	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		Total	-	

Appendix 3: Reporting of Climate Relevant Expenditures

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

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

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

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

Appendix 4: Disaster Expenditure Reporting Template

Date:

Entity

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

The entity did not incur any expenditure relating to disaster.