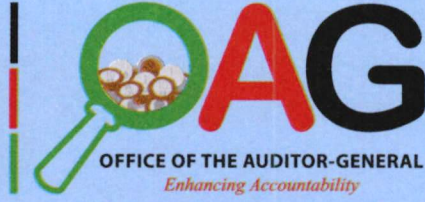


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL  
Enhancing Accountability



26

PARLIAMENT  
OF KENYA  
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

ON

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MARIAKANI MUNICIPALITY

FOR THE EIGHTEEN (18) MONTH'S  
ENDED 30 JUNE, 2025

COUNTY GOVERNMENT OF KILIFI

20

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



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**MARIAKANI MUNICIPALITY**  
*County Government of Kilifi*

**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE EIGHTEEN MONTHS PERIOD ENDED**  
**30<sup>TH</sup> JUNE 2025**

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

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**1. Acronyms and Definition of Key Terms**

**A. Acronyms**

PSASB      Public Sector Accounting Standards Board

FY          Financial Year

OSHA      Occupational Safety & Health Act

**B. Definition of Key Terms**

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

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

## 2. Key Entity Information and Management

### a) Background information

Mariakani 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 31<sup>st</sup> January 2024. Mariakani Municipality falls under the jurisdiction of the County Government of Kilifi. Its offices are located in the former Town Council building in Mariakani town.

### b) Principal Activities

The principal activity/mission/ mandate of the City/ Municipality is to: -

- Provide for efficient Urban services to the people
- Provide for governance mechanism to enable the public to participate in public service delivery
- Pursue development opportunities
- Provide high standard social services involving public and stakeholders through public participation
- Develop and enforce Municipal by-laws
- Foster the economic, social and environmental wellbeing of the inhabitants

### c) Key Management

The *City/Municipality's* management is under the following key organs:

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

**d) Fiduciary Management**

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

Ref	Position	Name
1	Municipality Manager	Techler Dadu
2	Administrative Officer	Mary Kitunga
3	Human Resource Officer	Anderson Dima Mwamuye
4	Chief Accountant	Dorotia Wandoe
4	Energy Officer	Felix Baraka
5	Procurement Officer	Mathew Mboe
6	Environment Officer	Mildren Akoth Ogwang

**e) Fiduciary Oversight Arrangements**

i) Audit and Risk Management Committee

The Municipality has an Audit and Risk Management committee which oversees the operations of the Municipality.

ii) County Assembly committees

The County Assembly plays a major role Municipality oversight. This is done by the Lands, Physical Planning, Housing and Urban Development Committee and the Public Investment and Accounts Committee which interrogates the Audit Reports from the Office of the Auditor General.

iii) Committees of the Senate

The Senate does its oversight role of the Municipality through the Public Investment and Special Funds Committee where it interrogates the Audit Reports from the Office of the Auditor General.

**f) Registered Offices**

P.O. Box 519-80108  
Mariakani Council Offices  
Kilifi, KENYA

**g) Contacts**

Telephone: (+254) 0105-003-003  
E-mail: [Mariakanimunicipality@kilifi.go.ke](mailto:Mariakanimunicipality@kilifi.go.ke)  
Website: [www.mariakani.go.ke/kilifimunicipality](http://www.mariakani.go.ke/kilifimunicipality)

**h) Bankers**

i. Diamond Trust Bank  
Mariakani Branch  
P.O. Box 61711-00200  
Nairobi

ii. Cooperative Bank  
Mariakani Branch  
P.O. Box 48231 – 00100  
Nairobi

iii. Kenya commercial Bank  
Mariakani Branch  
P.O Box 48400 – 00100  
Kilifi

iv. Family bank  
Malindi Branch  
P.o Box 74145-00200  
Nairobi

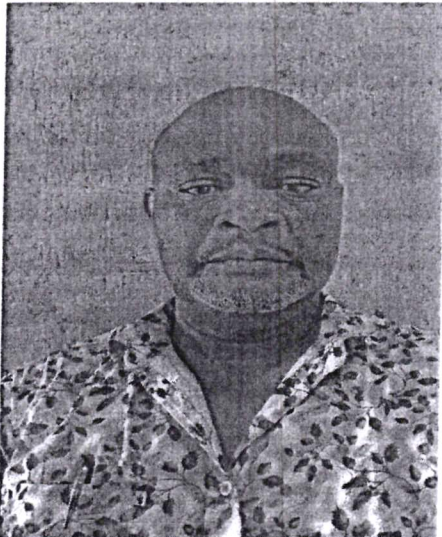

**i) Independent Auditor**


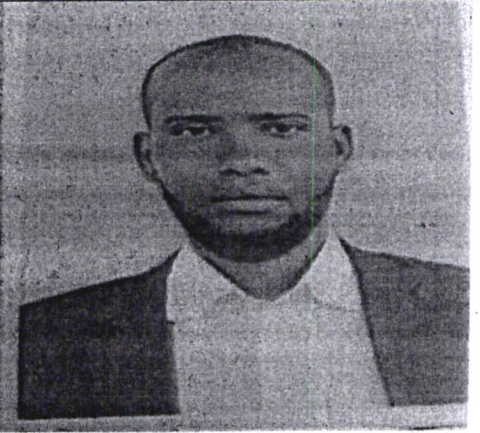
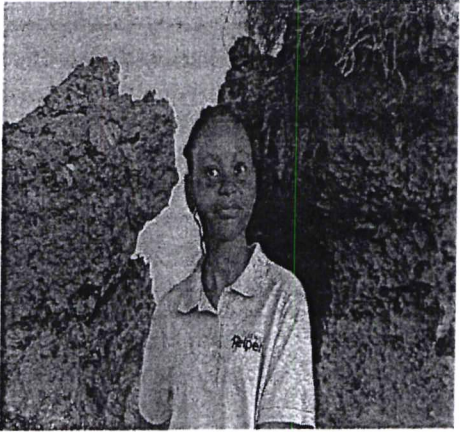
Auditor General  
Office of The Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya


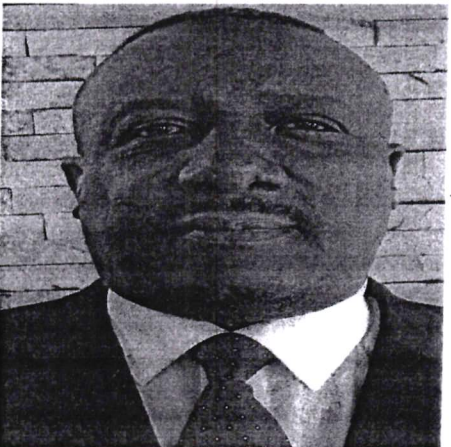
**j) Principal Legal Adviser**

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

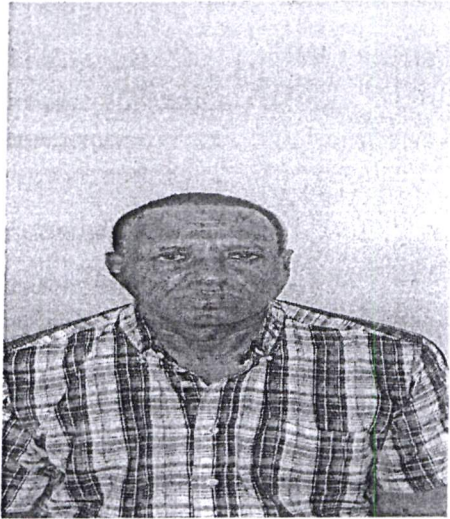

3. City/Municipality Board

Serial No.	Name	Details of qualifications and experience
1.	 <p><b>Mr. Paul Kithu Mumo</b></p>	<p><b>Date of birth:</b> 13<sup>th</sup> November 1972  <b>Age:</b> 53 years  <b>Date of appointment:</b> 16<sup>th</sup> January 2025  <b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• He holds a Bachelor of Education</li> <li>• Time management – British Council.</li> </ul> <p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• He has over 26 years work experience in management, exports, sales and business development in Kenya and Ethiopia.</li> <li>• Paul brings into the Mariakani Municipality Board a wealth of experience in management and exports.</li> </ul> <p>He is the Chairperson of the Board</p>
2.	 <p><b>Mr. Bebora George Baker</b></p>	<p><b>Date of birth:</b> 28<sup>th</sup> September 1956  <b>Age:</b> 69 years  <b>Date of appointment:</b> 16<sup>th</sup> January 2025  <b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Master of Science – Parasitology/Epidemiology</li> <li>• Higher National Diploma – Medicine Parasitology</li> <li>• W.H.O Diploma – Epidemiology</li> </ul> <p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• A senior medical scientist with over 35 years of experience in medical field – in Government (MOH), Private ( Bamburi – Lafarge of France) and NGO (Amref Health Africa).</li> </ul> <p>He is the Vice Chairperson of the Board and Chairperson of the Audit and Risk Management Committee</p>



3.	 <p><b>Honourable Jane Kamto</b></p>	<p><b>Date of birth:</b> 28<sup>th</sup> November 1968 <b>Age:</b> 57 years <b>Date of appointment:</b> 14<sup>th</sup> December 2022 <b>Academic Qualification:</b> Bachelors of Education in English Literature</p> <p><b>Experience:</b> 27 years of Experience in education administration</p> <p>CECM Lands, Energy, Physical Planning, Housing and Urban Development</p>
4.	 <p><b>Mr. Ali Abubakar</b></p>	<p><b>Date of Birth:</b> 1<sup>st</sup> July 1988 <b>Age:</b> 37 years <b>Date of appointment:</b> 14<sup>th</sup> December 2022 <b>Academic Qualification</b> Masters in Business Administration</p> <p><b>Experience:</b> Over 8 years' experience in Finance and Accounting</p> <p>He is the Chief Officer for Housing and Urban Planning</p>
5.	 <p><b>Ms. Letty Ndawa Charo</b></p>	<p><b>Date of birth:</b> 30<sup>th</sup> October 1998 <b>Age:</b> 27 years <b>Date of appointment:</b> 16<sup>th</sup> January 2025 <b>Academic Qualification:</b> Diploma in Special needs Education.</p> <p><b>Experience:</b> Over 3 years' experience in education and administration</p> <p>She is the Chairperson of the Social Services and Economic Development Committee</p>



<p>6.</p>	 <p><b>Ms. Claudia Mueni Timothy</b></p>	<p><b>Date of birth:</b> 8<sup>th</sup> August 1989 <b>Age:</b> 36 years <b>Date of appointment:</b> 16<sup>th</sup> January 2025 <b>Academic Qualification:</b> Bachelor of Education (Science).</p> <p><b>Experience:</b></p> <ul style="list-style-type: none"><li>• Assistant Treasurer KUPPET Kilifi Branch 2021.</li><li>• Teacher of Mathematics and Chemistry at St. John's Girls School Kaloleni</li></ul> <p>She is the Chairperson of the Finance and Administration committee</p>
<p>7.</p>	 <p><b>Mr. Kavutsu Sammy Akilimali</b></p>	<p><b>Date of birth:</b> 8<sup>th</sup> June 1963 <b>Age:</b> 62 years <b>Date of appointment:</b> 16<sup>th</sup> January 2025 <b>Academic Qualification:</b></p> <ul style="list-style-type: none"><li>• Diploma in Institutional Management – Kenya Polytechnic</li><li>• Higher diploma in catering, hotel and institutional management – Kenya Polytechnic</li><li>• Diploma in Business Management – university of Nairobi</li><li>• Bachelor's Degree in business administration (Entrepreneurship) – Kenya Methodist University.</li></ul> <p><b>Experience:</b></p> <ul style="list-style-type: none"><li>• Over 25 yrs experience in catering and administration management</li></ul> <p>He is the Chairperson of the Physical planning, Urban Development and Environment Committee</p>






8.	 <b>Dr. Mohammed Gollo Walo</b>	<p><b>Date of birth:</b> 8<sup>th</sup> October 1964 <b>Age:</b> 61 years <b>Date of appointment:</b> 16<sup>th</sup> January 2025 <b>Academic Qualification:</b> Higher Diploma in eye surgery. Diploma general ophthalmology Diploma in clinical medicine <b>Experience:</b> 30 years of medical professional experience in several hospitals.  He is the Chairperson of Transport and Infrastructure Committee.</p>
9.	 <b>Mrs. Techler Z. Dadu</b>	<p><b>Date of birth:</b> 8<sup>th</sup> November 1979 <b>Age:</b> 46 years <b>Date of appointment:</b> 15<sup>th</sup> January 2024 <b>Academic Qualification:</b></p> <ul style="list-style-type: none"><li>• Masters in Business Administration</li><li>• Bachelor in Business Management</li><li>• Certified Public Accountant of Kenya</li></ul> <p><b>Experience:</b> She Has over 21 years in Finance, Accounting and Management  She is the Municipal Manager of Mariakani Municipality</p>

4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	 <p><b>Mrs. Techler Z. Dadu</b></p>	<p><b>Academic Qualification:</b></p> <ul style="list-style-type: none"> <li>• Masters in Business Administration</li> <li>• Bachelor in Business Management</li> <li>• Certified Public Accountant of Kenya</li> </ul> <p><b>Experience:</b></p> <p>She Has over 21 years in Finance, Accounting and Management</p> <p>She is the Municipal Manager of Mariakani Municipality</p>
2.	 <p><b>Mrs. Mary Kitunga</b></p>	<p><b>Academic Qualification:</b></p> <p>Diploma in Social Work – CPS1</p> <p><b>Experience:</b></p> <p>She has Over 18 years of experience in administration.</p> <p>She is the administrative officer for the Municipality of Mariakani.</p>

3	 <p><b>Mr. Anderson Dima Mwamuye</b></p>	<p><b>Academic Qualification</b> Bachelor of Business Management- (HRM)Option</p> <p><b>Experience:</b> Has Over seven years' experience in Human Resources Management.</p> <p>He is the Human Resource officer in Charge of the Municipality of Mariakani.</p>
4.	 <p><b>Ms. Dorotia Wandoe</b></p>	<p><b>Academic Qualification:</b> Master of Business Administration -Strategic Management Bachelor of Business Management– Finance and Banking</p> <p><b>Professional Qualification</b> ICPAK M/No 13175</p> <p><b>Experience.</b> Has over 9 years' Experience in Finance and Accounting</p> <p>She is the Accountant in charge of the Municipality of Mariakani</p>

5.	 <p><b>Mr. Mathew Mboe</b></p>	<p><b>Academic Qualification:</b> Bachelor of Business Administration - Procurement Option</p> <p><b>Professional Qualifications</b></p> <ul style="list-style-type: none"><li>• Practicing License No K766/2018</li><li>• KISM Membership No 76105</li></ul> <p><b>Experience</b></p> <ul style="list-style-type: none"><li>• He has 20 years of experience in Supply Chain Management Systems</li></ul> <p>He is the Procurement Officer in charge of the Municipality of Mariakani</p>
6.	 <p><b>Ms. Mildren Akoth Ogwang</b></p>	<p><b>Academic Qualification:</b> Bachelor of Environmental Science</p> <p><b>Professional Qualifications</b></p> <ul style="list-style-type: none"><li>• Certified EIA (Environment Impact Assessment) Expert</li><li>• A member of EIK in good standing.</li></ul> <p><b>Experience</b></p> <ul style="list-style-type: none"><li>• She has 5 years of experience in Environmental Audit and training, awareness creation and conservation.</li></ul> <p>She is the Environment officer in charge of Environment services in the Municipality of Mariakani.</p>

7.	 <p><b>Mr. Felix Baraka</b></p>	<p><b>Academic Qualification:</b> Diploma in Electrical Engineering</p> <p><b>Experience</b></p> <ul style="list-style-type: none"><li>•He has over 10 years of experience in Electrical Engineering.</li></ul> <p>He is the Energy Officer in Charge of the Municipality of Mariakani</p>
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## 5. City/Municipality Board Chairperson's Report

### **Successes Made**

In its inaugural year of operation, the Municipality of Mariakani, reduced gaps in its staffing structure. Dedicated Human Resource and Environment Officers were appointed, roles that are no longer shared across departments, ensuring improved service delivery and operational efficiency. In its efforts to operationalize its functions, office renovation was undertaken to ensure a conducive work environment for staff and community engagements.

A garbage truck was successfully procured, marking a major step in efficient waste collection and disposal. Construction of waste receptacles is on-going and mapping of waste collection centres. This investment is expected to maintain cleaner streets, safeguard public health, and enhance the municipality's environmental management efforts.

The municipality carried out the maintenance of street lighting infrastructure, improving safety for residents and boosting the town's night-time visibility. Traffick control was also enhanced through enforcement of parking regulations. Mariakani and Kaloleni bus park operations have been enhanced ensuring smooth traffic operations

Comprehensive town clean-up exercises were also successfully undertaken, fostering civic pride and encouraging community participation in environmental conservation.

### **Review of the Board Performance**

The board transacts its business through meetings of its committees and the Full board. During the year the board held full board meetings in line with the Urban Areas and Cities Act and the Municipal Charter.

### **Challenges Faced during the year**

Inadequate funding for projects, and delay in receiving the allocated funds led to a major delay in timely implementation of planned activity as well as having some planned activities not being undertaken.

### **Changes in the Municipality Board during the year**

There were no changes to the Board during the year.

### **Future Outlook**

Looking ahead, the Board remains committed to strengthening the Municipality's institutional capacity to deliver high-quality urban services. Key priorities include ensuring that all delegated functions are fully operational, accompanied by the seamless transfer of staff and essential resources necessary for their execution.

The Board will also continue to actively pursue the recruitment of additional key personnel, further enhancing the Municipality's ability to fulfill its mandate effectively and efficiently. These efforts are aligned with the broader goal of fostering sustainable urban development, improving service delivery standards, and enhancing the quality of life for all residents.

The Board will ensure that the Public is involved in all its undertaking through public participation as provided for in the Constitution, the Urban Areas and Cities Act and the Municipal Charter.

### **Appreciation**

I wish to extend my sincere gratitude to the County Government, Kilifi County stakeholders, the Municipality's Management Team, and my fellow Board Members for their unwavering support and dedication. Your collective commitment has been instrumental as we continue to work together to deliver quality urban services and advance the development aspirations of our community.



.....  
**Name: Paul Kithu Mumo**

**Chairperson of the Board**

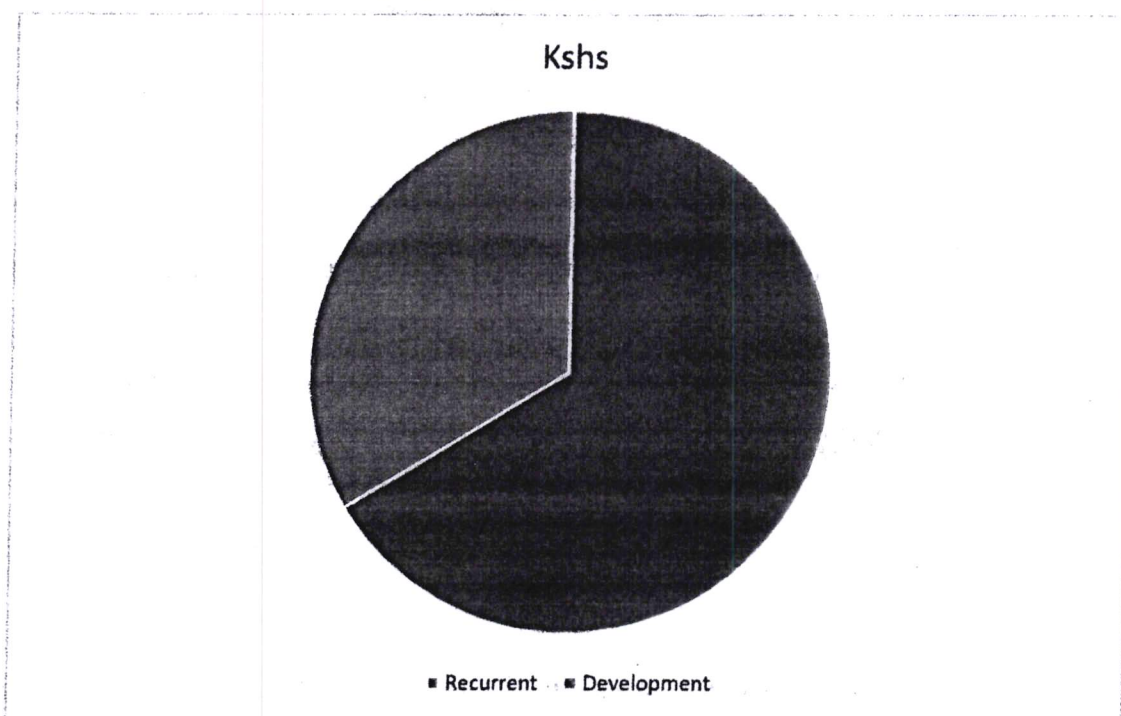
## 6. Report Of the Municipality Manager

The Municipality of Mariakani was established under the Urban Areas and Cities Act, 2011, as amended in 2019, and in accordance with the Municipal Charter. The Financial Year 2024/2025 marked its first full year of operation — a foundational period focused on building institutional capacity, establishing systems, and delivering essential urban services.

The Municipality operated on a total budget of Kshs 125,000,000, comprising:

- Development Budget: Kshs 42,107,809
- Recurrent Budget: Kshs 82,892,191

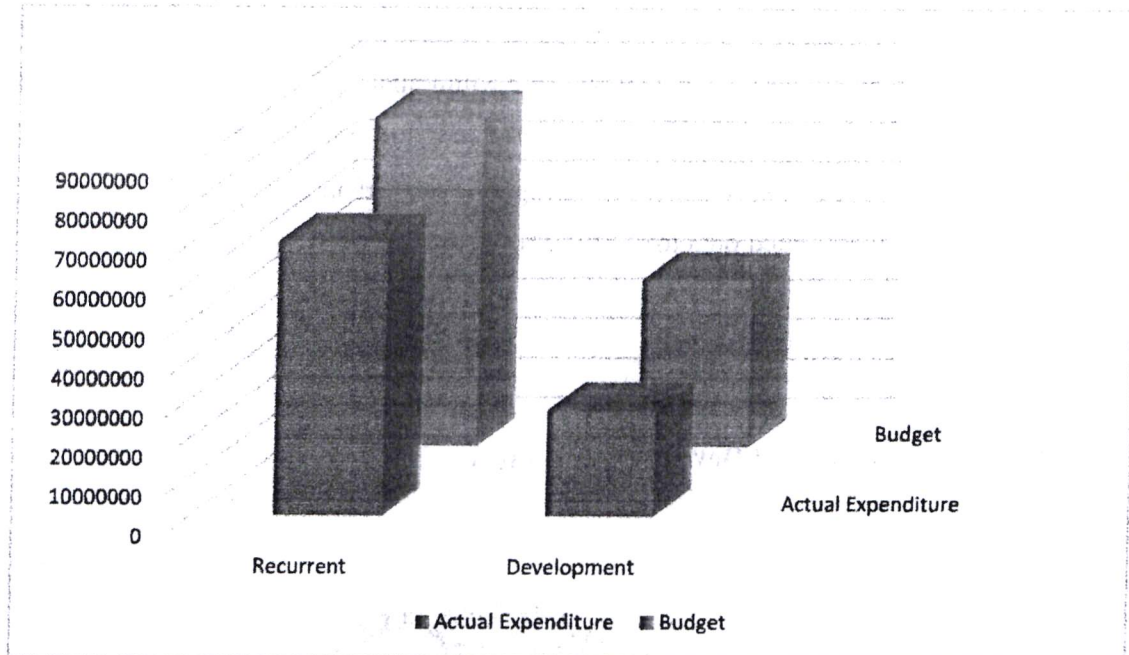
**Chart 1: Recurrent and Development Budget**



Actual expenditure during the reporting period amounted to Kshs 122,226,819, allocated as follows:

- Operations and Maintenance: Kshs 95,025,075
- Board Expenses: Kshs 3,366,200
- Property, Plant, and Equipment: Kshs 23,835,544

**Chart 2: Budget comparison to Actual Expenditure**



During the Financial Year 2024/2025, the Municipality of Mariakani received Kshs 39,998,476 against an approved budget of Kshs 125,000,000. This variance significantly affected the timely implementation of planned projects and service delivery initiatives. The shortfall in disbursements underscored the importance of strengthening funding flows and ensuring predictable cash transfers to support the Municipality’s operational and developmental priorities.


**Achievements**

- **Strengthening Institutional Capacity** In its inaugural year, the Municipality significantly reduced staffing gaps by appointing a dedicated Human Resource Officer and Environment Officer, positions no longer shared with other departments, thereby enhancing operational efficiency and service delivery.
- **Modernizing Waste Management**, the successful procurement of a garbage truck marked a major milestone in improving waste collection and disposal, contributing to cleaner streets, improved public health, and stronger environmental management.
- **Improving Urban Safety and Infrastructure** Regular maintenance of street lighting infrastructure enhanced night-time visibility and safety for residents.

- **Promoting Civic Engagement and Cleanliness** Comprehensive town clean-up exercises were conducted, fostering civic pride, encouraging community participation, and promoting environmental stewardship.

#### **Challenges Faced**

Funding Constraints and Delays: Limited funding for projects and delayed disbursement of allocated funds hindered timely implementation. Out of the approved budget of Kshs 125,000,000, the Municipality received only Kshs 39,998,476 during the period.



.....  
**Name: Techler Z. Dadu**

**Municipal Manager**

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

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing Financial Statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the County Government entity's performance against predetermined objectives.

The key development objectives, of the Board of Municipality of Mariakani 2024/2025 plans were to:

- a) Provide quality and sustainable physical infrastructure in the Urban Area
- b) Provide sustainable land use planning and management
- c) To enhance quality Urban Services for social development
- d) To promote environmental sustainability

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Purchase of a Garbage Truck	To enhance quality Urban Services for social development collaboration/harmonization of the functions of the market users.	Increase of traders as a result of the expansion. General improvement of the Urban Economy Reduction of environmental risks and health risks.	Increased trading activities Improvement of the drainage system Increase in the amount of revenue collection.	100%
Renovation of Office	To enhance quality Urban Services for social development	Safe environment for staff and citizens visiting the offices	Efficiency and effectiveness in delivering services to the public	70%
Unclogging and cleaning of drainage tunnels	To promote environmental sustainability	Elimination floods and clean drainage systems	Increased trading activities Improvement of the drainage system	100%

## 8. Corporate Governance Statement

### *i. Appointment of Board members, Process of appointment and removal of directors, The size, diversity, and demographics of the Board, Existence of the board charter*

Urban Areas and Cities Act No.13 of 2011, Section 19 specifies the process of appointment of Board members. The removal of Board Members is highlighted in Section 14 of the same act. The Board comprises members drawn from diverse professional backgrounds and community sectors, reflecting the municipality's demographic and social diversity. In compliance with the two-thirds gender rule and inclusivity requirements, representation includes youth, persons with disabilities, and marginalized groups, ensuring balanced perspectives in governance.

### *ii. Roles and functions of the board*

Roles and functions of Municipal Board Members are set out in the Urban Areas and Cities Act, 2011 (as amended in 2019), the Municipal Charter, and relevant county legislation. These boards are the governing bodies responsible for steering municipalities toward effective service delivery, good governance, and sustainable urban development.

Here's a structured breakdown:

#### **Core Governance Roles**

- **Policy Direction & Oversight:** Provide strategic leadership and policy guidance for the municipality's operations and development priorities.
- **Approval of Plans & Budgets:** Review and approve annual budgets, development plans, and service delivery programs before submission to the County Executive for adoption.
- **Legislative Compliance:** Ensure that municipal operations align with the Urban Areas and Cities Act, County Government Act, and other applicable laws.

#### **Planning & Development Functions**

- **Integrated Development Planning:** Oversee preparation, adoption, and review of the Integrated Municipal Development Plan (IMDP) to guide infrastructure, land use, and service delivery.

- **Urban Infrastructure & Services:** Supervise the provision and maintenance of municipal services such as roads, waste management, street lighting, markets, and recreational facilities.
- **Environmental Management:** Promote sustainable environmental practices, including waste reduction, pollution control, and green space preservation.

*iii. Induction, training, and development*

The Municipality of Mariakani recognizes that the effectiveness of its Board is directly linked to the knowledge, skills, and competencies of its members. In line with the Urban Areas and Cities Act, the Municipal Charter, and established corporate governance principles, the Municipality is committed to ensuring that all Board Members are adequately inducted, trained, and continuously developed to discharge their duties effectively.

**Induction of New Board Members**

Upon appointment, all new Board Members undergo a structured induction programme designed to:

- Familiarize them with the Municipality's mandate, governance framework, and strategic objectives.
- Introduce them to the Urban Areas and Cities Act, the Municipal Charter, and other relevant legislation and policies.
- Provide an overview of the Municipality's financial position, operational structure, and key projects.
- Outline the roles, responsibilities, and ethical obligations of Board Members, including adherence to the Leadership and Integrity Act.
- Facilitate engagement with senior management, key stakeholders, and community representatives to build contextual understanding.

**Ongoing Training and Capacity Building**

The Municipality is committed to continuous professional development of its Board Members through:

- **Workshops and Seminars** on corporate governance, public finance management, risk management, and strategic planning.

- **Specialized Training** on sector-specific issues such as urban planning, environmental management, and infrastructure development.
- **Peer Learning and Benchmarking** visits to other municipalities and governance institutions to share best practices.
- **Regulatory Updates** to ensure Board Members remain informed on changes in laws, policies, and compliance requirements.

**iv. Board and members performance**

Regular Board performance evaluations are conducted to assess governance effectiveness and identify training needs.

Individual development plans are created for Board Members to strengthen competencies in leadership, oversight, and stakeholder engagement.

**v. Number of Board meetings held and the attendance to those meetings by members**

The Board during the 2024/2025 held four (4) meetings in line with the Municipal Charter. These meetings were attended by all board members.

**vi. Succession plan**

Boards succession plan, as per Urban Areas and Cities Act No.13 of 2011, Section 19 specifies process of appointment of Board members. The removal Board Members is highlighted in Section 14.

**vii. Policy to manage conflict of interest.**

The Board is aware of Part VII Miscellaneous Provision of the amended Urban Areas and Cities Act – Section 50

**viii. Board remuneration**

The remuneration of the board is guided by SRC guidelines. The board members are paid allowances as advised by the SRC

**ix. Ethics and Conduct**

The Board and management operate under a code of conduct to uphold ethical behavior, avoid conflicts of interest, and maintain public trust. All decisions and financial management practices are subject to internal and external audits to promote transparency and accountability.

**x. Governance audit**

The Municipality of Mariakani is committed to upholding the highest standards of governance, transparency, and accountability in the delivery of urban services. In line with the Urban Areas and Cities Act, the Public Finance Management Act, and the Municipality's Charter, the Board recognizes the governance audit as a critical tool for evaluating and strengthening its governance framework.

**xi. Communication policy**

The Municipality of Mariakani is committed to transparent, timely, and inclusive communication with all stakeholders, in line with the Constitution of Kenya (2010), the Urban Areas and Cities Act (2011, amended 2019), the Public Sector Communications Policy (2017), and the Municipal Charter.

**xii. Terms of Reference of Committees**

Committees are established under the authority of the Municipal Board in accordance with the Municipal Charter and Section 26 of the Urban Areas and Cities Act.

They operate as extensions of the Board, with delegated powers to review, recommend, and monitor matters within their remit, but final decision-making remains with the full Board.

**xiii. Policy on related party transactions**

The Municipality of Mariakani is committed to conducting all its affairs with integrity, transparency, and in the best interest of its residents. The municipality is the process of developing policy of related party transactions.

**9. Management Discussion and Analysis**

**a. On the operational and financial performance of the City/Municipality during the period**

During the Financial Year 2024/2025, the Municipality of Mariakani operated under an approved budget of Kshs 125,000,000. Actual expenditure for the period stood at Kshs 122,226,819 reflecting the implementation of planned activities and service delivery priorities. However, by the close of the financial year, the Municipality had received only Kshs 39,998,476 in cash disbursements from the County Executive. This significant funding shortfall impacted the timely execution of development projects and operational commitments, underscoring the need for improved and predictable resource flows to ensure uninterrupted municipal service delivery.

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

The Municipality implemented rehabilitation of drainage system, Construction of receptacle, Maintenance of streetlights and rehabilitation of office building during the financial year.

**c. City/Municipality's compliance with statutory requirements,**

The board held two (2) full board meetings during the period as required by the Municipal Charter and the Urban Areas and Cities Act 2011 and as amended in 2019.

**d. Major risks facing the City/Municipality**

**❖ Financial and Funding Risks**

- i) Unpredictable Cash Disbursements – Delays or partial transfers from the County Executive (e.g., only Kshs 39.99M received against a Kshs 125M budget) disrupt project timelines and service delivery.

- ii) Overreliance on County Transfers – Limited own-source revenue streams make the Municipality vulnerable to county and national budget constraints.
- iii) Inflation and Cost Escalation – Rising costs of materials, fuel, and labour can erode the value of allocated budgets.

❖ **Infrastructure and Service Delivery Risks**

- i) Aging or Inadequate Infrastructure – Roads, drainage, and waste management systems require significant upgrades to meet growing demand.
- ii) Rapid Urbanization – Population growth outpaces infrastructure expansion, leading to congestion, informal settlements, and strain on utilities.

❖ **Environmental and Climate Risks**

- i) Flooding and Drainage Challenges – Poor stormwater management increases vulnerability to seasonal floods.
- ii) Waste Management Pressures – Growing waste volumes strain collection and disposal systems.
- iii) Crime and Vandalism – on solar high mast and streetlights

## 10. Environmental And Sustainability Reporting

### 1. Sustainability strategy and profile

In the reporting period, global shocks, including geopolitical conflicts, climate-related disasters, and inflationary pressures, have significantly influenced local sustainability priorities. The Russia-Ukraine conflict and instability in the Middle East disrupted global fuel and food supply chains, increasing import costs and straining Kenya's fiscal space. Additionally, monetary tightening in advanced economies raised borrowing costs and triggered capital outflows, affecting infrastructure financing and service delivery.

Climate change remains a defining challenge. Kenya continues to experience erratic rainfall, prolonged droughts, and flooding, which directly impact urban infrastructure, waste management, and public health. These realities underscore the urgency of integrating climate resilience into municipal planning and budgeting.

### Alignment with International Sustainability Frameworks

The Municipality aligns its sustainability efforts with the **United Nations Sustainable Development Goals (SDGs)**, particularly:

- **SDG 6:** Clean Water and Sanitation
- **SDG 11:** Sustainable Cities and Communities
- **SDG 13:** Climate Action
- **SDG 16:** Peace, Justice, and Strong Institutions

Our sustainability policy framework is anchored in the Municipal Charter, the Urban Areas and Cities Act, and the Environmental Management and Coordination Act (EMCA). These instruments guide our integrated development planning, environmental compliance, and inclusive service delivery.

### Key Achievements in FY 2024/2025

- **Waste Management:** Procured a garbage truck and expanded waste collection coverage to 72% of households.
- **Environmental Compliance:** Achieved 100% Environmental Impact Assessment (EIA) compliance for new municipal projects.
- **Urban Safety:** Maintained and upgraded street lighting infrastructure, improving night-time visibility and public safety.
- **Community Engagement:** Conducted quarterly public participation forums and town clean-up exercises, fostering civic pride.
- **Staffing Improvements:** Appointed dedicated Human Resource and Environment Officers, enhancing operational efficiency. Board and Staff trainings were conducted which enhanced performance improvement and staff morale.

#### **Challenges and Mitigation Measures**

- **Funding Shortfalls:** Only Kshs 39,998,476 was disbursed against a budget of Kshs 125,000,000. This constrained project implementation. *Mitigation:* Prioritized essential services, leveraged partnerships, and initiated revenue enhancement strategies.
- **Climate Risks:** Flooding and waste overflow during rainy seasons disrupted services. *Mitigation:* Integrated climate adaptation into infrastructure planning and drainage upgrades.

#### **Contracts Management and Inclusivity**

In line with the Public Procurement and Asset Disposal Act (2015) and the Access to Government Procurement Opportunities (AGPO) framework, the Municipality prioritized inclusive contracting.

## **2. Environmental performance**

During the Financial Year 2024/2025, the Municipality of Mariakani continued to integrate environmental management into its service delivery mandate, in alignment with the

Environmental Management and Coordination Act (EMCA, 1999, amended 2015), the Urban Areas and Cities Act (2011, amended 2019), and the Municipal Charter.

**Key Achievements**

- **Solid Waste Management** – Operationalization of the newly procured garbage truck improved waste collection efficiency, covering approximately **72% of households** and reducing illegal dumping hotspots.
- **Urban Cleanliness Initiatives** – Regular town clean-up exercises, conducted in partnership with community groups, enhanced public spaces and promoted civic responsibility.
- **Street Lighting Maintenance** – Upgraded and maintained street lighting infrastructure, improving safety while adopting energy-efficient bulbs to reduce electricity consumption.

**Performance Indicator- FY2024/2025**

Indicator	Target	Achieved	Status
Waste Collection Coverage	100%	80%	On Track
Streetlighting Operational Rate	60%	50%	Improving

**Challenges**

- **Funding Constraints** – Limited and delayed cash disbursements restricted the scale of environmental projects.
- **Rapid Urbanization** – Increased waste volumes and pressure on drainage systems outpaced available resources.

- **Climate-Related Risks** – Seasonal flooding and changing rainfall patterns disrupted waste collection and road maintenance schedules.

#### **Future Priorities**

- Expand waste collection coverage to **90%** of households.
- Introduce waste segregation at source and pilot recycling initiatives.
- Increase urban tree cover through community-led greening programmes.
- Integrate climate adaptation measures into infrastructure planning, including improved drainage and flood control systems.

### **3. Employee welfare**

The Municipality of Mariakani recognizes that the well-being of its employees is central to effective service delivery and sustainable organizational performance. In line with the Constitution of Kenya (2010), the Employment Act (2007), the Occupational Safety and Health Act (2007), and the Labour Relations Act (2007), the Municipality is committed to providing a safe, healthy, and supportive work environment.

#### **Welfare Programmes and Benefits**

- **Health Insurance** – All employees are enrolled in the National Hospital Insurance Fund (NHIF), ensuring access to quality healthcare services.
- **Retirement Benefits** – Contributions to the National Social Security Fund (NSSF) are made in compliance with statutory requirements, securing employees' post-retirement income.
- **Leave Entitlements** – Employees enjoy statutory leave benefits, including annual leave, sick leave, maternity/paternity leave, and public holidays, as provided under the Employment Act.

- **Allowances and Benefits** – In line with the Salaries and Remuneration Commission (SRC) guidelines, eligible staff receive housing, commuter, and hardship allowances where applicable.
- **Occupational Safety and Health** – The Municipality maintains safe working conditions, provides protective equipment where necessary, and conducts regular workplace safety inspections.

#### **Capacity Building and Staff Development**

- **Training and Skills Development** – Employees are supported through targeted training, workshops, and seminars to enhance technical skills, leadership capacity, and service delivery efficiency.
- **Performance Management** – A structured appraisal system is in place to recognize high performance and identify areas for improvement.

#### **Employee Engagement and Support**

- **Open Communication Channels** – Regular staff meetings and feedback mechanisms ensure employees' voices are heard in decision-making.
- **Wellness Initiatives** – The Municipality promotes work-life balance through flexible work arrangements where feasible, and organizes wellness activities such as health screenings and awareness campaigns.
- **Gender and Inclusivity** – Recruitment and promotion practices uphold the two-thirds gender rule and ensure representation of youth, persons with disabilities, and marginalized groups

**4. Market place practices**

**a) Responsible competition practice.**

The Municipality of Mariakani is committed to upholding fair competition, ethical governance, and high-quality service delivery in all its operations. These commitments are embedded in the Municipality's governance framework, operational policies, and day-to-day practices.

**Responsible Competition Practices are achieved through: -**

**i) Anti-Corruption Measures**

- Full compliance with the Leadership and Integrity Act (2012) and the Public Officer Ethics Act (2003).
- Mandatory declaration of interest by Board members, management, and procurement officers before participating in decision-making.
- Establishment of whistleblowing channels for reporting suspected corruption, fraud, or unethical conduct, with protection for whistleblowers.
- Regular staff training on ethics, integrity, and anti-bribery policies.

**ii) Responsible Political Involvement**

- The Municipality remains politically neutral in-service delivery, ensuring that decisions are based on merit, public interest, and statutory requirements.
- Prohibition of political endorsements or use of municipal resources for partisan purposes.
- Engagement with elected leaders is conducted transparently and strictly within the framework of the law.

**iii) Respect for Competitors**

- The Municipality fosters a level playing field for all suppliers and service providers, avoiding preferential treatment.

- Dispute resolution mechanisms are in place to address supplier grievances promptly and fairly.

#### **Improved Service Delivery Practices**

##### **i) Service Automation and Self-Service**

- Introduction of digital platforms for license applications, bill payments, and service requests to reduce turnaround times.
- Self-service kiosks and mobile payment options to improve accessibility and convenience.

##### **ii) Anti-Corruption Reporting in Service Delivery**

- Anonymous reporting channels for citizens to flag unethical behaviour by municipal staff.
- Integration of anti-corruption messages in public awareness campaigns.

##### **iii) Brand Protection Mechanism**

- Consistent use of the Municipality's official logo, colours, and communication templates to maintain trust and authenticity.
- Monitoring and addressing misuse of the Municipality's identity in fraudulent activities.

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

The Municipality of Mariakani is committed to ensuring that all procurement and supply chain activities are conducted in a fair, transparent, ethical, and sustainable manner, in line with the Public Procurement and Asset Disposal Act (2015), the Public Finance Management Act (2012), and the Municipality's own procurement policies.

### Guiding Principles

- **Transparency and Fairness** – All suppliers are engaged through open, competitive, and merit-based processes to ensure equal opportunity.
- **Ethical Sourcing** – Procurement decisions consider not only cost and quality but also suppliers' adherence to labour laws, environmental standards, and human rights.
- **Local Economic Empowerment** – Preference is given, where applicable, to local suppliers, youth, women, and persons with disabilities, in line with the Access to Government Procurement Opportunities (AGPO) framework.
- **Sustainability** – Encouraging suppliers to adopt environmentally friendly practices, reduce waste, and promote circular economy principles.
- **Accountability** – All supplier engagements are documented, monitored, and subject to audit to ensure compliance with contractual and legal obligations.

### Supplier Relationship Management

- **Partnership Approach** – Viewing suppliers as strategic partners in service delivery, fostering long-term, mutually beneficial relationships.
- **Capacity Building** – Offering training and guidance to suppliers on compliance, quality standards, and sustainable practices.
- **Performance Monitoring** – Regular evaluation of supplier performance against agreed service levels, timelines, and quality benchmarks.
- **Dispute Resolution** – Establishing clear mechanisms for addressing grievances and resolving conflicts in a fair and timely manner.

### Implementation Measures in FY 2024/2025

- Conducted supplier sensitization forums on ethical procurement and environmental compliance.
- Increased participation of AGPO-registered suppliers in municipal tenders.

- Strengthened supplier performance review processes to ensure accountability and continuous improvement

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

Municipality of Mariakani is aligning its public engagement efforts with principles of transparency, inclusivity, and accountability: Advertisement and engagements with citizens is done through use of regular media channels i.e. Facebook, Website and through community engagements

**d) *Product stewardship or Awareness creation***

The Municipality of Mariakani is committed to upholding the constitutional and statutory rights of its residents, traders, and service users. All municipal operations are guided by the principles of health and safety protection, access to accurate information, fair dispute resolution, and protection of personal data and privacy.

**i) *Protection of Health and Safety***

- Enforcing public health regulations in markets, food outlets, and public spaces to ensure goods and services meet safety standards.
- Conducting regular inspections of municipal markets, water supply points, and waste management systems to prevent health hazards.
- Implementing environmental health programmes, including pest control, sanitation drives, and safe waste disposal.

**ii) *Providing Adequate Product and Service Information***

- Ensuring that all municipal fees, charges, and service terms are publicly displayed at service points and on official communication platforms.

- Disseminating clear, accessible information on licensing requirements, market rules, and public service schedules through notice boards, community forums, and digital channels.
- Promoting consumer awareness campaigns in collaboration with the Competition Authority of Kenya and public health officers.

**iii) Dispute Resolution and Redress Mechanisms**

- Establishing complaints desks at municipal offices and markets to receive and address grievances promptly.
- Providing multiple reporting channels, in person, via telephone, and through official email, to ensure accessibility.
- Referring unresolved or complex disputes to alternative dispute resolution (ADR) mechanisms such as mediation, in line with the Consumer Protection Act and county by-laws.

**iv) Consumer Data and Privacy Protection**

- Complying with the Data Protection Act (2019) by ensuring that personal data collected for service delivery is processed lawfully, stored securely, and used only for its intended purpose.
- Training municipal staff on data privacy obligations and responsible handling of citizen information.
- Implementing access controls and secure record-keeping systems to prevent unauthorized access, loss, or misuse of personal data.

**v) Broader Citizen Rights Safeguards**

- Facilitating public participation forums to involve residents in decision-making on development plans, budgets, and policies.
- Ensuring non-discrimination and inclusivity in service delivery, with special consideration for youth, women, persons with disabilities, and marginalized groups.

- Maintaining transparent procurement and contracting processes to protect the public interest and promote fair competition.

## 11. Report of the City/Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the Municipality affairs.

### Principal activities

The principal activities of the City/Municipality are: -

- Provide for efficient Urban services to the people
- Provide for governance mechanism to enable the public to participate in public service delivery
- Pursue development opportunities
- Provide high standard social services involving public and stakeholders through public participation
- Develop and enforce Municipal by-laws
- Foster the economic, social and environmental wellbeing of the inhabitants

### Performance

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

### Board Members

The members of the Board who served during the year are shown on page (vii). The changes in the Board during the financial year are as shown below:

### Auditors

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

By Order of the Board



.....  
**Name: Techler Z. Dadu**

**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 City/Municipality established by Urban Areas and Cities Act No. 13 of 2011 shall prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Municipality Manager to indicate that the City/Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Municipal's financial statements were approved by the Board on 15<sup>th</sup> August 2025 and signed on its behalf by:



.....  
**Name: Paul Kithu Mumo**  
**Chairperson of the Board**



.....  
**Name: Techler Z. Dadu**  
**Municipal Manager**  
**Accounting officer of the Board**

# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON MARIAKANI MUNICIPALITY FOR THE EIGHTEEN MONTH'S (18) PERIOD ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF KILIFI

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Mariakani Municipality – County Government of Kilifi set out on pages 1 to 34, 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 period 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 Mariakani Municipality at 30 June, 2025 and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccurate Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs.23,835,544 as disclosed in Note 12 to the financial statements. However, the assets held by the entity were not depreciated in the year under review. In addition, fixed assets register provided for audit did not include details such as unique identification number, accumulated depreciation and net book value as required by the Treasury assets register template while inherited assets from County Government such as land and buildings have not been recorded in the register.

In the circumstances, the accuracy, completeness and valuation of property, plant and equipment balance of Kshs.23,835,544 could not be confirmed.

#### **2. Inaccurate Expenditure on Utilities, Supplies and Services**

The statement of financial performance reflects expenditure on use of goods and services totalling Kshs.95,025,075 as disclosed in Note 4 to the financial statements. Included in this amount is utilities, supplies and services expenditure of Kshs.656,164 that is based on actual payments made in the year. However, review of payment vouchers revealed that the Municipality has thirty-one (31) electricity connections. However, management provided reconciliation for twenty-two (22) of the connections leaving a balance of nine (9) accounts unreconciled.

In the circumstances, the accuracy and completeness of the expenditure on utilities, supplies and services could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mariakani 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 on comparable basis of Kshs.125,000,000 and Kshs.39,998,476 respectively resulting to under-funding of Kshs.85,001,524 or 68% of the budget. Similarly, the Municipality spent an amount of Kshs.39,956,644.00 against actual receipts of Kshs.39,956,896 resulting to an under-utilization of Kshs.41,580 or 0.1%.

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

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 Information**

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

In connection with my audit on the Hospital'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, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report,

I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

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

The statement of financial position reflects property, plant and equipment balance of Kshs.23,835,544 as disclosed in Note 12 to the financial statements. Review of supporting documents and records revealed the following:

#### **1.1. Irregular Expenditure on Renovation Works of the Municipality Offices**

Included in property, plant and equipment is work in progress of Kshs.7,680,344 which includes an amount of Kshs.6,315,295 in respect of renovation of the Municipality offices. However, supporting documentation including the payment certificate No.1 and inspection and acceptance report did not contain critical information on the actual works undertaken. This was contrary to Regulation 104(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that all receipts and payment vouchers of public moneys shall be properly supported by pre-numbered receipt and payment vouchers and shall be supported by the appropriate authority and documentation.

#### **1.2. Irregular Procurement of Samsung Galaxy Tablets S10 Ultra**

Included property, plant and equipment is expenditure of Kshs.1,005,000 incurred in purchase of three (3) Samsung Galaxy Tablets S10 Ultra. However, the method of procurement, firms that were involved in the procurement process and tender opening and evaluation minutes were not provided for verification. The prices charged appear grossly exaggerated. This was contrary to Regulation 223(1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that subject to the provisions of section 176 of the Act, a public officer of a procuring entity shall not procure goods, works, or services at unreasonably inflated prices beyond the indicative market survey.

#### **1.3. Lack of Value for Money on Purchase of Garbage Truck**

Included in property, plant and equipment is additions to motor vehicles during the year of Kshs.13,154,000 in respect of purchase of garbage truck vide invoice number KECC02004 dated 3 March, 2025. Review of inspection report revealed that the truck was received on 20 August, 2025. However as at the time of the audit verification on 14 November, 2025, the truck was not in use and is packed in the Municipality compound. Further the log book for the truck has not yet been processed. This was contrary to Section 162(1) of the Public Procurement and Asset Disposal Act, 2015 which requires an accounting officer of a procuring entity shall ensure that all inventory, stores and assets purchased are received, but shall not be used until taken on charge and as a basis for ensuring that all procured items are properly accounted for and put in proper use as intended by the procuring entity.

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

## **2. Inaccurate Procurement Planning**

The statement of financial performance reflects total expenditure on use of goods and services of Kshs.95,025,075 while Note 12 to the financial statement reflect additions to property, plant and equipment of Kshs.23,835,544 both totalling to Kshs.118,860,619. However, the procurement plan reflects total planned procurements of Kshs.66,452,519 resulting in a variance of Kshs.52,408,100. In addition, the procurement plan was not prepared using the format outlined in the regulations which Management attribute to capacity gaps within the procurement unit. This was contrary to Regulation 40 (1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that procuring entity shall prepare a procurement plan for each financial year as part of the annual budget preparation process and where applicable, multi-year procurement plans may be prepared which shall be integrated into the medium-term budgetary expenditure framework. Regulation 42 states pursuant to Section 53(2) of the Act, the annual procurement plan shall be done in accordance with the format specified in the Third Schedule.

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

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

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

#### **Conclusion**

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

#### **Basis for Conclusion**

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

#### **Responsibilities of the Management and those Charged with Governance**

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.

Those charged with governance are 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

08 December, 2025

14. Statement of Financial Performance for The Eighteen Months Perion Ended 30 June 2025.

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	1	125,000,000	-
Public contributions and donations		-	-
		<b>125,000,000</b>	-
<b>Revenue from exchange transactions</b>			
Interest income	3	-	-
		-	-
<b>Total revenue</b>		<b>125,000,000</b>	-
<b>Expenditure</b>			
Use of goods and services	4	95,025,075	-
Staff costs	5	-	-
Board expenses	6	3,366,200	-
Depreciation and amortization	7	-	-
Repairs and maintenance	8	-	-
<b>Total expenses</b>		<b>98,391,275</b>	-
<b>Other gains/losses</b>			
<b>Surplus/(deficit) for the period</b>		<b>26,608,725</b>	-

The notes set out on pages 22 to 35 form an integral part of these Financial Statements. The entity financial statements were approved on 28<sup>th</sup> November 2025 and signed by:



Name: Techler Z. Dadu  
Municipal Manager



Name: Dorotia Wandoe  
Head of Finance  
ICPAK M/No 13175

15. Statement of Financial Position as at 30 June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	41,580	-
Receivables from exchange transactions	10	85,001,524	-
Prepayments	11	-	-
<b>Total current assets</b>		<b>85,043,104</b>	<b>-</b>
<b>Non-current assets</b>			
Property, plant, and equipment	12	23,835,544	-
<b>Total Non-current Assets</b>		<b>23,835,544</b>	<b>-</b>
<b>Total assets (A)</b>		<b>108,878,648</b>	<b>-</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	82,269,923	-
<b>Total current liabilities</b>		<b>82,269,923</b>	<b>-</b>
<b>Non-current liabilities</b>			
Social Benefits	14	-	-
<b>Total liabilities (B)</b>		<b>82,269,923</b>	<b>-</b>
<b>Net Assets (A-B)</b>		<b>26,608,725</b>	<b>-</b>
<b>Represented by:</b>			
Capital/Development Grants/Fund		-	-
Reserves		-	-
Accumulated surplus		26,608,725	-
<b>Net Assets/Equity</b>		<b>26,608,725</b>	<b>-</b>

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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 28<sup>th</sup> November 2025 and signed by:



.....  
**Name: Techler Z. Dadu**  
**Municipal Manager**



.....  
**Name: Dorotia Wandoe**  
**Head of Finance**  
**ICPAK M/No 13175**

16. Statement of Changes in Net Assets for the Eighteen Months Period Ended 30 June 2025

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
<b>Bal as at 1 July 2023</b>	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
<b>Bal as at 30 Jun 2024</b>	-	-	-	-
<b>Bal as at 1 July 2024</b>	-	-	-	-
Surplus/(deficit) for the year	-	-	26,608,725	26,608,725
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
<b>Balance as at 30 June 2025</b>	-	-	<b>26,608,725</b>	<b>26,608,725</b>

## 17. Statement of Cash Flows for The Eighteen Months Period Ended 30 June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		39,998,476	-
Public contributions and donations			-
Interest received		-	-
Miscellaneous receipts ( <i>Specify</i> )		-	-
<b>Total Receipts</b>		<b>39,998,476</b>	<b>-</b>
<b>Payments</b>			
Use of goods and services		27,372,796	-
Staff costs		-	-
Board expenses		2,484,100	-
Finance costs		-	-
<b>Total Payments</b>		<b>(29,856,896)</b>	<b>-</b>
<b>Net cash flows from operating activities</b>		<b>10,141,580</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets		(10,100,000)	-
Proceeds from sale of PPE		-	-
<b>Net cash flows used in investing activities</b>		<b>(10,100,000)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>41,580</b>	<b>-</b>
Cash And Cash Equivalents At 1 July	9	-	-
<b>Cash And Cash Equivalents At 30 June</b>	<b>9</b>	<b>41,580</b>	<b>-</b>

## 18. Statement of Comparison of Budget &amp; Actual Amounts for the Eighteen Months Period ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
<b>Budget carryovers from the previous year*</b>	-	-	-	-	-	-
<b>Receipts</b>						
Transfers from the County Government	71,000,000	54,000,000	125,000,000	39,998,476	85,001,524	32%
Public contributions and donations	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous income ( <i>specify</i> )	-	-	-	-	-	-
<b>Total Receipts</b>	<b>71,000,000</b>	<b>54,000,000</b>	<b>125,000,000</b>	<b>39,998,476</b>	<b>85,001,524</b>	<b>32%</b>
<b>Payments</b>						
Use of goods and services	45,123,967	34,056,324	79,180,291	27,372,796	51,807,495	35%
Board expenses	1,876,033	1,835,867	3,711,900	2,484,100	1,227,800	67%
Staff Costs	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
<b>Total expenditure Payments</b>	<b>47,000,000</b>	<b>35,892,0191</b>	<b>82,892,191</b>	<b>29,856,896</b>	<b>53,035,295</b>	<b>36 %</b>
<b>Capital Expenditure Payments</b>	<b>24,000,000</b>	<b>18,107,809</b>	<b>42,107,809</b>	<b>10,100,000</b>	<b>32,007,809</b>	<b>24%</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,580</b>		

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**Budget notes**

- The utilisation rate fell below 90%, as only Kshs 39,998,476 was received from the total budget allocation of Kshs 125,000,000

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	<b>41,580</b>
1	Bal as at 30 <sup>th</sup> June 2025 -DTB-CGK Operations Account Mariakani Municipality	39,080
2	Bal as at 30 <sup>th</sup> June 2025-Cooperative Bank -CGK Development Account Mariakani Municipality	1,650
3	Bal as at 30 <sup>th</sup> June 2025-KCB Bank-CGK Main Account Mariakani Municipality	850
	Closing Cash and Cash Equivalent as per the statement of Cash flows	<b>41,580</b>

**19. Notes to the Financial Statements**

**1. General Information**

Mariakani Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act of 2011, amended in 2019 and the Municipal Charter. The Municipality is under the Kilifi County Government and is domiciled in Kenya.

The Municipality's principal activity is Service delivery

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

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Application of New and revised standards (IPSAS)

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

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

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

Standard	Effective date and impact:
IPSAS 43: Leases	<b>Applicable 1<sup>st</sup> January 2025</b> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b>Applicable 1<sup>st</sup> January 2025</b> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	<b>Applicable 1<sup>st</sup> January 2025</b> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	<b>Applicable 1<sup>st</sup> January 2025</b> The objective of this standard was to improve measurement guidance across IPSAS by:

	<ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements</li> </ul>

	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

**Significant Accounting Policies**

**a) Revenue recognition**

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

***Transfers from other government entities***

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

**ii) Revenue from exchange transactions**

***Interest income***

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

**b) Budget information**

The original budget for FY 2024/2025 was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to

conclude the final budget. Accordingly, the Municipality recorded additional appropriations of Kshs 54,000,000 following the governing body's approval.

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

**c) Property, plant and equipment**

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

**d) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in

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surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

**e) Biological Assets**

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

**f) Financial instruments**

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

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

**Financial assets**

**Classification of financial assets**

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

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

#### **Subsequent measurement**

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

#### **Amortized cost**

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

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

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

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

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

### **Trade and other receivables**

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

### **Impairment**

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

### **Financial liabilities**

#### **Classification**

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

#### **g) Inventories**

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

Raw materials: purchase cost using the weighted average cost method

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

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

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

**h) Provisions**

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

**i) Social Benefits**

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

**j) Contingent liabilities**

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

**k) Contingent assets**

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

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

**l) Nature and purpose of reserves**

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

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

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

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

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

**o) Foreign currency transactions**

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

**p) Borrowing costs**

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

**q) Related parties**

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

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Events after the reporting period**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue.

Two types of events can be identified:

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

(b) Those that are indicative of conditions that arose after the reporting date.

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

**u) Currency**

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

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

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

State all judgements, estimates and assumptions made.

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

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

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

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

- i) The condition of the asset based on the assessment of experts employed by the 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.

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Notes to the Financial Statements

1. Transfers from the County Government

Description	FY 2024/2025	FY2024/2025
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	125,000,000	-
Payments by County on behalf of the entity	-	-
Unconditional development grants	-	-
<b>Total</b>	<b>125,000,000</b>	<b>-</b>

(a) Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	FY 2023/2024
	Kshs.	Kshs	Kshs	Kshs	Kshs
Housing and Urban development	125,000,000	-	-	125,000,000	-
<b>Total</b>	<b>125,000,000</b>	<b>-</b>	<b>-</b>	<b>125,000,000</b>	<b>-</b>

2. Public Contributions and Donations

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

3. Interest income

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

(Provide brief explanation for this revenue)

4. Use of Goods and Services

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	656,164	-
Communication, supplies and services	270,000	-
Domestic travel and subsistence	7,997,380	-
Foreign travel and subsistence	1,579,801	-
Printing, advertising, supplies & services	4,075,690	-
Rent and rates	-	-
Training expenses	2,434,873	-
Hospitality supplies and services	4,915,557	-
Insurance costs	-	-
Specialized materials and services	10,001,555	-
Office and general supplies and services	9,340,917	-
Fuel, oil and lubricants	479,155	-
Other operating expenses ( <i>Specify</i> )	43,335,199	-
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	9,903,290	-
Contracted Professional Services	-	-
Audit fees	-	-
Hire of Transport, equipment etc	-	-
Bank Charges	35,494	-
Social Benefit expenses*	-	-
<b>Total</b>	<b>95,025,075</b>	<b>-</b>

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5. Staff costs

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

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6. Board expenses

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	404,000	-
Medical Insurance	-	-
Induction and Training	2,962,200	-
Travel and accommodation	-	-
Conference Costs	-	-
Other allowances ( <i>Specify</i> )	-	-
<b>Total</b>	<b>3,366,200</b>	<b>-</b>

7. Depreciation and amortization

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

8. Repairs and Maintenance

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

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**9. Cash and cash equivalents**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	41,580	-
Others( <i>specify</i> )	-	-
<b>Total cash and cash equivalents</b>	<b>41,580</b>	<b>-</b>

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

Financial institution	Account number	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>a) Current account</b>			
Kenya Commercial bank	1335424822	850	-
Diamond Trust Bank	0328390001	39,080	-
Co-operative Bank	01101382076001	1,650	
<b>Sub- total</b>		<b>41,580</b>	<b>-</b>
<b>Grand total</b>		<b>41,580</b>	

**10. Receivables from non-Exchange transaction**

Description	FY 2024/2025	FY2023/2024
	Kshs.	Kshs.
Transfer from County Executive	85,001,524	-
<b>Total</b>	<b>85,001,524</b>	<b>-</b>

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

Description	FY 2024/2025		FY2023/2024	
	Kshs	% of the total	Kshs	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	<b>-</b>	<b>%</b>	<b>-</b>	<b>%</b>

**11. Prepayments**

Description	FY 2024/2025	FY2023/2024
	Kshs.	Kshs.
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Other ( <i>specify</i> )	-	-
<b>Total</b>	-	-

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**12. Property, Plant and Equipment**

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>Depreciation Rate</b>		<b>%</b>	<b>10%</b>	<b>12.5%</b>	<b>33.3%</b>	<b>%</b>		
As at 1 July 2023	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2024</b>	-	-	-	-	-	-	-	-
Additions for the year	-	-	13,154,000	1,996,200	1,005,000	-	7,680,344	<b>23,835,544</b>
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>	-	-	<b>13,154,000</b>	<b>1,996,200</b>	<b>1,005,000</b>	-	<b>7,680,344</b>	<b>23,835,544</b>
<b>Depreciation and impairment</b>								
At 1 July 2023		-	-	-	-	-	-	-
Depreciation		-	-	-	-	-	-	-
Impairment		-	-	-	-	-	-	-

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Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>Depreciation Rate</b>		%	10%	12.5%	33.3%	%		
Transfers/ Adjustments	-	-	-	-	-	-	-	-
<b>As at 30 June 2024</b>	-	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>	-	-	-	-	-	-	-	-
<b>NBV as at 30<sup>th</sup> Jun 2024</b>	-	-	-	-	-	-	-	-
<b>NBV as at 30<sup>th</sup> Jun 2025</b>	-	-	13,154,000	1,996,200	1,005,000	-	7,680,344	23,835,544

*Work in progress includes: -*

- Certificate No 1 for Renovation of the Municipality of Mariakani Offices Kshs 6,315,695
- Construction of Dumping shed, receptacles Certificate No 1 Kshs 1,364,649

### 13. Trade and Other Payables

Description	FY 2024/2025		FY 2023/2024	
	Kshs.		Kshs.	
Trade payables	82,269,923		-	
Retentions	-		-	
Accrued expenses	-		-	
Other payables ( <i>Specify</i> )	-		-	
<b>Total trade and other payables</b>	<b>82,269,923</b>		<b>-</b>	
<b>Ageing analysis:</b>	<b>FY 2024/2025</b>	<b>% of the Total</b>	<b>FY 2023/2024</b>	<b>% of the Total</b>
Under one year	76,269,923	93%	-	%
1-2 years	6,000,000	7%	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	<b>82,269,923</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 14. Social Benefit Liabilities

Description	FY 2024/2025		FY2023/2024	
	Kshs		Kshs	
Health social benefit scheme	-		-	
Unemployment social benefit scheme	-		-	
Orphaned and vulnerable benefit scheme	-		-	
PWD benefit scheme	-		-	
Elderly social benefit scheme	-		-	
<b>Total</b>	<b>-</b>		<b>-</b>	
Current social benefits	-		-	
Non- current social benefits	-		-	
<b>Total (tie to totals above)</b>	<b>-</b>		<b>-</b>	

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

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**15. Cash generated from operations**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	<b>26,608,725</b>	<b>-</b>
<b>Adjusted for:</b>		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	(-)
<b>Working Capital adjustments</b>		
Increase in inventory	(23,835,544)	(-)
Increase in receivables	(85,001,524)	(-)
Increase in payables	82,269,923	-
<b>Net cash flow from operating activities</b>	<b>41,580</b>	<b>-</b>

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

**16. Financial risk management**

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

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

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

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

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

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

Guidance Notes:

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

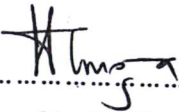
*To be Signed by the Accounting officer of the Entity*

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**Appendix 2: Inter-Entity Transfers**

CITY/MUNICIPALITY NAME: MUNICIPALITY OF MARIAKANI			
Breakdown of Transfers from the County Executive of Kilifi County			
FY 2024/2025			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>
	1 <sup>ST</sup> CASH REQUEST	18-DEC-2024	39,998,476
			-
	<b>Total</b>		<b>39,998,476</b>
b.	Development Grants (unconditional Grants)	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>
			-
			-
	<b>Total</b>		<b>-</b>
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>
			-
			-
	<b>Total</b>		<b>-</b>

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

  
 .....

  
 .....

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

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