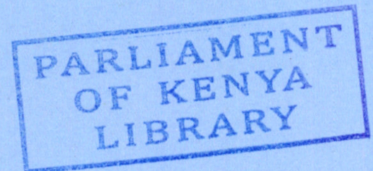


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

**MAKUENI COUNTY SAND CONSERVATION
AND UTILIZATION AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2025**

PAPERS LAID	
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Makueni County Sand Conservation and Utilization Authority

Makueni County Government

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2025

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

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Makueni County Sand Conservation and Utilization Authority
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1. Acronyms and Definition of Key Terms

A: Acronyms

AGPO

Access to Government Procurement Opportunities

CEO

Chief Executive Officer

CECM

County Executive Committee Member

CBK

Central Bank of Kenya

ICPAK

Institute of Certified Public Accountants of Kenya

IPSAS

International Public Sector Accounting Standards

MD

Managing Director

CT

County Treasury

CIDP

County Integrated Development Plan

CA

County Assembly

OCOB

Office of the Controller of Budget

OAG

Office of the Auditor General

OSHA

Occupational Safety and Health Act of 2007

PFM

Public Finance Management

PPE

Property Plant & Equipment

PPPs

Public Private Partnerships

PSASB

Public Sector Accounting Standards Board

SAGAs

Semi-Autonomous Government Agencies

WB

World Bank

2. Key Entity Information and Management

(a) Background information

The Makueni County Sand Conservation and Utilization Authority was established by the Makueni County Sand Conservation and Utilization Act, 2015 of the County Assembly of Makueni on 13th February 2015. At cabinet level, the Authority is represented by the Executive Committee Member for Lands, who is responsible for the general policy and strategic direction of the Authority. The Authority is domiciled in Kenya and has its head office at Wote Town, Makueni

(b) Principal Activities

The principal activity of the Authority is to regulate and ensure sustainable conservation and utilization of sand and provide for protection of environment and equitable sharing of the accruing benefits.

(c) Board of directors

	Names of Members	Names of Positions
1.	Sammy Mukeku	Chairperson appointed under section 7(1) (a) of the Act.
2.	Magdalene M. Kyalo	Director and Vice-Chairperson, non-public officer appointed under section 7 (1)(c)
3.	Vallary Ngila	Director, non-public officer appointed under section 7 (1)(c)
4.	Daniel Thathi Mwanja	Director, non-public officer appointed under section 7 (1)(c)
5.	Lydia Kaleli	Director, non-public officer appointed under section 7 (1)(c)
6.	Dr. Josslyn Mutua	Board Member representing the Department of Trade, Industry, Marketing, Tourism and Cooperative Development) representing Cooperatives — Section 7(1)(t)

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7.	Nancy Kimutai	Board Member representing County Commissioner — Section 7(1)(h)
8.	Stella M. Wamunyolo	Board Member (Water Resources Authority) representing WRUAs — Section 7(1)(e)
9.	Dr. Geoffrey Muthoka	Board Member (The Chief Officer, Environment and Climate Change) — Section 7 (1)(b)
10.	Kyee Mbatha	Board Member representing County Environment Committee – Section 7(1)(d)
11.	Urbanus Ndunda	Ag. Managing Director and Secretary to the board - Section 7(1)(i)

(d) Key Management Team

No.	Designation	Name
1.	Managing Director	Urbanus Ndunda
2.	Head of Financial Services	Dominic Kinyili
3.	Head of Conservation & Utilization	Alice Mwende

(e) Fiduciary Oversight Arrangements

Audit committee

The committee plays a vital role in ensuring the integrity of financial statements prior to their review and approval by the board. The committee reviews the accounting policies, financial reporting and regulatory compliance of the authority. The committee also continually evaluates the effectiveness of risk management programs. The committee receives reports of the Internal and External Auditors and management’s corrective response to the findings. The committee also reviews the overall scope, annual plans for the internal audit function’s activities and oversees the alignment of risk management programs and internal audit activities.

The audit committee is composed of;

1. Nancy Kimutai
2. Kyee Mbatha
3. Dr. Josselyn Mutua
4. Dr. Geoffrey Muthoka

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5. Stellah Munini

Finance, Administration and Strategy committee

The core functions of the Finance, Administration and Strategy committee are;

1. Monitor and review the overall financial strategies and performance of the authority
2. Monitor and review the current and projected levels of income and expenditure
3. Monitor and review performance against budgets and suggest any action necessary to ensure that the authority remains within the annual budget approved
4. Ensure an effective framework for the financial management

The committee is composed of;

1. Stellah Munini
2. Dr. Jossylyn Mutua
3. Dr. Geoffrey Muthoka
4. Nancy Kimutai
5. Magdalene Kyalo

f. Entity Headquarters

Telkom Building
P.O. Box 78-90300
Wote, Makueni

g. Entity Contacts

Telephone: (254) 708274961

E-mail: sandauthority@makueni.go.ke

Website: www.makuenisandauthority.go.ke

h. Entity Bankers

Kenya Commercial Bank
Wote Branch
Makueni

i. Independent Auditors



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

j. Principal Legal Advisor




The County Attorney
Government of Makueni County
Wote, Makueni

3. The Board of Directors




The Directors who served the Authority during the year were as follows

 <p>Sammy Mukeku Chairman</p>	<p>Born in 1961.</p> <p>Holds a Bachelor of Education (Arts) from the University of Nairobi and M.A in Police Administration, Management and Criminal Justice from Exeter University, UK. Has undergone extensive training in investigations, management and operations, with over 30 years of experience in public service. Appointed Board Chairman on 7th February 2024.</p>
 <p>Ms. Magdalene Mumbi Kyalo</p>	<p>Master of Arts in population studies with over 20yrs experience</p> <p>Appointed on 14th January 2022</p>




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	<p>Makueni County Environment Committee Representative</p>
	<p>Trade, Industry, Marketing, Tourism and Co-operative Development Representative</p>
	<p>Chief Officer - Environment and Climate Change</p>

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 <p>Daniel Mwanja</p>	<p>Director, non-public officer</p>
 <p>Vallary Ngila</p>	<p>Director, non-public officer</p>
 <p>Nancy Kimutai</p>	<p>Office of the County Commissioner Representative</p>

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 <p>Lydia Kaleli</p>	<p>Director, non-public officer</p>
 <p>Stella Munini</p>	<p>Water Resources User Associations Representative</p>
	<p>Ag. Managing Director and Secretary to the Board</p>

4. Key Management Team

 <p>Urbanus Ndunda Ag. Managing Director</p>	<p>He holds a Master of Public Administration degree, Bachelor of Business Administration and management in accounting with over 15 years' experience.</p>
 <p>Dominic Kinyili Head of Corporate services</p>	<p>He holds MBA Finance, Bachelor of Commerce degree -Accounting. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK M/no 16513) as well as a member of Institute of Internal Auditors number 3537163. He is a member of the Association of Certified Forensic Examiners CFE12023958002.</p>
	<p>She holds a B.A in Social Work and Social Administration and is currently pursuing master's degree in Environmental Management with 7 years' experience working in natural resources management.</p>



Alice Mwende
**Head of Conservation and
Compliance**

5. Chairman’s Statement

The financial year ended **30 June 2025** was marked by a notable blend of accomplishments and operational constraints that influenced the Authority’s overall performance. While the period witnessed substantial achievements in strengthening the Authority’s core operations, several challenges also emerged, affecting its ability to meet all performance expectations.

Specifically, the Authority registered the following key achievements;

- a. **Revenue Generation:** During the financial year, the Authority achieved a total own-source revenue of Kshs 43,072,108.00, representing a significant increase from the Kshs 30,535,501 collected in 2023/2024, an impressive 29 percent growth year-on-year from 9 percent growth in FY 2022/2023. This upsurge in revenue resulted from a combination of strategic interventions including; commercial sand harvesting conducted at both on-farm and earth-dam sites which expanded the revenue base, strengthened enforcement measures curtailed illegal harvesting and improved compliance, enhanced collection of cess contributed notably to increase the revenue.
- b. **Public sensitization and awareness creation:** Public participation—enshrined in Article 69 (1) (d) and Article 10 (2)(a) of the Constitution of Kenya—serves as a cornerstone for the co-management of the environment and natural resources. These provisions mandate the State to “*encourage public participation in the management, protection and conservation of the environment*” and set out public participation as a fundamental national value in governance. Recognizing this

legal imperative, the Authority has prioritized public engagement as part of its sustainable sand conservation strategy. During the financial year under review, the Authority facilitated 45 county-wide public sensitization and conflict-resolution forums, enabling communities to participate directly in decisions regarding sand harvesting operations.

- c. Sustainable Sand utilization:** In pursuit of a more sustainably managed county environment, the Authority has officially designated 67 sand harvesting sites and overseen the closure of 16 depleted sites, ensuring extraction occurs only in regulated areas. Approximately 65% revenue generated through commercial sand sales destined outside the county is channelled into community, Water Users Associations (WRUAs) and conservation programmes. This robust revenue-sharing framework is designed to support restorative initiatives, such as sand dam construction, earth dam rehabilitation and ecological rehabilitation.
- d. Conservation activities:** As part of its statutory mandate under the *Makueni County Sand Conservation and Utilization Act, 2015*, the Authority undertook targeted conservation measures. At Ilingoni River (Nguumo Ward); 1,000 indigenous trees and grass seedlings were planted to rehabilitate the sand-harvesting site. An additional 400 seedlings were donated to Wote Municipality and the Kalamba Fruit Processing Plant to support institutional greening efforts. At Kwa Nditu earthdam Catchment in Kiimakui/Kalanzoni Ward, 60 gabions were constructed to stabilize the earth dam's spillway and tributaries, prevent erosion, and enhance soil and water conservation. These interventions align with the Authority's mandate to restore degraded areas and promote sustainable sand conservation and utilization.
- e. Review of the Act:** The Authority submitted proposed amendments which have been formally tabled before the Cabinet for consideration. Parallel with this submission, the Authority engaged extensively with stakeholders including county officials, the County Assembly environmental committee and board representatives to inform the revision process. Now the amendments anticipate the initiation of public participation sessions.

Challenges

During the reporting period, the Authority faced significant operational difficulties attributable to increased illegal sand harvesting particularly along the Makueni–Machakos County border. These compounded dynamics severely limited the Authority's capacity to monitor and enforce regulations effectively. Moreover, the Authority's strategic agenda suffered from financial constraints following reductions in allocations from the national exchequer. These budget cuts

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undermined planned interventions and further constrained the Authority's ability to respond to escalating enforcement demands

Future Outlook

The Authority has outlined a strategic growth agenda focused on achieving a sustainable balance between environmental conservation and the economic utilization of sand resources. In the short to medium term, emphasis will be placed on the implementation of key catchment and riverine restoration interventions, including the construction of sand dams, gabions, terracing, tree growing, grass reseeding and riparian land restoration.

To support these initiatives, the Authority is actively pursuing resource mobilization through partnerships with development agencies and the commercial sale of surplus sand. Revenue generated from these activities will be reinvested in conservation infrastructure, particularly the rehabilitation of sand harvesting sites and rehabilitation of earth dams from which sand was harvested.

Looking ahead, the Authority plans to scale up sand value addition through the production of products such as cabro blocks, fencing posts, and paving materials, which are expected to generate additional revenue while promoting circular use of natural resources.

I take this opportunity to express my sincere gratitude to the Board members for their steadfast support in enabling effective leadership. I also commend the management team and all staff for their dedicated efforts, which have driven the achievements we celebrate today. I am confident that, guided by this collaborative spirit, we will not only attain but exceed our targets in the upcoming financial year.

I wish to extend my sincere appreciation to His Excellency the Governor of Makueni County, the County Executive, the County Assembly, the broader community, and all stakeholder partners for their unwavering support and collaboration.



Sammy Musyoki Mukeku
Chairman

6. Report of the Chief Executive Officer/Managing Director

It is my privilege to present the Annual Report and Financial Statements of the Makueni County Sand Conservation and Utilization Authority for the financial year ended 30 June 2025, marking a decade of service since its establishment in 2015.

During the 2024/25 reporting period, the Authority reached several significant milestones including:

- a. **Public participation, awareness creation and sand conflict resolution:** Public participation as enshrined in Article 69 (1) (d) and Article 10 (2) (a) of the Constitution of Kenya—serves as a cornerstone for the co-management of the environment and natural resources. These provisions mandate the State to “*encourage public participation in the management, protection and conservation of the environment*” and set out public participation as a fundamental national value in governance. Recognizing this legal imperative, the Authority has prioritized public engagement as part of its sustainable sand conservation strategy through the following approaches:
 - i. **Sensitization meetings:** During the financial year under review, the Authority organized 45 countywide forums for public sensitization and conflict resolution. Key stakeholders include sand dealers, community members, sand committee representatives, and county and national government officials hence enabling them to engage directly in decisions regarding sand harvesting operations.
 - ii. **Use of Media:** During the 2024/25 fiscal year, the Authority engaged multiple communication platforms to raise public awareness on sand resource management. It utilized local FM stations, including Ene FM, County FM, Musyi FM and Mwatu FM. In particular, the Authority participated in two breakfast radio segments on Mwatu FM, to discuss the topic on sand conservation and natural resource governance. Complementing these efforts, the Authority actively shared information on key projects, programmes, and activities through its official website and social media profiles on Facebook, Twitter and LinkedIn, facilitating public engagement and educational outreach.
 - iii. **Participating in International Days:** In commemoration of World Environment Day on 5 June 2025, the Authority partnered with government and civil society stakeholders to host a public forum on focused on sand resource management and environmental protection through beating plastic pollution. The event served as a platform to educate participants, publicize the Authority’s mandate and gather stakeholder feedback to inform future conservation strategies.

- b. Strategic partnerships and linkage creation:** During the 2024/25 financial year, the Authority successfully rehabilitated the **Kwa Nditu earth dam** in Kiimakiu/Kalanzoni Ward through a **community participatory model**. Local residents contributed labor and locally sourced materials, while the Authority provided technical guidance. This collaborative approach not only promotes cost-efficiency and job creation but also fosters deep ownership of the project, in contrast to conventional top-down contractual methods. By embedding communities at the heart of the rehabilitation process, the Authority reinforces sustainable stewardship of sand and water infrastructure in line with its statutory conservation mandate.
- c. Conservation activities:** In line with its mandate under the Makueni County Sand Conservation and Utilization Act, 2015, the Authority undertook targeted conservation measures as follows;
- i. **Riparian and Catchment conservation:** To support ecological restoration, the Authority implemented targeted conservation initiatives. At Ilingoni River in Nguumo Ward, 1,000 indigenous trees and grass seedlings were planted to rehabilitate the site. Furthermore, 400 seedlings were donated to Wote Municipality and the Kalamba Fruit Processing Plant to support institutional greening. In Kiimakiu/Kalanzoni Ward, 60 gabions were constructed at Kwa Nditu earthdam catchment to reinforce the spillway and tributaries, mitigate erosion, and enhance soil and water conservation. These interventions reflect the Authority's continued commitment to sustainable sand management and environmental protection.
 - ii. **Rehabilitation of earthdams:** During the 2024/2025 financial year, the Authority successfully rehabilitated one earthdam in Kiimakiu/Kalanzoni ward to bolster both sand and water conservation efforts, thereby advancing environmental protection objectives. This initiative not only reinforces the institution's role in supporting community-driven development but also complements ongoing efforts by both the County and National Governments to address climate change through improved water accessibility and resource sustainability. By reinvesting these proceeds into communities and environmental programmes, the Authority mitigates biodiversity loss driven by sand extraction and ensures that the sand resource is utilized sustainably, preserving ecological integrity and supporting intergenerational benefits without the destruction or extinction of native species.
 - iii. **Designation of sites:** Designated 67 major sand harvesting sites specifically for local use within Makueni County. All licensed sand dealers are required to operate strictly within these designated areas. Additionally, 16 sites that had reached optimal extraction levels were closed to allow for natural regeneration. The following activities were also done to enhance sand conservation including;

- iv. **Enforcement and Compliance:** Illegal sand harvesting, particularly for use outside the County, has been significantly curtailed. Notably, areas previously identified as hotspots for unauthorized activities such as Kiima Kiu/Kalanzoni Ward in Kilome Sub-County and parts of Kibwezi East—have shown marked improvement, with fewer cases being reported. Community involvement has played a critical role, with residents actively participating in the policing of sand harvesting by reporting unregulated or illegal activities within their localities. This community-led approach has enhanced enforcement efforts and fostered a culture of shared responsibility. Additionally, increased compliance is evident through a rise in cess payments and growing public interest in the proper procedures for acquiring sand for local use. As local communities increasingly appreciate the benefits of co-management, the need for enforcement interventions has notably declined.
- d. **Revenue generation:** In the 2024/2025 financial year, the Authority recorded own-source revenue amounting to Kshs 43,072,108 from a total of 16 point of sale machines across the County, marking a substantial 29% increase from the Kshs 30,535,501 generated in 2023/2024. This performance reflects a significant improvement compared to the 9% growth realized in the 2022/2023 financial year. The notable revenue growth is attributed to a range of strategic measures, including the expansion of commercial sand harvesting activities at on-farm and earthdam sites, which broadened the revenue base. Additionally, enhanced enforcement efforts helped curb illegal harvesting and promoted regulatory compliance. Improved collection of cess levies further contributed to the overall increase in revenue.
- e. **Review of the Act:** In line with its mandate to enhance regulatory oversight and ensure effective enforcement of the Makueni County Sand Conservation and Utilization Act, 2015, the Authority submitted proposed amendments, which have since been formally presented to the County Cabinet for consideration. Concurrently, the Authority conducted extensive stakeholder consultations involving county officials, members of the County Assembly Environmental Committee, and board representatives to inform the amendment process. The next phase involves conducting public participation forums, after which the proposed changes will be deliberated upon by the County Assembly and, if approved, forwarded for assent by the Governor. Once enacted, these amendments are expected to strengthen the Authority's legislative framework and significantly improve its capacity to regulate sand conservation and utilization in a more comprehensive and legally sound manner.
- f. **Sand management committees:** During the reporting period, the Authority convened and facilitated four Ward Sand Management Committee meetings across the County's 30 wards as part of its efforts to strengthen sand governance at the grassroots level. However, the implementation of this program was limited due to budgetary constraints, which impacted its full rollout.

I extend my sincere gratitude to the Government of Makueni County, the Board of

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Directors, the dedicated staff of the Authority, and the wider community for their unwavering support and collective commitment towards the realization of the Authority's goals and objectives. I further acknowledge and appreciate the invaluable contributions of our partners, the parent department, service providers, and all other stakeholders whose collaboration and support played a pivotal role in advancing the Authority's mandate throughout the year.

I look forward to the continued support of all stakeholders as we collectively work to transform Makueni County and position the Authority as a key contributor in shaping the discourse on sustainable sand management at the national, regional, and global levels.



Urbanus Ndunda

Ag.Managing Director

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

Though Makueni County Sand Conservation and Utilization Authority (MCSC&UA) strategic plan was still at draft stage as at the time of audit, the authority’s performance is guided by its strategic deliverables in ensuring the sustainable management, conservation, and utilization of sand resources in the county.

Performance has been aligned with the performance contracts signed by senior management to ensure accountability, transparency, and delivery of tangible results

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Sustainable Sand Resource Management	Promote conservation and regulated sand harvesting	- Number of designated sand harvesting sites - % reduction in illegal sand harvesting cases	- Mapping and gazettelement of legal harvesting sites - Community sensitization - Enforcement patrols	-Rehabilitated one earthdam-Kwa Nditu earthdam in Kiimakui/kalanzoni ward -Designated 67 sand harvesting sites and closed 16 sites.
Environmental Restoration and Protection	Restore degraded sand harvesting sites	- Number of sites rehabilitated - Area (in acres) under vegetation recovery	- Reforestation and gabion construction - Collaboration with environmental agencies	Facilitated tree planting of 1400 seedings Constructed 60 gabion at Kwa Nditu earthdam catchment
Community Engagement and Benefit Sharing	Ensure equitable benefit sharing and community involvement	- Number of community meetings held - % of revenue shared with communities	- Public forums and stakeholder consultations - Revenue-sharing frameworks implemented	-Conducted 45 public sensitization and conflict resolution forums -Ploughed back Ksh.2,998,844.37 of the revenue share to conservation projects through rehabilitation of Kwa Nditu earthdam as required by Section 35 of the Act

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Revenue Mobilization and Accountability	Enhance revenue collection and transparency	- % increase in revenue - Audit compliance rate	- Digitization of revenue collection - Regular financial audits	Collected Ksh.43,072,108 as own source revenue
Institutional Capacity and Governance	Strengthen institutional governance and staff capacity	- Number of staff trained - Compliance with county governance guidelines	- Staff training workshops - Performance contract implementation	Conducted four sand management committees across the county

8. Corporate Governance Statement

The Authority consists of a Board responsible for governance and a Secretariat headed by the Managing Director responsible for the day-to-day execution of the affairs of the Authority.

The Board consists of:

- a. A Chairperson appointed by the Governor;
- b. The Chief Officer of the department for the time being responsible for matters relating to the Environment or an officer of that department designated in writing by the Chief Officer;
- c. Four members, not being public officers competitively appointed;
- d. One member of the County Environment Committee;
- e. One representatives of WRUAs;
- f. One representative from the department of trade appointed by the Executive Committee Member in charge of trade;
- g. One representative from the department of youth, gender and social services appointed by the Executive Committee Member in charge of youth, gender and social services
- h. The County Commissioner or his representative;
- i. The Managing Director appointed competitively.

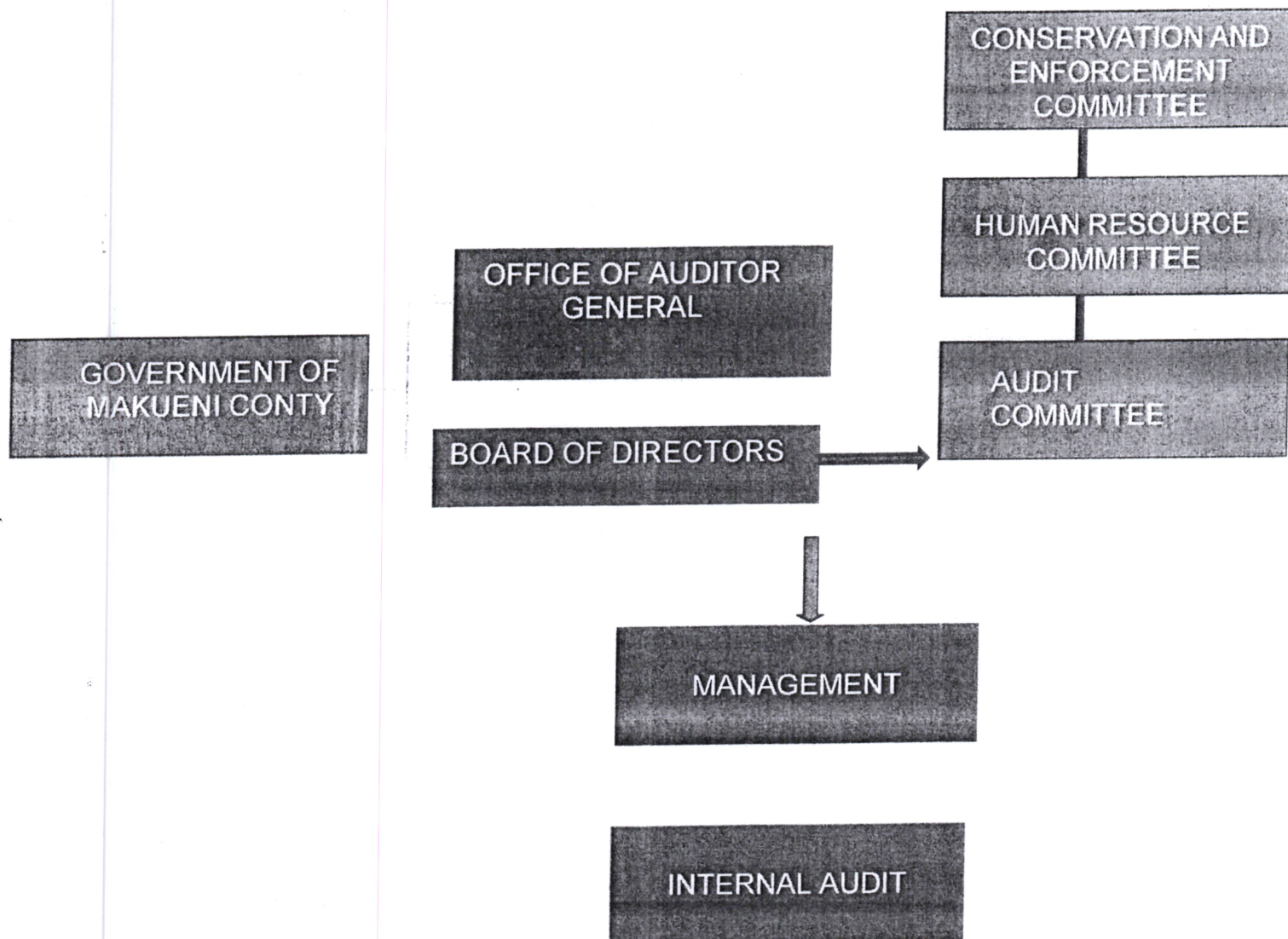
The appointment of a member of the Board may be terminated by the appointing authority where the member-

- a. is adjudged bankrupt or enters into a composition or scheme of arrangement with his creditors;
- b. is convicted of an offence and sentenced to imprisonment for a term of six months or more without the option of a fine;
- c. is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Authority; or
- d. Becomes, for any reason, incapable or incompetent of properly performing the functions of office.

The Authority's Board of Directors has the appropriate mix of skills, knowledge and experience to perform its role effectively. The areas of expertise of the current Board of Directors are projects management, natural resources management and conservation, public administration and economics among others.

In order to effectively and efficiently carry out its governance roles and responsibilities, the Board has established Committees. Currently, the Board has four standing Committees namely Audit committee, Finance Committee, Conservation and Enforcement committee and Human resource committee. Each committee has formal terms of reference that have been approved by the Board.

Figure I: Governance structure



Board meetings.

The following is a list of Board meetings held during the year and the attendance of each member.

Table I: List of Full Board meetings and the attendance during the year

FULL BOARD MEETINGS FINANCIAL YEAR 2024/2025			
NO	NAME	DESIGNATION	NO OF MEETINGS ATTENDED
1	Sammy Musyoki Mukeku	Chairperson	7
2	Mumbi Kyalo	Board Member	5
3	Stella Munini	Board Member	7
4	Nancy Kimutai	Board Member	7
5	Lydia Kaleli	Board Member	5
6	Vallary Ngila	Board Member	5
7	Daniel Thathi Mwanja	Board Member	5
8	Dr. Geoffrey Muthoka	Chief Officer	6
9	Kyee Mbatha	Board Member	7
10	Dr. Jossylyn Mutua	Board Member	7
11	Urbanus Ndunda	Ag. Managing Director	7

Roles and functions of the Board.

The Board is responsible for the governance of the Authority. The Authority's act 2015 stipulates the governance parameters within which the Board exists and operates. A summary of the Board responsibilities are as follows;

1. Determine the organization's mission, vision, purpose and core values.
2. Set and oversee the overall strategy and approve significant policies of the organization.
3. Ensure that the strategy is aligned with the purpose of the organization and the legitimate interests and expectations of its shareholders and other stakeholders.
4. Ensure that the strategy of the organization is aligned to the long-term goals of the organization on sustainability so as not to compromise the ability of future generations to meet their own needs.
5. Approve the organizational structure.
6. Approve the annual budget for the organization.
7. Monitor the organization's performance and ensure sustainability.
8. Enhance the corporate image of the organization.
9. Ensure availability of adequate resources for the achievement of the organization's objectives.
10. Hire the MD, on such terms and conditions of service as may be approved by

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the relevant government organ(s) and approve the appointment of senior management staff.

11. Ensure effective communication with stakeholders.

Board Remuneration.

The Board members are paid sitting allowances for each meeting attended as per the existing SRC circulars. The Board Chairman is paid a monthly taxable honorarium of Kshs. 20,000.

Conflict of interest

Directors have a statutory duty to avoid situations in which they have interests, which may conflict with the interests of the Authority. Upon presentation of the agenda items for the Committee or Board meetings, members present declare (none) existence of conflict of interests.

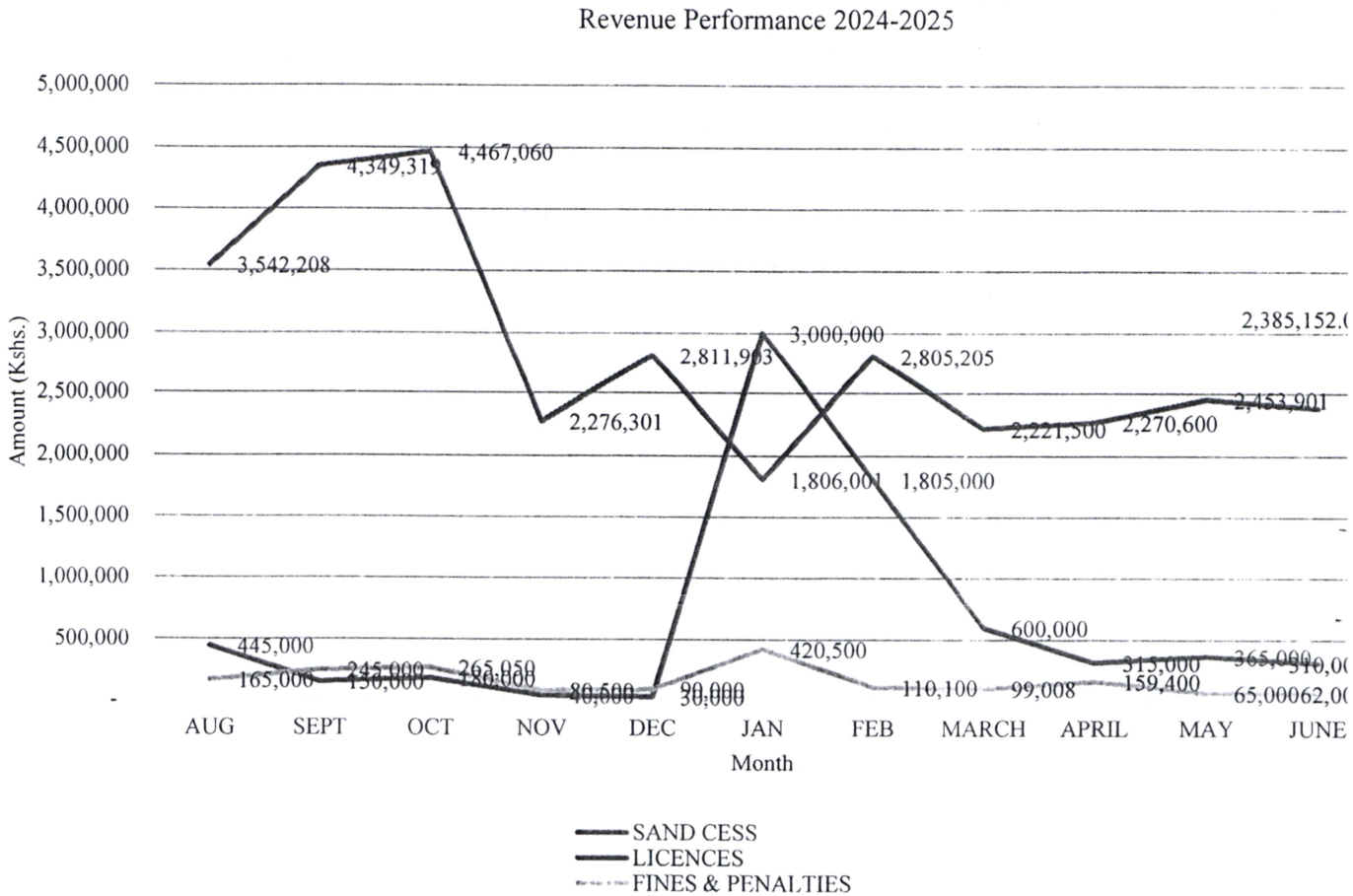
9. Management Discussion and Analysis

1. Financial Performance

The Authority raised a total of Ksh. 43,072,108 from Cess, Licenses and fines against the Ksh. 30,535,334 for the financial year 2023/2024. This is 41.6% increase from last year's revenue collection. The performance against target was 92% where the annual target 2024/2025 was Ksh 47,000,000

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Figure II: Analysis of revenue collection from July 2024 to June 2025.

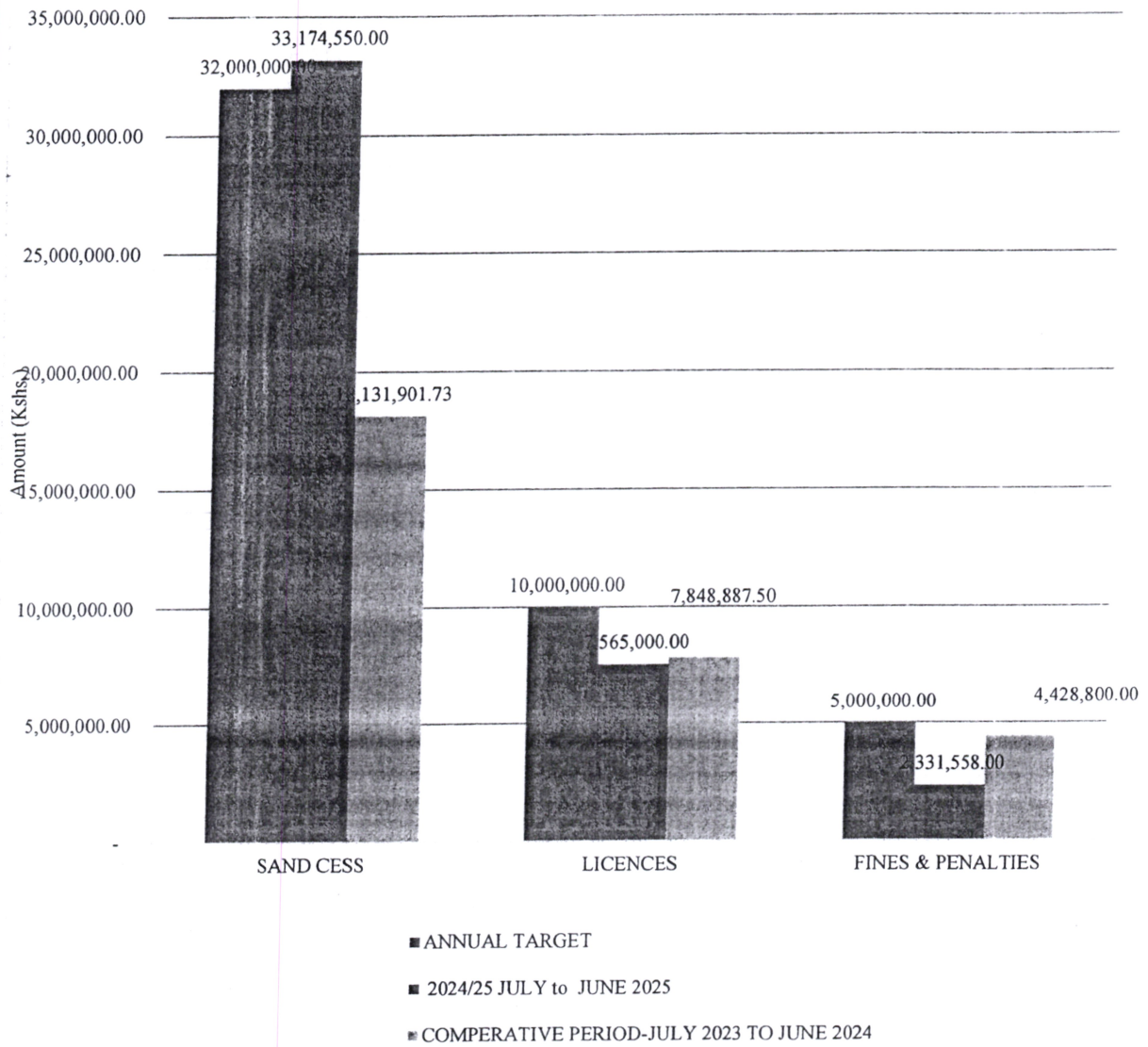


REVENUE PERFORMANCE FY 2024-2025

REVENUE STREAM	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MARCH	APRIL	MAY	JUNE	TOTAL
SAND CESS	1,845,446	3,412,208	4,349,319	4,467,060	2,276,301	2,811,903	1,806,001	2,805,205	2,221,500	2,285,463	2,464,043	2,301,101.00	33,045,55
LICENCES	325,000	445,000	150,000	180,000	40,000	30,000	3,000,000	1,805,000	600,000	315,000	365,000	310,000	7,565,00
FINES & PENALTIES	570,000	295,000	245,000	265,050	80,500	90,000	420,500	110,100	99,008	159,400	65,000	62,000	2,461,55
TOTAL COLLECTED	2,740,446	4,152,208	4,744,319	4,912,110	2,396,801	2,931,903	5,226,501	4,720,305	2,920,508	2,759,863	2,894,043	2,673,101	43,072,10

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Revenue Performance 2024-2025



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Comparative report 2024-2025

Revenue stream	Annual target	2024/25 july to june 2025	Comparative period-July 2023 to june 2024	Variance	Performance against target
Sand cess	32,000,000.00	33,174,550.00	18,131,901.73	15,042,648.27	104%
Licences	10,000,000.00	7,565,000.00	7,848,887.50	-283,887.50	76%
Fines & penalties	5,000,000.00	2,331,558.00	4,428,800.00	-2,097,242.00	47%
Total collected	47,000,000.00	43,072,108.00	30,409,589.23	12,661,518.77	92%

Overall Summary

The total revenue collected from July 2024 to June 2025 stands at **Ksh 43,072,108**, representing **92%** of the annual target of **Ksh 47,000,000**. This reflects a **shortfall of 8%**, or **Ksh 3,927,892** below the target. However, performance has improved significantly compared to the same period in 2023/24, with an increase of **Ksh12.66 million**.

Licenses underperformed against the annual target, achieving only 76% of the goal and declining slightly from the previous year. This may point to reduced licensing activity.

Fines and penalties stream had the weakest performance, collecting less than half of the target.

Revenue declined sharply by over Ksh 2 million compared to the prior year. This could indicate reduced enforcement, fewer infractions or challenges in collection.

2. Key Projects implemented during the year

Section 18 of the Sand Act stipulates that the Authority shall ensure that in all designated sand utilization sites, sand dams and gabions are constructed. Section 35 of the Act outlines how proceeds from sale of sand will be shared. Below is a list of projects undertaken by the Authority during the year as part of its conservation programs.

Table II: Key Projects implemented during the year

S/no	F/y	Project name	Location	Expenditure	Implementation status
1.	2024/2025	Kwa Nditu earthdam	Kiimakiu/Kalanzoni ward	2,998,844.37	Complete

• **Sand Management Committees**

Section 12 of Makueni County Sand Conservation and Utilization Act, 2015 stipulates that the

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Authority shall establish a Ward Sand Management Committee in every ward. The Ward Sand committees shall be responsible for the proper and sustainable conservation and utilization of all sand related activities within the ward.

During the year, the Authority conducted the following committee meetings in different wards

S/no	Name	Date
1.	Makindu	25 th July, 2024
2.	Mtito Andei	11 th March, 2025
3.	Thange	19 th June, 2025
4.	Kiimakiu/kalanzoni	5 th March, 2025

Public sensitization meetings /forums/Barazas

The Authority held 45 public sensitization meetings to sensitize the community on compliance with the Sand Act during the year.

S/No	Date	Venue	Purpose
1	09.07.2024	Ndolo village, Itong'ola site, Tulimani	Public participation on site opening
2	13.08.2024	Kasikeu Stakeholders Meeting, Kasikeu	Consultations On Sites for Sand Harvesting To Facilitate Construction Of ESP Market
3	16.07.2024	Kaiti River, Ukia junction, Ukia	Public participation on site opening
4	22.07.2024	Kilombo Earth Dam, Kiimakiu/Kalanzoni	PMC Election
5	29.07.2024	Ndovoini Market, Kiimakiu/Kalanzoni	Public participation on site closing
6	05.08.2024	Itetani Market, Tulimani	Itongo'la community petition resolution
7	09.08.2024	Kima Market, Kiimakiu/Kalanzoni	Youth Yard and Community Sensitization
8	12.08.2024	Tulimani Stakeholder Meeting, Tulimani	Address the Petition and Lift Suspension of Local Sand Harvesting
9	26.08.2024	Miaani River, Ivingoni/Nzambani	Public participation on site opening
10	29.08.2024	Ndovoini Market, Kiimakiu/Kalanzoni	Public Participation on Ndovoini Site. Site Closed
11	04.09.2024	Kwa Muia earth dam, Muvau/kikumini	Public participation on site opening

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12	13.09.2024	Uvaani site, Tulimani	Public participation on opening of the site
13	13.09.2024	Marwa market, Kiimakiu/Kalanzoni	Public participation on site opening of Marwa earth dam
14	14.09.2024	Itetani- Timbo assessment, Tulimani	Public participation and sensitization on site opening
15	18.09.2024	Kyaka water project SHG, Kyangondu, Kako/Waia	Site visit to access excess sand at the sand dam
16	18.09.2024	Itumo onfarm, Tulimani	Public participation on site opening
17	19.09.2024	Ukia Junction, Ukia	Community repair works of the drift
18	24.09.2024	Ndunduluni, Mukaa, Kiimakiu/kalanzoni	Public participation and community sensitization on sand and site opening.
19	25.09.2024	Marwa earth dam, Kiimakiu/Kalanzoni	Launch of commercial sand harvesting
20	07.10.2024	Ukia-kaiti drift, Ukia	Public participation on ukia- drift repair/construction
21	28.10.2024	Soweto Earth dam, Mtito Andei	Public participation on site opening
22	28.10.2024	Kasunguni site, Kiimakiu/Kalanzoni	Public participation on site opening
23	7.11.2024	Kwa Kaveki and Ikaasu Earth Dam, Kiimakiu/Kalanzoni	Public participation on emergency sand removal
24	25.11.2024	Kamunyuni area, Thange	Public participation on site visit and tree planting exercise
25	3.12.2024	Miiiani primary school, Ivingoni/Nzambani	Public participation on site visit and tree planting exercise
26	6.1.2025	Muuoni site Thithi market, Nguu/Masumba	Public participation on site visit
27	30.01.2025	Katilini Earth dam, Kiimakiu/Kalanzoni	Public participation on site opening
28	4.2.2025	Kiangini on-farm site, Kathonzweni	Public participation on site opening
29	13.02.2025	Mwaani, Ilima	Sensitization on tree nursery establishment
30	17.02.2025	Mavivye site, Kiimakiu/Kalanzoni	Public participation on site visit
31	25.02.2025	MbuyuTawa River, Tulimani	Complaint resolution Barraza
32	13.03.2025	Ilingoni site, Kikumbulyu south	Public participation on site opening
33	14.03.2025	River Miiiani, Ivingoni/nzambani	Public participation on site opening
34	11.3.2025	Kwa Nditu Earth Dam	Public participation on desilting of Kwa Nditu Earth Dam
35	15.04.2025	Ilingoni site, Ilingoni	Public participation to discuss pressing environmental and developmental concerns in the area

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36	25.04.2025	Masaani site, Ukia	Community engagement meeting
37	15.04.2025	Iimbani Kwa Sakayo Sand Site, Tulimani	Public participation on site opening
38	10.4.2025	Mbisu Mboo S.H.G Kwa Mbondo Nziloni, Kiimakui/Kalanzoni	Public participation on site opening
39	9.4.2025	78 Kaiti S.H.G Kwa Ngumu-Kaiti Site, Wote,Nziu	Stakeholder engagement meeting
40	23.04.2025	Lower Kimbingo, Emali	Public participation on emergency sand removal in flooded area
41	13.05.2025	Nziloni, Kwa Mbondo- Mbisu Mboo, Kiimakui/Kalanzoni	Conflict resolution and public participation on site closure
42	05.06.2025	Mboloti earth dam, Kasikeu	Public participation on commercial sand harvesting
43	03.06.2025	Kimbingo stream Kisau/kiteta	Public participation on Site opening
44	23.06.2025	Ulu3 borehole site, Kiimakui/Kalanzoni	Conflict resolution on site reopening
45	23.06.2025	Kwa Nditu earthdam, Kiimakui/Kalanzoni	Public participation on start of earthdam excavation

Entity's compliance with statutory requirements

During the year, the Authority submitted all deductions due to statutory bodies including NHIF, NSSF, KRA and HELB in time.

3. Major Risks facing the entity

Risk Analysis for the Authority

The Authority operates in a dynamic and often challenging environment, and is subject to multiple risk factors that may impact its ability to effectively execute its mandate. Key risk areas are outlined below

I. Operational Risk

The Authority faces operational constraints primarily driven by inadequate logistical support, particularly a lack of reliable transport. This hampers routine field operations, including monitoring, enforcement, stakeholder engagement, and data collection. Given the geographically dispersed nature of the Authority's oversight areas, effective mobility is critical to fulfilling regulatory responsibilities. Additionally, limited human resources, delayed procurement processes, and outdated equipment further exacerbate operational inefficiencies.

II. Financial Risk

The Authority has historically relied on annual budgetary allocations from the County Government, which are subject to fluctuations and, at times, significant reductions. These

budgetary cuts expose the Authority to financial instability, impacting its ability to implement programs and maintain core operations. To address this, the Authority has begun diversifying its revenue streams, including through sand-related fees and levies, and by exploring strategic partnerships with the private sector, NGOs, and development partners. However, these alternative sources are not yet sufficiently predictable or stable to fully mitigate the risk.

III. Legal and Regulatory Risk

The existing legal framework, notably the Makueni County Sand Conservation and Utilization Act, 2015, contains several legislative gaps and ambiguities that hinder effective enforcement and expose the Authority to potential litigation and compliance challenges. In response, the Authority has initiated a legislative review process, and a proposed Amendment Bill has been submitted to the County Assembly. However, until such amendments are enacted, the legal framework remains a source of vulnerability.

IV. Political and Governance Risk

Sand harvesting remains a politically sensitive issue, historically dominated by informal cartels and interest groups. The transition to a regulated system has been met with resistance and political interference, often fueled by misinformation or vested interests. Such politicization can delay enforcement actions, disrupt operations, and erode public trust. To mitigate this, the Authority has strengthened stakeholder engagement with County Assembly members, and launched community sensitization programs to improve public understanding of the law and the Authority's mandate.

V. Environmental Risk

Sand harvesting activities inherently carry significant environmental implications, including land degradation, loss of biodiversity, and disruption of water ecosystems. Failure to adequately monitor and mitigate these impacts could result in long-term ecological damage, public backlash, and reputational harm to the Authority. Limited technical capacity in environmental assessment and enforcement further heightens this risk.

VI. Reputational Risk

Given the emotive nature of sand resource management, the Authority is vulnerable to negative public perception, especially when enforcement actions are misunderstood or politicized. Media scrutiny, community dissatisfaction or allegations of bias can erode stakeholder confidence and diminish the Authority's credibility, regardless of the legality or legitimacy of its actions.

VII. Technological Risk

The Authority's reliance on manual processes and limited use of modern data management tools restricts efficiency and decision-making. Inadequate ICT infrastructure can also lead to data loss, poor record-keeping, and delays in reporting, all of which affect transparency, accountability, and responsiveness.

Conclusion

A comprehensive approach to risk identification, mitigation, and monitoring is essential for the

Authority to navigate its complex operational environment. This includes investing in capacity building, legal reform, stakeholder engagement, resource mobilization, and technological upgrades. Addressing these risks proactively will strengthen the Authority's institutional resilience and effectiveness in regulating sand resource management in Makueni County.

4. The entity's financial improbity and serious governance issues

The Authority had no financial improbity or serious governance issues during the year. Great milestones have so far been attained in the 9 years of the Authority's existence. Sanity in the sand sector has been restored with regulated harvesting being undertaken. Revenue that was benefitting a few is now collected and shared equitably. The period provided lessons that offer an opportunity for program enhancement. These include:

- i. **Knowledge Development:** The Authority needs to carry out targeted studies. Key studies include a feasibility study on sand value chain development. This include value addition options such as developing products like blocks, ceramics, cabros etc. This could also offer an opportunity for private sector partnership to develop the sand industry. Additionally, initial linkage creation with potential partners such as National Construction Authority, Financial institutions, and academic institutions such as SEKU, Makueni technical institute and CTTI's will be made.
- ii. **Project implementation model:** The Authority will use the community driven model partnership which ensures the community provides unskilled labour and local materials to create ownership as well as the fully funded approach where the Authority pays the local community for local materials and unskilled labour. This model enables construction of more sand dams as costs are shared.
- iii. **More targeted and deliberate collaboration** with key departments and other external partners will be adopted to ensure efficiency and effectiveness in awareness creation. Partnerships with the civic education department to raise awareness will be instrumental in covering a larger audience. Partnership with the department of gender and youth affairs will also be explored to seek ways of synergizing our efforts. The youth are highly involved in sand activities thus partnering with the gender and youth department would be a win- win situation. All sand dams should have agricultural activities taking place as water is availed for domestic and small scale irrigation schemes. This will require close

collaboration with the Agriculture department.

- iv. As an opportunity for negotiated approach, existing initiatives that can be built upon will be prioritized. Some Self Help Groups have built sand dams and are already doing some efforts towards conservation but require alignment to the legislations. The Authority and other partners will strengthen existing groups and linking them with the right support for mentorship. This will contribute to addressing other developmental issues with relevance to sand harvesting such as food security.
- v. Simple cost-benefit analysis to ensure value for money was done through internal controls in procurement. Basic processes of identifying misuse or inefficient use of financial resources, the identification of errors in allocations of expenditure or income are in place. Within the reporting period, the overall operational and financial performance was satisfactory.

10. Environmental and Sustainability Reporting

The Authority promotes sustainable sand management through community driven approach for mutual environmental and socio-economic benefits. Sand is, to an extent, a renewable resource, created as rivers erode upstream and deposit sediment farther downstream. The Authority regulates the amount mined, to be “within the natural variability of the sediment load of the system.” In 2015, a Sand Act was passed by the Makueni County assembly which enabled Sand Conservation in all rivers in the County. Since then, sand harvesting is done in quantities that do not exceed the rate of resupply from the upstream hence the rivers have recharges with water and sand is available for utilization.

i) Sustainability strategy and profile -

Sand mining is the world’s largest mining endeavor, responsible for 85 percent of all mineral extraction. It is also the least regulated, and quite possibly the most corrupt and environmentally destructive. By far, the mining endeavor globally is mainly for

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the concrete that goes into buildings. But this little-noticed and largely unregulated activity has serious costs, damaging rivers, wreaking havoc on coastal ecosystems, and even wiping away entire islands.

ii) Table VI: Environmental performance versus the applicable laws.

i.	Compliance with Forest Conservation and Management Act of 2016 (10%)	Kenya has a national tree planting initiative aiming to grow 15 billion trees by 2032. This ambitious program is part of a larger effort to achieve 30% tree cover in Kenya, focusing on reducing greenhouse emissions and reversing deforestation	Participated in a riverine conservation initiative through the implementation of a 1000 seedlings tree planting exercise at the Ilingoni sand harvesting site, located in Nguumo Ward, Kibwezi West Sub-county.
ii.	Compliance Makueni Sand Conservation and Utilization Act 2015 and the Regulations (20%)	Section 12- Sand Management committees Section 18- Construction of Sand dams and gabions Section 27- sand utilization sites and conservation sites. Section 35-	4 ward sand management committee meetings held One earthdam rehabilitated. 200 seedlings donated to Kalamba fruit processing plant and 200 to Wote Municipality 67 sand harvesting sites designated, 16 sites closed 1,000 tree seedlings donated to

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		Revenue sharing	Ilingoni River for riverine conservation program.
iii.	Water Act 2016	Water Act has extensive provisions on conservation and management of water on water basins and catchments areas. Although most sand mining in Kenya occurs in or next to water rivers, the act plays a limited role mining despite the	The majority of designated sand harvesting sites in Makueni County are located within water catchment areas. Sand dealers have adhered to the provisions of the Water Act by ensuring that sand harvested 100 metres from structures like drifts, bridges, sand dams, water sumps and water sources to minimize pressure on critical water resources.

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		clear threat to water resources at regulating sand.	
iv	EMCA Act 1999	The Integrated National Land use guidelines, 2011 prepared by NEMA places on Environmental power to control all activities regarding sand harvesting requiring all the users to form voluntary societies and to be licenced in accordance with the EMCA.	Makueni Sand Authority ensures that EMCA regulations are adhered to by ensuring that all the sand dealers are issued permits for the sake of environmental and sustainable development. Sand harvesting is also done 100metres from key infrastructure including dykes, bridges, sand dams and water sumps.

i) Employee welfare

The Authority is finalizing the development of Human Resource Policies and Procedures that will guide in all human resources management and development issues. The development process has been consultative and a robust stakeholder involvement before finalization is planned for. The Authority has however been relying on the guidelines provided by the national human resource management policies, has clear job descriptions and competitively recruits for vacant positions. The Authority observes the gender rule and promotes national cohesion by hiring from other ethnicities and religious affiliations.

Improvement of skills and managing careers, appraisal and reward systems

The Authority allocates a budget for training to enhance staff competence and capacity to deliver effectively and efficiently. The Authority has embraced performance management and all staff

sign performance contracts every year and they commit to achieve their set out targets. Appraisal is done and the best performing staff are recognized and awarded and sanctions instilled for poor performance.

Policy on safety and compliance with Occupational Safety

A safe work environment is necessary for a productive workforce. The Authority complies with the Occupational Safety and Health Act of 2007(OSHA) through the following efforts:

1. Training of staff on handling fire emergencies;
2. Having First Aid Kits and emphasize on the need for personal responsibility culminating in social responsibility;
3. Having a Fire Assembly Point and are in touch with the County Fire Response team in case of emergency.
4. Implementing COVID – 19 and Ministry of Health protocols in place and emphasize on having personal protective equipment at all times in the workplace.

The Authority continues to invest in its human capital (HC) considering they are a primary asset. We continually improve and uphold organizational culture, traditions that add value to our HC and spur continued productivity.

iii) Market place practices-

a) Enhance Responsible competition practice.

Sand Authority, although not strictly doing business, plays a significant role in the Sand market within Makueni County. To this end the Authority encounters stakeholders in the Sand commodity market and must have in place, as a regulatory body, measures to ensure responsible competition practices. The following measures are applied by the Authority:

1. Internal measures

The Authority is keen on the integrity of its staff which will inadvertently reflect on the integrity of the Authority. To this end the Authority, through its management conducts staff anti-corruption training at least once a year and mandates the

management to sign and adhere to the Public servants ethics and integrity code.

2. External Measures

The Authority relates with the public and other stakeholders and has in place stakeholder engagement forums and feedback platforms. The Authority is alive to the fact that unrestricted sand market would have devastating impacts to the environment. To ensure no environment damage is done or at least minimize the damage, the Authority has Environmental officers sitting in the Ward Sand Committees to designate appropriate sites for utilization and close damaged or overly utilized sites.

The Authority also through its enforcement officers and Revenue clerks ensures that all who access Sand in Makueni pay for license and cess without exception. The Authority is non-political and aims at ensuring a level playing field for all actors and respect for competition amongst all stakeholders.

b) Responsible Supply Chain and Supplier relations

The Authority is committed to upholding the principles of transparency, fairness, and accountability in procurement, as stipulated in the Public Procurement and Asset Disposal Act, 2015. Key actions undertaken to ensure responsible supply chain management include:

- i. The Authority has established functional procurement and asset disposal committees—specifically the tender opening, evaluation, and inspection committees—to oversee and ensure compliance with procurement procedures.
- ii. Annual procurement plans are developed in alignment with the Medium-Term Fiscal Framework and national fiscal policy objectives, ensuring both sustainability and strategic resource allocation.
- iii. The Authority fosters ethical business practices by availing clear and timely information on tenders and technical specifications. In line with government policy, 30% of the procurement budget is reserved for youth, women, and persons with disabilities.
- iv. To enhance supplier relations and trust, the Authority processes payments within 30 days of invoice receipt and remains committed to keeping pending bills below 1% of the total budget annually, subject to fund availability.

c) Responsible Marketing and Advertisement

The Authority ensures responsible marketing and advertisement through:

1. Ensuring there is equity and fairness in provision of information to suppliers on the required goods, works and services.
2. Ensuring confidentiality of the information received from suppliers about their businesses and bids submitted in accordance with PPDA of 2015.
3. Ensuring the suppliers are notified of the proceeding resulting from the tender they submitted in accordance with the regulation and act.
4. Ensuring there is transparency in evaluation of suppliers and awarding of tenders based on the evaluation criteria described in the solicitation document.
5. Ensuring the organization gets value for their money and at the same time the supplier benefits from the service, good or work rendered to the organization.

d) Product Stewardship

The Authority ensures that consumer rights and interests are safeguarded through:

1. Adherence to the Makueni County sand Conservation and Utilization Act,2015
2. Providing guidance to the County Government on relevant licenses and applicable rates for sand harvesting, which are subsequently subjected to public and other stakeholders' input.
3. Promoting and facilitating public participation during opening and closing of sand harvesting sites.

iv) Corporate Social Responsibility / Community Engagements

While dispensing our mandate as the lead agency in all matters to sand in the County, the Authority has made efforts to also give back to the community. The Authority does not have a structured way of carrying out CSR activities but simply responds to requests by sections of the community.

In the 2024/2025 FY, the Authority assisted community self-help groups involved in construction of sand dams through providing transport to ferry local materials.eg hard core to the

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construction site. This helped a lot to speed up the completion of the sand dams and ease the work of the community members who are required to offer their contribution through provision of labour and local materials. The authority again bought and distributed tree seedlings to community groups for conservation purposes.

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the *Authority's* affairs.

i) Principal activities

The principal activity of the Authority is to regulate and ensure sustainable conservation and utilisation of sand and provide for protection of environment and equitable sharing of the accruing benefits.

ii) Results

The results of the Authority for the year ended June 30, 2025, are set out on page 1-7.

iii) Directors

The members of the Board of Directors who served during the year are shown on page v.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. Being a County Corporation, the Authority did not remit any funds to the Consolidated Fund because the funds were reallocated in the subsequent year and there is an act which guides on distribution of the resources.

v) Auditors

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

By Order of the Board:

Signature:



Name: Urbanus Ndunda

Date: 22.08.2025

12. Statement of Directors Responsibilities

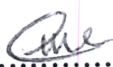
Section 81 of the Public Finance Management Act, 2012 and (section 10) of the Makueni County Sand Conservation and Utilization Act, 2015 require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authorities financial statements, which give a true and fair view of the state of affairs of the Authority 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 entity; (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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances. The Directors accept responsibility for the Authorities financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the Authorities financial statements give a true and fair view of the state of the Authorities transactions during the financial year ended June 30, 2024, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority 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 Authority's financial statements were approved by the Board on 22nd August, 2025 and signed on behalf by:

Signature.....

Name: Sammy Musyoki Mukeku
Chairperson of the Board

Signature: .....

Name: Mr. Urbanus Ndunda
Accounting officer

REPUBLIC OF KENYA



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REPORT OF THE AUDITOR-GENERAL ON MAKUENI COUNTY SAND CONSERVATION AND UTILIZATION AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on 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 Makueni County Sand Conservation and Utilization Authority set out on pages 1 to 42, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Makueni County Sand Conservation and Utilization Authority as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Financing Locally Climate Change Agreement dated 19 May, 2022, the Makueni County Sand Conservation and Utilization Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Changes in Net Assets

The statement of changes in net assets reflects net assets balance of Kshs.26,301,203. However, retained earnings reflects an opening balance of Kshs.14,665,561 while the audited prior year closing balance as at 30 June, 2024 was Kshs.63,370,932 resulting to unexplained variance of Kshs.48,705,371.

In the circumstances, the accuracy of net assets balance of Kshs.26,301,203 could not be confirmed.

2. Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 28 to the financial statements reflect cash and cash equivalents balance of Kshs.3,173,105. However, review of the cashbooks and bank statements revealed that the cashbook was maintained in excel work sheet rather than a physical cashbook or a system-generated cashbook.

In addition, the statement of financial performance and as disclosed in Note 7 to the financial statements reflects revenue amounting to Kshs.39,135,867 which was transferred to the County Revenue Fund (CRF) despite the Authority being a self-reporting entity that prepares its own financial statements.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.3,173,105 could not be confirmed.

3. Unsupported Depreciation and Amortization Amount

The statement of financial performance reflects depreciation and amortization expense of Kshs.3,308,785 as disclosed in Note 19 to the financial statements. However, there was no depreciation Policy to guide on the depreciation and amortization rates.

In the circumstances, the accuracy of depreciation and amortization totalling Kshs.3,308,785 could not be confirmed.

4. Unconfirmed Levies, Fines and Penalties

The statement of financial performance reflects Kshs.43,072,108 in respect to levies, fines and penalties as disclosed in Note 7 to the financial statements. Although, Management explained that revenue was charged based on the Finance Bill of financial year 2023/2024, no details were provided in relation to the charges for specific items of revenue. In addition, the budget was not approved by the Board.

In the circumstances, the accuracy of the levies, fines and penalties totalling Kshs.43,072,108 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Makueni County Sand Conservation and Utilization Authority 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.

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 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 pages iii to xli which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer/Managing Director, Statement of Performance Against Pre-determined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Director's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Authority'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, 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. Irregular Contract and High Maintenance Costs of Enterprise Resource Planning System

Review of records revealed that a contract for supply, installation and commissioning of Enterprise Resource Planning application (ERP) was signed at a contract sum of Kshs.2,984,949 in July, 2021. The firm was awarded another contract for ERP cloud hosting subscriptions, Microsoft business ready enhancement plan and annual maintenance plan at a contract sum of Kshs.1,999,260 as per the contract agreement dated 28 July, 2022. However, the following anomalies were noted;

- i. The firm was to provide the service for one year renewable subject to satisfactory performance and annual evaluation. However, the firm provided services beyond the one-year period without being evaluated for extension of contract.
- ii. The cost of maintaining the ERP as at the time of audit in September, 2025 had accumulated to Kshs.5,997,780 compared to the cost of purchasing the ERP of Kshs.2,984,949.

In the circumstances, the regularity of having the contract beyond one (1) year and the rationale of having high maintenance costs than the actual purchase price of the system could not be confirmed.

2. Delayed Construction of Kaiti Sand Dam

Review of the project's records revealed that construction of the dam was done using community labour-based model by Project Management Committee (PMC) drawn from the community while the Authority was to provide technical support in terms of project supervision. However, there was no contract or memorandum of understanding which was signed by the two (2) parties, stating the start and end dates of the project and the deliverables to be achieved at any given time.

Further, project verification in June, 2025 revealed that the project was not complete as bill number five (5) on auxiliary structures with a cost of Kshs.2,700,000 had not been completed and bill number 6 (six) on solar powered pump set and accessories was yet to start. In addition, the project had stalled and there was no budget allocation in the year under review.

In the circumstances, value for money spent on the project could not be confirmed.

3. Irregular Payment of Security Services

Review of records revealed that Management contracted a firm for security services at a monthly cost of Kshs.19,800. However, the contract was between a security firm and the County Executive of Makueni while payments were made by the Authority using invoices which were addressed to the County Executive of Makueni. Further, it was observed that there was no system in place to inspect or confirm whether the security guards were on duty.

In the circumstances, there was no enforceable contract between the Authority and the security firm in case of default and accountability of service delivered by the guards could not be confirmed.

4. Irrelevant Significant Accounting Policy

Review of summary of significant accounting policies revealed that the information contained under transfer from other Government entities Policy No.4 (a)(i) reflects that the development/capital grants are recognised in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds. However, International Public Sector Accounting Standards (IPSAS 9) requires the funds to be recognised in the statement of financial performance.

In the circumstances, the relevance of the significant accounting policy on development/capital grants could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Finance Policy

The Authority collected revenue amounting to Kshs.43,071,108 during the year under review. However, there was no Finance Policy in place to guide on how the Authority will handle its financial matters.

In the circumstances, the Authority may not realize its full potential.

2. Ineffective Audit Committee and Internal Audit Function

During the year under review, there were no Audit and Risk Management Committee meetings held contrary to Regulation 172(1) of the Public Finance Management (County Governments) Regulations, 2015 which require the Audit Committee to meet at least once in every three months. In addition, there was no Audit and Risk Management Committee Annual Work Plan for the year under review. This is contrary to Regulation 163(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires internal audit planning to be carried out on the basis of risk assessment and be set out in a three-year Strategic Plan on the basis of which an annual internal audit activity plan shall be developed.

Further, there were no internal audit reports prepared contrary to Regulation 166(1) of the Public Finance Management (County Governments) Regulations, 2015 which require each head of internal audit unit to prepare quarterly internal audit report which covers areas provided for in the guidelines and shall be in a format issued by the Cabinet Secretary.

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

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

Responsibilities of the Management and the Board of Directors

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

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

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

The Board of Directors is responsible for overseeing the Authority'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

27 November, 2025

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14. Statement of Financial Performance for the year ended 30th June 2025


	Notes	2024-2025	2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from County Government	6	61,165,070	71,003,989
Levies, Fines, and penalties	7	43,072,108	30,535,543
Public Contributions and Donations	8		
Revenue from exchange transactions			
Other income	15		
Total revenue		104,237,178	101,539,532
Expenses			
Levies, Fines, and penalties(transfers to CRF)	7	39,135,867	30,535,543
Use of goods and services	16	32,458,900	43,733,216
Employee costs	17	24,910,374	17,624,626
Board Expenses	18	3,292,965	3,979,487
Depreciation and amortization expense	19	3,308,785	4,143,572
Repairs and maintenance	20	926,413	1,991,428
Total expenses		64,897,437	102,007,873
Surplus/(deficit) for the period/year		213,874	(468,341)

The notes set out on pages 8 to 39 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


Sign: 
Urbanus Ndunda
Chief officer/Accounting officer

Date: 22.08.2025

Sign: 
Dominic Kinyili
Head of Finance

ICPAK M/No: 16513

Date: 22.08.2025

Sign: 
Sammy Musyoki Mukeku
Chairman of the Board


Date: 22.08.2025


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15. Statement of Financial Position as at 30th June 2025

	Notes	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	28	3,173,105	262,652
Receivables from Non-Exchange Transactions	30	14,889,078	25,706,804
Inventories	31		
Prepayments	33	4,311,214	919,095
Total Current Assets		22,373,397	26,888,551
Non-Current Assets			
Property, Plant and Equipment	34	9,524,818	12,833,604
Total Non- Current Assets		9,524,818	12,833,604
Total Assets (A)		31,898,215	39,722,155
Liabilities			
Current Liabilities			
Trade and Other Payables	36	5,597,012	245,100
Refundable Deposits from Customers	37		
Total Liabilities (B)		5,597,012	245,100
Net Assets (A-B)		26,301,203	39,477,055
Represented By:			
Reserves		11,421,768	11,421,768
Accumulated Surplus		14,879,435	28,055,287
Capital Fund			
Net Assets		26,301,203	39,477,055

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:

Sign: 
Urbanus Ndunda
Chief officer/Accounting officer

Sign: 
Dominic Kinyili
Head of Finance

Sign: 
Sammy Musyoki Mukeku
Chairman of the Board

Date: 22.08.2025

ICPAK M/No: 16513

Date: 22.08.2025

Date: 22.08.2025

Makueni County Sand Conservation and Utilization Authority
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16. Statement of Changes in Net Assets for the year ended 30th June 2025

	Retained Earnings	Capital/Development Grants/Fund	Total
As at July 1, 2022	14,700,281	11,421,768	26,122,049
Surplus/deficit for the year	433,621		433,621
As at June 30, 2023	15,133,902	11,421,768	26,555,670
As at July 1, 2023	15,133,902	11,421,768	26,555,670
Surplus/ deficit for the year	(468,341)	11,421,768	(468,341)
As at June 30, 2024	14,665,561		26,087,329
As at July 1, 2024	14,665,561	11,421,768	26,087,329
Surplus/ deficit for the year	213,874		213,874
As at June 30, 2025	14,879,435	11,421,768	26,301,203

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17. Statement of Cash Flows for the year ended 30th June 2025

	Note	2024-2025	2024-2025
		Kshs	Comparative FY Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	61,165,070	
Levies, Fines, and penalties	7	43,071,108	
Total receipts		104,236,178	
Payments			
Use of goods and services	16	34,009,291	
Employee costs	17	23,971,189	
Board Expenses	18	3,292,965	
Repairs and maintenance	20	926,413	
Total payments		62,199,858	
Net cash flows from/(used in) operating activities	45	37,181,711	16,312,839
Cash flows from investing activities			
Net cash flows from/(used in) investing activities			(11,634,230)
Cash flows from financing activities			
Remission to County Treasury		(39,125,867.00)	
Net cash flows from financing Activities		(39,125,867.00)	
Net increase/(decrease) - cash & Cash equivalents		2,910,453.00	4,678,609
Cash & cash equivalents at the year Start	28	262,652.00	9,107,875
Cash and cash equivalents at the year End	28	3,173,105.00	262,652

18. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2024-2025		2024-2025	2024-2025		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Non-Operating Revenue	47,000,000	-	47,000,000	43,072,108	(3,927,892)	(8)
Other Non-Operating Revenue						
Grants	61,593,879	1,959,820	63,553,699	61,165,070	(2,388,629)	(4)
Total Revenue	108,593,879	1,959,820	110,553,699	104,237,178	(6,316,521)	
EXPENSES						
Operating revenue				39,125,867		
Staff Costs	25,342,473	-	25,342,473	24,910,374	432,099	2
Board Expenses	3,000,000	300,000	3,300,000	3,292,965	7,035	0
Use of goods and services	31,751,406	2,233,407	33,984,813	27,462,826	6,521,987	19
Repairs and maintenance	1,500,000	(573,587)	926,413	926,413	0	0
Depreciation and amortization				3,308,785	(3,308,785)	
Total Recurrent Expenditure	61,593,879	1,959,820	63,553,699	99,027,230	(35,473,531)	
Surplus/Deficit				213,874		
Capital Expenditure	10,000,000	(5,000,000)	5,000,000	4,996,074	3,926	0
Total Expenditure	71,593,879		68,553,699	104,023,304	(35,469,605)	

Explanation of budget variances higher/lower than 10%

Non-operating Revenue

The Authority had budgeted own source revenue at Kshs 47M but managed to collect Kshs 43.07M with a deficit of Kshs 3.9M. This was due fewer operators registering as transporter, inadequate mobility to enhance mobility due to a vehicle breakdown giving a gap of some cases of illegal sand harvesting.

Grants

Out of the projected grant of Kshs 63.5M from the County Government, the Authority only received Kshs 61.1M representing a deficit of Kshs 2.3M.

Staff Costs

The Authority had budgeted Kshs 25.3M on employee compensation but spent Kshs 24.9M representing a favorable difference of Kshs 0.432M. The management did not employ key staff as planned for during the year.

Board Expenses

The Authority had budget a compensation of Kshs 3.3M to the Board members but spent Kshs 3.2M on board expenses.

Use of goods and services.

The Authority had planned to incur Kshs 33.9M on general and operational activities but spent Kshs 32.4M with a favorable difference of Kshs 1.5M. This was attributed due to the delay in disbursement of funds.

19. Notes to the Financial Statements

1. General Information

Makueni County Sand Conservation & Utilisation Authority is established by and derives its authority and accountability from Makueni County Sand Conservation & Utilisation Act 2015. The entity is wholly owned by the Government of Makueni and is domiciled in Kenya. The entity's principal activity is Sand Conservation.

The balance sheet is represented by the statement of financial position and the profit and loss account by the Statement of Financial Performance in these financial statements.

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 judgement in the process of applying the *Authority's* accounting policies. The areas involving a higher degree of judgement 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 *Authority*.

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

Notes to the Financial Statements (Continued)

Adoption of New and Revised Standards

New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>Impact</p> <p>The Standard had no impact to the Authority's financial statements</p>

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Standard	Effective date and impact:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: The nature of such social benefits provided by the Entity. The key features of the operation of those social benefit schemes; and The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. Impact The Standard had no impact to the Authority's financial statements</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023: Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. Impact The Standard had no impact to the Authority's financial statements</p>

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Standard	Effective date and impact
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <p><i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></p> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <p><i>IPSAS 39: Employee Benefits</i></p> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <p>IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p>Impact</p> <p>The Authority is yet to adopt the standard.</p>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>Impact</p> <p>The Authority is yet to adopt the standard.</p>

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Standard	Effective date and impact:
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>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</p>

• Early adoption of standards

The Entity did not early – adopt any new or amended standards in year 2024/2025

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions Fees, taxes and fines

The Entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions Rendering of services

The Entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Entity.

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 each period.

a) Budget information

The original budget for FY 2024-2025 was approved by the County Assembly in June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure

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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. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

b) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of

unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Entity and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day- to-day maintenance of an investment property. Investment property acquired through a non- exchange

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transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

a) 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 Entity 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.

b) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held

under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

(Continued)

d) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- f) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of

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expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies

(Continued) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial

asset or an Entity of financial assets is impaired. A financial asset or an Entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or an Entity of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition., All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was

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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:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) 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 *Entity*

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

k) Provisions

Provisions are recognized when the Entity 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 Entity 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.

l) Contingent liabilities

The Entity 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.

m) Contingent assets

The Entity 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 Entity 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.

n) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Currently the Authority has no provisions in place.

o) Changes in accounting policies and estimates

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

p) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees and directors. Currently the Authority pays the contract staff gratuity at 31% of the annual basic pay.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

q) Foreign currency transactions

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

r) 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.

s) Related parties

The *Entity* 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 *Entity*, or vice versa. Members of key management are regarded as related parties and comprise *the directors, the*

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MD and managers.

t) Service concession arrangements

The *Entity* analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)

u) 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

v) Comparative figures

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

w) Subsequent events

There has been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the *Entity'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 Entity 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Notes to the Financial Statements (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

Useful lives and residual value

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

- The condition of the asset based on the assessment of experts employed by the Entity.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The Authority had no applicable provisions as at the date of reporting

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Notes to the Financial Statements (Continued)

6. Transfers from County Government

Description	2024-2025	2023-2024
	KShs	KShs
Unconditional Grants		
Operational Grant	61,165,070	71,003,989
Total Government Grants And Subsidies	61,165,070	71,003,989

a) Transfers from the County Departments

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 transfers 2024-2025	Prior year
	KShs	KShs	KShs	KShs	2023-2024 KShs
County Government of Makueni	61,165,070			61,165,070	71,003,989
Total	61,165,070			61,165,070	71,003,989

7. Levies, Fines and Penalties

Description	2024-2025	2023-2024
	Kshs	Kshs
Building Materials		
Impounding Fees		824,543
Sand Cess	33,045,550	22,506,000
Licensing	7,565,000	7,205,000
Fines	2,461,558	
Total	43,072,108	30,535,543

The Authority charges taxes to local sand harvesters which are approved through the finance act.

8. Public Contributions and Donations

Description	2024-2025	2023-2024
	Kshs	Kshs
World Wildlife Fund Grant		
Total		

9. Property Taxes Revenue

The Authority did not receive revenue from property during the year.

10. Licenses, Fees and Permits

The Licenses, Fees and Permits income received are explained in note 7.

11. Rendering of Services

The Authority did not receive revenue from rendering of services during the year.

12. Sale of Goods

The Authority is a regulatory body and does not receive revenue from sale of goods

13. Rental Revenue from Facilities and Equipment

The Authority did not receive revenue from facilities and equipment during the period under audit.

14. Finance Income

The Authority did not receive revenue from finance income during the year under audit.

15. Other Income

Description	2024-2025	2023-2024
	Kshs	Kshs
Sale of Tender		

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Other misc. incomes		
Total other income		

16. Use of Goods and Services

Description	2024-2025	2023-2024
	Kshs	Kshs
Water and sewerage charges	18,480	41,680
Telephone, Telex, Facsimile and Mobile Phone Services	417,950	496,000
Internet Connections	187,920	258,560
Advertising, Awareness ,Communication & Publicity Campaigns;	92,000	316,600
Webhosting	-	53,846
Domestic travelling and subsistence	2,414,778	3,498,680
Rent expenses	770,000	690,898
Staff training and development	515,615	800,610
Hospitality supplies and services	1,168,000	1,674,547
Audit fees	232,000	-
Bank charges and commissions	275,084	262,755
Office and general supplies and services	462,855	1,028,110
Refined fuels, Oils & Lubricants	2,167,915	2,600,000
Direct deposit to county government	-	
Other General Expenses	23,736,303	32,010,930
Total Use of Goods and Services	32,458,900	43,733,216

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17. Employee Costs

	2024-2025	2023-2024
	Kshs.	Kshs.
Basic Pay	12,411,841	10,144,442
House Allowance	2,151,751	1,688,158
Commuter Allowance	1,853,677	1,621,650
Hardship Allowance	2,927,245	2,156,000
NSSF Contribution	813,685	528,480
Housing levy	293,128	254,252
Staff welfare contribution		
Staff Gratuity	3,639,795	747,784
Transfer Allowance		315,860
Wages to temporary employees	551,000	
Acting Allowance	94,252	-
Leave allowance	174,000	168,000
Total Staff Cost	24,910,374	17,624,626

18. Board Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Chairman/Directors' Honoraria		
Board Meeting Expenses	3,292,965	3,979,487
Total	3,292,965	3,979,487

19. Depreciation and Amortization Expense

Description	2024-2025	2023-2024
	Kshs	Kshs

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Motor vehicle Depreciation	1,825,342	2,433,790
Computer and accessories Depreciation	432,873	649,309
Office equipment Depreciation	113,885	123,788
Furniture Depreciation		
Office container,store&ablution block	936,686	936,686
Total depreciation and amortization	3,308,785	4,143,572

20. Repairs and Maintenance

Description	2024-2025	2023-2024
	Kshs	Kshs
Vehicles	926,413	1,991,428
Maintenance of buildings		
Total Repairs and Maintenance	926,413	1,991,428

21. Contracted Services

The Authority did not pay for contracted services during the year.

22. Grants and Subsidies

The Authority did not issue grants and subsidies during the year under audit.

23. Finance Costs

The Authority did not incur finance costs during the year under audit.

24. Gain on Sale of Assets

The Authority did not dispose any assets during the year under audit.

25. Unrealized Gain on Fair Value Investments

The Authority did not recognize any unrealized gain on fair value investments during the year under audit.

26. Impairment Loss

The Authority did not recognize impairment loss during the year.

27. Taxation

The Authority did not recognize taxation costs during the year.

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28. Cash and Cash Equivalents

Description	2024-2025	2023-2024
	Kshs	Kshs
Current Account	3,171,205	167,652
Others-MPESA Paybill	1,900	95,000
Total Cash And Cash Equivalents	3,173,105	262,652

Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2024-2025	2023-2024
		Kshs	Kshs
a) Current Account			
Kenya Commercial Bank	1174872071	3,169,337	167,627
Kenya Commercial Bank	1173940030	1,868	25
Sub- Total		3,171,205	167,652
b) Others(Specify)			
Mobile Money Accounts	172564	1,900	95,000
Sub- Total		1,900	95,000
Grand Total		3,173,105	262,652

29 Receivables from Exchange Transactions

The Authority did not recognize receivables from exchange transactions during the year.

30 Receivables from Non-Exchange Transactions

Description	2024-2025	2023-2024
	Kshs	Kshs
Other debtors (non-exchange transactions)	14,889,078	25,706,804
Less: impairment allowance		
Total current receivables	14,889,078	25,706,804

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30 (b) Reconciliation for Impairment Allowance on Receivables from Non-Exchange Transactions

The Authority did not recognize Impairment Allowance on Receivables from Non-Exchange Transactions during the year.

31 Inventories

Description	2024-2025	2023-2024
	Kshs	Kshs
Consumable stores		
Total inventories at the lower of cost and net realizable value		-

Notes to the Financial Statements (Continued)

32 Investments

The Authority did not recognise any Investments during the year.

33. (a) Prepayments

	2024-2025	2023-2024
	Kshs	Kshs
Insurance	4,311,214	919,095.00
	4,311,214	919,095.00

34. Property, Plant and Equipment

Property, Plant and Equipment

	Motor vehicles	Office equipment, furniture and fittings	Computers and related equipment	Office container, store and ablution block	Amount
COST OR VALUATION					
As at 01 July 2020	9,748,000	689,718	1,115,000		11,552,718
Additions		4,000	404,000		408,000
Disposal					
Adjustments					
As at 30 June 2021	9,748,000	693,718	1,519,000		11,960,718
DEPRECIATION					
As at 01 July 2020	6,913,668	155,959	789,568		7,859,195
Eliminated on disposal					
Revaluation/Adjustments					

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Charge for the year	708,583	43,021	243,144		994,748
As at 30 June 2021	7,622,251	198,979	1,032,712		8,853,942
NET BOOK VALUE At June 30, 2021	2,125,749	494,738	486,288		3,106,775
As at 01 July 2021	9,748,000	693,718	1,519,000		11,960,718
Additions	6,648,000	14,500	369,000	1,930,900	8,962,400
Disposal					
Adjustments					
As at 30 June 2022	16,396,000	708,218	1,888,000	1,930,900	20,923,118
DEPRECIATION					
As at 01 July 2021	7,622,251	198,979	1,032,712		8,853,942
Eliminated on disposal					
Revaluation/Adjustments					
Charge for the year	2,193,437	40,739	285,096		2,519,272
As at 30 June 2022	9,815,688	239,718	1,317,808	-	11,373,215
NET BOOK VALUE At June 30, 2022	6,580,312	468,499	570,192	1,930,900	9,549,903
As at 01 July 2022	16,396,000	708,218	1,888,000	1,930,900	20,923,118
Additions	6,399,900	1,213,400	1,007,700	3,064,756	11,685,756
Disposal					
Adjustments					
As at 30 June 2023	22,795,900	1,921,618	2,895,700	4,995,656	32,608,874
DEPRECIATION					
As at 01 July 2022	9,815,688	239,718	1,317,808	-	11,373,215
Eliminated on disposal					
Revaluation/Adjustments					

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Charge for the year	3,245,053	134,552	525,964	1,248,914	5,154,483
As at 30 June 2023	13,060,741	374,270	1,843,772	1,248,914	16,527,698
NET BOOK VALUE At June 30, 2023	9,735,159	1,547,347	1,051,928	3,746,742	16,081,176
As at 01 July 2023	22,795,900	1,921,618	2,895,700	4,995,656	32,608,874
Additions			896,000		896,000
Disposal					
Adjustments					
As at 30 June 2024	22,795,900	1,921,618	3,791,700	4,995,656	33,504,873
DEPRECIATION					
As at 01 July 2023	13,060,741	374,270	1,843,772	1,248,914	16,527,698
Eliminated on disposal					
Revaluation/Adjustments					
Charge for the year	2,433,790	123,788	649,309	936,686	4,143,572
As at 30 June 2023	15,494,531	498,058	2,493,081	2,185,600	20,671,270
NET BOOK VALUE At June 30, 2024	7,301,369	1,423,559	1,298,619	2,810,057	12,833,604
As at 01 July 2024	22,795,900	1,921,618	3,791,700	4,995,656	33,504,873
Additions					-
Disposal					
Adjustments					
As at 30 June 2025	22,795,900	1,921,618	3,791,700	4,995,656	33,504,873
DEPRECIATION					
As at 01 July 2024	15,494,531	498,058	2,493,081	2,185,600	20,671,270
Eliminated on disposal					
Revaluation/Adjustments					

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Charge for the year	1,825,342	113,885	432,873	936,686	3,308,785
As at 30 June 2025	17,319,873	611,943	2,925,954	3,122,286	23,980,056
NET BOOK VALUE At June 30, 2025	5,476,027	1,309,675	865,746	1,873,371	9,524,818

Notes to the Financial Statements (Continued)

Valuation

The Authority did not value the equipment during the year under reporting.

34. (b) Property, Plant and Equipment at Cost

The assets were reported at historical cost basis.
 Property plant and Equipment includes the following assets that are fully depreciated

Intangible Assets

The Authority did not recognize Intangible Assets during the year.

35. Investment Property

The Authority did not recognize Investment Property during the year.

36. Trade and Other Payables

Description	2024-2025	2023-2024
	Kshs	Kshs
Trade payables	4,657,827	245,100
Employee payables	939,185	
Withholding Tax Liability		
Other payables		
Total trade and other payables	5,597,012	245,100

37. Refundable Deposits and Prepayments from Customers

Description	2024-2025	2023-2024
	Kshs	Kshs
Customer deposits		
Prepayments		
Other deposits		
Payments received in advance		
Total deposits		

38. Current Provisions

The Authority did not recognise any Provisions during the year.

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39. Finance Lease Obligation

The Authority did not recognise any Finance Lease Obligation during the year.

40. Deferred Income

The Authority did not recognise Deferred Income during the year.

41. Employee Benefit Obligations

The Authority did not recognise Employee Benefit Obligations during the year. The Entity also contributes to the statutory National Social Security Fund (NSSF). This is a define contribution scheme registered under the National Social Security Act. The Entity's obligation under the scheme is limited to specific contributions legislated from time to time

42. Non-Current Provisions

The Authority did not recognise Non-Current provisions during the year.

43. Borrowings

The Authority did not recognise any Borrowings during the year.

44. Service Concession Arrangements

The Authority did not recognize any Service Concession Arrangements during the year.

45. Cash Generated from Operations

	2024-2025	2023-2024
	Kshs	Kshs
Surplus for the year before tax	213,874	30,067,202
Adjusted for:		
Depreciation	3,308,785	4,143,572
Working capital adjustments		
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade and other receivables	(10,817,726)	(14,532,965)
(Increase)/decrease in Prepayments	(3,392,119)	
Increase/(decrease) in current trade and other payables	5,351,912	(2,445,875)
Increase/(decrease) in current retirement benefit obligations		
Increase/(decrease) in payments received in advance		
Net cash flow from operating activities	16,300,178	17,231,935

46. Financial Risk Management

The Entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the

potential adverse effect of such risks on its performance by setting acceptable levels of risk.

a. Credit risk

The Authority is not exposed to Credit

i) Liquidity risk management

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

ii) Market risk

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

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

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Capital Risk Management

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

	2024-2025	2023-2024
	Kshs	Kshs
Retained Earnings	102,710,672.27	29,148,105.74
Capital Reserve	11,421,768.00	11,421,768.00
Total Funds	114,132,440.27	29,148,105.74
Total Borrowings	-	-
Less: Cash And Bank Balances	3,173,105.00	262,652.43
Net Debt/(Excess Cash And Cash Equivalents)	3,173,105.00	262,652.43
Gearing	0.03	0.01

47. Related Party Disclosures

Nature of related party relationships

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

County Government of Makueni

The County Government of Makueni is the principal shareholder of the *Authority*, holding 100% of the *Entity's* equity interest. The County Government has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

Other related parties include:

- a. Key management.
- b. Board of directors.

48. Segment Information

The Authority operates from the Head Quarters and has no other branches.

49. Contingent Assets and Contingent Liabilities

The Authority did not recognize any Contingent Assets and Contingent Liabilities during the year.

Notes to the Financial Statements (Continued)

50. Capital Commitments

The Authority did not recognize any Capital Commitments during the year.

51. Surplus Remission

The Makueni County Sand Conservation and Utilisation Act 2015 states how funds collected by the Authority will be shared during the year. When the Authority is not able to implement the distribution during the year, the funds are reallocated to the subsequent year budget through supplementary budget.

52. Taxation

The Authority did not recognise taxation expense during the year.

53. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%.

The Authority did not recognise Deferred Tax Liability during the year.

54. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

55. Ultimate and Holding Entity

The Entity is a Semi- Autonomous County Government Agency under Makueni County Government.

56. Currency

The financial statements are presented in Kenya Shillings (Kshs)

19. APPENDICES

Appendix I: Implementation Status of Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Unconfirmed cash and cash Equivalent	The bank reconciliation statement as at June 2024 indicated a balance of Ksh. 97,325.00 while the Cash book for revenue account number 1173940030 for the same period showed a balance of Ksh. 97,325.00. An adjusted cashbook adjusting the two accounts has been done. The cash-balance of ksh 95,000 and a bank balance of ksh 25 as per the details of cash and cash equivalent has been reconciled.	Resolved	
2.	Unsupported Depreciation and Amortization Amount	The depreciation and amortization expense of Kshs. 4,143,572 was computed using the straight-line method, which has been consistently applied in line with International Public Sector Accounting Standards (IPSAS 31 and 45).	Resolved	

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3.	Unsupported use of goods and services	The variance in other general expenses amounting to Kshs. 849,096 arose due to the classification of an insurance prepayment of Kshs. 919,095. The correct ledger balance for use of goods and services under other general expenses is Kshs. 32,010,930, which excludes this prepayment. The total amount for other general expenses should therefore be Kshs. 32,930,026, aligning with the financial statement. The classification of the insurance prepayment has been appropriately accounted for under prepayments, in accordance with IPSAS 1 (Presentation of Financial Statement).	Resolved	
4.	Irregular Board Meetings	Management acknowledges that the Board convened nine (9) full meetings, exceeding the six (6) meetings allowed by the National Treasury Circular of March 2020. This was necessitated by the transition in management, which required increased oversight, governance decisions, and strategic realignment.	Resolved	
5.	Construction of Kaiti Sand Dam	The Kaiti Sand Dam project was implemented as a labour-based, phased initiative involving community participation through the Project Management Committee (PMC). The	Resolved	

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		<p>project followed a staged funding approach, with disbursements made progressively as work was completed.</p> <p>A completion certificate for phase one has since been issued, confirming the quality and progress of work.</p>		
6.	Lack of a training Needs Assessment Report	<p>Justification of Expenditure: While a formal TNA document was not submitted alongside the financial report, training programs were aligned with the authority's Performance Contracting report.</p> <p>Corrective Action: Moving forward, the Authority commits to conducting a structured and documented TNA before approving training expenditures. A formal TNA report will be developed annually to ensure alignment with strategic goals.</p> <p>Compliance Assurance: Measures will be implemented to ensure that all future training activities strictly adhere to the Human Resource Policies and Procedures Manual. Training records, approvals, and justifications will be documented and</p>	Resolved	

implemented by the Authority


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		<p>submitted with financial statements.</p> <p>Continuous Improvement: The Authority has already establish a monitoring framework to assess the impact of training on performance and make adjustments where necessary.</p>		
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Appendix II: Projects

S/NO	F/Y	PROJECT NAME	LOCATION	EXPENDITURE	IMPLEMENTATION STATUS
1	2024/2025	Rehabilitation and Catchment conservation of Kwa Nditu Earthdam	Kiimakiu/Kalanzoni ward	2.9M	Complete

Implemented by the Authority,

Sign: 

Urbanus Ndunda

Ag. Managing Director


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Appendix III: Transfers from Other Government Entities

Name of the County/UDA/Donor Transferring the funds	Date received (as per bank statement)	Nature: Recurrent/Development/Other	Where Recorded/recognized					Total Transfers during the Year
			Total Amount	Statement of Comprehensive income	Capital Fund	Deferred income	Other s	
Makueni County Government	06.11.2024	Recurrent	1,994,174.80	1,994,175				1,994,175
Makueni County Government	06.11.2024	Recurrent	1,952,065.50	1,952,066				1,952,066
Makueni County Government	06.11.2024	Recurrent	1,994,174.80	1,994,175				1,994,175
Makueni County Government	05.12.2024	Recurrent	3,000,000.00	3,000,000				3,000,000
Makueni County Government	13.12.2024	Recurrent	1,982,673.95	1,982,674				1,982,674
Makueni County Government	19.12.2024	Development	840,000.00	840,000				840,000
Makueni County Government	19.12.2024	Development	1,435,000.00	1,435,000				1,435,000
Makueni County Government	26.02.2025	Recurrent	1,927,083.85	1,927,084				1,927,084
Makueni County Government	06.02.2025	Recurrent	12,683,961.50	12,683,962				12,683,962
Makueni County Government	26.02.2025	Recurrent	2,103,693.85	2,103,694				2,103,694
Makueni County Government	13.05.2025	Recurrent	2,059,749.65	2,059,750				2,059,750
Makueni County Government	13.05.2025	Recurrent	1,927,083.85	1,927,084				1,927,084
Makueni County Government	15.05.2025	Recurrent	1,550,789.00	1,550,789				1,550,789
Makueni County Government	15.05.2025	Recurrent	5,250,000.00	5,250,000				5,250,000
Makueni County Government	05.06.2025	Recurrent	2,059,737.65	2,059,738				2,059,738
Makueni County Government	05.06.2025	Recurrent	2,080,803.45	2,080,803				2,080,803
Makueni County Government	27.06.2025	Development	1,435,000.00	1,435,000				1,435,000
Makueni County Government	03.07.2025	Recurrent	3,521,651.50	3,521,652				3,521,652
Makueni County Government	09.07.2025	Recurrent	2,090,038.75	2,090,039				2,090,039
Makueni County Government	09.07.2025	Recurrent	2,254,011.20	2,254,011				2,254,011
	09.07.2025	Recurrent	7,023,377.00	7,023,377				7,023,377
			61,165,070	61,165,070				61,165,070

Sign: 
 Dominic Kinyili
 Head of Finance
 Date 25.07.2025

Sign: 
 Urbanus Ndunda
 Ag. Managing Director
 Date 25.07.2025

Sign: 
 John Nguni
 Chief officer-Financial services
 Date 25.07.2025