

REPUBLIC OF KENYA



*Enhancing Accountability*

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**MUNICIPALITY OF MALINDI**

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

**COUNTY GOVERNMENT OF KILIFI**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 81543, MOMBASA  
31 DEC 2024  
**RECEIVED**  
KILIFI REGIONAL OFFICE



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# MUNICIPALITY OF MALINDI

*County Government of Kilifi*

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

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

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

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## **1. Acronyms and Glossary of Terms**

### Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
CECM	County Executive Committee Member
CO	Chief Officer
KCB	Kenya Commercial Bank
GPO	General Post Office
PAYE	Pay as you Earn
NSSF	National Social Security Fund
NHIF	National Hospital Insurance Fund

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

### **a) Background information**

Municipality of Malindi is established by and derives its authority and accountability from the Urban Areas and Cities Act 2011 which was amended and Assented by an Act of Parliament on 12<sup>th</sup> March, 2019 and Commenced on 28<sup>th</sup> March, 2019.

The entity has a principal agent relationship with the County Government of Kilifi.

The Municipality's objective is to provide for efficient and accountable management of the affairs of the Municipality while vigorously pursuing the developmental opportunities available.

The Boards principal activity is undertaking infrastructural development while ensuring efficient and effective service delivery to the residents of the Municipality.

### **b) Principal Activities**

#### **VISION STATEMENT:**

The Municipality of Malindi seeks to become a well-planned urban area and preferred tourism destination.

#### **MISSION STATEMENT:**

The Municipality of Malindi exists to provide a necessary infrastructure, efficient and effective service delivery.

#### **CORE VALUES:**

- Excellence and professionalism
- Results oriented
- Efficiency and effectiveness
- Integrity
- Proactiveness
- Sensitivity and responsiveness
- Teamwork and partnership
- Creativity and innovation
- Accountability and transparency

## **STRATEGIC GOALS/OBJECTIVES OF THE SECTOR**

- a) To improve administrative planning and support services for efficient service delivery by 2027.
- b) To ensure a clean and healthy environment within the Municipality by 2027
- c) To maintain a well-lit urban area by 2027
- d) To have a well-planned and functioning urban areas by 2027

## **STRATEGIC GUIDING PRINCIPLES:**

The Urban Integrated Development Plan guiding principles are:

- **Green Technologies:** The municipality to develop infrastructure and services that are based on green and cleaner production technologies.
- **Community Participation:** Participatory urban planning, development and governance
- **Equity:** Access to resources and opportunities among the municipality residents;
- **Quality of service:** Efficiency and effectiveness in resource use and service provision
- **Sustainability:** Social, economic and environmental sustainability;
- **Inclusivity:** The municipality will cater for all segments of urban residents including marginalized and vulnerable groups engaged in formal and informal urban development processes.
- **Good governance:** Transparency and accountability to the people of Malindi municipality
- **Connectivity:** The municipality management shall be connected with ward and village units.

c) Municipal Board

Ref	Name	Position
1	Suleiman Salim	Chair person
2	Ms. Agnes Mturi	Vice-Chair person
3	Honourable Jane Kamto	Member / CECM Lands, Energy, Physical Planning, Housing and Urban Development
4	Mr. Ali Abubakar	Member/ Chief Officer Housing and Urban Development
5	Amir Naji Mansour	Member/ Chairperson: Finance, Administration and Governance Committee
6	Alice Mwaka Matembo	Member/ Chairperson: Water, Sanitation, Environment, Blue Economy and Disaster Management
7	Balal Chaudhri	Member/Chairperson: Urban Development, Housing, Public Work, Energy and Transport
8	Conrad Atiang	Member/Chairperson: Audit and Risk Management Committee
9	Clara Mkhambe	Member/Chairperson: Trade, Tourism, Social, Service, Education, Youth and Sports

Key Management Team

Ref	Name	Position
1	<b>Johnson Mwalimu Mwabati</b>	Ag. Municipal Manger
2	Amani Munga Franklin	Municipal Accountant
3	Emmanuel Kalu	Municipal Administrator
4	Benjamin Kahindi	Municipal Chief Human Resource officer
5	Prudence Kwekwe	Municipal Chief Social Welfare Officer
6	Mary Kabani	Municipal Tourism Officer
7	Walter Ogana	Municipal Planner
8	Siyat Osman	Municipal Engineer

**d) Fiduciary Oversight Arrangements**

The Audit and Risk Management committee is the main internal over sighting body and its headed by Mr. Conrad Atiang and the membership comprises of

Ref	Name	Position
8	Conrad Atiang	Chairperson: Audit and Risk Management Committee
2	Ms. Agnes Mturi	Member
4	Mr. Ali Abubakar	Member
5	Amir Naji Mansour	Member
6	Alice Mwaka Matembo	Member
7	Balal Chaudhri	Member
9	Clara Mkhambe	Member
2	Philister Kahindi	Chief Internal Audit

**e) Registered Offices**

P.O. Box 371  
Municipal Hall  
Hospital Road  
Malindi, KENYA

**f) Contacts**

Telephone: (254) 746213491  
E-mail: [malindimunicipality@kilifi.go.ke](mailto:malindimunicipality@kilifi.go.ke)  
Website: [www.kilifi.go.ke](http://www.kilifi.go.ke)

**g) Bankers**

NCBA BANK  
P.O. Box 44599-00100  
Nairobi  
Malindi, Branch  
KCB  
Malindi Branch  
P.O. BOX 520-80200  
Malindi

**h) Independent Auditor**

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

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Nairobi, Kenya

**i) Principal Legal Adviser**

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

**j) Principal Legal Adviser**

The County Attorney  
County Government of Kilifi  
P.O. Box 519-80108  
Kilifi.

### 3. Municipal Board

**Suleiman Salim**

**Date of birth:**01<sup>st</sup> Aug 1967

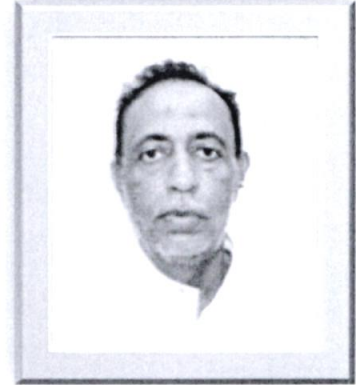
**Academic Qualification:**

Higher Diplomas and Business Administration

**Experience:**

He has over 7 years work experience in **Bakhsons Ltd**  
Currently he is the Manager of **Kitui Flour Mills**.

He is the Board Chairperson



**Ms. Agnes Mturi**

**Date of birth:**03<sup>rd</sup> March 1957

**Academic Qualification:**

Bachelors of Arts (Economics)

**Experience:**

Ms Agnes Mturi has over 26 years experience in Senior Management. She has been privileged to work with **Wasini Island Ltd, Johlen Engineers and Standard Bank** all in Senior Management positions. Current she is the Director at Amanye General Supplies Ltd.

She is Vice Chairperson of the Board



**Honourable Jane Kamto**

**Academic Qualification:**

Bachelors of Education in English Literature

**Experience:**

27 years of Experience in education administration

**CECM Lands, Energy, Physical Planning, Housing and Urban Development**



Mr. Ali Abubakar

**Date of Birth:** 1988

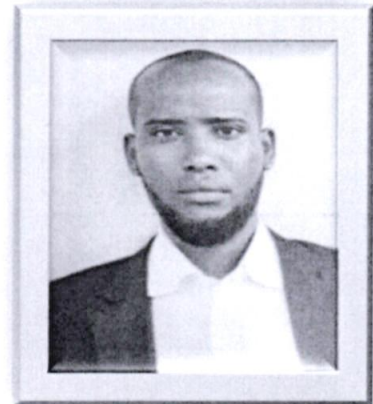
**Academic Qualification**

Masters in Business Administration

**Experience:**

Has over 8 years' experience in Finance and Accounting

He is the Chief Officer for Housing and Urban Planning



Amir Naji Mansour

**Date of Birth:** 30<sup>th</sup> April, 1988

**Academic Qualification:**

Bachelor of Commerce

Diploma in project Management

Diploma in Human Resource Management

Diploma in Computerised Accountancy

**Experience:**

3 Years' Experience: **Manager Mjanaheri Farm**

Director Itibari Farm: 2018 to date

**Chairperson:** Finance, Administration and Governance Committee



Alice Mwaka Matembo

**Date of Birth:** 10<sup>th</sup> May, 1985

**Academic Qualification:**

Diploma in Mass Communication (Print Option)

**Experience:**

She is a seasoned Journalist, Broadcasting and Public relations

**Chairperson:** Water, Sanitation, Environment, Blue Economy and Disaster Management



**Balal Chaudhri**

**Date of Birth:** 29<sup>th</sup> September, 1969

**Academic Qualification:**

BSC (Civil Engineering)

**Experience:**

Mr. Balal is an experienced Engineer with over 20 years experience in the field. He has worked with reputable organizations including Pwani Fabricators, Project Manager at Private Investors as an Engineer and project manager. Other organizations include Civil Engineer Sumitomo Const. Co and EL Sarah Ltd. He is the Director Continental Homes Ltd. and Coast Design and Build Ltd.

He is Founding member of KFGA,

**Chairperson:** Urban Development, Housing, Public Work, Energy and Transport



**Conrad Atiang**

**Date of Birth:** 18<sup>th</sup> January, 1992

**Academic Qualification:**

Bachelors of Law and Post Graduate Diploma

**Experience:**

Over 7 Years post admission experience  
2020 Jan-March 2024: Chairman Malindi Law Society

**Chairperson:** Audit and Risk Management Committee



**Clara Mkhamba**

**Date of Birth:** 7<sup>th</sup> December, 1995

**Academic Qualification:**

Bachelor of Science Degree

**Experience:**

Ms Clara has been a Pharmacist Assistant at St. Lukes Upstate Clinic – Nairobi  
She has taught at Sermago Glorious Secondary School Nairobi and Msabaha Primary School, Malindi

**Chairperson:** Trade, Tourism, Social, Service, Education, Youth and Sports



#### 4. Management Team

**Johnson Mwalimu Mwabati**

**Date of Birth:** 5<sup>th</sup> June 1980

**Academic Qualification:**

Bachelor of Science in Civil Engineering

**Experience:**

Over 10 year experience in Senior Management

**Ag. Municipal Manager**



**Amani Munga Franklin**

**Date of Birth:** 22<sup>nd</sup> May, 1983

**Academic Qualification:** Bachelor of Commerce – Finance Option

CPA K

Diploma in Business Management

**Experience.** Has over 10 years' Experience in Finance and Accounting

**Municipality Accountant**



**Emmanuel Kalu**

**Date of birth:** 18<sup>th</sup> May, 1983

**Academic Qualification:**

Bachelor of Arts in Integrated Development,  
Masters in Project planning and Management

**Experience:** 10 years

**Municipal Administrator**



**5. Benjamin Kahindi**

**Date of Birth:** 2<sup>nd</sup> March, 1983

**Academic Qualification**

BSC in Human Resource

**Experience:**

Has Over 10 years' experience

Malindi Municipality Chief Human Resource officer



**Walter Ogana**

**Date of Birth:** 8<sup>th</sup> March 1987

**Academic Qualification:**

- BA Urban and Regional Planning

**Experience:**

11 Years

**Municipal Planner**



**Prudence Kwekwe**

**Date of Birth:** 25<sup>th</sup> December, 1985

**Academic Qualification:**

BE Arts, MBA (Human Resource Management)

**Experience:**

Over 14 years experience in: Coordinating and Implementing Youth and Gender Programmes in the National and County Government

**Municipal Chief Social Welfare Officer  
Municipality of Malindi**



**Mary Kabani**

**Date of Birth:** 9<sup>th</sup> November 1984

**Academic Qualification:**

- Masters in Environmental Studies (Community Development)
- Bachelor of Tourism Management

**Experience:**

Over 10 years experience in Tourism Product Development; Sports Coordination and Coaching; Life Skill Mentor; Events Organization and Conversation Expert.

**Municipal Tourism Officer**



**Siyat Osman**

**Date of Birth:** 4<sup>th</sup> March, 1991

**Academic Qualification:**  
BSC Civil Engineering

**Experience:**

- 7 Years

**Municipal Engineer**



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

The Municipality draws its mandates from the Amended Urban Areas and Cities Act of 2011. One of the key mandates of Municipality of Malindi is to promote the social and economic development by budgeting and planning process to give priority to the basic needs of the community.

The Board of Municipality appreciates the County Government of Kilifi under the stewardship of Governor Gedion Maitha Mung'aro for the steadfast support and contribution to the Municipality in areas of Staffing and Budgeting where it has been invaluable and I am grateful for that.

The Board also appreciates our development partners including World Bank and the British Government through the KUSP programme. Very likeminded private partners like Progress Welfare Association of Malindi, A million Trees for Malindi among others. Their partnership has been instrumental in achieving our goals and I recognize their immense support.

The successes of this Municipality speak for themselves: Ranging from Infrastructural projects, Storm water management, Solid Waste Management and street lighting. These projects have catapulted Malindi to greater lengths within the 5 years of existence.

Some of the current key roads that have received funding from the World Bank through the Kenya Urban Support Program include Barclays - Mtangani Road, Farmers – Kosovo Road and the Majengo – Central Primary School Road. These roads infrastructure have greatly improved accessibility and aesthetic value to the town. The Municipality have also put up Cabro roads opening up beach areas.

The Solid waste Management program has also made a big impact to the inhabitants of this Municipality. The provision of garbage trucks and deployment of staff to manage waste has contributed to clean and green Malindi.

The economy of Malindi has been rejuvenated by the continuous improvement of the street lighting by ensuring most roads and market areas are well lit thereby increasing security of traders, tourists and the people of Malindi in general.

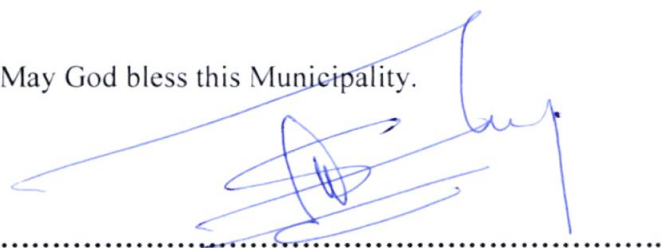
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The Municipality has made tremendous growth albeit slow. All these gains have been made possible by the unwavering support from the Executive of the County Government and Partners who have shown great support to improving lives of the people of Malindi.

I therefore wish to sincerely express my gratitude to the County Government, our Development Partners, Malindi Municipality stakeholders and the Management team at large for their full support as we endeavour to deliver services.

May God bless this Municipality.

A handwritten signature in blue ink, appearing to be 'Suleiman Salim Omar', is written over a dotted line. The signature is stylized and includes a large loop.

**Suleiman Salim Omar**

**Board Chairperson.**

## **6. Municipal Manager Report**

Municipality of Malindi derives its authority and accountability from the amended Urban Areas and Cities Act 2011 on 12<sup>th</sup> March, 2019 and was awarded a charter on 28<sup>th</sup> March, 2019.

The Municipality of Malindi is governed by a Board comprising of 9 members drawn from diverse background and areas of interests in the Municipality.

The staff strength has grown tremendously in numbers and skills. The Municipality now has a record number of 10 Heads of units and over 240 staff both permanent and contractual.

The Municipality's primary functions include Solid Waste Management, Road infrastructure development and drainage system and Streetlighting. The last 5 years since inception of the Municipality, tremendous gains have been felt far and wide by residents and visitors in areas like infrastructure development, Solid waste management, Street lighting and storm water management.

In the Solid Waste unit, the Municipality has invested heavily in terms of specialized garbage trucks and dedicated staff who ensure every litter every trash is swept and picked to the right place for collection and dumping. Further, it has contracted a private garbage service provider who has deployed 3 no. Tipper vehicles to complement the efforts to keep Malindi clean and green.

Malindi sitting pretty at the sea level used to experience storm water flooding. This is history thanks to the two specific storm water drainage projects constructed through the support of Kenya Urban Support Program by World Bank: The Augmentation of Storm water drainage in Barani and the Outfall drainage works that evacuates storm water into the ocean efficiently.

Towards achieving the social and economic development of the community, the Municipality has implemented successfully over 10 development projects from its budget and 7 infrastructure projects with the first phase of funding from the World Bank through the Kenya Urban Support Programme.

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The Concept of Value for Money in the projects undertaken by the municipality is taken seriously in sense that all projects are aligned to meet specific needs of the people in regards to economy, efficiency and effectiveness. All projects have followed the contract timelines to ensure timely completion and usage to ensure maximum value to the people of Malindi.

It is greatly expected that the projects shall lay a firm foundation for the eventual regeneration of the Municipality and bring back the glory that has been lost over the years by giving our best.

Despite recording tremendous growth in the Municipality, staffing has been a challenge due to a lean number of seconded staff who also are subjected to regular transfers leading to a loss of institutional memory. It is my request that staff be deployed to the Municipality permanently until such a time when the Board will employ for the Municipality.

It is my Administration's resolve to ensure that all decisions of the Board are implemented without undue delay for the purpose of attaining the vision of sustainable urbanization and bringing back the lost glory to Malindi.



.....  
**TECHLER ZABIBU DADU**

**Municipal Manager**

## **7. Statement of Performance against the Municipalities Predetermined Objectives**

### **Introduction**

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

The key development objectives of the Municipality of Malindi as outlined in in the Intergrated Development Pla 2023- 2027 :

- a) Provide quality physical infrastructure in the Municipality
- b) Ensure efficient and effective service delivery
- c) Formulate and implement an integrated development plan
- d) Provide a high standard of social services in a cost-effective manner to inhabitants of the Municipality
- e) Providing for services, by-laws and other matters for the Municipality's benefit

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Renovation of roof at the Town Hall Block I	To provide conducive working environment	Increase the working morale	Percentage increase in employee performance	The project is currently 100% complete
Renovation of the Town Hall Building	Create conducive working environment	Ensured smoothness in service delivery	Increase in employee performance	The project is at 100% completion
Construction of Buntwani stalls	Job creation for traders hence improving livelihoods	Increase in number of people doing business	Increased revenue collection	The project is at 100% completion
Improvement to cabro standard of 2 No. Beach access roads at Buntwani park	Urbanization of Malindi Municipality.	Increase in numbers of fisheries using the roads	Revenue collection increased	The project is at 100% completion
Installation of 2 No. Highmast at Buntwani park	To provide adequate	Businesses are operational on a 24 hours basis	Increased revenue collection	The project is at 100% completion

	security in the park			
Borehole drilling, plumbing and purchase of water tank and rehabilitation of toilet at Malindi fire station	Availability of water at all times. Improved sanitation.	Water availability in case of fire outbreak. Sanitation improved.	Improved morale among employees.	The project is at 100% completion
6 No Construction of Garbage receptacles	To create centralized garbage collection points. To improve environmental standards.	Easy pick up and disposal of waste.	Improved environmental standards.	The project is at 100% completion
Rehabilitation of Mekatilili Park	Modernization of the recreational park. Urbanization of the town.	Increase in the number of foreign and domestic tourists using the park for recreational purposes.	Increase in revenue collection.	The project is at 50% completion
Upgrading to Cabro standard of Mlima wa seti Road	Improved living standards. Access roads by traders. Urbanization of Malindi Municipality.	Improved living standards	Increase in the number of people doing businesses	The project is at 100% completion
Upgrading to cabro Standard of Mskiti Jumaa Road	Urbanization of Malindi Municipality.	Increase in the number of people doing business	Percentage increase of new businesses registered.	The project is at 50% completion
Regeneration of the Malindi public Water front and tourist infrastructure Project	To provide a key infrastructure for the development of foreign and domestic tourism	Increase of tourists and revenue which will in turn create economic development and	% in the number of tourists visiting Malindi	The project is currently 100% complete

		employment opportunities		
Construction of outfall water drainage within Malindi	To arrest the perennial flooding in the town	Enhanced motor ability and ease of doing business during the rainy season	Reduced inconveniences to traffic and pedestrians	The project is at 100% completion
Non-motorized transport at Barani	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion
Upgrading to bitumen standard of Barclays Mtangani Road	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion
Construction of outfall water drainage	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion
Upgrading to bitumen standard of Farmers Kosovo road	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion
Upgrading to cabro standard of Majengo Central road	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion

## **8. Corporate Governance Statement**

### **The Board**

The Municipality of Malindi is established by and derives its authority and accountability from Urban Areas and Cities Act of 2011 and as amended in 2019

The Municipality has a gazetted Municipal Charter. The Board has the overall mandate to oversight the activities of the Municipality.

The Board of the Municipality of Malindi is guided in its functions by the Urban Areas and Cities Act 2011 and the Municipality of Malindi Charter.

During the FY 2023-2024 H.E. The Governor Gideon Mung'aro appointed a new board after disbanding the previous one.

This Municipality undertakes to perform the following functions within its boundaries: -

- a) Promote, regulate and provide refuse collection and solid waste management services;
- b) Promote and provide water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider);
- c) Construct and maintain urban roads and associated infrastructure;
- d) Control and maintain storm water drainage and flood controls;
- e) Construct and maintain walkways and other non-motorized transport infrastructure;
- f) Construct and maintain recreational parks and green spaces;
- g) Construction and maintain street lightings;
- h) Construct maintain and regulate traffic controls and parking controls and parking facilities;
- i) Construct and maintain bus stands and taxi stands;
- j) Regulation of outdoor advertising;
- k) Construct, maintain and regulate municipal markets and abattoirs;

### **Board Meetings**

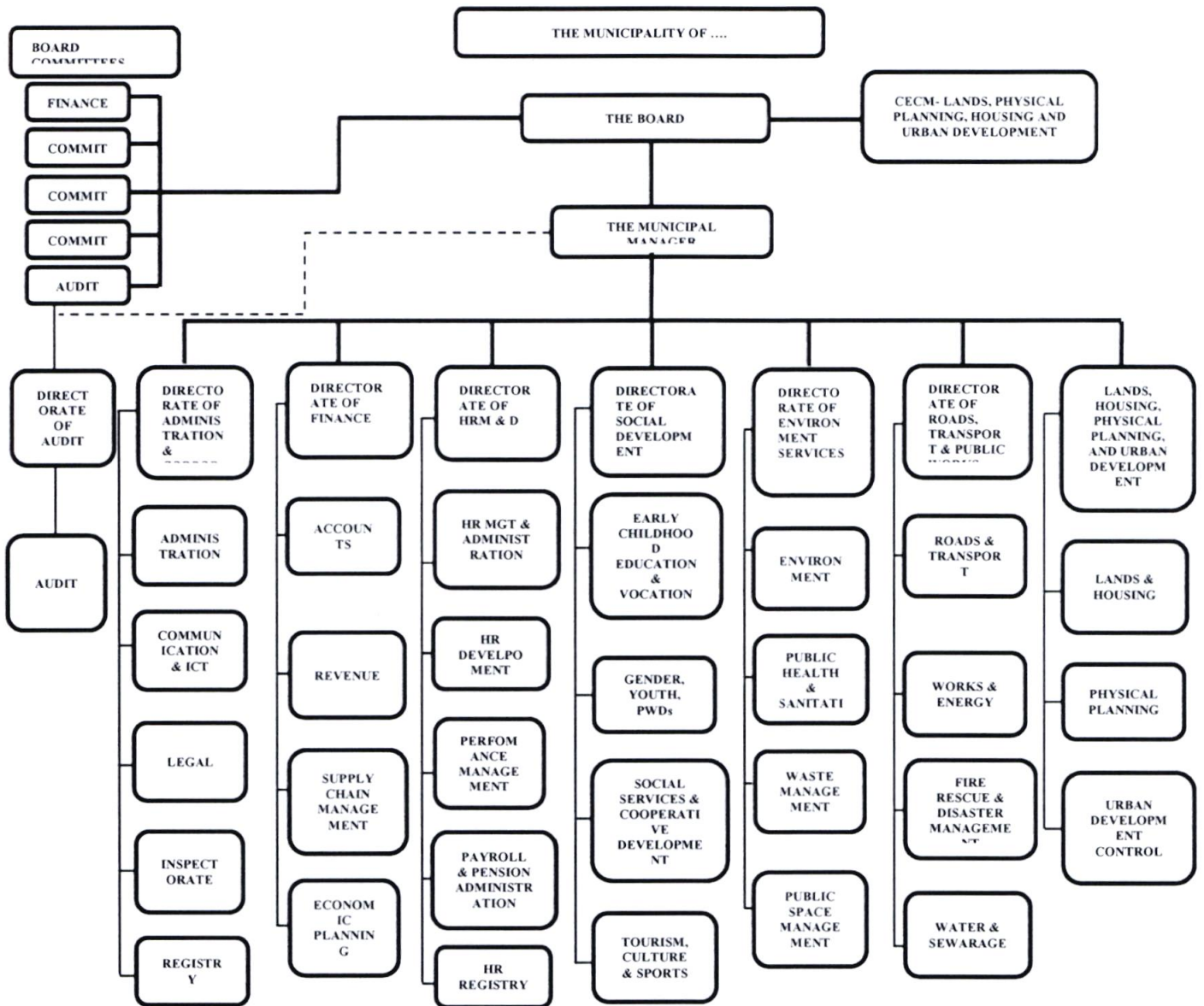
<b>S/No</b>	<b>BOARD COMMITTEE</b>	<b>DATE</b>	<b>ATTENDANCE</b>
1.	Finance, Administration and Governance	9 <sup>th</sup> February, 2024	All Members
		25 <sup>th</sup> June, 2024	All Members
		25 <sup>th</sup> September, 2024	All Members

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2.	Audit and Risk Management Committee	8 <sup>th</sup> February, 2024	All Members
		2 <sup>nd</sup> and 3 <sup>rd</sup> May, 2024	All Members
3.	Urban Development, Housing, Public Works, Energy and Transport	15 <sup>th</sup> March, 2024	All members
		24 <sup>th</sup> June, 2024	All Members
4.	Trade, Tourism, Social Services, Education, Youth and Sports	14 <sup>th</sup> March, 2024	All Members
		8 <sup>th</sup> May, 2024	All Members
5.	Full Board Meetings	13 <sup>th</sup> December, 2023	All Members
6.	Special Full Board Meeting	22 <sup>nd</sup> February, 2024	All Members
		25 <sup>th</sup> April, 2024	All Members
		9 <sup>th</sup> May, 2024	All Members

**Organization structure**

The Municipality of Malindi organogram and staff establishment is currently with the County Public Service Board waiting approval. The organogram is as follows



## 9. Management Discussion and Analysis

In the year 2023/2024, the Municipality was allocated a budget of Kshs. 95,000 at first. During the year an extra Kshs. 84,242,004 was allocated during the supplementary bringing a total budget of Kshs 179,242,005 for the financial year .

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Renovation of roof at the Town Hall Block1	To provide conducive working environment	Increase the working morale	Percentage increase in employee performance	The project is currently 100% complete
Renovation of the Town Hall Building	Create conducive working environment	Ensured smoothness in service delivery	Increase in employee performance	The project is at 100% completion
Construction of Buntwani stalls	Job creation for traders hence improving livelihoods	Increase in number of people doing business	Increased revenue collection	The project is at 100% completion
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Borehole drilling, plumbing and purchase of water tank and rehabilitation of toilet at Malindi fire station	Availability of water at all times. Improved sanitation.	Water availability in case of fire outbreak. Sanitation improved.	Improved morale among employees.	The project is at 100% completion

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6 No Construction of Garbage receptacles	To create centralized garbage collection points. To improve environmental standards.	Easy pick up and disposal of waste.	Improved environmental standards.	The project is at 100% completion
Rehabilitation of Mekatilili Park	Modernization of the recreational park. Urbanization of the town.	Increase in the number of foreign and domestic tourists using the park for recreational purposes.	Increase in revenue collection.	The project is at 50% completion
Upgrading to Cabro standard of Mlima wa seti Road	Improved living standards. Access roads by traders. Urbanization of Malindi Municipality.	Improved living standards	Increase in the number of people doing businesses	The project is at 100% completion
Upgrading to cabro Standard of Mskiti Jumaa Road	Urbanization of Malindi Municipality.	Increase in the number of people doing business	Percentage increase of new businesses registered.	The project is at 50% completion

The Municipality is compliance the all statutory requirements are required by the law. This include the remittance of all statutory deductions on time. i.e PAYE for Board Members allowances, Withholding VAT, NSSF and NHIF

## **10. Environmental and Sustainability Reporting**

### **1. Environmental Performance**

The Municipality developed a Solid waste management policy that guides the day-to-day efforts to manage waste.

### **2. Employee welfare**

Through the County Public Service Board, the Human Resource Policies and Procedures Manual for the Public Service May, 2016 guides on recruitment based on fair competition and merit; representation of diverse communities, adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons with disabilities and minorities. Recruitment and Selection Policy and Gender Mainstreaming Policy also guides on the hiring process.

Training and development programs conducted allows employees to acquire new skills hence improve employee performance and boost productivity. The Municipality of Kilifi has put into consideration that staff at least attend one crucial training each financial year. Furthermore, Performance Contracting is cascaded by linking performance contracts to the staff performance appraisal system (SPAS).

The Occupational Health and Safety Policy provides for the Health, Safety and welfare of persons employed and all persons lawfully present at workplaces and related matters. Measures like installation of fire extinguishers and emergency exits in buildings are in place.

### **3. Community Engagements**

The Municipality of Malindi has had an engagement with the stakeholders and the Local leaders through public participation forums as well as creating a culture of involving the public in matters of governance and in project planning and implementation

## **11. Report of The Board**

The Board submitted their report together with the unaudited financial statements for the year ended June 30, 2024 which show the state of the municipality affairs.

### **Principal activities**

The principal activities of the Municipality are:

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

### **Performance**

The performance of the Municipality for the year ended June 30, 2024 are set out on page 1

### **Board Members**

During the FY 2023-2024 on the 18<sup>th</sup> day of May H.E. The Governor Gideon Mung'aro appointed a new board since he had disbanded the whole board of Malindi Municipality in a press statement released 18<sup>th</sup> day of May 2023. The new board was fully constituted and working at the time of reporting.

The members of the Board who served during the year are shown on page VIII. There were no changes in the Board during the financial year .

### **Auditors**

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

By Order of the Board



.....

### **Chair of the Board**

Date: ..... 30/02/2024 .....

## **12. Statement of Management's Responsibilities**

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

The Municipality manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30, 2024, and the financial position as at that date.

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

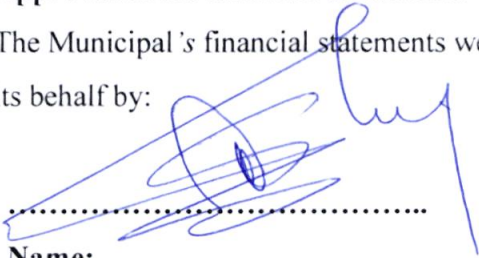
*County Government of Kilifi  
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In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern.

Nothing has come to the attention of the Municipality Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

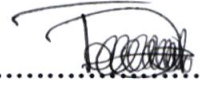
**Approval of the financial statements**

The Municipality's financial statements were approved by the Board on 27.10.2024 and signed on its behalf by:



.....  
**Name:**

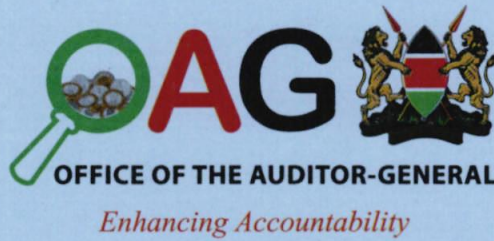
**Chairperson of the Board**



.....  
**Name: TECHLER ZABIBU DADU**

**Municipal Manager**

# REPUBLIC OF KENYA



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

## **REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF MALINDI FOR THE YEAR ENDED 30 JUNE, 2024 – COUNTY GOVERNMENT OF KILIFI**

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### **PREAMBLE**

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- 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 Municipality of Malindi set out on pages 1 to 32, which comprise the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of 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 Municipality of Malindi as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

### Basis for Qualified Opinion

#### 1. Inaccurate Opening Amounts and Balances

Review of the financial statements revealed comparative restated financial statement amounts and balances that varied with the prior year audited amounts and balances as detailed below:

<b>Particulars</b>	<b>Financial Statement Restated Opening Amount/Balance (Kshs)</b>	<b>Prior Year Audited Amount (Kshs)</b>	<b>Variance (Kshs)</b>
Transfers from County Government	174,350,580	199,159,730	24,809,150
Public Contributions	0	1,194,559	1,194,559
Interest Income			
Staff Costs	34,364,452	31,118,644	3,245,808
Use of Goods & Services	89,679,033	57,179,600	32,499,433
Board Expenses	5,395,632	5,395,632	0
Depreciation & Amortization	3,048,529	3,260,763	212,234
Property, plant & equipment	545,318,653	253,598,928	291,719,725
Receivables from County Executive	0	4,524,943	4,524,943
Intangible Assets	429,625	0	429,625
Supplies of Goods & Services Payable	34,639,355	0	34,337,355

*Report of the Auditor-General on Municipality of Malindi for the year ended 30 June, 2024 – County Government of Kilifi*

Deferred Income	19,316,079	0	19,316,079
Accumulated Surplus/(Deficit)	(13,796,301)	224,502,850	238,299,151
Capital/Development Grants	548,796,807	183,720,366	365,076,441

However, the restatement of amounts and balances has not been supported.

In the circumstances, the accuracy and completeness of the opening amounts and balances could not be confirmed.

## 2. Unexplained Variances between Financial Statements Amounts and Balances and Supporting Schedules

Review of the financial statements revealed amounts and balances in the financial statements that varied with supporting schedules amounts and balances as detailed below:

Particulars	Financial Statement Amount (Kshs)	Supporting Schedule Amount (Kshs)	Variance (Kshs)
Depreciation & Amortization	99,733,821	80,265,216	19,468,605
Repairs & Maintenance	39,699,320	25,721,829	13,977,491
Property, plant & equipment	509,010,133	157,949,608	351,060,525
Retention Money	382,663	0	382,663
Suppliers of Goods & Services Payable	47,718,737	0	47,718,737

However, the variances have not been explained.

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

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Municipality of Malindi 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.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters above, provide the basis for my audit opinion on the accompanying financial statements.

## **Emphasis of Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of an amount of Kshs.179,623,742. Similarly, the Municipality spent an amount of Kshs.176,470,086 against actual receipts of an amount of Kshs.179,623,742 resulting to an under-utilization of Kshs.3,153,656 or 1.8% of the actual receipts.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **Unresolved Prior Year Audit Matters**

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements. Although Management indicated the issues were resolved, the proof of how the issues were resolved was not provided for audit review.

### **Other Information**

The Management are responsible for the other information set out on page ii to xxx which comprise of Key Entity Information and Management, Municipal Board, Management Team, Municipal Manager Report, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board, Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Municipality of Malindi 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.

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

## **Conclusion**

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

## **Basis for Conclusion**

### **1. Compliance with Laws and Regulations**

#### **1.1. Delayed Recruitment of the Municipality Manager**

Records provided for audit indicate the Municipal Manager of Malindi Municipality assumed the role on 22 May, 2023 through County Public Service Board Letter Ref No: CG/KLF/CPSB/HRM/10/Vol.14/97 that also authorised the payment of special duty allowance. No evidence was provided to confirm appointment by the Governor, notification of County Public Service Board within seven days, nor a competitive recruitment process to fill the vacant position within six months. This contrary to the Municipality of Malindi Municipal Charter 2019 Section 32(1) which stipulates that the Municipal Manager shall be competitively recruited and appointed by the County Public Service Board.

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

#### **1.2. Irregular Engagement of Casual Workers**

The statement of financial performance and Note 4 to the financial statements reflect expenditure on staff costs amount of Kshs.51,486,497 being salaries and wages for casual and contractual staff who were received from the Department of environment and Natural Resources Management. However, no approval of the County Public Service Board was provided for audit review contrary to the County Human Resource Manual, 2013 Part B.16 (1) that provides that casual worker shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board. Further, the casuals were engaged for periods of more than three (3) months, contrary to Section 37(1) of the Employment Act, 2007.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in

the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect(s) of the matter(s) 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. Staff Under-Establishment

The statement of financial performance and Note 4 to the financial statements reflects expenditure on staff costs amount of Kshs.51,486,497. However, the Municipality's staff establishment indicated that out of the three hundred and ninety-five (395) job positions, two hundred and twenty-five (225) positions had been substantially filled, with eleven (11) positions being either secondments or deployments from the County Executive departments resulting to staff shortage of one hundred and seventy (170).

In the circumstances, the Municipality may not meet its mandate as envisaged.

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

### Responsibilities of Management and Municipality Board

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

In preparing the financial statements, Management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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


31 December, 2024

14. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2024

	Note	2023/2024	RESTATED 2022/2023	2022/2023
		KShs	KShs	KShs
<b>Revenue from non-exchange transactions</b>				
Transfer from the county government	1	179,242,005	174,350,580	199,159,730
Public Contribution and Donations	2			1,194,559
		<b>179,242,005</b>	<b>174,350,580</b>	<b>200,354,289</b>
<b>Revenue from exchange transactions</b>				
Interest income	3	381,738	3,478,645	3,478,645
<b>Total revenue</b>		<b>179,623,743</b>	<b>177,829,225</b>	<b>203,832,934</b>
<b>Expenses</b>				
Staff costs	4	51,486,497	34,364,452	31,118,644
Use of Goods and Services	5	70,723,007	89,679,033	57,179,600
Board expenses	6	3,093,300	5,395,632	5,395,632
Depreciation and Amortization	7	99,733,821	3,048,529	3,260,763
Repairs and Maintenance	8	39,699,320	80,388,488	80,388,488
<b>Total expenses</b>		<b>264,735,945</b>	<b>212,876,134</b>	<b>177,343,127</b>
<b>Surplus/( deficit) for the period</b>		<b>(85,112,202)</b>	<b>(35,046,910)</b>	<b>26,489,807</b>

(The notes set out on pages 6 to 29 form an integral part of these Financial Statements)

.....  
  
 Name: **TECHLER ZABIBU DADU**  
 Municipal Manager

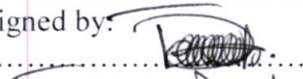
.....  
  
 Name: **AMANI FRANKLIN**  
 Municipal Accountant

County Government of Kilifi  
Municipality of Malindi Annual Report and Financial Statements for the year ended June 30, 2024

15. Statement of Financial Position As at 30 June 2024

	Note	2023/2024	RESTATED 2022/2023	2022/2023
		KShs	KShs	KShs
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	9	555,422	63,544,798	63,544,798
Receivables-From County Executive	10	40,042,005		4,524,943
<b>Total Current Assets</b>		<b>40,597,427</b>	<b>63,544,798</b>	<b>68,069,741</b>
<b>Non-current assets</b>				
Property, Plant and Machinery	11	509,010,133	545,318,653	253,598,928
Intangible Asset	12	368,252	429,625	
<b>Total Non-Current Assets</b>		<b>509,378,385</b>	<b>545,748,278</b>	<b>253,598,928</b>
<b>Total assets (A)</b>		<b>549,975,812</b>	<b>609,293,076</b>	<b>321,668,669</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Retention Money	13	382,663	20,337,136	20,337,136.00
Suppliers of Goods and services Payable	13	47,718,737	34,639,355	
<b>Total Current Liabilities</b>		<b>48,101,400</b>	<b>54,976,491</b>	<b>20,337,136</b>
<b>Non-current liabilities</b>				
Deferred Income	14		19,316,079	
<b>Total liabilities (B)</b>		<b>48,101,400</b>	<b>74,292,570</b>	<b>20,337,136</b>
<b>Net assets (A-B)</b>		<b>501,874,412</b>	<b>535,000,506</b>	<b>301,331,533</b>
Accumulated surplus		(98,908,503)	(13,796,301)	224,502,850
Capital/Development Grants/Fund		600,782,915	548,796,807	183,720,366
<b>Total net assets</b>		<b>549,975,812</b>	<b>609,293,076</b>	<b>408,223,216</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27/09/2024 and signed by:

Name:   
Municipal Manager

Name:   
Municipal Accountant

16. Statement of Changes in Net Assets for the year ended 30<sup>th</sup> June 2024

	Capital/Development Grants/Fund	Revaluation	Accumulated surplus	Total
		Reserve		
		KShs	KShs	KShs
<b>Balance as at 1 July 2022</b>	<b>372,387,564</b>	-	<b>21,250,609</b>	<b>393,638,172</b>
Surplus/(deficit) for the period Restated		-	(35,046,910)	<b>(35,046,910)</b>
Funds received during the year - UDG	171,600,093			<b>171,600,093</b>
Funds received during the year - Purchase of PPE	4,809,150.00	-		<b>4,809,150</b>
Revaluation gain	-	-	-	-
<b>Balance as at 30th June 2023</b>	<b>548,796,807</b>	-	<b>(13,796,301)</b>	<b>535,000,506</b>

<b>Balance as at 1 July 2023</b>	<b>548,796,807</b>	-	<b>(13,796,301)</b>	<b>535,000,506</b>
Surplus/(deficit) for the period Restated	-	-	(85,112,202)	<b>(85,112,202)</b>
Funds received during the year - UDG	11,467,962.00			<b>11,467,962</b>
Funds received during the year - Purchase of PPE	40,518,145.60	-		<b>40,518,146</b>
Revaluation gain	-	-	-	-
<b>Balance as at 30th June 2024</b>	<b>600,782,915</b>	-	<b>(98,908,503)</b>	<b>501,874,412</b>

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

	Note	2023/2024	2022/2023
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government-Recurrent		160,578,769	199,159,730
Public contributions and donations - UDG			1,194,559
Interest Income		381,738	3,478,645
<b>Total Receipts</b>		<b>160,960,507</b>	<b>203,832,934</b>
<b>Payments</b>			
Staff Cost		50,443,458.83	31,118,644
Use of goods		56,597,720.78	57,179,600
Board expenses		1,602,250.00	5,395,632
Repairs and Maintenance		44,733,753	80,388,488
<b>Total Payments</b>		<b>153,377,183</b>	<b>174,082,364</b>
<b>Net cash flows from operating activities</b>		<b>7,583,324</b>	<b>29,750,570</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		(70,572,700)	(176,409,243)
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>		<b>(70,572,700)</b>	<b>(176,409,243)</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(62,989,375)</b>	<b>(134,468,119)</b>
Cash and cash equivalents at 1 JULY 2023		63,544,798	198,013,043
<b>Cash and cash equivalents at 30TH JUNE 2024</b>	9	<b>555,422</b>	<b>63,544,798</b>

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

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

**18. Statement Of Comparison Of Budget And Actual Amounts For The Period 2024**

	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Original budget	KShs	KShs	KShs	Actual on comparable basis	KShs	Performance difference
Revenue	KShs	KShs	KShs	KShs	KShs	KShs
Transfers from the County Government	95,000,000	84,242,004	179,242,004	179,242,004	-	100%
Interest income		381,738	381,738	381,738	-	100%
Other income (Opening Balance)	-	-	-	-	-	
<b>Total revenue</b>	<b>95,000,000</b>	<b>84,623,742</b>	<b>179,623,742</b>	<b>179,623,742</b>	<b>-</b>	<b>100%</b>
<b>Expenses</b>						
Staff costs	31,238,054	19,068,515	50,306,569	51,486,497	(1,179,928)	102%
Use of Goods and Services	47,206,521	24,530,486	71,737,007	70,723,007	1,013,999	99%
Board expenses	1,010,537	2,800,500	3,811,037	3,093,300	717,737	81%
Repairs and Maintenance	15,544,888	25,154,432	40,699,320	39,699,320	1,000,000	98%
Capital Expenditure		13,069,809	13,069,809	11,467,962	1,601,847	88%
<b>Total expenditure</b>	<b>95,000,000</b>	<b>84,623,742</b>	<b>179,623,742</b>	<b>176,470,086</b>	<b>3,153,656</b>	<b>98%</b>
<b>Surplus/Deficit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,153,656</b>	<b>(3,153,656)</b>	

The difference between statement of performance and budget vs actual is due to accrual application, recognition of depreciation and amortization in the statement of performance but not in budget and actual and recognition of capital expenditure in the budget and actual statement but not in performance

**RECONCILIATION OF STATEMENT PERFORMANCE TOTAL EXPENDITURE AND STATEMENT OF COMPARISON BUDGET AND ACTUAL FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

<b>BUDGET AND ACTUAL EXPENDITURE</b>			<b>176,470,086</b>
Depreciation and Amortization	add		99,733,821
Capital Expenditure	less		11,467,962
<b>TOTAL EXPENDITURE</b>			<b>264,735,945</b>

<b>STATEMENT OF PERFORMANCE EXPENDITURE</b>			<b>264,735,945</b>
Depreciation and Amortization	less		99,733,821
Capital Expenditure	add		11,467,962
<b>TOTAL EXPENDITURE</b>			<b>176,470,086</b>

## 19. Notes to the Financial Statements

### Significant Accounting Policies

#### 1. General Information

The Municipality of Malindi is established through the Urban Areas and Cities Act of 2011 and as amended in 2019 and the Municipal Charter. The Municipality is wholly owned by the County Government of Kilifi and is domiciled in Kenya. The Municipal Board's objective is to enhance provision of quality urban services and promote environmental sustainability

#### 2. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

#### 3. Adoption of new and revised standards

*(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024*

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

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

Standard	Effective date and impact:
IPSAS 43	<b>Applicable 1<sup>st</sup> January 2025</b> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and	<b>Applicable 1<sup>st</sup> January 2025</b> The Standard requires,

Discontinued Operations	<p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>

IPSAS 49- Retirement Benefit Plans	<b>Applicable 1<sup>st</sup> January 2026</b> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

**(i) Early adoption of standards**

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

## **1. Summary of Significant Accounting Policies**

### **a) Revenue recognition**

#### **i. Revenue from non-exchange transactions**

##### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

#### **ii. Revenue from exchange transactions**

##### **Interest income**

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

##### **Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

##### **Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

### **b) Budget information**

The original budget for FY 2023/2024 was approved by the County Assembly on May, 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality recorded additional appropriations of Ksh. 129,505,305 on January, 2024 following the governing body's approval.

The Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial

statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 18 page 5 of these financial statements.

**c) Property, plant and equipment**

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

**a) 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.

**b) 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 transaction is measured at its fair value at the date of acquisition. 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.

**Summary of Significant Accounting Policies (Continued)**

**c) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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

## **Summary of Significant Accounting Policies (Continued)**

### **Amortized cost**

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

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

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

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

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

### **Trade and other receivables**

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

### **Impairment**

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

## Summary of Significant Accounting Policies (Continued)

### Financial liabilities

#### Classification

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

#### d) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

#### e) 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.

#### f) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit

scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

## Summary of Significant Accounting Policies (Continued)

### g) 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.

### 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.

### h) Nature and purpose of reserves

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

### i) 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.

### j) Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**Summary of Significant Accounting Policies (Continued)**

**k) 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.

**l) 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.

**m) 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 CEO and senior managers.

**n) 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.

**o) Comparative figures**

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

## Summary of Significant Accounting Policies (Continued)

### 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 e.g.

#### a) 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.

#### b) Useful lives and residual values

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

- 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

#### c) 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.

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.

## 6. Notes To The Financial Statements Continued

## 1. Transfers from the County Government

## 1. Transfers from County Government

Description	2023/2024	2022/2023
	KShs	KShs
Transfers from County Government - Recurrent	179,242,005	174,350,580
Transfers from County Government - Purchase of PPE		4,809,150
Transfers from County Government - UDG Counterpart Funding		20,000,000
<b>Total</b>	<b>179,242,005</b>	<b>199,159,730</b>

## 2. Public Contribution and Donations

Description	2023/2024	2022/2023
	KShs	KShs
Public Contribution and Donations		1,194,559
<b>Total</b>		<b>1,194,559</b>

## 3. Interest Income

Description	2023/2024	2022/2023
	KShs	KShs
Interest Income on bank Deposits	381,738	3,478,645
<b>Total</b>	<b>381,738</b>	<b>3,478,645</b>

## 4. Staff costs

Description	2023/2024	2022/2023	2022/2023
	KShs	KShs	KShs
Salaries and wages for casual and contractual staff	51,486,497	34,364,452	31,118,644
<b>Total</b>	<b>51,486,497</b>	<b>34,364,452</b>	<b>31,118,644</b>

Description	2023/2024	RESTATED 2022/2023	2022/2023
	KShs	Kshs.	Kshs.
Utilities, supplies and services	356,421	308,810	223,171
Communication, supplies and services	483,750	779,790	779,790
Domestic travel and subsistence	13,025,417	14,252,158	13,112,172
Foreign travel and subsistence	958,106	796,880	796,880
Other operating expenses (Cleaning Services)		43,370,204	13,255,000
Printing, advertising, supplies & services	2,674,370	2,085,705	2,085,705
Hire of Transport, Equipment, Plant and Machinery	31,807,301		
Training expenses	1,635,257	2,642,257	2,642,257
Hospitality supplies and services	3,589,081	3,966,176	3,781,476
Specialized materials and services-Uniforms	2,758,125	3,419,355	3,419,355
Office and general supplies and services	4,262,938	6,780,971	6,780,971
Fuel, oil and lubricants	5,560,486	5,635,210	4,661,306
Rental of produced Assets		4,966,600	4,966,600
Purchase of tools, spares and small equipment's	370,026	15,800	15,800

KISP	3,000,000		
Bank Charges	241,730	659,117	659,117
<b>Total</b>	<b>70,723,007</b>	<b>89,679,033</b>	<b>57,179,600</b>

**6. Board Expenses**

Description	2023/2024	2022/2023
	KShs	Kshs.
Sitting allowances	3,093,300.00	2,894,200.00
Temporary Committee allowance		
Induction and Training		
Travel and accommodation		2,466,432.00
Others (Airtime)		35,000.00
<b>Total</b>	<b>3,093,300.00</b>	<b>5,395,632.00</b>

**7. Depreciation**

Description	2023/2024	RESTATED 2022/2023	2022/2023
	KShs	KShs	KShs
Depreciation & Amortization	99,733,821	3,048,529	3,260,763
	<b>99,733,821</b>	<b>3,048,529</b>	<b>3,260,763</b>

**8. Repairs and Maintenance**

Description	2023/2024	2022/2023
	KShs	KShs
Motor vehicle expenses	4,889,247	5,383,390
Maintenance of civil works	34,810,073	63,448,448
Property- Buildings		11,556,650
<b>Total repairs and maintenance</b>	<b>39,699,320</b>	<b>80,388,488</b>

**9. Cash and cash equivalents**

Description	2023/2024	2022/2023	
	KShs	KShs	
Current accounts	555,422	63,544,798	
<b>Total cash and cash equivalents</b>	<b>555,422</b>	<b>63,544,798</b>	
Detailed analysis of the cash and cash equivalents are as follows:			
Financial institution	Institution	KShs	KShs
<b>a) Current account</b>			
KCG - MALINDI MUNICIPALITY UDG ACCOUNT	NCBA-1007099467	19,008	30,392,148
CGK - MALINDI MUNICIPALITY MAIN ACCOUNT	KCB-1288705735	15,887	10,007,533
CGK - MUNICIPALITY OF MALINDI OPERATIONS & MAINTANANCE ACCOUNT	KCB-1289106150	9,926	212,117
CGK - MUNICIPALITY OF MALINDI SALARY & WAGES ACCOUNT	KCB-1289106460	3,760	2,213,909

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CGK - MUNICIPALITY OF MALINDI DEVELOPMENT ACCOUNT	NCBA-5040860013	124,178	381,954
CGK - MUNICIPALITY OF MALINDI RETENTION ACCOUNT	NCBA-5040860029	382,663	20,337,136
<b>TOTAL</b>		<b>555,422</b>	<b>63,544,798</b>

<b>10. Receivables -From the County Executive</b>			
<b>Description</b>	<b>2023/2024</b>	<b>RESTAED 2022/2023</b>	<b>2022/2023</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
Receivables-From County Executive	40,042,005		4,524,943
	<b>40,042,005</b>		<b>4,524,943</b>

**11. Property, Plant and Machinery**

<b>Description</b>	<b>2023/2024</b>	<b>RESTATED- 2022/2023</b>	<b>2022/2023</b>
	<b>KShs</b>	<b>KShs</b>	
Property, Plant and Machinery	509,010,133	545,318,653	253,598,928
<i>See detailed PPE schedule here in the next page</i>	<b>509,010,133</b>	<b>545,318,653</b>	<b>253,598,928</b>

<b>Property, Plant and Machinery</b>							
	<b>Buildings</b>	<b>Roads</b>	<b>Furniture and fittings</b>	<b>Computers</b>	<b>Other Assets</b>	<b>Capital</b>	<b>Total</b>
						<b>Work in progress</b>	
<b>Description</b>	<b>Shs</b>	<b>Shs</b>		<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
<b>As at 1 July 2022 (previous year)</b>	-		976,850	3,460,596	1,428,020	366,031,098	371,896,564
Additions			999,330	3,809,820		171,600,093	176,409,243
Transfer/adjustments							
<b>As at 30th June 2023</b>	-	-	1,976,180	7,270,416	1,428,020	537,631,191	548,305,807
Additions for the year				1,199,280		50,573,956	51,986,108
Disposals for the year							
Transfer/adjustments	88,653,826	457,519,528				(537,631,191)	-
<b>As at 30th June 2024 (current year)</b>	<b>88,653,826</b>	<b>457,519,528</b>	<b>1,976,180</b>	<b>8,469,696</b>	<b>1,428,020</b>	<b>50,573,956</b>	<b>608,621,206</b>
<b>Depreciation and impairment</b>							
<b>At 1 July 2022 (previous year)</b>							
Depreciation			330,022	2,181,124.80	476,007	-	2,987,154
Transfers/ Adjustments							
<b>As at 30 June 2023</b>			330,022	2,181,124.80	476,007	-	2,987,154
Depreciation for the year	1,773,076.52	91,503,905.50	330,022	2,540,908.80	476,007	-	96,623,920
Disposals for the year							
Transfer/adjustment							
<b>As at 30th June 2024 (current year)</b>	<b>1,773,077</b>	<b>91,503,906</b>	<b>660,044</b>	<b>4,722,034</b>	<b>952,013</b>	<b>-</b>	<b>99,611,073</b>
<b>NBV as at 30th Jun 2023 (previous year)</b>	<b>-</b>	<b>-</b>	<b>1,646,158</b>	<b>5,089,291</b>	<b>952,013</b>	<b>537,631,191</b>	<b>545,318,653</b>
<b>NBV as at 30th Jun 2024 (current year)</b>	<b>86,880,750</b>	<b>366,015,622</b>	<b>1,316,136</b>	<b>3,747,662</b>	<b>476,007</b>	<b>50,573,956</b>	<b>509,010,133</b>

Notes To The Financial Statements (Continued)

12. Intangible assets

Description	Insert Current FY	Insert Comparative FY
	Kshs.	Kshs.
<b>Cost</b>	<b>491,000</b>	<b>491,000</b>
At beginning of the year	429,625	491,000
Additions		
At end of the year	429,625	491,000
<b>Amortization and impairment</b>		
At beginning of the year	61,374	
Amortization		61,375
At end of the year	61,374	61,375
Impairment loss		
At end of the year	122,748	61,375
NBV	368,252	429,625

13. Payables

Description	2023/2024	RESTATED 2022/2023	2022/2023
	KShs	KShs	KShs
Suppliers of Goods and services	47,718,737	34,639,355	
Retention Money Payable	382,663	20,337,136.00	20,337,136.00
<b>Total accounts payable</b>	<b>48,101,400</b>	<b>54,976,491</b>	<b>20,337,136</b>

14. Deferred Income

Description	2023/2024	RESTATED 2022/2023
	KShs	KShs
UDG grant		19,316,079
<b>Total accounts payable</b>		<b>19,316,079</b>

## **15. Financial risk management**

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

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

### **a) Credit risk**

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

**Notes To The Financial Statements (Continued)**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has 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.

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

**Notes To The Financial Statements (Continued)**

**c) Market risk**

The board 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 Fund'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.

**i. Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

**Notes To The Financial Statements (Continued)**

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

**ii. Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 2022: Kshs . A rate increase/decrease of 5% would result in a decrease/increase in profit before tax.

**Notes To The Financial Statements (Continued)**

**d) Capital risk management.**

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

**16. Events after the reporting period**

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

**17. Ultimate and Holding Entity**

The entity is a County Public Fund established by under the Ministry of Its ultimate parent is the County Government.

**18. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

## 20. Annexes

**Annex I: Progress on Follow Up Of Prior Year Auditor's Recommendations**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
Year Ended 30 June 2020	Budgetary Control and Performance	The county executive has initiated the process of transferring some revenue streams to the municipality to address the under funding	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2020	Hire of Casuals without County Public Service Board Authority	The county public service board is in the process of employing the casual staff on contract basis	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2021	Inaccuracies in Financial Statements	Adjustment of the cashbooks were done	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2021	Budgetary Control and Performance	The county executive has initiated the process of transferring some revenue streams to the municipality to address the under funding	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2021	Anomalies in the contract on Upgrading to Bitumen Standard of Barclays/Mtanga ni Road	Management is in the process of addressing the issue	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2021	Hire of Casuals without County Public Service Board Authority	The county public service board is in the process of absorbing the casual staff	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2021	Delayed Projects Implementation	Management is in the process of addressing the issue	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2021	Lack of Integrated	The management has developed the integrated development plan	Not Resolved	After 2023-2024 external audit

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)
	Development Plan			
Year Ended 30 June 2021	Failure to Appoint a Board Member	The municipality board is now fully constituted	Resolved	After 2023-2024 external audit
Year Ended 30 June 2022	Inaccuracies in Financial Statements	Some errors were corrected in 2022-20223 while the rest have been e corrected in the Financial Year 2023-2024 as a prior year adjustment.	Resolved	After 2023-2024 external audit
Year Ended 30 June 2022	Budgetary Control and Performance	The county executive has initiated the process of transferring some revenue streams to the municipality to address the under funding	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2022	Anomalies in the contract on Upgrading to Bitumen Standard of Barclays/Mtanga ni Road	Management is in the process of addressing the issues	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2022	Hire of Casuals without County Public Service Board Authority	The county public service board is in the process of absorbing the casual staff	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2022	Delayed Projects Implementation	Management is in the process of addressing the issues	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2022	Irregular Payment of Allowances to County Assembly Committee Members	Management is in the process of addressing the issues	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2022	Unexplained Variance and Uncleared long	This was corrected in the financial year 2022-2023	Not Resolved	After 2023-2024 external audit

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)
	outstanding reconciling items in cash and cash equivalents			
Year Ended 30 June 2022	Failure to Deduct Statutory Deductions on Board Allowances	currently the management is deducting and remitting the same to KRA.	Resolved	After 2023-2024 external audit
Year Ended 30 June 2022	Project Implementation status	The management is in the process of addressing the issue	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2022	Staff Under-establishment	The county public service board is in the processes of recruiting staff for Municipality to address the staffing gap	Not Resolved	After 2023-2024 external audit
Year Ended 30 June 2022	Irregular Engagement of Casual Workers	The county public service board is in the processes of recruiting staff for Municipality to address the staffing gap	Not Resolved	After 2023-2024 external audit

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Fund responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

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



Municipal Manager

Date... 30/12/2024 .....

Annex II: Inter-Fund Confirmation Letter

**THE COUNTY GOVERNMENT OF KILIFI**



**THE COUNTY TREASURY**

Municipality of Malindi  
P.o. Box 371  
Malindi

Dear Sir,

The Kilifi County Treasury wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2024 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Municipality of Malindi as at 30 <sup>th</sup> June 2024						
Amounts Disbursed by Kilifi County Executive (Kshs) as at 30 <sup>th</sup> June 2024					Amount Received by	
	Recurrent (A)			Total		

v. TRANSFER TO MALINDI MUNICIPALITY

1	MALINDI MUNICIPALITY	30,000,000.00	44,750,000.00	30,000,000.00	74,492,005.00	179,242,005.00		
	Total	30,000,000.00	44,750,000.00	30,000,000.00	74,492,005.00	179,242,005.00		

*[Handwritten Signature]*

Director of Accounting Services  
County Executive

*[Handwritten Signature]*

Municipality Manager  
Malindi Municipality



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Reference Number	Date Disbursed	Development (B)	Inter-Ministerial (C)	(D)=(A+B+C)	Municipality of Malindi (KShs) as at 30 <sup>th</sup> June 2024(E)	Differences (KShs) (F)=(D-E)
		30,000,000.00		30,000,000.00	30,000,000.00	
		44,750,000		44,750,000	44,750,000	
		74,492,005		74,492,005	74,492,005	
		30,000,000.00		30,000,000.00	30,000,000.00	
<b>Total</b>		<b>179,242,005.00</b>		<b>179,242,005.00</b>	<b>179,242,005.00</b>	

In confirm that the amounts shown above are correct as of the date indicated.

**Head of Accountants department of beneficiary Fund:**

Name ..... Sign ..... Date .....



*County Government of Kilifi  
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**Annex IV: Reporting on Disaster Management Expenditure**

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