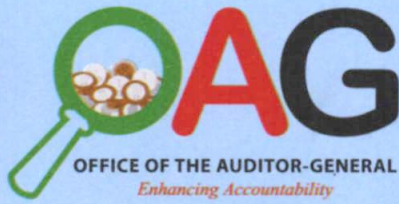


REPUBLIC OF KENYA



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

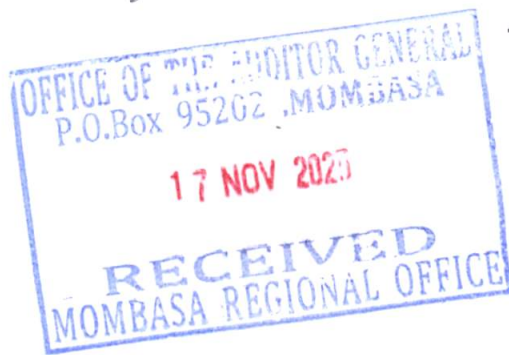
**ON**

**SPECIAL MUNICIPALITY OF MWATATE**

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

PAPERS LAID	
DATE	19/2/26
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**SPECIAL MUNICIPALITY OF MWATATE**

**County Government of Taita Taveta**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2025**

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

*County Government of Taita Taveta  
Special Municipality of Mwatate  
Annual Report and Financial Statements for the year ended June 30, 2025*

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

**A. Acronyms**

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
IDep	Integrated Development Plan
KUSUPII	Kenya urban support program 11

**B. Definition of Key Terms**

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

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

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

### **a) Background information**

Special Municipality of Mwatate board is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 (amended 2019) and Municipal Charter gazetted on (8th May 2019). The Municipality is under the County Government of Taita Taveta and is domiciled in the Department of Lands, Physical Planning, Mining and Urban Development.

### **b) Principal Activities**

The principal activity/mission/ mandate of the Municipality is;

- i. Promotion, regulation, and provision of refuse collection and solid waste management services
- ii. Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider)
- iii. Construction and maintenance of urban roads and associated infrastructure
- iv. Construction and maintenance of storm drainage and flood controls
- v. Construction and maintenance of walkways and other non-motorized transport infrastructure
- vi. Construction and maintenance of recreational parks and green spaces
- vii. Construction and maintenance of street lighting
- viii. Construction, maintenance, and regulation of traffic controls and parking facilities
- ix. Construction and maintenance of bus stands, boda-boda stands, and taxi stands
- x. Regulation of outdoor advertising
- xi. Construction and regulation of municipal markets and abattoirs
- xii. Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management
- xiii. Promotion, regulation, and provision of municipal sports and cultural activities
- xiv. Promotion, regulation, and provision of animal control and welfare
- xv. Development and enforcement of municipal plans and development controls
- xvi. Municipal administration services (including construction and maintenance of administrative offices) and
- xvii. Promoting and undertaking infrastructural development and services within the Municipality.

### **Vision**

A dynamic municipality that offers a high standard and quality of life through effective and efficient management of its resources and amenities.

### **Mission**

To foster mutual trust between municipality and community by ensuring corporate governance and a highly motivated staff that ensure cost effective service delivery.

### **Core Objectives**

- Conduct urban planning activities, training and capacity building, and preparation of better urban annual investment plans and urban development plans.
- Support the cost of operations in the offices of the Municipal and other urban areas
- Furnishing of urban boards and management with equipment and furniture
- Train and capacity build the urban boards and key county staffs on urban issues and
- Conduct peer to peer learning with other counties which have better working urban management.

#### **The municipality's objective is to:**

- Establish and strengthen the urban institutions, notably the municipal board and the municipal administration.
- Integrate and regularly update the section on urban development issues (challenges and opportunities) in the County's development strategy and its ensuing development plan.
- Assist the County Government and their urban institutions in meeting the minimum conditions necessary to access the urban development grant.

### **c) Key Management**

The Special Municipality of Mwatate is under the following key organs:

- County Department of Lands, Physical Planning, Mining and Urban Development.
- Board of Management
- Accounting Officer/Municipality Manager
- Management staff

**d) Fiduciary Management**

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

REF	POSITION	NAME
1	MUNICIPALITY MANAGER	CPA CS NANCY MWACHARO
2	M. DIRECTOR ENGINEERING	HARRISON MWAKULOMBA
3	M. DIRECTOR COMMUNITY SERVICES	PETER MWASHIGHADI
4	M. DIRECTOR CORPORATE SERVICES	ABIGAEI MWALUMA
5	M. DIRECTOR OF PLANNING, DEVELOPMENT CONTROL AND ENV.	QUINTEN NGATI
6	ACCOUNTANT	CPA CONSTANCE MWACHINGA
7	PROCUREMENT OFFICER	ANNIE MSHIMBA

**e) Fiduciary Oversight Arrangements**

**(i). Audit and Risk Management Committee**

The Audit, Risk Management and Corporate Governance Committee assist the Board in fulfilling its oversight responsibilities with regard to the audit and risk and corporate governance functions of the Municipality. Overall scope is to ensure that the Municipality is governed in line with best practice in matters of governance, audit and risk management.

**(ii). County Assembly committees**

Pursuant to the provision of standing order NO.188(6) of Taita Taveta county assembly there is a select committee designated, County public accounts & investments committee that carries the examination of reports, accounts and workings of the county public investments including Special Municipality of Mwatate.

**(iii). Committees of the Senate**

The select committee on county public investment's and special funds was first constituted on 19th October, 2022 pursuant to Standing Order.NO.194 of the senate standing orders. The County Public Investments and Special funds is one of the financial audit committees through which the provision of Article 96(3) of the Constitution conducts ex-post scrutiny on Public Investments and Special Funds in Counties. The financial year ended 30th June 2024, the Municipality board appeared before the committee to discuss on financial reports for financial years 2023/2024.

**f) Registered Offices**

Municipal office Building - Mwatate  
Mwatate Town, Off Voi – Taveta Highway,  
P.O. Box 1066-80304  
Wundanyi.

**g) Contacts**

Telephone: +254 720 358 911 /+254 736 094 791  
E-mail: mwatate.municipality@gmail.com  
Website: www.taitataveta.go.ke

**h) Bankers**

- Kenya Commercial Bank  
Wundanyi Branch  
Along Posta Road  
P.O. Box 1067-80304  
Wundanyi, Kenya
  
- Equity Bank  
Voi Branch  
Njiiri plaza  
P. O Box 325-80300  
Voi




**i) Independent Auditor**

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




**j) Principal Legal Adviser**



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

3. Special Municipality of Mwatate Board


NAME	DETAILS OF QUALIFICATIONS AND EXPERIENCE
 1. Julius Ngondo	<p><b>Board Chairman</b>  <b>Age:</b> 68 years  <b>Academic Qualifications:</b>                      -Executive Master of Education in Leadership and Policy, Moi University                      -Bachelor of Education (Science), University of Nairobi  <b>Professional Background:</b>                      Over 35 years of experience in senior management and teaching, with extensive expertise in leadership, education management, and institutional governance.  <b>Independence Status:</b> Non-Executive</p>
 2. Hannah Sau Mwakughu	<p><b>Board Vice Chair</b>  <b>Age:</b> 46 years  <b>Academic Qualifications:</b>                      -Diploma in Adult and Community Development, University of Nairobi                      -Certificate in Adult Education, MTC  <b>Professional Background:</b>                      Over 15 years of experience in the teaching profession, with a strong background in community development, education, and public service.  <b>Independence Status:</b> Non-Executive  <b>Board Committee Membership:</b> Chairperson urban planning, transport and infrastructure committee and a member of Finance, administration, human resource and strategy committee.</p>
 3. Stephen Kiringo Magharo	<p><b>Board Member</b>  <b>Age:</b> 66 years  <b>Academic Qualifications:</b>                      Bachelor of Education (Arts), University of Nairobi  <b>Professional Background:</b>                      Teacher by profession with over 30 years of experience in the education sector, demonstrating strong leadership, mentorship, and community engagement skills.  <b>Independence Status:</b> Non-Executive  <b>Board Committee Membership:</b> Member urban planning, transport and infrastructure committee and audit risk management and governance committee.</p>

 <p>4. John Mwamengi Mwakitele</p>	<p><b>Board Member</b>  <b>Age:</b> 62 years  <b>Academic Qualifications:</b>                      -Diploma in Marketing, Public Relations, and Sales Management – London Examination Board                      -Certificate in Advertising – London Examination Board  <b>Professional Affiliations:</b>                      Member, Public Relations Society of Kenya (PRSK)  <b>Professional Background:</b>                      Possesses 39 years of extensive experience in marketing, public relations, and sales management, with a strong track record in strategic communication, stakeholder engagement, and organizational promotion.  <b>Independence Status:</b> Non-Executive  <b>Board Committee Membership:</b> Member finance, administration, human resource and strategy committee and municipal services and investment committee.</p>
 <p>5. CPA Erick Mwagecho Mlati</p>	<p><b>Board Member</b>  <b>Age:</b> 47 years  <b>Academic Qualifications:</b>                      -Master of Business Administration (Finance Option), Jomo Kenyatta University of Agriculture and Technology (JKUAT)                      -Bachelor of Business Administration (Accounting Option), Maseno University  <b>Professional Affiliations:</b>                      -Member, Institute of Certified Public Accountants of Kenya (ICPAK)                      -Member, Institute of Internal Auditors (IIA)                      -Holder, Certification in Risk Management Assurance (CRMA)  <b>Professional Background:</b>                      Over 20 years of progressive experience in both the private and public sectors, specializing in banking, finance, and audit. Skilled in financial management, risk assurance, and governance oversight.  <b>Independence Status:</b> Non-Executive  <b>Board Committee Membership:</b> Chairperson, finance, administration, human resource, and strategy committee and a member of urban planning, transport and infrastructure committee</p>

 <p>6. Gladys Ndau</p>	<p><b>Board Member</b>  <b>Age:</b> 33 years  <b>Academic Qualifications:</b>                      -Bachelor of Education (Special Needs Education), Kenyatta University  <b>Professional Background:</b>                      Over 4 years of experience in senior management and project management, with expertise in program implementation, stakeholder coordination, and institutional governance.  <b>Independence Status:</b> Non-Executive  <b>Board Committee Membership:</b> Chairperson, audit, risk management and compliance committee and a member of municipal services and investment committee.</p>
 <p>7. Raymond Maro Wakio</p>	<p><b>Board Member</b>  <b>Age:</b> 45 years  <b>Academic Qualifications:</b>                      -Master's in Educational Management, Administration and Leadership – <i>Ongoing</i>                      -Bachelor of Education in Primary Education, Kampala International University                      -Diploma in Education Management, Kenya Education Management Institute (KEMI)  <b>Professional Background:</b>                      Over 17 years of experience in the teaching profession, with expertise in education management, administration, and leadership.  <b>Independence Status:</b> Non-Executive  <b>Board Committee Membership:</b> Chairperson municipal services and investment committee and a member of audit, risk management and governance committee.</p>
 <p>8. Christina Zighe Mwashighadi</p>	<p><b>County Executive Committee Member (CECM) Lands, Physical Planning, Mining &amp; Urban Development</b>  <b>Age:</b> 43 years  <b>Academic Qualifications:</b>                      - Bachelor of Project Planning and Management, University of Nairobi                      -Diploma in Education Management, University of Nairobi  <b>Professional Background:</b>                      4 years of experience in education and management, with focus on project planning, governance, and administrative coordination.  <b>Independence Status:</b> Executive</p>

 <p>9. Jimmy Megrori Mtawa</p>	<p><b>County Chief Officer (CCO) Lands, Physical Planning, Mining &amp; Urban Development</b>  <b>Age:</b> 40 years  <b>Academic Qualifications:</b>                  -Bachelor of Laws (LLB), University of London                  -Bachelor of Science in Criminology and Security Management, Dedan Kimathi University of Technology                  -Diploma in Security Management, Kenya Institute of Studies in Criminal Justice  <b>Professional Background:</b>                  Over 11 years of experience in law enforcement and correctional services, with expertise in legal practice, security management, and governance.  <b>Independence Status:</b> Executive</p>
 <p>10. CPA/CS Nancy Wali Mwacharo</p>	<p><b>Manager &amp; Board secretary – Mwatate Municipality</b>  <b>Age:</b> 43 years  <b>Academic Qualifications:</b>                  -Bachelor of Business Management (Accounting Option), Moi University – 2006                  -Master in Public Administration, University of Nairobi – <i>Ongoing</i>  <b>Professional Qualifications:</b>                  -Certified Public Accountant (CPA–K)                  -Certified Secretary (CS–K)  <b>Work Experience:</b>                  Over 8 years of experience in public sector organizations, specializing in financial management, governance, and administrative coordination.  <b>Independence Status:</b> Executive (serves in management capacity as Board Secretary)  <b>Board Committee Membership:</b> Secretary to the Board and its Committees</p>

4. Special municipality of Mwatate Key Management Team

Name	Details of qualifications and experience
<p>1. CPA/CS NANCY MWACHARO</p> 	<p><b>MANAGER &amp; BOARD SECRETARY – MWATATE MUNICIPALITY</b></p> <p>Bachelor of Business Management-Accounting Option (Moi University, Year 2006)                      CPA-K                      Certified Secretary (K).                      Master in Public Administration-UON (ongoing)                      - Over 8years working experience in Public organisation</p>
<p>2. PETER MWASHIGHADI</p> 	<p><b>PCT COORDINATOR</b></p> <p>Bsc. Agricultural Economics, Chuka University                      Computer Studies - Pwani institute of Professional studies                      Senior Livestock production officer -Taita Taveta County</p>
<p>3. HARRISON MWAKULOMBA</p> 	<p><b>CIVIL ENGINEER</b></p> <p>Degree in Civil Engineering, Technical university of Mombasa (Tum)                      Higher national diploma civil engineering (Tum)                      Diploma in Civil Engineering (Tum)                      Over 20 years' experience</p>
<p>4. ANNIE MSHIMBA</p> 	<p><b>PROCUREMENT OFFICER.</b></p> <p>Bachelor of Business Management &amp; Supply Chain Management-KEMU.                      Procurement officer for 5 years.</p>
<p>5. ABIGAEAL MWALUMA</p> 	<p><b>HR OFFICER.</b></p> <p>BCOM, HR Option, Taita Taveta University.                      Higher Diploma in Human Resource Management(KNEC)                      Human Resource Management 4 year experience.</p>
<p>6. CPA CONSTANCE MARURA</p> 	<p><b>ACCOUNTANT</b></p> <ul style="list-style-type: none"> <li>- BCOM- Accounting option, Kisii University</li> <li>- CPAK</li> <li>-ICPAK- Member.no 33731</li> <li>- Over 5years Experience</li> </ul>

7. QUINTEN NGATI



**NEMA EXPERT**

-Chuka University; Masters of Science in Environmental Sciences

Egerton University; BSc. Horticulture, 2nd Class Honors,

-Kenya National Cleaner Production Center/National Environment Management

Authority (NEMA) – Nairobi, Kenya

-Over 20 years' experience

## **5. Special Municipality of Mwatate Board Chairperson's Report**

It is my pleasure to present, on behalf of the special Municipality of Mwatate Board financial statements for the year ended 30<sup>th</sup> June 2025. The financial statements present the financial performance of the Municipality over the past year.

### **Sustainability**

The Municipality and its stakeholders are increasingly emphasizing on the need to ensure sustainability for both its investments and its resource mobilization and financing capabilities with an objective of ensuring that the Municipality's going concern is secured.

The Municipality has conducted a basic assessment of available options for feasible financing tools that would assure its long-term sustainability. The Municipality has developed a Transfer of Functions document approved by the Cabinet, indicating the Municipality functions as per the Municipal Charter, the resources to be transferred including human resource, assets and equipment, budget as well as revenue sharing criteria.

### **Board Changes**

The new board was reconstituted (GAZETTE NOTICE NO. 11832 of 20th September, 2024) after the old board term expired where new CECM and CCO came in as per the urban areas and cities act 2011 amended 2019. (14. (1) a board of a municipality shall consist of nine members appointed by the county governor with the approval of the county assembly. (2) The members of the board appointed under subsection (1) shall be constituted as follows— (a) the county executive member for the time being responsible for cities and urban areas or his representative; (b) three members who shall be appointed by the county governor, with the approval of the county assembly; (c) four members who shall be nominated by an association and appointed by the county governor, with the approval of the county assembly; (d) the chief officer responsible for urban development; and (e) the municipal manager appointed under section 28 who shall be the secretary of the board and an ex officio member of the board.)

### **Review of performance**

#### **Income**

In the year ended 30th June 2025, the Municipality had projected revenue of Kshs 5,565,000 From Exchequer issues with an opening balance of Kshs. 137,688. And we received Kenya Urban Support Program Grants of Kshs. 32,309,300 towards the end of the financial year.

### **Expenditures**

The total actual expenditures during the period amounted to Kshs 4,326,743 .


### **Future outlook**

The outlook for 2025/2026 is highly encouraging, positioning the Municipality to advance its long-term vision of becoming a model of sustainable urban governance. The Municipality seeks to consolidate its institutional foundation by fostering a motivated and professional workforce, supported by strong governance structures that guarantee efficiency, accountability, and effectiveness in service delivery. Strategic investment in continuous training and capacity building for transferred staff and new board members will ensure smooth transition of functions from county departments while strengthening institutional memory and operational excellence. In addition, enhanced financial support from the County Government and development partners, complemented by retained own-source revenues under the agreed sharing framework, will create a resilient fiscal base. This balanced approach will not only sustain core operations but also drive innovation, inclusivity, and transformative urban development in line with the Municipality's mandate.

### **Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the county government, development partners, stakeholders, management staff and fellow Board Members for their continued support which made us achieve these results.

I look forward to your continued support in the year 2025/2026



**Name: JULIUS NGONDO**

**Chairperson of the Board**

## 6. Report of the Special Municipality of Mwatate Manager

It is my pleasure to present the Special Municipality of Mwatate Board Financial Statements for the year ended 30th June 2025. The financial statements present the financial performance of the Municipality over the past year.

The Special Municipality of Mwatate Board was conferred a charter as per the powers conferred by section 9(1) and 9(4) of the Urban Areas and Cities Act, (No. 13 of 2011) as complemented by section 72 of the Interpretations and General Provisions Act (Chapter 2), gazetted on 8TH May 2019 in Kenya Gazette Supplement No. 4, LEGAL NOTICE No. 2 (Taita Taveta County Legislative Supplement No. 2).

### Financial Performance

#### a) Revenue

In the year ended 30th June 2025, Special Municipality of Mwatate was allocated revenue of Kshs 5,565,000 being transfers from the County Government with an opening balance of Kshs. 137,688. And we were able to receive urban development grants KUSUP II of Kshs 32,309,300 towards the end of the financial year.

Out of the allocated revenue the Special Municipality of Mwatate was able to realize Kshs 2,661,620 in actual transfer from the County Government, Kshs 1,568,700 payments made by the county on behalf of the entity through ifmis and Kshs 32,309,300 Urban development grant representing 96% on actual on comparable basis.

The table below shows an analysis of revenue performance during the year ended 30th June, 2025.

Table 1: Revenue performance in FY 2024/2025

Revenue Classification	Revenue Budget (Kshs)	Actual (Kshs)	Realization (%)
Transfers from County Govt. – Recurrent	5,565,000	2,661,620	96%
Payments by County on behalf of the entity		1,568,700	
Kenya urban support program (KUSUP ii) grants	32,309,300	32,309,300	
Balance BF 2022/2023	137,688	137,688	100
Miscellaneous income (Transfers to regularize account)	13,168	13,168	100

b) Payments

In the year under review, the Special Municipality of Mwatate was allocated Kshs 5,565,000 as transfer from County Government and Kshs 32,309,300 as urban development grants and was able to utilize a total of Kshs 4,326,743 on recurrent activities.

c) Trade Payables

During the year under review, the Special Municipality of Mwatate had outstanding payables amounting to Kshs 5,223,710. This comprised Kshs 388,710 in board members' sitting allowances and Kshs 4,835,000 relating to staff and policy development allowances. The Municipality settled previous payables totalling Kshs 491,255 and recovered overpaid board sitting mileage allowances amounting to Kshs 399,080.

d) Cash flows

In the FY 2024/2025, the cash and cash equivalents increased from Kshs 137,688 as at 30th June 2024 to Kshs 32,363,734 as at 30th June 2025.

Progress


Since its establishment, the Special Mwatate Municipality has made significant physical progress in urban transformation. A flagship achievement is the construction of a modern market through the Kenya Urban Support Programme (KUSP), funded by the World Bank at a cost of approximately Kshs 50 million. The facility, now fully operational, accommodates over 200 small-scale traders with stalls, sheds, ablution blocks, offices, parking bays, walkways, waste receptacles, and solar street lighting, thereby ending years of outdoor trading vulnerability and improving business dignity and safety. Complementing this, a broader Kshs 48 million urban facelift programme delivered cabro-standard rehabilitation of access roads around key administrative areas, construction of a modern 8-door public toilet, and installation of additional street lighting and garbage receptacles. Collectively, these interventions have transformed Mwatate from a dusty, underdeveloped township into a cleaner, safer, and vibrant urban center, boosting economic activity, enhancing public health, and improving the quality of life for residents and traders alike.

e) Conclusion

The FY 2024/2025 financial year was generally challenging for the Municipality. Despite notable progress in the transfer of functions particularly in the provision of refuse collection and solid waste management, financing remained a significant constraint. Limited county funding to support the

implementation of planned activities hindered the execution of planned municipal activities. Consequently, the Municipality Board faced accrued expenses and minimal expenditure on key economic items within the approved budget, thereby affecting overall operational performance.

I take this opportunity to thank the Board and the respective Board Committees for their support. I would also want to thank all members of staff who we have worked hand in hand to ensure that The Special Municipality of Mwatate achieves its mission.



.....  
Name: CPA/CS Nancy Wali Mwacharo  
Special Municipality of Mwatate Manager

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

The key development objectives of the IDeP for the special Municipality of Mwatate (2020-25) plan are to:

- a) Provide quality physical infrastructure.
- b) Urban planning.
- c) Urban governance and administration

One of the objectives we achieved under urban governance and administration was development of the policies for the Special Municipality of Mwatate.

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>
1. Provision of Quality Physical Infrastructure	To enhance accessibility, connectivity, and service delivery through improved physical infrastructure.	Improved municipal road network, transport, and service delivery.	% increase in length of roads opened.	3 km of new municipal roads were targeted, but none achieved (0 km). Variance: -3 km
			% increase in roads upgraded to cabro or bitumen standard.	2 km targeted, none achieved. Variance: -2 km.
			Modern bus park constructed and operationalized.	Mwatate Bus Park (KSh 55 million) planned; project remains at planning and design stage. Variance: -100%.
			Fire infrastructure (fire station) developed.	None implemented. 1 fire station planned; not implemented. Variance: -1.
			1 Mwatate Recreational Park constructed (KSh 21 million).	1 park planned (KSh 21 million); project design and site identification completed. Variance: -80%.

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Urban Planning and Development Control	To promote orderly, sustainable, and resilient urban development	Orderly and planned urban growth.	Preparation and implementation of Local Physical and Land Use Development Plans.	1 plan targeted; concept development initiated but not finalized. Variance: -1.
			Number of public participation sessions held on urban planning.	5 forums planned; 3 conducted. Variance: -2.
Urban Governance and Administration	To enhance efficiency, accountability, and effectiveness of municipal administration.	Improved governance, transparency, and performance in municipal	Transparent and functional governance systems established.	New Municipal Board constituted and gazetted (Q1 FY 2024/2025). 100% achieved.
			Number of board and committee sittings held.	Minimum 4 full board and 4 committee meetings planned; 5 full board, 2 special board, and 9 committee meetings held. +100% achievement.
			Number of governance and operational policies developed.	3 policies planned; 8 policies and frameworks developed (+167% achievement). a) Solid Waste Management Policy b) Grievance Redress Mechanism Policy c) Public Participation and Engagement Policy d) Gender Mainstreaming Policy e) Performance Management Policy f) Disaster Risk Management Policy g) Solid Waste Management Plan h) Grievance Redress Mechanism Framework

During FY 2024/2025, Mwatate Municipality made notable progress in urban governance and administration, achieving key milestones such as the constitution of a new Municipal Board, full compliance with statutory meeting requirements, and development of eight strategic policies and frameworks that enhance transparency, inclusivity, and operational efficiency.

However, implementation of physical infrastructure projects such as the Mwatate Bus Park, municipal roads, fire station, and recreational park was delayed due to unavailability of funds. These projects remain CIDP and ADP priorities and have been rolled over into FY 2025/2026.

Urban planning activities were partially achieved, with groundwork laid for development of Local Physical and Land Use Plans and continued processing of building and development applications.

## **8. Corporate Governance Statement**

### ***i. Process of appointment and removal of Board members.***

The Special Municipality of Mwatate Charter 2019 provides that the board of municipality shall be made up of Nine (9) Members, including the chairman, and shall consist of a chairperson and eight (8) other members identified for appointment through a competitive process.

The appointment of members to the Mwatate Municipality Board was through Gazette Notice No. 11832 dated 20th September, 2024 is largely compliant with the Mwongozo Code of Governance for State Corporations. The process is legally grounded in the County Governments Act and the Urban Areas and Cities Act, with the board composition reflecting a mix of skills, professional diversity, youth and gender representation, as well as the inclusion of key county executive officers. The one-third gender rule has been met, and the presence of members with expertise in education, finance, land management, and public service demonstrates adequate diversity of competencies required for effective board governance.

### ***ii. Roles and functions of the Special Municipality of Mwatate Board members,***

The Board, also known as the Mwatate Municipality Board performs all functions vested in boards of municipalities under the Urban Areas and Cities Act, the County Government Act and the Municipality Regulations.

The Board is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the Municipality is a formal governance structure with the board of committee at its apex. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

### ***iii. Induction and training, Special Municipality of Mwatate Board members and member's performance***

The newly appointed Board members are scheduled for induction to familiarize them with their governance roles, responsibilities, and obligations under the Mwongozo Code of Governance. Going forward, continuous capacity-building and refresher trainings will be undertaken to ensure they remain adequately equipped to discharge their mandate effectively. The Board is composed of professional and committed members who, guided by the Municipality's mission, vision, and core values, are dedicated to upholding the principles of transparency, accountability, integrity, and service delivery in the execution of their duties.

**iv. Board and members performance**

The Board, also known as the Mwatate Municipality Board performs all functions vested in boards of municipalities under the Urban Areas and Cities Act 2011 revised 2019, the County Government Act 2012 and PFM Act 2012.

The Board is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the Municipality is a formal governance structure with the board of committee at its apex. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

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

The Board of the Special Municipality of Mwatate convenes at least once every three months, or as necessary, to monitor the implementation of the Municipality's Strategic Plan and to assess progress towards achieving the targets outlined in the Municipal Charter. In addition to its strategic oversight role, the Board exercises oversight over financial management and operational performance to ensure accountability and value for money.

During the FY 2024/2025, the Board successfully held five (5) full Board meetings, two (2) special meetings, and nine (9) committee meetings, with an overall attendance rate of above 70%. This demonstrates the Board's commitment to effective governance, adherence to Mwongozo principles, and the fulfillment of its fiduciary responsibilities.

**vi. Succession plan**

The County Government of Taita Taveta has initiated the recruitment process for new Municipal Board members ahead of the expiry of the term of the outgoing Board. In line with Mwongozo principles on leadership continuity and institutional stability, the process has encouraged qualified existing members to re-apply for consideration. As part of a phased transition, two members have been retained to ensure continuity, institutional memory, and smooth handover of functions.

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

The Board adheres to a Conflict of Interest Policy, in line with Mwongozo and the Conflict of Interest Bill, which requires members to declare any personal interests that could influence decision-making. In January 2025, it was adopted that members should make such declarations before the commencement of each meeting.

**viii. Board remuneration**

The members are paid sitting, transport and airtime allowances as per SRC circular 2019.

**ix. Ethics and Conduct**

All members are bound by the Leadership and Integrity Act, the Municipality's Code of Conduct, and the Public Officer Ethics Act 2003 revised 2009. These instruments promote ethical behaviour, integrity, and accountability in the execution of duties.

**x. Governance audit**

The governance audit affirms that the Special Municipality of Mwatate is guided by principles of accountability, transparency, and integrity, with structured oversight mechanisms in place. Continued governance strengthening will enhance service delivery, stakeholder trust, and sustainable urban development.

**xi. Communication policy**

The County Government communication policy ensures timely, transparent, and accurate dissemination of information to stakeholders through public forums and other channels.

**xii. Terms of Reference of Committees**

The Board operates through specialized committees with clear Terms of Reference. These include:

- Finance, Administration, Human resource and strategy Committee
- Audit, Risk Management and Governance Committee
- Urban planning, transport and Infrastructure Committee
- Municipal services, trade and investment committee

Each committee reports to the full Board for deliberation and approval of recommendations.

**xiii. Policy on related party transactions**

The Municipality should ensure all related party transactions are disclosed, fair, and conducted as per the municipality regulations to protect public interest and maintain transparency.

## **9. Management Discussion and Analysis**

The Board has continued to grow since its inception and the management has put measures in place to safeguard against any risks.

The management has ensured that we comply with statutory requirements relating to the functions of the board and also making sure that there is no any form of non-compliance.

### **BUSINESS PERFORMANCE**

#### **Revenue**

The Board has so far received over 145,000,000 million as revenues from the exchequer issues since its inception, this will go a long way to see the proposed development plan are achieved within the stipulated period. This will see elevation of the lives of residents of Mwatate

#### **Cash flow**

The cash and cash equivalents increased from Kshs. 137,688 as at 30 June 2024 to Kshs 32,363,734 as at 30 June 2025. The increase was significant since urban development grant KUSUPII funds were released towards the end of the financial year.

### **OPERATIONAL PERFORMANCE**

The Special Municipality of Mwatate core operating activities is to elevate the living standards of Mwatate residents, within its boundaries such as Refuse collection and solid waste management services, Construction and Maintenance of Municipality urban roads, storm drainage and flood controls, walkways and other non-motorized transport infrastructure; Installation and Maintenance of street lighting; Construction, Maintenance and regulation of municipal markets and abattoirs and many others as outlined in the charter .

#### **Employees**

Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services.

During the year, there was increase staff who were transferred from County Government to Special Municipality of Mwatate, as per the transfer of functions document 2024. This has increased efficiency and effectiveness to achieve the strategic objectives and full operationalization of the municipality.

**Conclusion**

We appreciate the unrelenting support from the board members, management, staff, the county government, development partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2025/2026.

**10. Environmental and Sustainability Reporting**

**1. Sustainability strategy and profile**

The Special Municipality of Mwatate has continued to structure its programs towards development projects and activities that depict high sense of value for money and goes a long way in alleviating the residents suffering and improving their ease of doing business. In the year under review the Municipality developed a transfer of function guide document approved by the cabinet and the municipality organogram approved by the county public service, which is a sure way to make the Municipality more sustainable in continuing discharging its mandate as stipulated in the municipality charter

**2. Environmental performance**

To promote sustainable land use and environmental conservation, the Special Municipality of Mwatate has engaged an environmental and social safeguard officer to be undertaking feasibility studies as well as environmental impact assessments to all its project activities.

**3. Employee welfare**

The Special Municipality of Mwatate revamped its efforts in improving the welfare of its employees as a key ingredient to employee motivation and satisfactory work performance.

**4. Market place practices**

To entrench the spirit of competition in its activities, the Special Municipality of Mwatate during the year under review embraced E-Procurement when sourcing of goods and services. The system enhances openness and transparency as tenders were advertised on the local dailies and also posted on the IFMIS portal hosted at The National Treasury. The same were opened, evaluated, awarded, inspected and received through the system hence sealing loopholes of any collusion that could have occurred.

**a) Responsible competition practice.**

The Municipality Management ensured that all tenders were widely advertised and open to the public for bidding.

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

The municipality management has been ensuring that its relationship with suppliers is cordial and all the communication is done both to the successful and unsuccessful bidders and ensured that suppliers were paid on time.

**c) Responsible marketing and advertisement**

All tender advertisements were done in the public procurement tender portal, county government website and in the dailies.

**d) Product stewardship**

The management ensured that all the projects complied with NEMA, Environmental and Social safeguards, by fully engaging an expert in this area.

**5. Community Engagements**

The Special Municipality of Mwatate through its various Departments and in collaboration with other stakeholders has been engaging in various community initiatives that have helped improve people's living standards. Several public participation exercises were conducted to collect views and contributions from the Mwatate residents on issues such proposed projects, progress reports, budgets, etc having a bearing on service delivery.

## **11. Report of the Special Municipality of Mwatate Board Members**

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

### **Principal activities**

The principal activity/mission/ mandate of the City/ Municipality is;

- i. Promotion, regulation, and provision of refuse collection and solid waste management services;
- ii. Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider);
- iii. Construction and maintenance of urban roads and associated infrastructure;
- iv. Construction and maintenance of storm drainage and flood controls;
- v. Construction and maintenance of walkways and other non-motorized transport infrastructure;
- vi. Construction and maintenance of recreational parks and green spaces;
- vii. Construction and maintenance of street lighting;
- viii. Construction, maintenance, and regulation of traffic controls and parking facilities;
- ix. Construction and maintenance of bus stands, boda-boda stands, and taxi stands;
- x. Regulation of outdoor advertising;
- xi. Construction and regulation of municipal markets and abattoirs;
- xii. Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- xiii. Promotion, regulation, and provision of municipal sports and cultural activities;
- xiv. Promotion, regulation, and provision of animal control and welfare;
- xv. Development and enforcement of municipal plans and development controls;
- xvi. Municipal administration services (including construction and maintenance of administrative offices); and
- xvii. Promoting and undertaking infrastructural development and services within the Municipality.

### **Performance**

The performances of the Special Municipality of Mwatate for the year ended June 30, 2025 are set out on page 1

*County Government of Taita Taveta  
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**Board Members**

The members of the Board who served during the year the financial year are as shown below:

Ref	Name	Position
1.	JULIUS K. NGONDO	CHAIRMAN
2.	HANNAH SAU	VICE CHAIRPERSON
3.	STEPHEN KIRINGO	MEMBER
4.	JOHN MWAKITELE	MEMBER
5.	ERICK MLATI	MEMBER
6.	GLADYS NDAU	MEMBER
7.	RAYMOND MARO WAKIO	MEMBER
8.	JIMMY M MTAWA	CCO LANDS
9.	CHRISTINA ZIGHE	CECM Lands
10.	CPA/CS NANCY MWACHARO	MUNICIPAL MANAGER

**Auditors**

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

By Order of the Board

*Dali*  
.....

Name: NANCY WAKI MWACHARO 17/11/2025

Secretary of the Board

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

Section 180 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the Special Municipality of Mwatate established by Urban Areas and Cities Act No. 13 of 2019 shall prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Special Municipality of Mwatate manager is responsible for the preparation and presentation of the Special Municipality of Mwatate financial statements, which give a true and fair view of the state of affairs of the Special Municipality of Mwatate for and as at the end of the financial year ended on June 30, 2025. This responsibility includes:

(i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Special Municipality of Mwatate, (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 Special Municipality of Mwatate, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Special Municipality of Mwatate 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 2019. The Special Municipality of Mwatate Manager is of the opinion that the financial statements give a true and fair view of the state of Special Municipality of Mwatate transactions during the financial year ended June 30, 2025, and the financial position as at that date.

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

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern (disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements). Nothing has come to the attention of the Special Municipality

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of Mwatate Manager to indicate that the Special Municipality of Mwatate 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 Special Municipality of Mwatate financial statements were approved by the Board on 25th August 2025 and signed on its behalf by:

.....  
Name: **JULIUS NGOMBO**  
Chairperson of the Board

.....  
Name: **Nancy WAZI MWACHAPO**  
Accounting officer of the Board

# REPUBLIC OF KENYA



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

## REPORT OF THE AUDITOR-GENERAL ON SPECIAL MUNICIPALITY OF MWATATE FOR THE YEAR ENDED 30 JUNE, 2025

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Special Municipality of Mwatate set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

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

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

### **Basis for Qualified Opinion**

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

The statement of financial position and Note 24 to the financial statements reflects property, plant and equipment balance of Kshs.110,882,907. The balance includes buildings and motor vehicles of Kshs.48,175,516 and Kshs.2,226,171 respectively. However, the land on which the buildings are constructed was not supported by land title deed or lease agreement. Further, the motor vehicle balance was not supported with logbooks for confirmation of ownership.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.110,882,907 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Special Municipality of Mwatate Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.36,690,476 and Kshs.4,326,743, respectively resulting in under absorption of Kshs.32,363,733 of the budgeted expenditure.

The under absorption affected implementation of planned activities and impacted negatively on service delivery to the citizens.

My Opinion is not modified in respect of this matter.

## Key Audit Matters

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

## Other Matter

### Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Municipality in 2024/2025 revealed that the following five (5) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Unsupported Fixed Assets
2	2023/2024	Unsupported Expenditure-Domestic travel and Subsistence
3	2023/2024	Budget control and performance
4	2023/2024	Irregular Board expenses
5	2023/2024	Non-Compliance with Board meetings requirement

## Other Information

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

In connection with my audit on the Municipality's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Irregular Payment of Allowances to Staff**

The statement of financial performance and Note 14 to the financial statements reflect board expenses of Kshs.1,402,920. Review of payment records revealed that staff were paid allowances totaling to Kshs.213,500 for attending twenty-two (22) board meetings during the financial year. This is contrary to Section12(1) of Salaries and Remuneration Commission Act, 2011, which establishes equal remuneration to persons for work of equal value. In this regard, gross remuneration package should not distort the relative worth of a job; thus, allowances shall not be paid for purposes that are already compensated for in the basic salary.

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 effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Failure to Operationalize the Mandate of the Municipality**

Review of records provided on operations including revenue collections and environmental activities revealed that the Municipality since attaining municipal status, has not undertaken any of the 18 functions assigned under the Municipality Charter

contained under Legal Notice No 2 of 08/05/2019. In addition, review of revenue collection records revealed that the Municipality lacked revenue sharing framework or reporting criteria to guide the recognition, recording, and disclosure of its own-source revenue.

In the circumstances, effectiveness on internal controls, governance and risk management could not be confirmed.

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

### **Responsibilities of Management and Municipality Board**

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

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

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

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

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

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


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

05 December, 2025

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

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
			*Restated
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	36,539,620	2,175,467
Public contributions and donations	7		-
Levies Fines and Penalties	8	-	-
Other revenues ( <i>Specify</i> )	9	-	-
		36,539,620	2,175,467
<b>Revenue from exchange transactions</b>			
Interest income	10	-	-
Miscellaneous Income	11	13,168	-
<b>Total revenue</b>		36,552,788	2,175,467
<b>Expenditure</b>			
Use of goods and services	12	7,656,278	1,215,140
Staff costs	13	-	-
Board expenses	14	1,402,920	1,345,255 *
Finance costs	15	-	-
Depreciation and amortization	16	3,473,233	3,789,104
Repairs and maintenance	17	-	-
<b>Total expenses</b>		12,532,431	6,349,499
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	18	-	-
<b>Surplus/(deficit) for the period</b>		24,020,357	(4,174,032)

\* Restated is explained in Note 14 and Note 27

The notes set out on pages 22 to 48 form an integral part of these Financial Statements. The entity financial statements were approved on 25<sup>th</sup> August 2025 and signed by:

  
.....

Name: CPA/CS Nancy Mwacharo  
Special Municipality of Mwatate Manager

  
.....

Name: CPA Constance Mwachinga  
Head of Finance  
ICPAK M/No 33731

County Government of Taita Taveta  
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15. Statement of Financial Position As At 30 June 2025.

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
			*Restated
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	19	32,363,734	137,688
Receivables from exchange transactions	20	-	-
Receivables from non-exchange transactions	21	-	-
Prepayments	22	-	-
Inventories	23	-	-
<b>Total current assets</b>		<b>32,363,734</b>	<b>137,688</b>
<b>Non-current assets</b>			
Property, plant, and equipment	24	110,882,907	114,356,140
Intangible assets	25	-	-
Biological Assets	26	-	-
<b>Total Non-current Assets</b>		<b>110,882,907</b>	<b>114,356,140</b>
<b>Total assets (A)</b>		<b>143,246,642</b>	<b>114,493,828</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	27	5,223,710	491,255
Refundable deposits from customers	28	-	-
Provisions	29	-	-
Borrowings	30	-	-
Employee benefit obligations	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
<b>Total current liabilities</b>		<b>5,223,710</b>	<b>491,255</b>
<b>Non-current liabilities</b>			
Provisions	29	-	-
Borrowings	30	-	-
Non-current employee benefit obligation	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-

County Government of Taita Taveta  
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Total liabilities (B)		5,223,710	491,255
Net Assets (A-B)		138,022,932	114,002,573
Represented by:			
Capital/Development Grants/Fund		-	-
Reserves		-	-
Accumulated surplus		138,022,930	114,002,572
Net Assets/Equity		138,022,930	114,002,572

\* Restated is explained in Note 14 and Note 27

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 25<sup>th</sup> August 2025 and signed by:

  
.....

Name: CPA/CS Nancy  
Mwacharo  
Special Municipality of Mwatate  
Manager

Date: 17/11/2025

  
.....

Name: CPA Constance Mwachinga  
Head of Finance

ICPAK M/No 33731

Date:

County Government of Taita Taveta  
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16. Statement of Changes in Net Assets For the Year Ended 30 June 2025.

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2023	-	-	118,176,604	118,176,604
Surplus/(deficit) for the year	-	-	(4,174,032)	(4,174,032)
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
Bal as at 30 Jun 2024	-	-	114,002,572	114,002,572
Bal as at 1 July 2024			114,002,572	114,002,572
Surplus/(deficit) for the year		-	24,020,357	24,020,357
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
Balance as at 30 June 2025	-	-	138,022,930	138,022,930

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

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		36,539,620	2,175,467
Public contributions and donations		-	-
Interest received		-	-
Miscellaneous receipts (Specify)		13,168	-
Total Receipts		36,552,788	2,175,467
Payments			
Use of goods and services		2,821,278	1,215,140
Staff costs		-	-
Board expenses		1,505,465	854,000
Finance costs		-	-
Total Payments		4,326,743	2,069,140
Net cash flows from operating activities	34	32,226,046	106,327
Cash flows from investing activities			
Purchase of PPE & intangible assets		-	-
Proceeds from sale of PPE		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase in cash & cash equivalents		32,226,046	106,327
Cash And Cash Equivalents At 1 July	19	137,688	31,361
Cash And Cash Equivalents At 30 June	19	32,363,734	137,688

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs. a	Kshs. b	Kshs. c=(a+b)	Kshs. d	Kshs. e=(c-d)	f=d/c
Budget carryovers from the previous year	137,688	-	137,688	137,688	-	100%
<b>Receipts</b>						
Transfers from the County Government	36,004,300	1,870,000	37,874,300	36,539,620	1,334,680	96%
Public contributions and donations	-	-	-	-	-	0%
Interest income	-	-	-	-	-	0%
Miscellaneous income	-	13,168	13,168	13,168	-	100%
Total Receipts	36,141,988	1,883,168	38,025,156	36,690,476	1,334,680	96%
<b>Payments</b>						
Use of goods and services	33,601,988	883,168	34,485,156	2,821,278	31,663,879	8%
Board expenses	2,540,000	1,000,000	3,540,000	1,505,465	2,034,535	43%
Staff Costs	-	-	-	-	-	0%
Finance costs	-	-	-	-	-	0%
Total expenditure Payments	36,141,988	1,883,168	38,025,156	4,326,743	33,698,414	11%
Capital Expenditure Payments	-	-	-	-	-	0%
<b>Surplus for the period</b>	-	-	-	32,363,734	(32,363,734)	

*\* The underutilisation of funds was due to Kenya urban support program (KUSUP11) grants which was disbursed at the end of the financial year.*

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**Budget Reconciliation**

Description of Particulars		Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	32,363,734
1	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	32,363,734

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

### **1. General Information**

Special Municipality of Mwatate is established by and derives its authority and accountability from urban areas and cities Act.2011 amended 2019. The Special Municipality of Mwatate is under the Charter gazetted on (8th May 2019), County Government and is domiciled in Kenya. The Special Municipality of Mwatate principal activity's is

- i. Promotion, regulation, and provision of refuse collection and solid waste management services;
- ii. Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider);
- iii. Construction and maintenance of urban roads and associated infrastructure;
- iv. Construction and maintenance of storm drainage and flood controls;
- v. Construction and maintenance of walkways and other non-motorized transport infrastructure;
- vi. Construction and maintenance of recreational parks and green spaces;
- vii. Construction and maintenance of street lighting;
- viii. Construction, maintenance, and regulation of traffic controls and parking facilities;
- ix. Construction and maintenance of bus stands, boda-boda stands, and taxi stands;
- x. Regulation of outdoor advertising;
- xi. Construction and regulation of municipal markets and abattoirs;
- xii. Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- xiii. Promotion, regulation, and provision of municipal sports and cultural activities;
- xiv. Promotion, regulation, and provision of animal control and welfare;
- xv. Development and enforcement of municipal plans and development controls;
- xvi. Municipal administration services (including construction and maintenance of administrative offices); and
- xvii. Promoting and undertaking infrastructural development and services within the Municipality.

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

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

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

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

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**3. Application of New and revised standards (IPSAS)**

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

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

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

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

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

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	<ul style="list-style-type: none"><li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li><li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li></ul>
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*iii. Early adoption of standards*

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

#### **4. Significant Accounting Policies**

##### **a) Revenue recognition**

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

###### Transfers from other government entities

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

###### **ii) Revenue from exchange transactions**

###### Interest income

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

##### **b) Budget information**

The original budget for FY 2024/2025 was approved by the County Assembly on 25<sup>th</sup> June 2024. 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 Special Municipality of Mwatate upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Special Municipality of Mwatate recorded additional appropriations of Kshs. 1,870,000 on 30<sup>th</sup> December 2024 following the governing body's approval.

The Special Municipality of Mwatate 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

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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 Cash flows has been presented under section 17 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 Special Municipality of Mwatate recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Intangible assets**

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

**e) Biological Assets**

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated

depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

**f) Financial instruments**

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

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

**Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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

**Amortized cost**

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

### **Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in Note 38

### **Financial liabilities**

#### **Classification**

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

#### **g) Inventories**

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

Raw materials: purchase cost using the weighted average cost method

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

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

**h) Provisions**

Provisions are recognized when the Special Municipality of Mwatate 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 Special Municipality of Mwatate expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**i) Social Benefits**

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

**j) Contingent liabilities**

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

**k) Contingent assets**

The Special Municipality of Mwatate 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 Special Municipality of Mwatate in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured

Reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

**l) Nature and purpose of reserves**

The Special Municipality of Mwatate creates and maintains reserves in terms of specific requirements. Special Municipality of Mwatate to state the reserves maintained and appropriate policies adopted

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

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

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

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

**o) Foreign currency transactions**

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

**p) Borrowing costs**

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

**q) Related parties**

The Special Municipality of Mwatate 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 Special Municipality of Mwatate, or vice versa. Members of key management are regarded as related parties and comprise the Board members, the Special Municipality of Mwatate Managers and Special Municipality of Mwatate Accountant.

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Events after the reporting period**

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

Two types of events can be identified:

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

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

**u) Currency**

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

**5. Significant judgments and sources of estimation uncertainty**

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

State all judgements, estimates and assumptions made.

**Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Special Municipality of Mwatate 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 Special Municipality of Mwatate. Such changes are reflected in the assumptions when they occur.

**Useful lives and residual values**

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

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	2,661,620	1,684,174
Payments by County on behalf of the entity	1,568,700	491,293
Kenya urban support program Grants	32,309,300	-
<b>Total</b>	<b>36,539,620</b>	<b>2,175,467</b>

(a) Transfers from County Government entities (Categorized)

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

7. Public Contributions and Donations

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

8. Levies, Fines and penalties

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Levies	-	-
Fines	-	-
Penalties	-	-
Others	-	-
<b>Total</b>	-	-

9. Other Revenues

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others	-	-
<b>Total</b>	-	-

10. Interest income

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

11. Miscellaneous income

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Income from sale of tender documents	-	-
Others -Transfer to regularize account	13,168	-
<b>Total other income</b>	13,168	-

12. Use of Goods and Services

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	138,965	32,968
Communication, supplies and services	-	-
Domestic travel and subsistence	6,211,500	699,407
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	58,750	-
Rent and rates	-	-
Training expenses	-	143,666
Hospitality supplies and services	200,270	282,253
Membership Fees, Dues and subscriptions	-	48,800
Insurance cost	-	-
Specialized materials and services	-	-
Office and general supplies and services	1,550	-
Fuel, oil and lubricants	1,000,000	-
Other operating expenses (Office renovation)	30,003	-
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	-	-
Audit fees	-	-
Hire of Transport, equipment etc	-	-
Bank Charges	15,240	8,046
Social Benefit expenses*	-	-
<b>Total</b>	<b>7,656,278</b>	<b>1,215,140</b>

**Domestic travel and subsistence: Kshs. 6,211,500**, comprising DSA payables of Kshs. 4,835,000, actual DSA expenses of Kshs. 807,800 and Kshs 568,700 payments made on behalf of the entity through IFMIS

**Fuel, oil and lubricants of Kshs 1,000,000** was payment made on behalf of the entity through ifmis

### 13. Staff costs

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

### 14. Board expenses

Description	2024/2025	Restated 2023/2024	2023/2024
	Kshs.	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-	-
Sitting allowances	1,253,920	1,345,255	2,666,000
Medical Insurance	-	-	-
Induction and Training	-	-	-
Travel and accommodation	149,000	-	-
Conference Costs	-	-	-
Other allowances (Specify)	-	-	-
<b>Total</b>	<b>1,402,920</b>	<b>1,345,255</b>	<b>2,666,000</b>

**\*Restated:** Sitting Allowance (Board millage allowance) in F/Y 23/24 was overstated with Kshs 1,320,745, which has now been corrected by **Debit:** Trade Payable and **Credit:** board expenses sitting allowance with Kshs 1,320,745 Respectively.

**Sitting allowances:** Kshs. 1,253,920 comprising Sitting allowance payables of Kshs. 388,710 and actual Sitting allowances expenses of Kshs. 865,210 for F/Y 2024/2025

### 15. Finance costs

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
<b>Total</b>	-	-

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**16. Depreciation and amortization**

Description	2024/2025	2023/2024
	Kshs	Kshs
Property, plant and equipment	3,473,233	3,789,104
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	3,473,233	3,789,104

**17. Repairs and Maintenance**

Description	2024/2025	2023/2024
	Kshs	Kshs
Property- Buildings	-	-
Office equipment	-	-
Furniture and fittings	-	-
Motor vehicle expenses	-	-
Maintenance of civil works	-	-
Total repairs and maintenance	-	-

**18. Gain/(loss) on disposal of assets**

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

**19. Cash and cash equivalents**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	32,363,734	137,688
Others(specify)	-	-
<b>Total cash and cash equivalents</b>	<b>32,363,734</b>	<b>137,688</b>

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

Financial institution	Account number	2024/2025	2023/2024
		Kshs.	Kshs.
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	-
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
Kenya Commercial bank	1259752836	(926)	(920)
Kenya Commercial bank	1264488491	32,309,592	0
Equity Bank	0790284551361	29,125	82,605
Equity Bank	0790284892132	25,943	56,003
<b>Sub- total</b>		<b>32,363,734</b>	<b>137,688</b>
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>32,363,734</b>	<b>137,688</b>

**20. Receivables from exchange transactions**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Current Receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-

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Total Current receivables (a)	-	-
Non-Current receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Non- current receivables (b)	-	-
Total	-	-

**Ageing analysis for Receivables from exchange transactions**

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	FY2024/2025	% of the total	FY2023/2024	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (a+b)</b>	-	%	-	%

**21. Receivables from Non-Exchange transaction**

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

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

	2024/2025		2023/2024	
	Kshs		Kshs	
	2024/2025	% of the total	2023/2024	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	-	%	-	%

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**22. Prepayments**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Other (specify)	-	-
Total	-	-

**23. Inventories**

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

*(Provide brief explanation on inventories)*

**Detailed Disclosure on Inventories**

	2024/2025	2023/2024
Opening balance	-	-
Additional Inventory in the year	-	-
Inventory expensed in the year	-	-
Write-downs in the year	-	-
Others specify	-	-
Closing balance	-	-

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24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Infrastructure assets	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Depreciation Rate</b>		2%	10%	12.50%	33.30%	2%		
<b>As at 1 July 2023</b>	-	35,513,617	9,360,000	2,467,419	1,743,560	69,060,648	-	118,145,244
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
* Adjustments	-	14,648,311	-	296,560	(506,560)	(14,438,311)	-	(0)
Revaluation Adjustment	-	-	-	-	-	-	-	-
<b>As at 30th June 2024</b>	-	<b>50,161,928</b>	<b>9,360,000</b>	<b>2,763,979</b>	<b>1,237,000</b>	<b>54,622,337</b>	-	<b>118,145,244</b>
Additions for the year	-	-	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
<b>As at 30th June 2025</b>	-	<b>50,161,928</b>	<b>9,360,000</b>	<b>2,763,979</b>	<b>1,237,000</b>	<b>54,622,337</b>	-	<b>118,145,244</b>
<b>Depreciation and impairment</b>	-							-
<b>At 1 July 2023</b>	-						-	-
Depreciation	-	1,003,239	936,000	345,497	411,921	1,092,447	-	3,789,104
Impairment	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-
<b>As at 30 June 2024</b>	-	<b>1,003,239</b>	<b>936,000</b>	<b>345,497</b>	<b>411,921</b>	<b>1,092,447</b>	-	<b>3,789,104</b>
Depreciation for the year	-	983,174	842,400	302,310	274,751	1,070,598	-	3,473,233
Disposals for the year	-	-	-	-	-	-	-	-

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Impairment for the year	-	-	-	-	-	-	-	-
Transfer/adjustment	-						-	-
<b>As at 30th June 2025</b>	-	<b>1,986,412</b>	<b>1,778,400</b>	<b>647,808</b>	<b>686,672</b>	<b>2,163,045</b>	-	<b>7,262,337</b>
	-							-
<b>NBV as at 30th Jun 2024</b>	-	<b>49,158,689</b>	<b>8,424,000</b>	<b>2,418,482</b>	<b>825,079</b>	<b>53,529,890</b>	-	<b>114,356,140</b>
<b>NBV as at 30th Jun 2025</b>	-	<b>48,175,516</b>	<b>7,581,600</b>	<b>2,116,171</b>	<b>550,328</b>	<b>52,459,292</b>	-	<b>110,882,907</b>

\* The adjustments arose from the correction of a previous misclassification which had been recorded under incorrect categories in prior periods. The necessary reclassifications have been made

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**25. Intangible assets**

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

**26. Biological Assets**

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

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27. Trade and Other Payables

Description	2024/2025		Restated 2023/2024		2023/2024	
	Kshs.		Kshs.		Kshs.	
Trade payables	-		-		-	
Retentions	-		-		-	
Accrued expenses(2022/2023)	-		-		750,000	
Accrued expenses(2023/2024)	-		491,255		1,062,000	
Accrued expenses(2024/2025)	388,710		-		-	
Other payables -Urban development grants	4,835,000		-		-	
<b>Total trade and other payables</b>	<b>5,223,710</b>		<b>491,255</b>		<b>1,812,000</b>	
<b>Ageing analysis:</b>	<b>2024/2025</b>	<b>% of the Total</b>	<b>2023/2024</b>	<b>% of the Total</b>	<b>2023/2024</b>	<b>% of the Total</b>
Under one year	5,223,710		-	%	1,062,000	%
1-2 years		%	491,255	100%	750,000	
2-3 years	-	%	-	0%	-	
Over 3 years	-	%	-	%	-	%
<b>Total</b>	<b>5,223,710</b>		<b>491,255</b>	<b>%</b>	<b>1,812,000</b>	<b>%</b>

\*Restated: Sitting Allowance (Board millage allowance) in F/Y 23/24 was overstated with Kshs 1,320,745, which has now been corrected by Debit: Trade Payable and Credit: board Sitting allowance with Kshs 1,320,745 Respectively.

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**28. Refundable deposits and prepayments from customers**

Description	2024/2025		2023/2024	
	Kshs		Kshs	
Rent deposits	-		-	
Prepayments	-		-	
Others ( <i>specify</i> )	-		-	
<b>Total</b>	-		-	
<b>Ageing analysis:</b>	<b>2024/2025</b>	<b>% of the Total</b>	<b>2023/2024</b>	<b>% of the Total</b>
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	-	%	-	%

**29. Provisions**

Description	2024/2025		2023/2024	
	Kshs.		Kshs.	
Balance at the beginning of the year	-		-	
Additional Provisions (Specify)	-		-	
Provision utilised	-		-	
Balance at the end of the year	-		-	
Current Portion of provision	-		-	
Long term portion of provision	-		-	
<b>Total Provisions</b>	-		-	

**30. Borrowings**

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

Description	2024/2025		2023/2024	
	Kshs.		Kshs.	
Short term borrowings (current portion)	-		-	
Long term borrowings	-		-	
<b>Total</b>	-		-	

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Description	2024/2025	2023/2024
	Kshs.	Kshs.
<b>Balance at beginning of the period</b>	-	-
Borrowings during the year	-	-
Repayments of borrowings during the period	-	-
<b>Balance at end of the period</b>	-	-

The table below shows the Distribution of borrowings:

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

### 31. Employee Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Provisions	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

### 32. Deferred Income

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

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The deferred income movement is as follows:

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

*Analysed as:*

Description	Amount
	Kshs
Current	-
Non- Current	-
<b>Total</b>	-

### 33. Social Benefit Liabilities

Description	2024/2025	2023/2024
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
PWD benefit scheme		
Elderly social benefit scheme	-	-
<b>Total</b>	-	-
Current social benefits	-	-
Non- current social benefits	-	-
<b>Total (tie to totals above)</b>	-	-

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**34. Cash generated from operations**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	24,020,357	(4,174,032)
Adjusted for:		
Depreciation	3,473,233	3,789,104
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	4,732,455	491,255
Net cash flow from operating activities	<b>32,226,046</b>	<b>106,327</b>

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**35. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

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

**c) Key management remuneration**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Board Members	1,402,920	1,345,255
Key Management Compensation	-	-
<b>Total</b>	<b>1,402,920</b>	<b>1,345,255</b>

**d) Due from related parties**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**e) Due to related parties**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
<b>Total</b>	-	-

**36. Contingent liabilities**

Contingent liabilities	2024/2025	2023/2024
	Kshs.	Kshs.
Court case xxx against the entity	-	-
Bank guarantees	-	-
<b>Total</b>	-	-

**37. Contingent Assets**

Contingent liabilities	2024/2025	2023/2024
	Kshs.	Kshs.
Court case against the entity	-	-
Others Specify	-	-
<b>Total</b>	-	-

### **38. Financial risk management**

The Special Municipality of Mwatate activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Special Municipality of Mwatate overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Special Municipality of Mwatate 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 Special Municipality of Mwatate financial risk management objectives and policies are detailed below:

#### **I. Credit risk**

The Special Municipality of Mwatate 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 assessments 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 Special Municipality of Mwatate 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 Special Municipality of Mwatate maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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

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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 Special Municipality of Mwatate has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Special Municipality of Mwatate has significant concentration of credit risk on amounts due from xxx. The Special Municipality of Mwatate Board sets policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**II. Liquidity risk management**

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 Jun 2025</b>				
Trade payables	-	-	5,223,710	5,223,710
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	<b>5,223,710</b>	<b>5,223,710</b>
<b>At 30 Jun 2024</b>				
Trade payables	-	-	491,255	491,255
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	<b>491,255</b>	<b>491,255</b>

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**III. Market risk**

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Special Municipality of Mwatate 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 Special Municipality of Mwatate 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 Special Municipality of Mwatate 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 Special Municipality of Mwatate exposure to market risks or the manner in which it manages and measures the risk.

**IV. Foreign currency risk**

The Special Municipality of Mwatate 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 Special Municipality of Mwatate foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description		Other currencies	Total
	Kshs.	Kshs.	Kshs.
<b>At 30 June 2025</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
<b>Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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**Foreign currency sensitivity analysis**

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
<b>20XX (current year)</b>			
Euro	10%	-	-
USD	10%	-	-
<b>20XX (previous year)</b>			
Euro	10%	-	-
USD	10%	-	-

**V. Interest rate risk**

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

**Management of interest rate risk**

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

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**VI. Capital risk management.**

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

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

**39. Program for Results (P for R) Disclosure**

<b>Name of the P for R: Kenya Urban Support Program ii</b>	
<b>Financing Partners: World Bank</b>	
Purpose of the P for R: To strengthen the capacities of urban institutions to (i) improve the delivery and resilience of urban infrastructure and services, (ii) enhance the private sector engagement in urban planning, and (iii) support the transition of refugee camps into integrated host Community and refugee settlements.	
<b>Expenditure Details</b>	<b>Amount in Kshs</b>
Cumulative actual expenditures for the previous years	-
Actual expenditure in the current financial year.	
1. <i>Employee Cost</i>	
2. <i>Use of goods and Services</i>	
3. <i>Grants and Subsidies</i>	
4. <i>Building of ECDE facilities</i>	
5. <i>Others (specify)</i>	
<b>Sub-total</b>	4,726,200
<b>Cumulative Actual Expenditures as at 30<sup>TH</sup> June 2025</b>	<b>4,726,200</b>

N/B The cumulative actual expenditure as at 30<sup>th</sup> June 2025 of Kshs 4,726,200 attributes to use of goods and services.

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported Fixed Assets		Resolved	10 <sup>th</sup> March 2025
2	Unsupported Expenditures -Domestic Travet and Subsistence		Resolved	10th March 2025
3	Irregular Board Expenses		Resolved	10th March 2025
4	Non-Compliance with Board Meetings Requirement		Resolved	10th March 2025
5	Prior Year Audit issues		Resolved	10th March 2025

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Municipality Manager *NANCY WANI MWATETARO*

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Appendix 2: Inter-Entity Transfers

SPECIAL MUNICIPALITY OF MWATATE NAME:				
Breakdown of Transfers from the County Executive of Taita Taveta County				
FY 2024/2025				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		30/6/2025	32,309,300	2024/2025
		<b>Total</b>	<b>32,309,300</b>	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
		<b>Total</b>	<b>-</b>	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		31/10/2024	236,670	2024/2025
		11/12/2024	383,300	2024/2025
		13/3/2025	1,696,800	2024/2025
		9/5/2025	344,850	2024/2025
		<b>Total</b>	<b>2,661,620</b>	

*CPA*  
 Head Of Accounts – CPA Constance Marura Mwachinga.  
 Special Municipality Of Mwatate

*Elijah Mwazighe*  
 CECM - CPA Elijah Mwazighe Mwazo  
 Head of County Treasury

Appendix 3: Reporting of Climate Relevant Expenditures

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

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

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

**Appendix 4: Disaster Expenditure Reporting Template**

Date:

Entity

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

