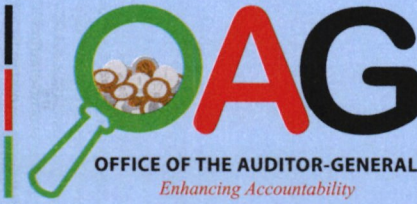


REPUBLIC OF KENYA

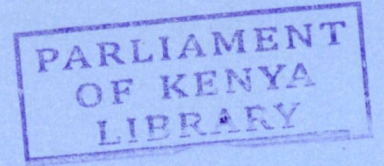


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL  
Enhancing Accountability

**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**DIANI MUNICIPALITY**

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

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



OFFICE OF THE AUDITOR GENERAL  
P.O. BOX 15202, MOMBASA  
27 OCT 2025  
MOMBASA REGIONAL OFFICE



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**DIANI MUNICIPALITY**

*County Government of Kwale*

**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)**



Contents

1. ACRONYMS & GLOSSARY OF TERMS.....	II
2. KEY ENTITY INFORMATION AND MANAGEMENT.....	III
3. MUNICIPALITY BOARD.....	VII
4. KEY MANAGEMENT TEAM .....	XIII
5. MUNICIPALITY BOARD CHAIRPERSON’S REPORT .....	XV
6. REPORT OF THE MUNICIPALITY MANAGER.....	XVII
7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY 2024/2025XXI	
8. CORPORATE GOVERNANCE STATEMENT.....	XXII
9. MANAGEMENT DISCUSSION AND ANALYSIS.....	XXIV
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	XXVII
11. REPORT OF THE MUNICIPALITY BOARD MEMBERS.....	XXX
12. STATEMENT OF MANAGEMENT’S RESPONSIBILITIES.....	XXXI
13. REPORT OF THE INDEPENDENT AUDITOR OF DIANI MUNICIPALITY FOR THE PERIOD ENDED 30 <sup>TH</sup> JUNE, 2025. ....	XXXII
14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2025 .....	1
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025 .....	2
16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2025 .....	4
17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025.....	5
18. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2025 .....	6
19. NOTES TO THE FINANCIAL STATEMENTS .....	7
20. APPENDICES .....	41

**1. Acronyms and Definition of Terms**

**A. Acronyms**

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

**B. Definition of Key Terms**

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

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

### **a) Background information**

Diani Municipality was established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 20<sup>th</sup> February 2019. The Municipality is under the County Government of Kwale and is domiciled in Kenya.

### **b) Principal Activities**

The Diani Municipality as indicated in the Urban Areas and Cities Act 2011, the County Governments Act 2012, and the municipal charter has the following mandates,

- a) Solid Waste Management
- b) Infrastructural Development
- c) Recreational Facilities and Green Spaces
- d) Animal Control and Welfare
- e) Resource Mobilisation

### **Vision**

A leading one-stop cultural resort city.

### **Mission**

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

### **Core Values**

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

The board's core objectives include;

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

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

**c) Key Management**

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

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

**d) Fiduciary Management**

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

Ref	Position	Name
1	Municipality Manager	Khamisi Mwandaro
2	Accountant	CPA Christina Malila
3	Procurement officer	Peter Kugomba

**e) Fiduciary Oversight Arrangements**

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

- **Audit and Finance Committee activities;**

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

The purpose of the audit committee is to provide assistance to the accounting officer or governing body. An audit committee's roles and responsibilities are as follows;

- Obtain assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably.
- Provide an independent review of an entity's reporting functions to ensure the integrity of financial reports.
- Monitor the effectiveness of entity's performance management and performance information
- Provide strong and effective oversight of an entity's internal audit function.
- Provide effective liaison and facilitate communication between management and external auditors.
- Provide oversight of the implementation of accepted audit recommendations.

- 
- vii. Ensure the entity effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behavior.

**The audit committee members are;**

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

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

**f) Registered Offices**

P.O. Box 4,  
Kwale County Head Office  
Likoni – Kinango Road  
Kwale, KENYA

**g) Contacts**

Telephone: (254)  
E-mail: [info@kwale.go.ke](mailto:info@kwale.go.ke)  
Website: [www.kwale.go.ke](http://www.kwale.go.ke)

**h) Bankers**

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

Co-operative Bank  
Ukunda Branch  
Account Number 01141839229400  
Kwale, Kenya

**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

County Government of Kwale  
Diani Municipality  
Annual Report and Financial Statements for the year ended June 30, 2025


3. Municipality Board



Serial No.	Name	Details of qualifications and experience
1	Board Member 1 	<p><b>NAME : MAJANI SAID ALI – BOARD CHAIR (Retired but active between July 24 to Feb 2025)</b>  <b>DATE OF BIRTH:</b> 12<sup>th</sup> March 1982</p> <p>Bachelor of Information Technology (Islamic University- Uganda)</p> <p>Experience:  Teacher in Dar ulum Secondary, Gombato secondary and Ukunda secondary schools.  Project officer – Pact Kenya  Currently businessman  The trustee is an independent director.</p>
2	Board Member 2 	<p><b>NAME : ATHUMAN BWIKA JUMA (Retired but active between July 24 to Feb 2025)</b>  <b>DATE OF BIRTH:</b> 7<sup>th</sup> May 1974</p> <p>2017-2019: Bachelor of Sharia\$ Islamic Studies  2016-AUG 2016: Diploma in Arabic Language\$ Islamic Studies - Umma University.  2015- DEC 2015: Certificate in Arabic Language \$ Islamic Studies - Umma University.  2014: Diani private - KCSE  1993-1997 : Arabic \$ Islamic Studies O'Leval Malindi. Naja Islamic centre</p> <p><b><u>PROFFESIONAL AND WORK EXPERIENCE (Retired but between from July 24 to Feb 2025)</u></b>  Year February 2020 to date - Kwale County BOARD MEMBER – Diani Municipality  2019.upto date. BOM Mabokoni Primary  2013 upto date: Chairman of county Busary Gombato Bongwe ward  2015 upto date. The Association of Madrasa Kenya (Å. m. K. E) .  2013 upto date : Community mobilizer ummulqura intergrated ecde  1999 upto date: Working as a Teacher/Ustadh/Imam at Saifullah Islamic Centre ( Ukunda Mbuwani)</p>

County Government of Kwale  
Diani Municipality  
Annual Report and Financial Statements for the year ended June 30, 2025



		The trustee is an independent director and chairs the Gender and communications sub- committee
3	Board Member 3 	<p><b>NAME : MAMBEYA SULEIMAN HAMISI (Retired but active between July 24 to Feb 2025)</b>  DATE OF BIRTH: 17<sup>th</sup> August 1986  June 2016 – ERC - Solar PV Technician Licence Class T3  Jan 2012 – July 2013 - Certificate; Engineers Training Programme - Davis &amp; Shirtliff Ltd.  Aug 2006 – May 2011 – Egerton University - B.Sc. Agricultural Engineering  Jan–April 2009 - Certificate in strategic planning and management of projects.  Feb 2001- Dec 2004 - Sheikh Khalifah Bin Zayed</p> <p><b><u>PROFFESIONAL AND WORK EXPERIENCE</u></b>  Year February 2020 to date - Kwale County BOARD MEMBER – Diani Municipality  December 2019 to date: Branch Manager Davis &amp; Shirtliff  Jan. 2016 – 2019 – Solar specialist Davis &amp; Shirtliff  2014 – 2015 – Major trade manager and event organiser Davis &amp; Shirtliff.  2011 – 2014 – Sales manager Davis &amp; Shirtliff  The trustee is an independent director and chairs the Environment sub-committee.</p>
4	Board Member 4 	<p><b>NAME : MAUREEN NJERI MUHINJA (Retired but between from July 24 to Feb 2025)</b>  DATE OF BIRTH: 23<sup>rd</sup> December, 1969  1997 – 1999: University of Nairobi  MA (Planning)  1989 – 1992: University of Nairobi  BA (Sociology and Geography)  1987 – 1988: A levels  Mary Leakey Girls High School  1983 – 1986: O Levels  Precious Blood, Kagwe Girls School  1976 – 1982: Primary Education  HGM, Lioki Primary School.</p> <p><b><u>PROFFESIONAL AND WORK EXPERIENCE</u></b>  Year February 2020 to date - Kwale County BOARD MEMBER (Diani Municipality)- (Chair Sub-committee on Urban Planning and Infrastructure  Year 2012 to Date – Geospatial systems Limited (Kwale)</p>


County Government of Kwale  
Diani Municipality  
Annual Report and Financial Statements for the year ended June 30, 2025

		<p>Senior Planner  Year 2004 to 2011 – Kwale County -  Senior Planning Officer/ District Physical Planning Officer  Year 1999 to 2003 – Laikipia County -  Senior Planning Officer/ District Physical Planning Officer  The trustee is an independent director and chairs the sub-committee of Urban planning and infrastructure.</p>
5	<p>Board Member 5</p> 	<p><b>NAME : MARIAM RASHID CHOKA</b>  <b>(Retired but between from July 24 to Feb 2025)</b>  DATE OF BIRTH: 23<sup>rd</sup> May, 1991</p> <p>May 2015 to date – CPA Part II  2011 – 2015: Egerton University – Bachelor of Arts Economics and Sociology.  2006 – 2009: Kwale Girls High School  2002-2009: Zigira Primary School</p> <p><b><u>PROFFESIONAL AND WORK EXPERIENCE</u></b>  Year February 2020 to date - Kwale County  BOARD MEMBER – Diani Municipality  Nov. 2020 to date: Cashier at Diani Sea Resort  Jan. 2019 – August 2020 - Accountant at Donje Milling Company  June 2016 – June 2018 - Accountant at Kenya Red Cross Kwale Branch  2010 – 2011 - Worked as Untrained Teacher at Kwale Girls High School.  The trustee is an independent director and serves as the vice chair for the Diani Municipality board and chairs the audit sub-committee.</p>



<p>6</p>		<p><b>NAME: RACHAEL JOAN WANJIRU NDUNG'U</b>  <b>Active</b></p> <p>Date of Birth: 10<sup>th</sup> Oct 1987</p> <p><b><u>Education Background</u></b>                  2006-2010: Bsc.Hospitality and Tourism</p> <p><b><u>Professional and work Experience</u></b>                  2023 Dec to Date: Diani Municipality Board                  2016 to Date: The Residence Manager leopard                  2014-2016: Ass. Operations Manager leopard                  2012-2014: Ass.FrontOfficeManager-Leopard</p>
<p>7</p>	<p>Board Member 7</p> 	<p><b>NAME: JEREMIAH MUTERU MUCHIRI</b>  <b><u>Active and currently the Ag. Chairperson</u></b></p> <p>Date of Birth: 2<sup>nd</sup> oct 1968</p> <p><b><u>Educational Background</u></b>                  2019-2019: KEMI Dep of Education Management                  2010-2011: CFBT Education Trust                  Certificate in Marketing and Accounting in School Management                  1987-1988: Thunguma High School A Level Certificate(K.A.C.E)                  1983-1986: Karima Secondary School O Level Certificate (KCE)</p> <p><b><u>Professional and work Experience</u></b>                  Nov 2023 to Date: Board Member, Diani Municipality                  2019-2021: Board Member Kwale Education Board                  2004-Date: Managing Director, ST.Mercy Academy,</p>


County Government of Kwale  
 Diani Municipality  
 Annual Report and Financial Statements for the year ended June 30, 2025

8		<p><b>NAME : KHAMISI MWANDARO</b>  <b>DATE OF BIRTH:</b> 1<sup>st</sup> January 1964</p> <p>BA Economics and Sociology (UON)          Diploma in clearing warehousing and practical freight forwarding.  <b>Experience:</b>          Sub county administrator – County Government of Kwale          Operations coordinator – Grain bulk handlers          Manager NCPB</p>
9.	<p>Chief Officer-Environment</p> 	<p><b>NAME: NEEMA SIHABA SUYA</b>  <b>POSITION:</b> County Chief Officer  <b>DEPARTMENT:</b> Environment, Natural Resources and Urban Planning</p> <p><b>Registered Professional Bodies:</b>          - Member, Conservation Coaches Network (CCNet)</p> <p><b>Professional And Work Experience:</b>          - April 2023 to date: County Chief Officer, Kwale          - July 2020 to April 2023: Project Officer, Governance, World Wide Fund For Nature (WWF-Kenya)          - June 2017 to June 2020: Project Officer, Civil Society, WWF-Kenya          - October 2012 to June 2018: Project Technical Assistant, WWF- Kenya          - October 2011 to September 2012: Intern, WWF-Kenya          - May 2009 to February 2011: Intern, Natuonal Environment Management Authority (NEMA)          - February 2009 to May 2009: Intern, Ministry of Mines and Geology, Kwale.</p>

10.		<p><b>NAME: SAUMU BEJA MAHAJA</b> <b>Date of Birth: 16<sup>th</sup> April 1989</b> She has a Master's degree in Environmental Studies Community Development and a Bachelor of Environmental Science from Kenyatta University. Her Professional Trainings and Certification include;</p> <ul style="list-style-type: none"><li>• Project Planning and Management Training by East African Institute of Certified Studies</li><li>• Geo-Spatial Database Development and Management Training at the Regional Centre for Mapping and Resource Development Nairobi</li><li>• Monitoring and Evaluation Training by East African Institute of Certified Studies</li></ul> <p>She is currently the County Executive Committee Member for Environment and Natural Resources For Kwale County. The trustee is an executive director.</p>
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4. Key Management Team

Serial No	Name	Details of qualifications and experience
1.		<p><b>NAME :KHAMISI MWANDARO</b>  <b>DATE OF BIRTH:</b> 1<sup>st</sup> January 1964</p> <p>BA Economics and Sociology (UON)                      Diploma in clearing warehousing and practical freight forwarding.                      Experience:                      Sub county administrator – County Government of Kwale                      Operations coordinator – Grain bulk handlers                      Manager NCPB</p>
2		<p><b>NAME : CHRISTINA MALILA</b>  <b>DATE OF BIRTH:</b> 19<sup>th</sup> Sept 1978  <b>POSITION:</b> Senior Accountant-Diani Municipality</p> <p><b><u>Educational Background</u></b>                      2018-BBM (Finance Option), Moi University                      2008-CPA(K), Vision Institute of Professionals                      Senior Management Course- Kenya School of Government</p> <p><b><u>Registered Professional Membership</u></b>                      ICPAK Member No 13279                      AWAK Member No 626</p> <p><b><u>Work Experience</u></b>                      2023 To Date: Senior Accountant in charge of Diani Municipality                      2016-2023 Accountant 1 Dept. of Education (Kwale County)                      2015-2016: Internal Auditor, Tabasamu Sacco                      2008-2015: Assistant Accountant, Tramom Sacco</p>

3.		<p><b>NAME: PETER GWENDE KUGOMBA</b> DATE OF BIRTH: 1988 POSITION: Procurement officer</p> <p><b><u>Educational Background</u></b> 2012-2015-BBM (Procurement and supply Chain Management-KEMU</p> <p><b><u>Professional Membership</u></b> KISM-Mno 77029 Supplies Practitioners Licence Mno. K3316/2023</p> <p><b><u>Work Experience</u></b> 2021 to Date-Supply Chain Management Officer 1-Kwale county Government</p>
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#### **5. Municipality Board Chairperson's Report**

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

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

The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralised system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments.

Diani Municipality is a child of the Kenya Urban Support Programme (KUSP) through the County Government of Kwale and the municipal charter of the municipality of Diani.

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

- Finance committee – Chaired by Mariam Choka
- Planning committee – Chaired by Maureen Muhinja
- Community development committee – Chaired by Athuman Bwika
- Environment committee – Chaired by Suleiman Mambeya

Diani Municipality had a budget of Kshs. 167,815,675 with an actual realisation of Kshs 79,460,482. being expenditure on Use of goods and projects. An Amount of Kshs 77,704,006 for projects was unutilised by close of the financial year. installation of solar powered streetlights at carrefour-jacaranda beach road ksh. 9,992,031, installation of solar powered streetlights at congo mosque beach access road Kshs. 3,998,056, Cabro paving of blue jay-assins road in diani municipality ksh.50,000,000 and Cabro paving of Golasingo-kinondo road ksh. 8,000,000 are all ongoing projects.

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

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

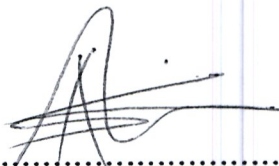
*County Government of Kwale  
Diani Municipality  
Annual Report and Financial Statements for the year ended June 30, 2025*

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**Conclusion**

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

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



.....  
**Name: Said Ali Majani**  
**Chairperson of the Board**

**6. Report of the Municipality Manager**

It is with great pleasure that I present the Municipality of Diani 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.

The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralised system with a devolved system of governance. The devolved system of governance consists of the National Government and 47 County Governments. Diani Municipality is a child of the Kenya Urban Support Programme (KUSP) through the County Government of Kwale.

**Financing of the Municipality**

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

**Financial Performance**

**a) Revenue**

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

The municipality’s approved budget was Ksh. 167,815,675 To the close of the FY on 30<sup>th</sup> June 2025, the Municipality had the following projects ongoing:

- ✓ Installation of solar powered streetlights at carrefour-jacaranda beach road Kshs. 9,992,031
- ✓ Extension of solar powered streetlights along tanduri-boabab beach road kshs. 5,899,992.
- ✓ Cabro paving of blue jay-assins road in diani municipality ksh.50,000,000
- ✓ Supply and delivery of 11 no skip bins kshs. 6,456,000
- ✓ Installation of solar powered streetlights at congo mosque beach access road ksh. . 3,998,056
- ✓ Cabro paving of Golasingo-Kinondo Kwetu road 8,000,000

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

<b>Revenue classification</b>	<b>Revenue budget (Kshs)</b>	<b>Actual (Kshs)</b>	<b>Realisation (%)</b>
County Treasury Disbursements	167,815,675	79,460,482	47%
<b>Total</b>			<b>47%</b>

**b) Payments**

The total expenditure for the year amounted to KShs 79,460,482 being expenditure on use of goods and construction of projects

**c) Cash flows**

In the FY 2024/2025, the Municipality experienced liquidity disruptions. This was as a result of untimely disbursement of funds by the County Treasury. As at the close of the financial under review, we had a bank balance (unspent) of Kshs 5,396 as supported by the bank balance certificate.

**d) Accounts receivables**

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

**e) Pending bills**

There were pending bills during the year amounting to Kshs.18,416,648, also due to the delayed procurement of our projects caused by late uploading of supplementary 2, the municipality carried forwards unprocured projects of kshs. 58,000,000

**f) Fixed assets**

Diani Municipality has financed roads and beautification projects, being assets acquired. Offices have been equipped among others. These forms the composition of the Municipality's assets which are well shown in the assets register.

**Risk management strategy**

A risk is any event that, if it occurs, will have an effect on at least one organization's objective. Risks are, in the context of the municipality's Strategic Plan, factors which have a likelihood of influencing the implementation of projects and programs. The municipality has little influence over these risks. However, there is need to identify them and develop mitigation strategies for managing any negative effects that may result from occurrence of the risks. The Risk Analysis for the municipality in its strategic plan has grouped these risks into five categories namely: Strategic Risks; Organizational Risks; Operational Risks; Financial Risks; and Technological Risks

For each risk factor, the municipality has identified measures that it plans to put in place for mitigation.

Risks are inevitable in the day to day operations of the municipality. The municipality has adopted risk sharing as a strategy by way of procurement of services of contractors in project implementation instead of doing works using own staff and equipment.

The municipality staff have an insurance cover taking care of their medical bills and workman's compensation in case of injury while on duty. The municipality is continuously acquiring and owning assets. The future plan is to insure all assets thereby transferring the risks associated with the ownership and use of these assets.

#### **Value for money**

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

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

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

#### **Conclusion**

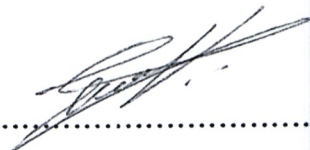
FY 2024/2025 was a good year in general which presented good progress of the Municipality.

I take this opportunity to thank H.E. the Governor and the Deputy Governor for their support. I would also want to thank the KUSP for their good gesture of supporting infrastructural development in the county through the Municipality initiative. Not to forget also my sincere thanks to the County Executive Committee Member in charge of Environment and the Chief Officer who have worked hand in hand to ensure that Diani Municipality achieves its mission.

*County Government of Kwale  
Diani Municipality  
Annual Report and Financial Statements for the year ended June 30, 2025*

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I thank all the seconded staff of the county for their continued commitment and dedication through hard work in delivering services to the people of Diani Municipality.



.....  
**Name: Khamisi Mwandaro  
Municipality Manager**

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

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

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

- a) Ensure a safe tourist destination.
- b) Provide a clean environment through garbage collection.
- c) Prepare an urban development plan to control development within the municipality.

Below we provide the progress on attaining the stated objectives:

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

**8. Corporate Governance Statement**

**a. Process of appointment and removal of Board members.**

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

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

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

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

**b. Roles and functions of the Municipality Board members,**

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

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

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

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

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

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

**e. Succession plan,**

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

**f. Existence of a service charter,**

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

**g. Conflict of interest,**

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

**h. Board remuneration,**

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

9. Management Discussion and Analysis

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

The Municipality received its revenue for both development and operations from the County Treasury through exchequer. The municipality had a budget of kshs. 167,815,675 out of which kshs. 41,034,609 and kshs. 126,781,066 was for recurrent and development respectively.

The municipality realised an expenditure of kshs. 79,460,482 translating to 47% absorption. The poor absorption was as a result of non-payment of our development projects amounting to kshs. 15,020,598 which were ongoing as at the close of the financial year. The development budget have been rolled over to the FY 2025-2026 as pending bills.

Illustrated as;

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
Transfer from county treasury	167,815,675	79,460,482	47%
<b>Total</b>			

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

Item No.	Project/Activity Name	Name and Address of Contractor/Suppliers	Contract or Purchase Order No.	Brief Description of Goods, Works or Services	Total Value of Contract in Kshs	Project Status
1.	Installation of solar powered streetlights at carrefour-jacaranda beach road	Desart Agencies Limited	2248219	Installation of solar powered streetlights	9,992,031	Complete
2.	Extension of solar powered streetlights along tanduri-boabab beach road	Al Ruzuq Enterprises	2248220	Extension of solar powered streetlights	5,899,992	Complete
3.	Cabro paving of bluejay-	None	None	Upgrading to cabro	50,000.000	On going

*County Government of Kwale*

*Diani Municipality*

*Annual Report and Financial Statements for the year ended June 30, 2025*

	assins road in diani municipality			paving standards of bluejay-assins road		
4.	Supply and delivery of 11 no skip bins	Mackis Logistics Company Ltd	3496620	Supply and delivery of skip bins	6,456,000	complete
5	Installation of solar powered streetlights at congo mosque beach access road	Peakstone Enterprises Limited,	2248222	Installation of solar powered streetlights at congo mosque beach	3,998,056	On going
6	Cabro paving of Golasingo-kinondo road	N/A	N/A	Cabro paving of Golasingo-kinondo	8,000,000	On going

**C. The municipality's compliance with statutory requirements**

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

The entity has been routinely audited by both the internal auditor and The office of the Auditor general since its inception as required by law.

It worth noting that during the previous audits, no fundamental issues have been raised by both the internal and the office of The Auditor general. This is therefore an indication that the affairs of the municipality are run in a fair way and in accordance with the existing governing legal framework.

**Major risks facing the Municipality**

The municipality in its strategic plan has identified the likely risks in different areas and also identified mitigation arrangements to be put in place. Some of the risks identified are illustrated in the table below;

S/No	Risk Context	Risks (Critical ones that are yet to be mitigated)	Risk Level	Mitigation
1.	Human Resources	<ul style="list-style-type: none"> <li>• Recruitment</li> <li>• Integrity and honesty</li> <li>• Skills and competence</li> <li>• Employee relations</li> <li>• Employee wellness</li> <li>• Employee retention</li> </ul> Occupational health and safety	Medium	Develop appropriate policies, guidelines and procedure manuals

*County Government of Kwale*

*Diani Municipality*

*Annual Report and Financial Statements for the year ended June 30, 2025*

2.	Litigation	Claims by employees, public service providers or third parties	Medium	Enhance legal compliance Sensitize employees on legal matters
3.	Information technology	<ul style="list-style-type: none"> <li>• Security of the ICT systems</li> <li>• Technology availability(uptime)</li> <li>• Applicability of infrastructure</li> </ul> Integration/interface of systems	High	Update and integrate IT systems and infrastructure
4.	Financial	<ul style="list-style-type: none"> <li>• Cash flow inadequacy</li> <li>• Financial loss</li> <li>• Wasteful expenditure</li> <li>• Budget allocation</li> <li>• Revenue collection</li> <li>• Increasing operational expenditure</li> </ul>	High	Adhere to the provisions of Public Financial Management Act
5.	Social environment	<ul style="list-style-type: none"> <li>• Communication channels</li> <li>• Cultural integration</li> </ul> Entrenchment of value and ethics	Medium	Develop and implement communication strategy
6.	Disaster recovery	<ul style="list-style-type: none"> <li>• Disaster Management</li> </ul> Contingency planning	High	Develop and implement disaster management policy

## **10. Environmental And Sustainability Reporting**

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

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

### **1. Sustainability strategy and profile**

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

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

### **2. Environmental performance**

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

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

### **3. Employee welfare**

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

- Having an optimal staff organization structure for effective and efficient public service delivery.
- Harmonization of job grading and remuneration through job evaluation and making recommendations to the Salaries and Remuneration Commission on remuneration, pensions and gratuities for county employees;
- Promotion of the National Values and Principles as espoused by Articles 10 and 232 of the Constitution of Kenya;

- Strengthening county public service in the management of county affairs by upholding the requirements of Chapter 6 of the Constitution on Leadership and Integrity by recruiting and developing able and competent personnel with the highest standards of integrity;
- Regular monitoring, evaluation and reporting on the extent to which the National Values and Principles referred to in Articles 10 and 232 of the Constitution are compiled within the county public service;
- Facilitate disciplinary control over persons holding or acting in public service officers and ensuring the staff code of conduct is adhered to by all county employees; and
- Promoting coherent, integrated human resource planning and budgeting and carrying out staff audits to discourage incidences of “ghost workers” and advise the county government on human resources development and management.

#### 4. Market place practices

##### **Corruption Prevention**

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

To achieve this, the Municipality has:

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

##### **a) Responsible competition practice.**

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

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

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

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

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

**c) Responsible marketing and advertisement**

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

**d) Product stewardship**

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

**5. Community Engagements**

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

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

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

### **Principal activities**

The principal activities of the Municipality are;

- a. Solid waste management services
- b. Construction and maintenance of urban roads and associated Infrastructure;
- c. Construction and maintenance of storm drainage and flood Controls;
- d. Construction and maintenance of walkways and other non-motorized Transport infrastructure;
- e. Construction and maintenance of recreational parks and green Spaces;

### **Performance**

The performance of the Municipality for the year ended June 30, 2025 are set out on pages 1 to 6.

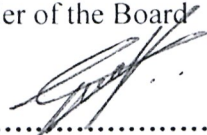
### **Board Members**

The members of the Board who served during the year are shown on page vii to xii. There were no changes in the Board during the financial year under review.

### **Auditors**

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

By Order of the Board

  
.....  
**Name: Khamisi Mwandaro**  
**Secretary of the Board**

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

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

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


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


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

In preparing the financial statements, nothing has come to the attention of the Municipality Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the financial statements**

The Municipality's financial statements were approved by the Board on..27/10/2025..and signed on its behalf by:

  
.....  
**Name: Said Ali Majani**  
**Chairperson of the Board**  
**27/10/2025**

  
.....  
**Name: Khamisi Omar Mwandaro**  
**Accounting officer of the Board**  
**27/10/2025**

# REPUBLIC OF KENYA

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NAIROBI

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Diani Municipality set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in

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

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

### **Basis for Qualified Opinion**

#### **1. Unsupported Prior Year Adjustments**

The statement of changes in net assets reflect accumulated surplus as at 30 June, 2025 of Kshs.110,611,706. Further, the statement reflects prior year adjustment of Kshs.4,208,657 and Kshs.2,103,505 in respect to current and prior years. However, the prior year adjustments were not supported or disclosed as required under IPSAS 3.

In the circumstances, the accuracy of the accumulated surplus of Kshs.110,611,706 could not be confirmed.

#### **2. Inaccurate Opening Balances**

The statement of financial position reflects opening net assets balance of Kshs.112,127,796 as at 30 June, 2025. However, receivables from non-exchange transactions, property, plant and equipment and trade and other payables of Kshs.2,208,964, Kshs.144,744,258 and Kshs.35,898,323 differs with the audited prior year balances of Kshs.6,417,621, Kshs.148,952,914 and Kshs.35,188,991 respectively. No explanation or disclosure was made on the variances.

In the circumstances, the accuracy of opening net assets balance of Kshs.112,127,796 could not be confirmed.

#### **3. Inaccurate Receivables from Non-Exchange Transactions Balance**

The statement of financial position and Note 21 to the financial statements reflects receivables from non-exchange transactions balance of Kshs.1,009,941. However, recalculation of the balance shows a closing balance of Kshs.2,208,964 resulting to an unexplained variance of Kshs.1,199,023.

In the circumstances, the accuracy, completeness and valuation of receivables from non-exchange transactions balance of Kshs.1,009,941 could not be confirmed.

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

## **Emphasis of Matter**

### **Budgetary Controls and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.167,815,675 and Kshs.79,460,482, respectively, resulting in under-realization of Kshs.88,355,193 or 53% of the budgeted revenue.

The underfunding affected the planned activities and impacted negatively on service delivery to the public.

My Opinion is not modified in respect of this matter.

## **Key Audit Matters**

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

## **Other Matter**

### **Unresolved Prior Year's Audit Matters**

In the prior years' audit reports, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Municipality in 2024/2025 revealed that the following four (4) issues remained unresolved:

<b>No.</b>	<b>Financial Year</b>	<b>Audit Issue</b>
1.	2023/2024	Inaccuracies in the financial statements
2.	2023/2024	Misstatement of financial statements balances
3.	2023/2024	Delayed completion of the proposed construction of Diani Municipality bus park
4.	2023/2024	Unsupported supplementary budget

## **Other Information**

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

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

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and

Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **1. Lack of Risk Management Policy**

During the year under review, Management did not have a risk management policy in place to help in identifying, assessing, and mitigating risks to safeguard the achievement of strategic objectives, thus exposing the municipality to ineffective risk management. This is contrary to regulation 158(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which requires that an accounting officer of a County Government entity to develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

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

### **2. Lack of Internal Audit Function and Reports for The Year Under Review**

Review of documents provided established that the Municipality did not have an audit function and neither was internal audit conducted with the purpose of reviewing the governance mechanisms of the entity. Further, there were no internal audit reports on the state of risk management, control and governance within the entity and there was no approved internal audit workplan for the year.

In the circumstances, effectiveness of internal controls 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 the Management and Board of Management**

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

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

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

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

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

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


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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

19 November, 2025

*Diani Municipality  
County Government of Kwale  
Annual Report and Financial Statements for the year ended June 30, 2025*

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	79,460,482	12,241,961
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues	9	-	-
		<b>79,460,482</b>	<b>12,241,961</b>
<b>Revenue from exchange transactions</b>			
Interest income	10	-	-
Miscellaneous Income	11	-	-
		-	-
<b>Total revenue</b>		<b>79,460,482</b>	<b>12,241,961</b>
<b>Expenditure</b>			
Use of goods and services	12	25,003,404	16,449,723
Staff costs	13	-	-
Board expenses	14	1,870,000	-
Finance costs	15	-	-
Depreciation and amortization	16	6,720,318	3,631,506
Repairs and maintenance	17	1,498,388	-
<b>Total expenses</b>		<b>35,092,110</b>	<b>20,081,229</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	18	-	-
<b>Surplus/(deficit) for the period</b>		<b>44,368,372</b>	<b>(7,839,268)</b>

The notes set out on pages 18 to 39 form an integral part of these Financial Statements. The entity's financial statements were approved on ..27/10/2025.. and signed by:

.....  
**Name: Khamisi Mwandaro**  
**Municipality Manager**  
**27/10/2025**

.....  
**Name: Christina Malila**  
**Head of Finance**  
**ICPAK M/No 13279**  
**27/10/2025**

County Government of Kwale  
Diani Municipality  
Annual Report and Financial Statements for the year ended June 30, 2025

15. Statement of Financial Position As At 30 June 2025

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	19	5,396	894
Receivables from exchange transactions	20	-	-
Receivables from Non- exchange transactions	21	1,009,941	2,208,964
Prepayments	22	-	-
Inventories	23	-	-
<b>Total current assets</b>		<b>1,015,337</b>	<b>2,208,964</b>
<b>Non-current assets</b>			
Property, plant, and equipment	24	182,314,792	144,744,258
Intangible assets	25	-	-
Biological Assets	26		
<b>Total Non-current Assets</b>		<b>182,314,792</b>	<b>144,744,258</b>
<b>Total assets (A)</b>		<b>183,330,129</b>	<b>146,954,116</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	27	18,416,648	35,898,323
Refundable deposits from customers	28	-	-
Provisions	29	4,208,657	(1,072,003)
Borrowings	30	-	-
Employee benefit obligations	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
<b>Total current liabilities</b>		<b>22,625,305</b>	<b>34,826,320</b>
<b>Non-current liabilities</b>			
Provisions	29	-	-
Borrowings	30	-	-
Non-current employee benefit obligation	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
<b>Total liabilities (B)</b>		<b>22,625,305</b>	<b>34,826,320</b>

*County Government of Kwale  
Diani Municipality  
Annual Report and Financial Statements for the year ended June 30, 2025*

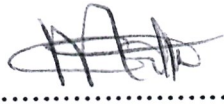
Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
Net assets (A-B)		160,704,825	112,127,796
Represented by:			
Capital/Development Grants/Fund		50,093,119	50,093,119
Reserves		-	-
Accumulated surplus		110,611,706	62,034,677
<b>Net Assets/Equity</b>		<b>160,704,825</b>	<b>112,127,796</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on ...27/10/2025..and signed by:



.....

**Name: Khamisi Mwandaro**  
**Municipality Manager**  
**Date:27/10/2025**



.....

**Name: Christina Malila**  
**Head of Finance**  
**ICPAK M/No 13279**  
**Date:27/10/2025**

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

Description	Capital/ Developmen t Grants/Fun d	Revaluatio n Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
<b>Bal as at 1 July 2023</b>	<b>25,697,047</b>	-	71,977,450	97,674,497
Surplus/(deficit) for the year	-		(7,839,268)	(7,839,268)
Prior Year Adjustments			(2,103,505)	(2,103,505)
Funds transferred during the year	24,396,072		-	24,396,072
Revaluation gain	-		-	-
<b>Bal as at 30 Jun 2024</b>	<b>50,093,119</b>	-	<b>62,034,677</b>	<b>112,127,796</b>
<b>Bal as at 1 July 2024</b>	<b>50,093,119</b>	-	62,034,677	112,127,796
Surplus/(deficit) for the year			44,368,372	44,368,372
Prior Year Adjustment			4,208,657	4,208,657
Funds received during the period	-		-	
Revaluation gain	-		-	-
<b>Balance as at 30 June 2025</b>	<b>50,093,119</b>	-	<b>110,611,706</b>	<b>160,704,825</b>

Ksh. 4,208,657 relates to prior year adjustment of wrongly recognised revenue.

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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government		79,460,482	5,305,120
Public contributions and donations			
Interest received			
Miscellaneous receipts			
<b>Total Receipts</b>		<b>79,460,482</b>	<b>5,305,120</b>
<b>Payments</b>			
Use of goods and services		28,508,920	5,304,226
Staff costs			
Board expenses		1,870,000	
Finance costs			
<b>Total Payments</b>		<b>30,378,920</b>	<b>5,304,226</b>
<b>Net cash flows from operating activities</b>	34	<b>49,081,562</b>	<b>894</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets		(49,077,060)	
Proceeds from sale of PPE			
<b>Net cash flows used in investing activities</b>		<b>(49,077,060)</b>	
<b>Cash flows from financing activities</b>			
Receipts from Capital grants			
Proceeds from borrowings			
Repayment of borrowings			
<b>Net cash flows used in financing activities</b>			
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>4,502</b>	<b>894</b>
Cash And Cash Equivalents At 1 July	19	894	-
<b>Cash And Cash Equivalents At 30 June</b>	19	<b>5,396</b>	<b>894</b>

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
<b>Budget carryovers from the previous year*</b>						
<b>Receipts</b>		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	
Transfers from the County Government	107,206,237	60,609,438	167,815,675	79,460,482	88,355,193	47%
Public contributions and donations						
Interest income	-	-	-	-	-	
Miscellaneous income ( <i>specify</i> )	-	-	-	-	-	
<b>Total Receipts</b>	<b>107,206,237</b>	<b>60,609,438</b>	<b>167,815,675</b>	<b>79,460,482</b>	<b>88,355,193</b>	<b>47%</b>
<b>Payments</b>						
Use of goods and services	36,719,456	1,315,153	38,034,609	28,508,026	9,526,583	75%
Board expenses	3,000,000		3,000,000	1,870,000	1,130,000	
Staff Costs	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
<b>Total expenditure Payments</b>	<b>39,719,456</b>	<b>1,315,153</b>	<b>41,034,609</b>	<b>79,455,086</b>	<b>-</b>	<b>47%</b>
<b>Capital Expenditure</b>	<b>112,000,000</b>	<b>14,781,066</b>	<b>126,781,066</b>	<b>49,077,060</b>	<b>88,355,193</b>	<b>-</b>
<b>Surplus for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,502</b>		

**Budget notes**

The municipality realised 47% actual utilization. This is because of the delayed procurement of two major projects due to late uploading of the Supplementary Budget. The delay of the project occurred due to late uploading of supplementary 2 in the IFMIS system. Use of goods was realised at 75% due to some unprocured goods which resulted due to late uploading of supplementary 2.

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

### **1. General Information**

Diani Municipality is established by and derives its authority and accountability from the Urban Areas and Cities Act 2011. The Municipality is under the Kwale County Government and is domiciled in Kenya.

Like any other Municipality the world over, Diani Municipality's principal activity is to provide public services such as garbage collection, road infrastructure, street lighting, walk ways for pedestrians and non-motorised transport, among others.

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

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

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

The financial statements have been prepared in accordance with the PFM Act, Urban and Cities Act, 2011 and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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

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

Standard	Effective date and impact:
----------	----------------------------

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

Standard	Effective date and impact:
IPSAS 43 Leases	<b><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 cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b><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 an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.

	<p>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</p> <p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p><b>Applicable 1<sup>st</sup> January 2026</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>Applicable 1<sup>st</sup> January 2027</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> <p>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</p> <p>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.</p> <p>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.</p>

*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 has been acquired using such funds.

**ii) Revenue from exchange transactions**

*Interest income*

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

**b) Budget information**

The original budget for FY 2024/2025 was approved by the County Assembly on 30<sup>th</sup> June 2024. Subsequent revisions or additional appropriations are made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget.

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

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Municipality recognizes such parts as individual assets with specific useful

***(Significant accounting policies continued)***

lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The depreciation method used is straight line, the rates are as below

-computers 30%

-Roads and other infrastructure 3%

-Furniture 12.5%

-Land 0%

**d) Intangible assets**

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

**e) Biological Assets**

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

**f) Financial instruments**

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

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

## **Financial assets**

### **Classification of financial assets**

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

#### ***(Significant accounting policies continued)***

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

### **Subsequent measurement**

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

### **Amortized cost**

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

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

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

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

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

**(Significant accounting policies continued)**

### **Impairment**

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

### **Financial liabilities**

#### **Classification**

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

### **g)Inventories**

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

Raw materials: purchase cost using the weighted average cost method

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

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

*(Significant accounting policies continued)*

**h)Provisions**

Provisions are recognized when the Municipality has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Municipality expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually 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 need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

**j)Contingent liabilities**

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

**k)Contingent assets**

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

**l)Nature and purpose of reserves**

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

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

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

*(Significant accounting policies continued)*

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

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

**o)Foreign currency transactions**

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

**p)Borrowing costs**

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

**q)Related parties**

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

**R)Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

*(Significant accounting policies continued)*

**s)Comparative figures**

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

**t)Events after the reporting period**

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

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

(b) Those that are indicative of conditions that arose after the reporting date (*non-adjusting events after the reporting date*).

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

**u)Currency**

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

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

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

State all judgements, estimates and assumptions made.

**Estimates and assumptions.**

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

*(Significant accounting policies continued)*

**Useful lives and residual values**

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

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	4,180,294	12,241,961
Payments by County on behalf of the entity	75,280,188	-
Unconditional development grants	-	-
<b>Total</b>	<b>79,460,482</b>	<b>12,241,961</b>

(a) Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance*	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	FY 2024-2025
	Kshs	Kshs	Kshs	Kshs	Kshs
State Department	-	-	-	-	-
Ministry	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the sending County office. An acknowledgement note/receipt should be raised in favour of the sending County office.) \*Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached. Total of column 1 should tie to note 6

The details of the reconciliation have been included under appendix

7. Public Contributions and Donations

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

Notes to the Financial Statements

8. Levies, Fines and penalties

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

9. Other Revenues from Non-Exchange Transactions

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

(Provide a brief explanation for this revenue)

10. Interest income

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

(Provide brief explanation for this revenue)

11. Miscellaneous income

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

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified Any writebacks or recoveries from write offs).

Notes to the Financial Statements

12. Use of Goods and Services

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Utilities, supplies and Services	-	-
Communication, supplies and services	145,167	70,999
Domestic travel and subsistence	6,120,870	1,953,490
Foreign travel and subsistence		
Printing, advertising, supplies & services	177,480	30,000
Rent and rates		
Training expenses	105,000	
Hospitality supplies and services	315,500	1,679,500
Insurance costs	886,358	447,043
Specialized materials and services		10,200
Office and general supplies and services	8,231,327	1,903,700
Fuel, oil and lubricants	7,022,356	6,298,000
Other operating expenses	10,000	62,720
Routine maintenance – vehicles and other equipment	1,970,286	3,983,064
Routine maintenance – other assets	-	
Contracted Professional Services	-	
Audit fees		
Hire of Transport, equipment etc		
Bank Charges	19,060	11,007
Social Benefit expenses*	-	
<b>Total</b>	<b>25,003,404</b>	<b>16,449,723</b>

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

13. Staff costs

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

Notes to the Financial Statements

14. Board expenses

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	977,000	-
Medical Insurance		-
Induction and Training		-
Travel and accommodation	893,000	-
Conference Costs		-
Other allowances		-
<b>Total</b>	<b>1,870,000</b>	<b>-</b>

15. Finance costs

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

16. Depreciation and amortization

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Property, plant and equipment	6,720,318	3,631,506
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total depreciation and amortization</b>	<b>6,720,318</b>	<b>3,631,506</b>

Notes to the Financial Statements

17. Repairs and Maintenance

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Property- Buildings	-	-
Office equipment	-	-
Furniture and fittings	1,498,388	-
Motor vehicle expenses	-	-
Maintenance of civil works	-	-
<b>Total repairs and maintenance</b>	<b>1,498,388</b>	<b>-</b>

18. Gain/(loss) on disposal of assets

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

19. Cash and cash equivalents

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	5,396	894
Others	-	-
<b>Total cash and cash equivalents</b>	<b>5,396</b>	<b>894</b>

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

## Notes to the Financial Statements

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

Financial institution	Account number	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
<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		-	-
Equity Bank - etc		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
Cooperative Bank	01141839229400	5,396	894
		<b>5,396</b>	<b>894</b>
<b>Sub- total</b>		-	-
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
<b>Sub- total</b>			
<b>Grand total</b>		<b>5,396</b>	<b>894</b>

## 20. Receivables from exchange transactions

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

*County Government of Kwale  
Diani Municipality  
Annual Report and Financial Statements for the year ended June 30, 2025*

**Ageing analysis for Receivables from exchange transactions**

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

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

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Transfer from County Executive		
Transfer from Fund		
Prior year adjustment	1,009,941	2,208,964
<b>Total receivables from non-exchange transactions</b>	<b>1,009,941</b>	<b>2,208,964</b>

Prior year adjustment relates to correction of wrongly recognised recurrent revenue budget.

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

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	FY 2024-2025	% of the total	FY 2023-2024	% of the total
Less than 1 year	-	%	1,199,023	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total</b>	-	%	1,199,023	%

**22. Prepayments**

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

**23. Inventories**

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Stationery	-	-
Consumables	-	-
Other inventories	-	-
<b>Total inventories at the lower of cost and net realizable value</b>	-	-

(Notes to the Financial Statements Continued)

24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Computers	Furniture and fittings	Roads and Other Infrastructure	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
<b>Depreciation Rate</b>						-		
<b>As at 1 July 2023</b>	-	-	-	588,120	-	90,650,790	-	91,238,910
Additions	-	-	-	-	-	24,518,223	36,827,287	61,345,510
Disposals	-	-	-	-	-		-	-
Transfers/adjustments	-	-	-	-	-		(4,208,656)	(4,208,656)
<b>As at 30th June 2024</b>	-	-	-	588,120	-	115,169,013	32,618,631	148,375,764
Additions for the year	-	-	-	-	8,226,600	36,064,252		44,290,852
Disposals for the year	-	-	-	-	-		-	-
Transfer/adjustments	-	-	-	-	-	32,618,631	(32,618,631)	-
<b>As at 30<sup>th</sup> June 2025</b>	-	-	-	588,120	8,226,600	183,851,896		192,666,616
<b>Depreciation and impairment</b>								
<b>As at 1st July 2023</b>	-	-	-	176,436	-	3,455,070	-	3,631,506

County Government of Kwale  
Diani Municipality  
Annual Report and Financial Statements for the year ended June 30, 2025

Description	Land	Building	Motor vehicles	Computers	Furniture and fittings	Roads and Other Infrastructure	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate						-		
Depreciation	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-
<b>As at 30 June 2024</b>		-	-	176,436	-	3,455,070	-	3,631,506
Depreciation for the year		-	-	176,436	1,028,325	5,515,557	-	6,720,318
Disposals for the year		-	-	-	-	-	-	-
Impairment for the year		-	-	-	-	-	-	-
Transfer/adjustment		-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>		-	-	352,872	1,028,325	8,970,627	-	10,351,824
<b>NBV as at 30<sup>th</sup> Jun 2024</b>	-	-	-	411,684	-	111,713,943	32,618,631	144,744,258
<b>NBV as at 30<sup>th</sup> Jun 2025</b>	-	-	-	235,248	7,198,275	174,881,269	-	182,314,792

(Notes to The Financial Statements Continued)

25. Intangible assets

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

26. Biological Assets

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

27. Trade and other payables

Description	FY 2024-2025		FY 2023-2024	
	Kshs.		Kshs.	
Trade payables	18,416,648		35,898,323	
Retentions	-		-	
Accrued expenses	-		-	
Other payables-adjustment for overstatement	-		(1,072,003)	
<b>Total trade and other payables</b>	<b>18,416,648</b>		<b>34,826,320</b>	
<b>The adjustment of 4,208,657 was to correct to prior years audit issues.</b>				
<b>Ageing analysis:</b>	<b>FY 2024-2025</b>	<b>% of the Total</b>	<b>FY 2023-2024</b>	<b>% of the Total</b>
Under one year	18,416,648	%	34,826,320	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%

*County Government of Kwale*

*Diani Municipality*

*Annual Report and Financial Statements for the year ended June 30, 2025*

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Over 3 years	-	%	-	%
<b>Total</b>	<b>18,416,648</b>	<b>%</b>	<b>34,826,320</b>	<b>%</b>

Notes to the Financial Statements

28. Refundable deposits from customers

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

29. Provisions

Description	FY 2024-2025		FY 2023-2024	
	Kshs.		Kshs.	
Balance at the beginning of the year	-		-	
Additional Provisions	-		-	
Provision utilised	-		-	
<b>Balance at the end of the year</b>	-		-	
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	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
<b>Total</b>	-	-

Description	FY 2024-2025	FY 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	FY 2024-2025	FY 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 employee benefits obligation</b>	-	-	-	-

Notes to the Financial Statements

32. Deferred Income

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

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>	-

Notes to the Financial Statements

33. Social Benefit Liabilities

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

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

34. Cash generated from operations

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
<b>Surplus/ (deficit) for the year before tax</b>	44,368,372	(3,630,612)
<b>Adjusted for:</b>		
Depreciation	6,720,318	3,631,506
Amortisation		-
Gains/ losses on disposal of assets		-
<b>Working Capital adjustments</b>		-
Increase in inventory		-
Decrease in receivables		(19,058,638)
Increase in payables	(2,007,128)	19,058,638
<b>Net cash flow from operating activities</b>	<b>49,081,562</b>	<b>895</b>

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

*Notes to the Financial Statements*

**35. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

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

**c) Key management remuneration**

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Board Members	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

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

*Notes to the Financial Statements*

**e) Due to related parties**

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

Notes to the Financial Statements

36. Contingent liabilities

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

37. Contingent Assets

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

*Notes to the Financial Statements*

**38. Financial risk management**

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

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

**I. Credit risk**

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

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<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>	-	-	-	-

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

**Notes to the Financial Statements**

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

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

**II. Liquidity risk management**

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

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

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

**Notes to the Financial Statements**

**III. Market risk**

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

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

**IV. Foreign currency risk**

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

Description		Other currencies	Total
	Kshs.	Kshs.	Kshs.
<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)	-	-	-

*(The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.)*

**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>2025</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2024</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.

Notes to the Financial Statements

**VI. Capital risk management.**

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

Description	FY 2024- 2025	FY 2023- 2024
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital/Development Grants/Municipality	-	-
Accumulated surplus	-	-
<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 (PforR) Disclosure**

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

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

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.1	Inaccuracies in the Financial Statements	Financial statements corrected	Resolved	Resolved
4.2	Misstatement of Financial Statements Balances	Financial statements corrected	Resolved	Resolved
4.3	Inaccuracy of Trade and Other Payables	Trade payables corrected	Resolved	Resolved
4.4	Unresolved Prior Year Audit Issues	Prior year issues resolved	Resolved	Resolved



.....  
Khamisi Mwandaro

**Appendix 2: Inter Entity Transfers**

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

**Appendix 3: Reporting of Climate Relevant Expenditures**

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

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

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

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

**Appendix 4: Disaster Expenditure Reporting Template**

Date:

Entity

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

The entity did not incur any expenditure relating to disaster.