

REPUBLIC OF KENYA



REPUBLIC OF KENYA



REPORT

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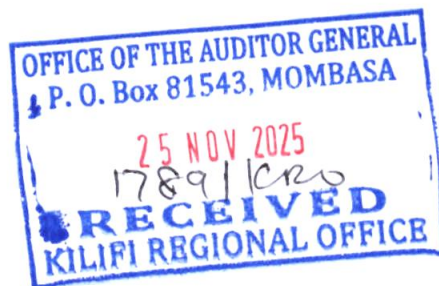
MUNICIPALITY OF MALINDI

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF KILIFI

PAPERS LAID	
DATE	24/2/26
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COMMITTEE	
CLERK AT THE TABLE	Tiffay

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MUNICIPALITY OF MALINDI

County Government of Kilifi

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025**

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

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1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
CECM	County Executive Committee Member
CO	Chief Officer
KCB	Kenya Commercial Bank
GPO	General Post Office
PAYE	Pay as you Earn
NSSF	National Social Security Fund
NHIF	National Hospital Insurance Fund
MBA	Masters Business Administration
BBM	Bachelor Business Management
CPA	Certified Public Accountant
BSC	Bachelor of Science
KUSP	Kenya Urban Support Programme
VAT	Value Added Tax

Definition of Key Terms

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

Comparative Year- Means the prior period

2. Municipality Information and Management

a) Background information

Municipality of Malindi is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 12th March,2019 and commenced on 28th March 2019. The Municipality is under the County Government of KILIFI, department of Lands and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Municipality of Malindi is to become a well-planned urban area and preferred tourism destination.

MISSION STATEMENT:

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

CORE VALUES:

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

STRATEGIC GOALS/OBJECTIVES OF THE SECTOR

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

STRATEGIC GUIDING PRINCIPLES:

The Urban Integrated Development Plan guiding principles are:

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

c) Key Management

The Municipality of Malindi management is under the following key organs:

- County department of Lands in charge of Municipalities
- Board of Management
- Municipality Manager
- Management

d) Fiduciary Management

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

Ref	Position	Name
1	Municipality Manager	Techler Dadu
2	Municipal Accountant	Juma Mohamed
3	Municipal Administrator	Emmanuel Kalu
4	Municipal Human Resource officer	Joyce Neema Wanje
5	Municipal Chief Social Welfare Officer	Prudence Kwekwe
6	Municipal Tourism Officer	Mary Kabani
7	Municipal Planner	Fridah Mutheu
8	Municipal Engineer	Siyat Osman
9	Municipal Environment Officer	Elizabeth Pinana
10	Municipal Procurement	Andrew Kai
11	Municipal Monitoring and Evaluation officer	Phenny Pendo

e) Fiduciary Oversight Arrangements

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

f) Registered Offices

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

g) Contacts

Telephone: (+254) 746213491
E-mail: malindimunicipality@kilifi.go.ke
Website: www.kilifi.go.ke

h) Bankers

NCBA BANK
P.O. Box 44599-00100
Nairobi
Malindi, Branch

KCB
Malindi Branch

P.O. BOX 520-80200
Malindi

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

k) Principal Legal Adviser

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

3. Municipality Board

Serial No.	Name	Details of qualifications and experience
1	Suleiman Salim 	Date of birth: 01st Aug 1967 Academic and professional Qualification: Higher Diplomas and Business Administration Experience: He has over 7 years work experience in Bakhsons Ltd Currently he is the Manager of Kitui Flour Mills. He is the Board Chairperson
2	Ms. Agnes Mturi 	Date of birth: 3rd March 1957 Academic and professional Qualification: Bachelors of Arts (Economics) Experience: Ms Agnes Mturi has over 26 years experience in Senior Management. She has been privileged to work with Wasini Island Ltd, Johlen Engineers and Standard Bank all in Senior Management positions. Current she is the Director at Amanyee General Supplies Ltd. She is Vice Chairperson of the Board

3	Honourable Jane Kamto 	Academic and Professional Qualification: Bachelors of Education in English Literature Experience: 27 years of Experience in education administration CECM Lands, Energy, Physical Planning, Housing and Urban Development
4	Mr. Ali Abubakar 	Date of Birth: 1988 Academic and professional Qualification Masters in Business Administration CPA (K) Experience: Has over 8 years' experience in Finance and Accounting He is the Chief Officer for Housing and Urban Planning
5	Amir Naji Mansour 	Date of Birth: 30 th April, 1988 Academic and professional Qualification: Bachelor of Commerce Diploma in project Management Diploma in Human Resource Management Diploma in Computerised Accountancy Experience: 3 Years' Experience: Manager Mjanaheri Farm Director Iitibari Farm: 2018 to date Chairperson: Finance, Administration and Governance Committee

6.	Alice Mwaka Matembo 	Date of Birth: 10th May, 1985 Academic and Professional Qualification: Diploma in Mass Communication (Print Option) Experience: She is a seasoned Journalist, Broadcasting and Public relations Chairperson: Water, Sanitation, Environment, Blue Economy and Disaster Management
7	Balal Chaudhri 	Date of Birth: 29th September, 1969 Academic and Professional Qualification: BSC (Civil Engineering) Experience: Mr. Balal is an experienced Engineer with over 20 years experience in the field. He has worked with reputable organizations including Pwani Fabricators, Project Manager at Private Investors as an Engineer and project manager. Other organizations include Civil Engineer Sumitomo Const. Co and EL Sarah Ltd. He is the Director Continental Homes Ltd. Coast Design and Build Ltd. Chairperson: Urban Development, Housing, Public Work, Energy and Transport

8	Conrad Atiang 	Date of Birth: 18 th January, 1992 Academic and professional Qualification: Bachelors of Law and Post Graduate Diploma Experience: Over 7 Years post admission experience 2020 Jan-March 2024: Chairman Malindi Law Society Chairperson: Audit and Risk Management Committee
9	Clara Mkhambe 	Date of Birth: 7 th December, 1995 Academic Qualification: Bachelor of Science Degree Experience: Ms Clara has been a Pharmacist Assistant at St. Lukes Upstate Clinic – Nairobi She has taught at Sermago Glorious Secondary School Nairobi and Msabaha Primary School, Malindi Chairperson: Trade, Tourism, Social, Service, Education, Youth and Sports

10	Techler Dadu 	Date of Birth: 8 th November 1979 Academic and professional Qualification: MBA, BBM ,CPA K. Experience: 25 years experience in Accounts, Finance and Management Municipal Manager
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4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	Techler Dadu 	Date of Birth: 8 th November 1979 Academic Qualification: MBA, BBM CPA. Experience: 25 years experience in Accounts, Finance and Management Responsibility Municipal Manager
2.	Juma Mohamed 	Date of Birth: 26 th July, 1987 Academic Qualification: Bachelor of Business Studies – Accounting Option CPA K Experience. Has over 10 years' Experience in Finance and Accounting Responsibilities -Preparation and verification of payment vouchers in accordance with rules and regulations Municipality Accountant

3.	Emmanuel Kalu 	Date of birth: 18 th May, 1983 Academic Qualification: Bachelor of Arts in Integrated Development, Masters in Project planning and Management Experience: 10 years Duties and Responsibility • Coordinate departmental activities • Manage and maintain Assets Municipal Administrator
4.	Joyce Neema Wanje 	Date of Birth: 20 th January, 1989 Academic Qualification: • Bachelor degree of Human Resource Management Experience: 6 years experience in Humana resource Management. Duties and Responsibilities • Implement human resourcemanagement decisions within existing rules,regulations and procedures • Prepare training programs Human resource development officer Officer

5	 Elizabeth Pinana	Date of Birth: 9th November, 1993 Academic Qualification: • Bachelor degree of Environmental Studies Experience: 5 years experience in working with community and environmental management. Environmental officer
6	 Prudence Kwekwe	Date of Birth: 25th December, 1985 Academic Qualification: BE Arts, MBA (Human Resource Management) Experience: Over 14 years experience in: Coordinating and Implementing Youth and Gender Programmes in the National and County Government Duties and Responsibilities • Conduct community empowerment program • Map stakeholders and maintain a databasa Municipal Chief Social Welfare Officer Municipality of Malindi

7	Mary Kabani 	Date of Birth: 9th November 1984 Academic Qualification: • Masters in Environmental Studies (Community Development) • Bachelor of Tourism Management Experience: Over 10 years experience in Tourism Product Development; Sports Coordination and Coaching; Life Skill Mentor; Events Organization and Conversation Expert. Municipal Tourism Officer
8	Siyat Osman 	Date of Birth: 4th March, 1991 Academic Qualification: BSC Civil Engineering Experience: • 7 Years Municipal Engineer
9	FRIDAH MUTHEU 	Date of Birth: 26th November, 1994 Academic Qualification: Bachelor of Arts in Urban and Regional planning Experience: • Over 6 years in planning and urban development Municipal Planner
10	PHENNY PENDO SILAS	Date of Birth: 16th July, 1990

		Academic Qualification: Bachelor degree in Development studies Experience: • Over 4 years in Monitoring and evaluation. Duties and Responsibilities • Regular update of data and information on project implementation and service delivery to facilitate planning, budgeting and resource mobilisation. • Review the project implementation activities to assess results and impact. Municipal Monitoring and evaluation officer
11	ANDREW KAI 	Date of Birth: 15th November, 1978 Academic Qualification: Bachelor of Business Management- Purchasing and supplies management studies Experience: • Over 7 years in Procurement . Duties and responsibilities • Public procurement of goods ,work and services. • Store management and inventory control Municipal Principal Procurement Officer

5. Municipality Board Chairperson's Report

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

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

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

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

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

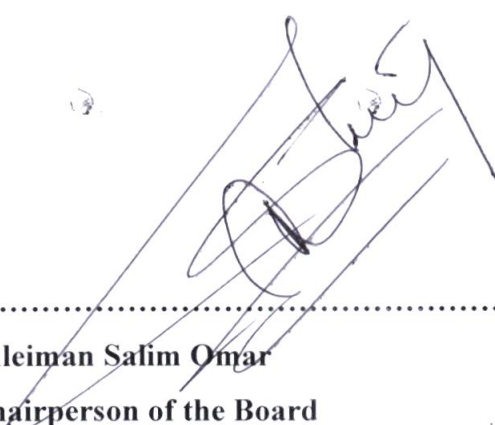
The Solid waste Management program has also made a big impact to the inhabitants of this Municipality. The provision of garbage trucks and deployment of staff to manage waste has contributed to clean and green Malindi.

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

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

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

May God bless this Municipality.



.....

Suleiman Salim Omar

Chairperson of the Board

6. Report Of the Municipality Manager

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

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

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

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

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

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

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

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

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

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

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



.....
Techler Zabibu Dadu
Municipality Manager

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

Guidance

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 Municipality of Malindi as outlined in the Integrated Development Plan 2023- 2027 :
plan are to:

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

The Municipality of Malindi presents this Statement of Performance Against Predetermined Objectives (SPPDO) for the Financial Year 2024/2025, in accordance with the Public Finance Management Act, the Urban Areas and Cities Act, and applicable performance management guidelines. The report provides an assessment of progress made in implementing municipal programs, projects, and service delivery commitments as outlined in the **Annual Development Plan (ADP) 2024/2025** and the **Municipality's Strategic Plan**.

The FY 2024/2025 focused on improving key municipal functions, including infrastructure development, urban services management, environmental conservation, and local economic development. Despite fiscal constraints and climatic challenges, the Municipality achieved notable progress toward its planned objectives

Program	Objective	Outcome	Indicator	Performance
Proposed parking slots and beautification along the Beach front	Urbanization of Malindi Municipality	Increase in the number of people doing business	• 80 % increase in newly registered businesses within the Beach Front area • Number of new traders/vendors allocated business spaces • Increase in daily foot traffic measured through counts	Project completed 100% • New business registrations increased by over 50% • new traders/vendors allocated spaces • Foot traffic increased by over 50% after completion
Proposed parking slots and beautification at Juakali	Urbanization of Malindi Municipality	Increase in the number of people doing business	• 70 % increase in new businesses registered within Juakali zone • Number of artisans/vendors benefiting from	• Project completed 100% • New businesses increased by over 50% • New artisans/vendors formally registered or allocated space

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

			improved infrastructure • Increase in daily vehicle turnover in new parking area	• Vehicle turnover increased by 80% post-completion
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8. Corporate Governance Statement

The Board

The Municipality of Malindi, established under the Urban Areas and Cities Act (UACA) 2012 (as amended) and granted municipal status in October 2018, operates under a governance framework set by the County Government of Kilifi and national legislation. Here's a concise snapshot of its governance pillars:

Governance Objectives

- Efficient & Accountable Management: Ensure transparent, responsible administration of municipal services.
- Service Delivery: Refurbish municipal hall, install solid-waste bins, manage markets, abattoirs, water, sanitation, roads, drainage, parks, street lighting, and traffic/parking controls.
- Community Well-Being: Promote social cohesion, civic responsibility, economic growth, and environmental sustainability.

Key Functions (UACA & Municipal Charter)

- Solid waste & recycling: Plans for a recycling project at Casuarina dumpsite.
- Infrastructure: * Road construction/maintenance, storm-water drainage, walkways, non-motorised transport, green spaces.
- Regulation: Outdoor advertising, bus/taxi stands, market and abattoir oversight.

Legal & Policy Framework

- Governed by UACA 2012, County Government Act (Sec 48), Mwongozo Code of Governance for State Corporations, and internal Municipal Charter.
- Fiduciary duties of directors (care, loyalty) and ESG considerations (environment, social, governance) align with national corporate-governance standards .

In short: Malindi Municipality's corporate governance statement outlines a board-driven structure, clear service-delivery mandates, and a push for accountability, sustainability, and community involvement—though it's currently navigating board changes and operational challenges

Board Meetings

S/No	BOARD COMMITTEE	DATE	ATTENDANCE
1.	Finance, Administration and Governance	27 th September, 2024	All Members
		10 th February, 2025	All Members
2.	Audit and Risk Management Committee	27 th March, 2025	All Members

3.	Urban Development, Housing, Public Works, Energy and Transport	13 th November, 2024	All members
4.	Trade, Tourism, Social Services, Education, Youth and Sports		All Members
	Water, Sanitation, Environment, Blue Economy, Youth and Sports	27 th May, 2025	All Members
5.	Full Board Meetings	5 th March, 2025 11 th February, 2025	All Members
6.	Special Full Board Meeting	6 th September, 2024, 3 rd December, 2024 28 th May, 2025	All Members

9. Management Discussion and Analysis

In the year 2024/2025, the Municipality was allocated a budget of Kshs. 129,300,000 at first. During the year an extra Kshs. 50,000,000 was allocated during the supplementary bringing the budget to a total of Kshs. 179,300,000.

Program	Objective	Outcome	Indicator	Performance
Proposed parking slots and beautification along the Beach front	Urbanization of Malindi Municipality	Increase in numbers of fisheries using the roads	Revenue collection increased	The project is at 100% completion
Proposed parking slots and beautification at Juakali	Urbanization of Malindi Municipality	Increase in numbers of traders using the roads	Revenue collection increased	The project is at 100% completion

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

Major risks facing the Municipality

1. Inadequate budgetary allocationThe Municipality is still facing inadequate budgetary allocation hence it's not able to discharge its full mandate.

2. Delayed transfer of funds to the Municipality

Late disbursement of funds from the County Treasury to the Municipality has been a major challenge which leads to late payments to contractors and payment of salaries

10. Environmental and Sustainability Reporting

1. Sustainability Strategy and Profile

Malindi Municipality operates within the framework of Kenya's Vision 2030 and the Sustainable Development Goals (SDGs). The municipality's sustainability strategy responds to global challenges such as climate change, macroeconomic trends such as waste management challenges, and climate-induced hazards e.g., floods that continue to influence the municipality's sustainability priorities.

Malindi Municipality's sustainability agenda focuses on the following key areas:

Environmental Governance by strengthening enforcement of environmental by-laws, integrating community participation, and improving waste management systems.

Waste Management, Climate Change Mitigation and Adaptation through promoting recycling, composting, and reduction of single-use plastics. Promoting climate-resilient urban planning, green infrastructure, and renewable energy solutions.

The policy framework guiding these priorities is anchored in the Environmental Management and Coordination Act (EMCA)1999, National Climate Change Policy (2016), and the Kilifi County Integrated Development Plan (CIDP 2023–2027).

2. Environmental Performance

The Municipality of Malindi has adopted the Kilifi County Environmental (Regulation and Control) Act, 2016 that guides actions on waste management, pollution control, and biodiversity conservation.

- Its successes include,

Improved waste collection coverage across major wards. Increased public awareness on waste segregation and environmental hygiene. And stronger collaboration between the municipality and the community.

- While its shortcomings included,

Limited financial and technical resources to fully enforce environmental regulations, Inadequate waste collection infrastructure in informal settlements, Weak enforcement of by-laws against illegal dumping and open burning, and Gaps in data collection and monitoring of environmental indicators.

- Mitigation Measures included,

Seeking partnerships with private sector investors to support waste recycling and composting projects. Strengthening community-based enforcement and public awareness campaigns. Gradual upgrading of waste collection systems and vehicles.

- Efforts to manage biodiversity

Habitat conservation and restoration through planting of trees across the street's, public spaces, and parks, mangrove ecosystem restoration. Beach clean-up activity that advocates for zero plastic campaigns gradually help in raising awareness to protection of marine life and reduce marine pollution.

- Effective waste management.

Effective waste collection and transportation that include the timely collection schedules. Raising awareness on proper waste disposal and handling through disposing waste in bins as we try to incorporate on the segregation of waste at source to enable for recycling and recovery of waste.

The Municipality has implemented several climate-focused programs aimed at building local resilience and reducing vulnerability that align with SDG 13 Action to climate change. This includes tree planting and greening projects where trees have been planted across streets, public spaces, and parks to improve air quality and reduce urban heat, protection and restoration of mangrove ecosystems. Beach Clean-Up initiatives that are held monthly and have helped in advocacy to protect marine life, reduce pollution, and raise public awareness on plastic waste. Improvement of roads and drainage systems as a mitigation measure to flooding. Partnerships for Climate Actions through collaboration with environmental organizations and county departments has enhanced access to technical support, mainstreaming of activities, and environmental education.

3. Employee welfare

The Municipality upholds occupational health and safety standards in all its operations to ensure a safe and conducive working environment. Its key measures include, regular workplace inspections and risk assessments to prevent accidents and injuries. Provision of personal protective equipment (PPE) for staff involved in waste collection, street cleaning, and field operations. Access to basic health care and referral services through partnerships with local health facilities.

4. Market place Practices

The municipality promotes sustainable market operations through health and sanitation inspections to ensure safe and clean trading environments. Malindi Municipality is guided by the principles of transparency, fairness, and ethical governance in its operations. Efforts to ensure sustainability and accountability that it upholds fair competition by adhering to the Public Procurement and Asset Disposal Act, ensuring transparency and equality in tendering.

The municipality ensures ethical supplier engagement by honoring contracts and promoting inclusivity in procurement. A specific percentage of tenders are reserved for youth, women, and PWD groups, promoting economic empowerment and diversity. It also ensures ethical communication through accurate and transparent information dissemination. Public participation is a central element of its decision-making processes, including forums, social media updates, and awareness.

5. Corporate Social Responsibility /Community Engagement

The municipality has actively involved residents, schools, youth groups, and community-based organizations in environmental conservation. Recent examples include monthly community clean-up drives along beaches and residential areas mostly with the Malindi stakeholders (PWAM). Public tree planting events involving schools and local leaders. Collaborative waste collection programs where private waste collectors participate in keeping their neighborhoods clean.

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

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

Performance

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

Board Members

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

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: Techler Dadu

Secretary of the Board

12. Statement of Management's Responsibilities

Section 180 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the 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, the Directors have assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Municipality Manager to indicate that the

Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Municipal financial statements were approved by the Board on 2025 and signed on its behalf by:

.....
Name: Suleiman Omar

Chairperson of the Board

.....
Name: Techler Dadu

Municipal Manager

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF MALINDI FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF KILIFI

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Municipality of Malindi set out on pages 1 to 50, 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 Municipality of Malindi as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.508,739,294 as disclosed in Note 15 to the financial statements. However, a detailed schedule indicating description of the asset, location, cost and ownership were not provided for audit. In addition, the balance includes work in progress valued at Kshs.52,002,640 which was not supported by details of projects and projects implementation status report. Further, the assets schedule provided for audit included an amount of Kshs.447,446 in respect to assets category described as 'others', hence not specified nor traceable to the assets registers.

In the circumstances, the accuracy, completeness and existence of the property, plant and equipment balance of Kshs.508,739,294 could not be confirmed.

2. Inaccuracies in the Statement of Cashflows

The statement of cash flows reflects cash generated from operations of Kshs.11,501,161 as reconciled at Note 19 to the financial statements. However, the recomputed reconciliation yielded a balance of Kshs.15,921,301, resulting to unexplained variance of Kshs.4,420,140. In addition, the statement reflects purchase of property, plant and equipment as Kshs.11,532,865 while the schedule on property, plant and equipment reflects additions of Kshs.15,302,069, resulting to unexplained variance of Kshs.3,769,204.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

3. Material Uncertainty Related to Going Concern

The statement of financial position reflects total current liabilities balance of Kshs.61,680,252 against total current assets balance of Kshs.50,325,718, resulting in a negative working capital of Kshs.11,354,534. This is an indication that the Municipality may not be able to settle its short-term obligations as and when they fall due. The material uncertainty casts doubt on the Municipality's ability to sustain its services, which are

dependent on continued support from the County Government and creditors. However, this material uncertainty relating to going concern and measures taken to mitigate the undesirable financial position have not been disclosed in the financial statements.

In the circumstances, the Company is not able to settle its short-term obligations as and when they fall due and its going concern is in doubt.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.219,346,411 and Kshs.169,544,406 respectively, resulting to under-funding of Kshs.49,802,000 or 23% of the budget.

The underfunding may have affected the planned activities which may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effects of the matter 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 Matters

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

No.	Audit Issue
1	Inaccurate Opening Amounts and Balances
2	Unexplained Variances between Financial Statements Amounts and Balances and Supporting Schedules
3	Delayed Recruitment of the Municipality Manager
4	Irregular Engagement of Casual Workers
5	Staff Under-Establishment

Other Information

The Management are responsible for the Other Information set out on pages iii to xxxii which comprise of Municipal Information and Management, The Municipality Board, Key Management Team, Board Chairperson Report, Report of the Municipality Manager, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Municipality Board 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 THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non- Compliance with Fiscal Responsibilities Principles

The statement of comparison of budget and actual amounts reflects final total income and expenditure budget of Kshs.219,346,411. However, the Municipality's development or capital budget for the year was not clearly stated as a line item in the statement, contrary to the standard requirement of budget preparation and the reporting template. Further, during the year under review, the Municipality spent Kshs.18,185,529 on development activities or only 9% of the total budget. This was contrary to the fiscal principles prescribed under Section 107(2)(b) of the Public Finance Management Act, 2012 which requires that over the medium term a minimum of thirty percent of the county government entity's budget shall be allocated to the development expenditure.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Staff Under-Establishment

The statement of financial performance reflects staff costs of Kshs.53,527,956 as disclosed in Note 9 to the financial statements. However, the Municipality's staff establishment indicated that out of the three hundred and ninety-five (395) job positions, two hundred and twenty-five (225) positions were substantially filled, with eleven (11) positions being held either on secondments or deployments from the County Executive departments, resulting to staff shortage of one hundred and seventy (170).

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

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

Responsibilities of Management and the Municipality Board

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA **Nancy Gathungu, CBS**
AUDITOR-GENERAL

Nairobi

10 December, 2025

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

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	179,300,000	179,242,005
		179,300,000	179,242,005
Revenue from exchange transactions			
Interest income	7	4,406	381,738
		4,406	381,738
Total revenue		179,304,406	179,623,743
Expenditure			
Use of goods and services	8	97,174,818	70,723,007
Staff costs	9	53,527,956	51,486,497
Board expenses	10	1,510,900	3,093,300
Depreciation and amortization	11	15,717,380	99,733,821
Repairs and maintenance	12	15,304,174	39,699,320
Total expenses		183,235,228	264,735,945
Other gains/losses			
Surplus/(deficit) for the period		(3,930,822)	(85,112,202)

The notes set out on pages 26 to 45 form an integral part of these Financial Statements. The entity financial statements were approved on _____ and signed by:

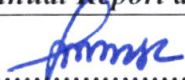
.....
Name: **TECHLER DADU**
Municipal Manager

.....
Name: **Suma Mohamed**
Municipal Accountant
ICPAK M/No 23416

15. Statement of Financial Position As At 30th June 2025

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	13	523,718	555,422
Receivables from non-exchange transactions	14	49,802,000	40,042,005
Total current assets		50,325,718	40,597,427
Non-current assets			
Property, plant, and equipment	15	508,739,294	509,010,133
Intangible assets	16	558,830	368,252
Total Non-current Assets		509,298,124	509,378,385
Total assets (A)		559,623,842	549,975,812
Liabilities			
Current liabilities			
Trade and other payables	17	61,613,469	47,718,737
Refundable deposits from customers	18	66,783	382,663
Total current liabilities		61,680,252	48,101,400
Non-current liabilities			
Total liabilities (B)		61,680,252	48,101,400
Net Assets (A-B)		497,943,590	501,874,412
Represented by:			
Capital/Development Grants/Fund		600,782,915	600,782,915
Reserves			
Accumulated surplus		(102,839,325)	(98,908,503)
Net Assets/Equity		497,943,590	549,975,812

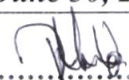
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24/11 2025 and signed by:


.....

Name: **TECKER DADO**

Municipal Manager

Date: **24/11/2025**


.....

Name: **Juma Mohamed**

Municipal Accountant

ICPAK M/No 23416

Date: **24/11/25**

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

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2023	548,796,807		(13,796,301)	535,000,506
Surplus/(deficit) for the year		-	(85,112,202)	(85,112,202)
Funds received during the year-UDG	11,467,962	-	-	11,467,962
Funds received during the year - Purchase of PPE	40,518,145.60			40,518,146
Revaluation gain/loss	-		-	
Bal as at 30 Jun 2024	600,782,915		(98,908,503)	501,874,412
Bal as at 1 July 2024	600,782,915		(98,908,503)	501,874,412
Surplus/(deficit) for the year		-	(3,930,822)	(3,930,822)
Funds received during the year		-	-	
Revaluation gain/loss	-		-	
Balance as at 30 June 2025	600,782,915		(102,839,325)	497,943,590

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

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		169,540,005	160,578,769
Interest received		4,406	381,738
Total Receipts		169,544,411	160,960,507
Payments			
Use of goods and services		102,893,598	56,597,720.78
Staff costs		44,528,002	50,443,458.83
Board expenses		922,600	1,602,250.00
Repairs and Maintenance		9,699,050	44,733,753
Total Payments		158,043,250	(153,377,183)
Net cash flows from operating activities	19	11,501,161	7,583,324
Cash flows from investing activities			
Purchase of PPE & intangible assets		(11,532,865)	(70,572,700)
Proceeds from sale of PPE			
Net cash flows used in investing activities		(11,532,865)	(70,572,700)
Cash flows from financing activities			
Receipts from Capital grants			
Proceeds from borrowings			
Repayment of borrowings			
Net cash flows used in financing activities			
Net increase/(decrease) in cash & cash equivalents		31,704	(62,989,375)
Cash And Cash Equivalents At 1 July 2024	13	555,422	63,544,798
Cash And Cash Equivalents At 30 June 2025	13	523,718	555,422

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
Budget carryovers from the previous year*	-	40,042,005	40,042,005	40,042,005		1%
Receipts						
Transfers from the County Government	129,300,000	50,000,000	179,300,000	129,498,000	49,802,000	38%
Interest income		4,406	4,406	4,406		100%
Total Receipts	129,300,000	90,046,411	219,346,411	169,544,406	49,802,000	29%
Payments						
Use of goods and services	60,822,821	61,806,268	122,629,089	102,893,598	19,735,491	19%
Board expenses	1,287,900	223,000	1,510,900	922,600	588,300	64%
Staff Costs	40,219,340	17,369,527	57,588,867	44,528,002	13,060,866	29%
Repairs and Maintenance	11,168,240	7,794,402	18,962,642	9,699,050	9,263,592	95%
Total expenditure Payments	113,498,301	87,193,197	200,691,498	158,043,250	42,648,249	90%

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Capital Expenditure Payments	15,801,699	2,853,214	18,654,913	11,532,865	7,122,048	61%
Surplus for the period	-			31,704	31,704	

Budget notes

The difference between actual and budgeted amounts is as a result of the Municipality not receiving its last cash disbursement as at 30th June 2025 while the difference between original and final budget is as a result of additional funding from the County Executive through supplementary budget.

19. Notes to the Financial Statements

1. General Information

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

The *Municipality* principal activity is service delivery.

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Application of New and revised standards (IPSAS)

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

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

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

Standard	Effective date and impact:
IPSAS 43: Leases	Applicable 1st January 2025 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	Applicable 1st January 2025 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	Applicable 1st January 2025 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,

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	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	<i>Applicable 1st January 2025</i> 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. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47: Revenue	<i>Applicable 1st January 2026</i> 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.
IPSAS 48: Transfer Expenses	<i>Applicable 1st January 2026</i> 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.
IPSAS 49: Retirement Benefit Plans	<i>Applicable 1st January 2026</i> 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.

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IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. 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. 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.
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iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early*

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/2025 was approved by the County Assembly on 26/6/2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are

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added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality recorded additional appropriations of 50,000,000 on 12/3/2025 following the governing body's approval.

The Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Cashflows has been presented under section 5 of these financial statements.

c) Property, plant and equipment

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

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Asset Category	Building	Roads	Furniture & Fittings	Computers	Other Assets(Refreigerators,Aircondition)
Rate	2%	2%	12.5%	33.3%	2%

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.

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

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken

through net assets, except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

g) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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

h) Provisions

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

i) Social Benefits

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

j) Contingent liabilities

The 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 City/Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits – Retirement benefit plans

The 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 City/Municipality does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to scheme obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefits are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

o) Foreign currency transactions

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

p) Borrowing costs

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

q) Related parties

The 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.

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r) Cash and cash equivalents

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

s) Comparative figures

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

t) Events after the reporting period

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

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

The 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 City/Municipality based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the City/Municipality. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

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

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Notes to the Financial Statements

6. Transfers from the County Government

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	179,300,000	179,242,005
Payments by County on behalf of the entity	-	
Unconditional development grants	-	
Total	179,300,000	179,242,005

(a) Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance* Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	Insert Comparative FY
			Kshs	Kshs	Kshs
County Government of Kilifi	179,300,000				179,242,005
Total	179,300,000				178,242,005

7. Interest income

Description	2024/2025	2023/2024
	Kshs.	Kshs.

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Interest income from investments	-	
Interest income on bank deposits	4,406	381,738
Others		
Total interest income	4,406	381,738

(Interest on income is as per the bank deposits in the bank accounts)

8. Use of Goods and Services

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	726,190	356,421
Communication, supplies and services	584,590	483,750
Domestic travel and subsistence	13,464,197	13,025,417
Foreign travel and subsistence	391,260	958,106
Printing, advertising, supplies & services	6,564,200	2,674,370
Training expenses	1,126,221	1,635,257
Hospitality supplies and services	3,241,003	3,589,081
Specialized materials and services	4,013,490	2,758,125
Office and general supplies and services	5,196,280	4,262,938
Fuel, oil and lubricants	4,513,754	5,560,486

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Description	2024/2025	2023/2024
	Kshs.	Kshs.
Purchase of tools, spares and small equipment's	1,294,343	370,026
Hire of Transport, equipment etc	55,901,644	31,807,301
Bank Charges	157,646	241,730
Total	97,174,818	70,723,007

9. Staff costs

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Salaries and wages	49,748,023	51,486,497
NSSF Employers contribution	3,024,388	-
Affordable Housing levy fund Employers contributions	755,545	-
Total	53,527,956	51,486,497

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10. Board expenses

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Sitting allowances	1,510,900	3,093,300
Total	1,510,900	3,093,300

11. Depreciation and amortization

Description	2024/2025	2023/2024
	KShs	KShs
Property, plant and equipment	15,531,106	96,665,722
Intangible assets	186,274	122,748
Total depreciation and amortization	15,717,380	96,788,470

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12. Repairs and Maintenance

Description	2024/2025	2023/2024
	KShs	KShs
Routine Maintenance-Others	6,109,497	
Motor vehicle expenses	4,653,829	4,889,247
Maintenance of streetlights	3,489,574	
Maintenance of civil works	1,051,274	34,810,073
Total repairs and maintenance	15,304,174	39,699,320

13. Cash and cash equivalents

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Current account	523,718	555,422
Total cash and cash equivalents	523,718	555,422

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

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

Financial institution	Account number	2024/2025	2023/2024
		Kshs.	Kshs.
a) Current account			
KCG - MALINDI MUNICIPALITY UDG ACCOUNT	NCBA-1007099467	19,211	19,008
CGK - MALINDI MUNICIPALITY MAIN ACCOUNT	KCB-1288705735	210,324	15,887
CGK - MUNICIPALITY OF MALINDI OPERATIONS & MAINTANANCE ACCOUNT	KCB-1289106150	53,885	9,926
CGK - MUNICIPALITY OF MALINDI SALARY & WAGES ACCOUNT	KCB-1289106460	170,332	3,760
CGK - MUNICIPALITY OF MALINDI DEVELOPMENT ACCOUNT	NCBA-5040860013	4,178	124,178
CGK - MUNICIPALITY OF MALINDI RETENTION ACCOUNT	NCBA-5040860029	65,788	382,663
Grand total		523,718	555,422

14. Receivables from Non-Exchange transaction

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfer from County Executive	49,802,000	40,042,005
Total	49,802,000	40,042,005

Ageing analysis for Receivables from non-exchange transactions

Description	2024/2025	2023/2024
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	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	49,802,000	%	40,042,005	%
Between 1- 2 years		%		%
Between 2-3 years		%		%
Over 3 years		%		%
Total	49,802,000	100%	40,042,005	100%

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15. Property, Plant and Equipment

Description	Building	Roads	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate	2%	2%	12.5%	33.3%	2%		
As at 1 July 2023			1,976,180	7,270,416	1,428,020	537,631,191	548,305,807
Additions	-	-	-	1,199,280	-	50,573,956	51,986,108
Disposals							
Transfers/adjustments	88,653,826	457,519,528			-	(537,631,191)	
Revaluation Adjustment							
As at 30 th June 2024	88,653,826	457,519,528	1,976,180	8,469,696	1,428,020	50,573,956	608,621,206
Additions for the year	606,114	8,404,886	1,383,400	3,478,985		1,428,684	15,302,069
Disposals for the year							

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Description	Building	Roads	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate	2%	2%	12.5%	33.3%	2%		
Transfer/adjustments							
Revaluation Adjustment							
As at 30th June 2025	89,259,940	465,924,414	3,359,580	11,948,681	1,428,020	52,002,640	623,923,275
Depreciation and impairment							
At 1 July 2023			330,022	2,181,125	476,007	-	2,987,154
Depreciation	1,773,076.52	91,503,906	371,823	2,540,909	476,007	-	96,665,722
Impairment							
Transfers/ Adjustments							
As at 30 June 2024	1,773,077	91,503,906	701,845	4,722,034	952,014	-	99,652,875
Depreciation for the year	1,785,199	9,318,488	419,948	3,978,911	28,560	-	15,531,106

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Description	Building	Roads	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate	2%	2%	12.5%	33.3%	2%		
Disposals for the year							
Impairment for the year							
Transfer/adjustment							
As at 30 th June 2025	3,558,276	100,822,394	1,121,793	8,700,945	980,574	-	115,183,981
NBV as at 30 th Jun 2024	86,880,750	366,015,622	1,274,335	3,747,662	476,006	50,573,956	508,968,331
NBV as at 30 th Jun 2025	85,701,665	365,102,020	2,237,787	3,247,736	447,446	52,002,640	508,739,294

16. Intangible assets

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Cost	491,000	491,000
At beginning of the year	368,252	429,625
Additions	499,600	
At end of the year	867,852	429,625
Amortization and impairment		
At beginning of the year	122,748	61,374
Amortization		
At end of the year	186,274	61,374
Impairment loss		
At end of the year	309,022	122,748
NBV	558,830	368,252

17. Trade and Other Payables

Description	2024/2025		2023/2024	
	Kshs.		Kshs.	
Trade payables	61,613,469		47,718,737	
Retentions				
Accrued expenses				
Total trade and other payables	61,613,469		47,718,737	
Ageing analysis:	2024/2025	% of the Total	2023/2024	% of the Total
Under one year	61,613,469	%	47,718,737	%
1-2 years		%		%
2-3 years		%		%
Over 3 years		%		%
Total	61,613,469	100%	47,718,737	100%

18. Refundable deposits and prepayments from customers

Description	2024/2025		2023/2024	
	Kshs		Kshs	
Refundable deposits	66,783		382,663	
Prepayments				
Others (<i>specify</i>)				
Total	66,783		382,663	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year		%		%
1-2 years		%		%
2-3 years		%		%
Over 3 years		%		%
Total	66,783	100%	382,663	100%

19. Cash generated from operations

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	(3,930,822)	(85,112,202)
Adjusted for:		
Depreciation	15,531,106	96,665,722
Amortisation	186,274	122,748
Working Capital adjustments		
Increase in receivables	(9,759,995)	(35,517,062)
Increase in payables	13,894,738	(8,975,122)
Net cash flow from operating activities	11,501,161	7,583,324

20. 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:

- The County Government.
- The Parent County Government Ministry.
- County Assembly.
- Key management.

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e) Municipality Board; etc.

b) Related party transactions

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from County Government'	179,300,000	179,242,005
Total	179,300,000	179,242,005

c) Key management remuneration

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Board Members	1,510,900	3,093,300
Total	1,510,900	3,093,300

d) Due from related parties

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Due from County Government	49,802,000	40,042,000
Total	49,802,000	40,042,000

e) Due to related parties

Description	2024/2025	2025/2026
	Kshs.	Kshs.
Due to County Government		
Total		

21. Financial risk management

The Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Municipality's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The City/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 assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the 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.
At 30 June 2025				
Receivables from exchange transactions				
Receivables from non-exchange transactions	49,802,000			
Bank balances	523,718			
Total	50,325,718			
At 30 June 2024				
Receivables from exchange transactions				

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Receivables from non-exchange transactions	40,042,005			
Bank balances	555,422			
Total	40,597,427			

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 significant concentration of credit risk on amounts due from *Receivable from non-exchange transactions*.

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 Kshs.	Between 1-3 months Kshs.	Over 5 months Kshs.	Total Kshs.
At 30 Jun 2025				
Trade payables		61,613,469		61,613,469
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total		61,613,469		61,613,469
At 30 Jun 2024				
Trade payables		47,718,737		47,718,737
Current portion of borrowings				
Provisions				

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Employee benefit obligation				
Total		47,718,737		47,718,737

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 City/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	Kshs.	Other currencies Kshs.	Total Kshs.
At 30 June 2025 (current year)			
Financial assets			
Investments			
Cash			
Debtors/ receivables			
Liabilities			
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.
2025 (current year)			
Euro	10%		
USD	10%		
2024(previous year)			
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.

VI. Capital risk management.

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

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Revaluation reserve		
Capital/Development Grants/Municipality	600,782,915	600,782,915
Accumulated surplus	(102,839,325)	(98,908,503)
Total Funds	497,943,590	501,874,412
Total borrowings		
Less: cash and bank balances	523,718	555,422
Net debt/(excess cash and cash equivalents)		
Gearing	%	%

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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)
Year Ended 30 June 2020	Budgetary Control and Performance	The county executive has initiated the process of transferring some revenue streams to the municipality to address the under funding	Resolved	
Year Ended 30 June 2020	Hire of Casuals without County Public Service Board Authority	The county public service board is in the process of employing the casual staff on contract basis	Not Resolved	After 2023 external audit
Year Ended 30 June 2021	Inaccuracies in Financial Statements	Adjustment of the cashbooks were done	Resolved	
Year Ended 30 June 2021	Budgetary Control and Performance	The county executive has initiated the process of transferring some revenue streams to the municipality to address the under funding	Resolved	

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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)
Year Ended 30 June 2021	Anomalies in the contract on Upgrading to Bitumen Standard of Barclays/Mtanga ni Road	Management is in the process of addressing the issue	Not Resolved	After 2023 external audit
Year Ended 30 June 2021	Hire of Casuals without County Public Service Board Authority	The county public service board is in the process of absorbing the casual staff	Not Resolved	After 2023 external audit
Year Ended 30 June 2021	Delayed Projects Implementation	Management is in the process of addressing the issue	Not Resolved	After 2023 external audit
Year Ended 30 June 2021	Lack of Integrated Development Plan	The management has developed the integrated development plan	Not Resolved	After 2023 external audit
Year Ended 30 June 2021	Failure to Appoint a Board Member	The municipality board is now fully constituted	Resolved	

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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)
Year Ended 30 June 2022	Inaccuracies in Financial Statements	Some errors were corrected in 2022-20223 while the rest will be corrected in the Financial Year 2023-2024 as a prior year adjustment.	Resolved	
Year Ended 30 June 2022	Budgetary Control and Performance	The county executive has initiated the process of transferring some revenue streams to the municipality to address the under funding	Resolved	
Year Ended 30 June 2022	Anomalies in the contract on Upgrading to Bitumen Standard of Barclays/Mtanga ni Road	Management is in the process of addressing the issues	Not Resolved	3 months
Year Ended 30 June 2022	Hire of Casuals without County Public Service Board Authority	The county public service board is in the process of absorbing the casual staff	Not Resolved	

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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)
Year Ended 30 June 2022	Delayed Projects Implementation	Management is in the process of addressing the issues	Not Resolved	After 2023 external audit
Year Ended 30 June 2022	Irregular Payment of Allowances to County Assembly Committee Members	Management is in the process of addressing the issues	Not Resolved	After 2023 external audit
Year Ended 30 June 2022	Unexplained Variance and Uncleared long outstanding reconciling items in cash and cash equivalents	This was corrected in the financial year 2022-2023	Not Resolved	After 2023 external audit
Year Ended 30 June 2022	Failure to Deduct Statutory Deductions on Board Allowances	currently the management is deducting and remitting the same to KRA.	Resolved	

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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)
Year Ended 30 June 2022	Project Implementation status	The management is in the process of addressing the issue	Not Resolved	After 2023 external audit
Year Ended 30 June 2022	Staff Under-establishment	The county public service board is in the processes of recruiting staff for Municipality to address the staffing gap	Not Resolved	After 2023 external audit
Year Ended 30 June 2022	Irregular Engagement of Casual Workers	The county public service board is in the processes of recruiting staff for Municipality to address the staffing gap	Not Resolved	After 2023 external audit
Year Ended 30 June 2024	Inaccurate Opening Amounts and Balances	Not addressed	Not Resolved	After 2024 external audit
Year Ended 30 June 2024	Unexplained Variances	Not addressed	Not Resolved	After 2024 external audit

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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)
	between Financial Statements Amounts and Balances and Supporting Schedules			
Year Ended 30 June 2024	Budgetary Control and Performance	Not addressed	Not Resolved	After 2024 external audit
Year Ended 30 June 2024	Unresolved Prior Year Matters	Not addressed	Not Resolved	After 2024 external audit
Year Ended 30 June 2024	Compliance with Laws and Regulations 1) Delayed Recruitment of the Municipality Manager	The Board has a municipal manager recruited The PSB is in the process of recruitment	Resolved	

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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)
	2)-Irregular Engagement of Casual Workers			
Year Ended 30 June 2024	Staff Under-Establishment	Municipal service board is in the process of recruitment	Resolved	

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Municipal Manager

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Appendix 2: Inter-Entity Transfers

MUNICIPALITY OF MALINDI:				
Breakdown of Transfers from the County Executive of Kilifi County				
	FY 2024/202			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
		Total	XXX	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
			xx	
		Total	XXX	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			13,042,005.00	
		10/7/2024		2023/2024
			27,000,000.00	
		11/7/2024		2023/2024
		24//8/2024	42,913,962.00	
				2024/2025
		6/1/2025	41,080,639.00	
				2024/2025
		15/4/2025	45,503,399.00	
				2024/2025
		Total	169,540,005.00	

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

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

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Appendix 3: Reporting of Climate Relevant Expenditures

Name of the Organization: Municipality of Malindi
Telephone Number:0723816780
Email Address:malindimunicipality@malindi.go.ke
Name of CEO :Techler Dadu

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		

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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

