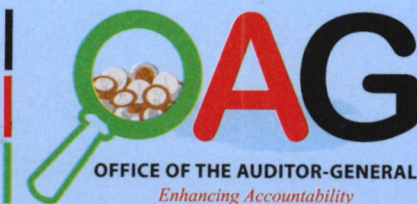


REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL

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REPORT

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ON

KANGUNDO/TALA MUNICIPALITY

FOR THE YEAR ENDED
30 JUNE, 2025

PAPERS LAID	
DATE	13.11.25.
TABLED BY	S.M.W
COMMITTEE	-
CLERK AT THE TABLE	Abigail



KANGUNDO/TALA MUNICIPALITY

County Government of Machakos

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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County Government of Machakos
Kangundo /Tala Municipality
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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 & Heath Act

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

2. Key Entity Information and Management

a) Background information

Kangundo/Tala Municipality 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 conferred on 27th June 2018. The Municipality is under the County Government of Machakos and is domiciled in Kenya.

b) Principal Activities

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

- Support for the establishment, operationalization, and strengthening of the institutional framework for urban management of the county as part of the national level interventions.
- Assist county governments address urban development and management issues as part of the county level interventions
- Provision of support for planning, logistical, urban infrastructure and service delivery.
- Provision for clean urban areas through collection of garbage and waste management

c) Key Management

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

- Department of Housing and Urban Development
- Board of Management
- Municipality Manager
- Management

Municipality Board

Ref	Position	Name
1.	Ag Board Chair	Rebecca Mutua
2.	Ag Board Vice chair	Joshua Kitonga
3.	County Executive Committee Member responsible for Cities and Urban areas	Nathaniel Nganga
4.	Chief Officer responsible for Cities and Urban areas	Maureen Maingi
5.	Municipality Manager	Dorothy Mutuku
6.	Board Member 1	Hellen Muthoki
7.	Board Member 2	Cecilia Mwosa
8.	Board Member 3	Esther Kimeu
9.	Board Member 4	Lawrence Muthusi

County Government of Machakos
Kangundo /Tala Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

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	Dorothy Mutuku
3	Accountant	Benjamin Katola
4	Procurement	Wilson Mutinda

e) Fiduciary Oversight Arrangements

- i) Audit and Risk Management Committee
- ii) County Assembly committees
- iii) Committees of the Senate

f) Registered Offices

P.O. Box 1996-90100
Mwatu Wa Ngoma Road
NAIROBI, KENYA

g) Bankers

SBM Bank- Kangundo/ Tala UDG Account- Number 3423756844001
SBM Bank-Kangundo/Tala Municipality Retention Account- Number 0342380184001

h) Independent Auditor

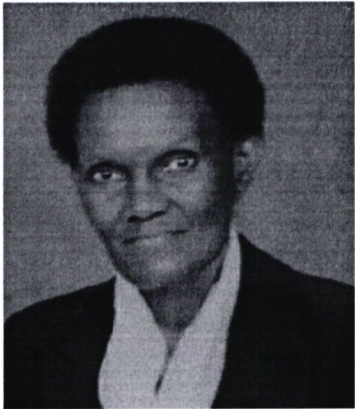
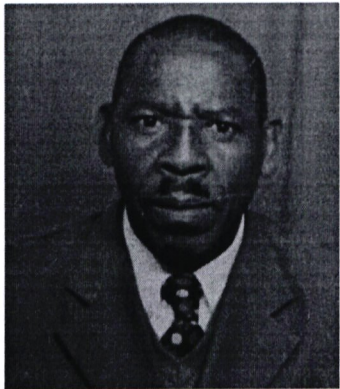
Auditor General
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

i) Principal Legal Adviser

The County Attorney
County Legal Office
P.O BOX 1996 - 90100
Machakos, Kenya

County Government of Machakos
Kangundo /Tala Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

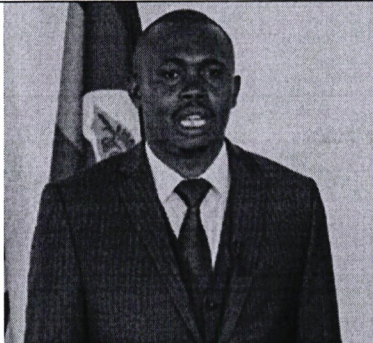
3. Municipality Board

Serial No.	Name	Details of qualifications and experience
1.	REBECCA MUTUA  CHAIRPERSON	Date of birth 1958 Rebecca Mutua Holds Certificate in Women Entrepreneurship from the United States International University acquired in 2011 Diploma in Bible correspondence from the Every Home Evangelism acquired in 1974, East African Advanced Certificate of Education in 1978. She operates a restaurant in Tala Township and is a member of the Kenya National Chamber of Commerce. She is serving as an independent director to the Board
2.	JOSHUA KITONGA  VICE CHAIRPERSON	Joshua has been an independent director to the board and Holds Diploma in journalism from the Kenya Institute of Mass Communication acquired in 1974 Diploma in Business Studies from the Mombasa Polytechnic acquired in 1972 He served as the Chairperson Kangundo, Matungulu coffee growers union from 2018 and vice chairperson of Machakos cooperative union for 4 years He also has experience in Public service where he served as an officer and news reporter at the Ministry of Information and Broadcasting from 1975 to 1977. Kitonga served the board till his demise in November 2024

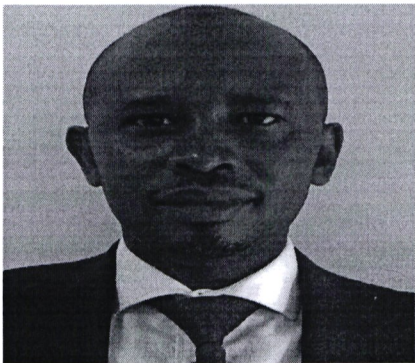
3.	ESTHER KIMEU  MEMBER	She was born in 1987 and holds Bachelors of Science degree in Hotel and restaurant management from the United States International University acquired in 2010 Esther has is experienced in Procurement Logistics as she practiced procurement from 2014 to 2018, and also served as an office administrator from 2013 to 2014. She is an independent Member of the board
4.	CECILIA MULINGE  Member	D.O.B 1958 Cecilia holds Diploma in Community development from Wintech college acquired in 2008, Certificate in computer systems and applications from computers from the heart college. She has experience in Community service as she is the Chairperson Maendeleo ya Wanawake Kangundo sub county. She is serving the board as an independent director.

County Government of Machakos
Kangundo /Tala Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

5.	LAWRENCE MUTHUSI  MEMBER	D.O.B 1954 Lawrence has Bachelor of Theology degree from the Carey Theological College. Certificate in evangelical ministry from the Carey Theological College acquired in 2006. Trained P1 teacher from Eregi Teachers College acquired in 1972. He served as a teacher from 1972 to 2014 rising to the position of a head teacher since 1984. He alaso serves as a church leader at African Brotherhood Church within Nguluni Township from 2000 to date. He is serving as an independent director to the board.
6.	HELLEN MUTHOKI  MEMBER	D.O.B 1976 She holds Master of business administration from Kenyatta university in 2017, Bachelors of Business administration degree from Kenya Methodist University in 2013 Worked in the banking sector from 1999 to date. She is an independent director to the board.

7.	 Name: Hon. Nathaniel Nganga	He is the CECM – Lands, Housing, Urrban development and Energy Mr. Nganga holds a Bachelor’s Degree and a Master’s Degree in Public Policy & Administration from Kenyatta University. He served as the Member of County Assembly (MCA), Katangi Ward from 2013 to 2017. He has gained professional experienced in a combination of disciplines during his career in diverse organizations delivering both Public Sector and Corporate solutions at all levels.
8.	 Name:Maureen Maingi	She is the Chief Officer-Housing and Urban Development. She holds Masters in Business Administration - Strategic Management and Bachelor of Education from Kenya University She has over 25 years of Experience in Teaching and corporate world.
9.	DOROTHY MUTUKU  MUNICIPAL MANAGER	Dorothy Holds, Masters’ degree in project planning and management, she is also a graduate from Moi university Bachelor of education in Mathematics and geography. Dorothy has also undertaken senior management course from the Kenya School of government. In addition to the qualifications above, Dorothy has a wealth of experience both in private and public sector.

4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	DOROTHY MUTUKU  MUNICIPAL MANAGER	Dorothy Holds, Masters’ degree in project planning and management, she is also a graduate from Moi university Bachelor of education in Mathematics and geography. Dorothy has also undertaken senior management course from the Kenya School of government. In addition to the qualifications above, Dorothy has a wealth of experience both in private and public sector.
2.	BENJAMIN KATOLA  Municipal Accountant	Benjamin Katola is a professional accountant with over ten years’ experience in the accounting field. He is a member of the Institute of professional accountants of Kenya and in good standing. Academically, Benjamin holds Master’s degree in Finance from the university of Nairobi and Bachelor of commerce in accounting from Jomo Kenyatta university.
3.	WILSON MUTINDA STEPHEN  Municipal Procurement Officer	He is the procurement officer in kangundo/Tala Municipality. Stephen holds Masters in Strategic Management and leadership from St PAULS University, Bachelors degree in purchasing and supplies management from the University of Nairobi. His .KISM number is 73544

5. Municipality Board Chairperson's Report

During the year, the Municipality did not undertake projects. The municipality expects funding from the World Bank and the county in the next financial year. The board has already prepared work plan for utilization of the expected funds.

I wish to thank the County Executive for giving the municipalities the powers to execute the following functions namely, maintenance of streetlights, solid waste management, urban infrastructure of markets and management of markets. The County Executive also deployed more staff on fulltime basis to the municipality so as to ensure efficient service delivery to the residents as well as the independence and empowering of the municipalities.

Challenges that the board has been facing is delay in payment of board allowances and lack of funding for municipal projects from the county executive; previously the municipality has been relying on funding from World Bank. There are many projects that the municipality would wish to carry out but the resources available are not enough.

Lastly I wish to thank the County assembly and H.E The Governor for giving me this opportunity together with my board members to serve the people of Kangundo - Tala Municipality and Machakos County in general.



.....

Name: Rebecca Mutua
Chairperson of the Board

6. Report of the Municipality Manager

Kangundo Tala municipality had a budget from Kenya urban Support program that was utilized to implement several projects within the municipality. The Municipality has achieved a lot since its establishment. Several projects have been implemented and they are all at 100% complete. Since inception Kangundo Tala municipality has constructed Kangundo Tala and Masewani storm water drainages. It has upgraded Nguluni, Katine polytechnic, Kangundo town and Kawethei road into bitumen standards. The Municipality has also installed solar street lights in Kangundo, Tala and Nguluni market. The Municipality has also purchased skip bins; skip loader, tractor and compacting track to aid in solid waste collection. All these mentioned projects are 100% complete. Construction of storm water drainage in Tala and Kangundo town has helped reduce flooding in these markets. Construction of walkways has reduced road accidents and also reduced congestions of pedestrians and motorists on the roads. Solar Street connections have enabled traders to extend their trading hours to late at night and they have also reduced crime rate in the municipality. Upgrading of roads into Bitumen standards has given Kangundo Tala municipality a face lift and has also increased the land value. Construction of parking facilities has also helped the County to increase its revenue collection. Purchase of solid waste vehicle and collection bins has also helped the municipality to manage its solid waste collection and disposal effectively and efficiently.

The main challenge that the Municipality faced during the implementation of the project was weather interruption. During the rainy season many projects were forced to stop or slow down due to heavy rain. Another challenge that the Municipality faced was vandalization of safe guard installed on the project site and destruction of properties during the 2024/2025 finance bill.

For the entire projects that were done in Kangundo- Tala Municipality there was value for money because the cost for collecting and transporting our solid waste has become more effective and efficient. The traders are able to trade in a more conducive environment because their products are no longer affected by dust and also their trading are now extended hence more income. Upgrading of roads bitumen standards has helped the motorist to cut down on maintenance cost of their vehicles.

Some of the key risk management that the Municipality intends to apply are risk reduction and risk avoidance.

In risk reduction, the Municipality will ensure that the contractor will install all the necessary safe guards to reduce occurrence of any accident on the construction site. The Municipality will also ensure that the kind of investment it will implement will have low or medium risk and avoid implementing projects that have high risk.



Name: Dorothy Mutuku
Municipality Manager

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

The key development objectives of the Municipality in the financial year 2024/2025 plan are to:

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

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Urban planning	To control urban development	To create orderly development in urban areas	Number of developments conforming with rules and regulations governing urban development	There was activity in the financial year under review

8. Corporate Governance Statement

i) Process of appointment and removal of Board members.

Members of the board are appointed by the governor to serve for a term of three years renewable once. Once nominated, the members are gazetted and sworn in as per the law

The Municipality board members perform the several roles

ii) Roles and functions of the Municipality Board members.

- Overseeing the affairs of the municipality.
- Develop or adopt policies, strategies and programs and set targets for service delivery.
- Implement integrated development plan; maintaining a comprehensive database and information system of the administration.
- Administering and regulating municipality's affairs
- Implementing applicable national and county policies and legislation monitoring and where appropriate.
- Regulating municipal services where those services are provided by service providers other than the board of the Municipality.

iii) Induction and training, Municipality Board members and member's performance

Once appointed, the members were taken on an induction training sponsored by the World Bank. The Municipality has thereafter organized training on regular basis to keep them up to date with the management of the fund and emerging issues affecting the municipality. The chair on behalf of the board has signed performance contract with the County Executive Committee Member of the line Department.

iv) Number of Municipality Board meetings held and the attendance to those meetings by members

The board holds one sitting after every three months hence having four sittings per year. Sometimes there may be a special sitting by board to tackle emergency issues which may arise. Almost all members have been attending the said meetings unless one is absent with apology. In this financial year, the board had the four normal sittings as stipulated by the law.

v) **Succession plan,**

Once members' terms expires or resigns, a replacement is done by the governor as stipulated in the cities and municipalities act.

vi) **Existence of a service charter,**

Kangundo Tala Municipality has a well-established service charter and is in force.

vii) **Conflict of interest,**

There is no conflict of interest currently but members are encouraged to declare any conflict of interest that may arise.

viii) **Board remuneration,**

Members are remunerated as per the Salaries and remuneration commission approved rates. The County government managed to pay most of the outstanding allowances and sitting allowances in the year under review. During this year, the management defined all board members in the IFMIS system for ease of processing their allowances.

ix) **Ethics and conduct as well as governance audit undertaken**

The board did not undertake any audit on ethics and governance in this financial year. The board will not hesitate to undertake the same if need arises.

9. Management Discussion and Analysis

a) The operational and financial performance of the municipality during the period

During the financial year, the municipality performed fairly well both financially and operationally. However, due to limited resources, we could not achieve as per our desired objectives.

b) Key projects or investments decisions implemented or on-going - The principal activity/mission/ mandate of the Fund is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya

Core objectives

- Support for the establishment, operationalization, and strengthening of the institutional framework for urban management as part of the national level interventions
- Assist county governments address urban development and management issues as part of the county level interventions
- Provision of support for planning, urban infrastructure and service delivery.
- Provision of clean environment by doing waste management through acquisition of garbage trucks.

c) Entity's compliance with statutory requirements

The municipality since the inception of the fund has followed all the statutory regulations and as at the date of current reporting there were no reported non-compliance issues.

d) Major risks facing the municipality material arrears in the statutory and other financial obligations

The municipality as at the time of reporting was not facing any serious risk as the framework of work was being followed as per the plan.

The municipality as at the time of reporting had no pending bills or any other item which had been defaulted in payment.

10. Environmental And Sustainability Reporting

1. Sustainability strategy and profile

The main mandate of the municipality is maintenance of urban infrastructure as well as solid waste management. The municipality has acquired equipment and machinery for solid waste management, developed an integrated development plan and established structures for actualising the development plan.

2. Environmental performance

The Municipality did not have established environment performance policy. We are however guided by the existing authorities such as NEMA and legislation developed by the Parliament.

3. Employee welfare

The Municipality does not have sole mandate of recruiting its staff. However when a need arises, the municipality gives its request to the county public service board for consideration.

4. Market place practices

The Municipality has adhered to all set rules and regulations pertaining market practices

a) Responsible competition practice.

The Municipality adheres to the set regulations related to competition practices.

b) Responsible Supply chain and supplier relations

The Municipality followed the rules on procurement as set out by the law and regulation on Procurement and Disposal

c) Responsible marketing and advertisement or Responsible engagement with the citizens

We are guided by the existing law and ethics practice on advertising marketing.

Product stewardship

The Municipality adheres to all regulations on consumer protection and competition.
Community Engagements

The Municipality did not undertake any corporate social responsibility in the year.

d) Product stewardship or Awareness creation

The municipality has put in place adequate safeguards relating to consumer protection, protection of health and safety. Through the service charter, the municipality has outlined clearly on our product information, dispute resolution and redress, consumer data and privacy protection, safeguards citizens' rights and interests, whistle blowers rights, citizen data and privacy protection

5. Corporate Social Responsibility/Community Engagements

The Municipality has not engaged in social corporate responsibility. We however intent to engage in a structured cooperate responsibility once resources are available

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 as stated in page iii section b above

Performance

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

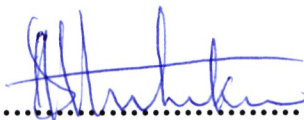
Board Members

The members of the Board who served during the year are shown on page vi to xi. 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: Dorothy Mutuku

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, 2024, and the financial position as at that date.

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

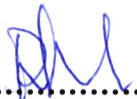
In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Municipality Manager to indicate that the

County Government of Machakos
Kangundo /Tala Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

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

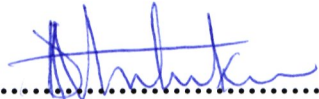
Approval of the financial statements

The Municipal 's financial statements were approved by the Board on 26/08/2025 and signed on its behalf by:


.....

Name: Rebecca Mutua

Chairperson of the Board


.....

Name: Dorothy Mutuku

Accounting officer of the Board

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KANGUNDO/TALA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kangundo/Tala Municipality set out on pages 1 to 45, which comprise of the statement of financial position as at

Report of the Auditor-General on Kangundo/Tala Municipality for the year ended 30 June, 2025

30 June, 2025 and the statement of financial performance, statement of cash flows, statement of changes in net assets 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 Kangundo/Tala Municipality as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2011 (Amended 2019) and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Undisclosed Property, Plant and Equipment

The statement of financial position reflects a Nil balance of property, plant and equipment. However, review of records and physical verification revealed existence of various assets including land, buildings, motor vehicles, furniture, computers and equipment which were not disclosed in the financial statements. Further the Municipality did not maintain a fixed assets register and ownership documents for the assets were not provided for audit review.

In the circumstances, the accuracy, completeness, existence and ownership of a Nil balance of property, plant and equipment could not be confirmed.

2.0 Undisclosed Revenue from Exchange Transactions

The statement of financial performance reflects Nil revenue from exchange transactions. However, review of documents revealed that the Municipality had not opened a bank account for its revenue collection contrary to Section 23(1) of the Urban Areas and Cities Act (UACA), 2011 which requires every Municipality to establish a Revenue Fund where all revenues collected by the Municipality should be deposited. The County Government of Machakos collects and banks revenue on behalf of the Municipality. However, the supporting documents for the revenue collected on behalf of the Municipality were not provided for audit review.

In the circumstances, the accuracy and completeness of the Nil revenue from exchange transactions could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Tala Municipality Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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 effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the Other Information set out on pages iii to xxii which comprise of Key Entity Information and Management, Municipality Board, Key Management Team, Municipality Board Chairperson's Report, Report of the Municipality Manager, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Municipality Board Members and Statement of Management 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 thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Prepare Budget

The Municipality Management did not prepare a budget for the financial year 2024/2025 for submission to the County Treasury for approval by the County Assembly. This is

contrary to Section 175(5) of the Public Finance Management Act, 2012 which stipulates that the urban area or city shall prepare and submit budget requests to the County Treasury upon approval by the Board in sufficient time, in the case of Cities and Municipalities, for their approval as part of the annual County Appropriation Bill.

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

2. Non-Compliance with Law on Ethnic Composition and Disabilities Distribution

During the year under review, the total number of employees of the Municipality was sixty-six (66) out of which sixty-five (65) or approximately 98% of the total number were members of the dominant ethnic community in the County and none of the employees is living with disabilities. This is contrary to Section 65(1)(e) of the County Government Act, 2012 and Paragraph 2.2.2(i) of the Public Service Commission Diversity Policy, 2016 which states that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County and that every Public Service Institution shall adopt measures aimed at facilitating the realization of the constitutional principles of ensuring an inclusive public service and that at least five per cent (5%) of appointments in the public sector shall comprise of persons living with disabilities.

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

3. Lack of a Municipality Strategic Plan

During the year under review, Management did not develop a Strategic Plan for the Municipality. This is contrary to Section 39(1) of the Urban Areas and Cities Act, 2011 which stipulates that a Board or Town Committee shall, within the first year of its election, adopt a single, inclusive strategic plan for the development of the City or Urban area for which it is responsible.

Although Management prepared an Integrated Development Plan which acts as a basis for preparation of the Strategic Plan, the document is in draft stage and had not been approved.

In the circumstances, Management was in breach of the law and the Municipality may not be able to achieve its goals and objectives.

4. Failure to Fully Operationalize the Municipality

Review of records revealed that the Municipality was granted a Charter on 27 June, 2018 granting it a corporate body status. However, during the year under review, the Municipality was not allocated any funding by the County Assembly to perform its functions apart from Kshs.26,460,974 which was paid by the County Government on behalf of the Municipality. Although Management indicated that the County Government Management had transferred sixteen (16) functions to the Municipality as per Gazette Notice Number 11612 dated 23 August, 2024, no resources were allocated.

In the circumstances, the Municipality may not be able to perform its functions as prescribed in the Charter.

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

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

Conclusion

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

Basis for Conclusion

Lack of Internal Audit Function and an Audit Committee of the Board

The Municipality has not established an internal audit function and an Audit Committee of the Board. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such the Municipality did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

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

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

Responsibilities of the Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards 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

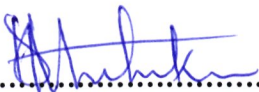
Nairobi

31 October, 2025

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	26,460,974	696,000
Public contributions and donations	7		-
Levies Fines and Penalties	8	-	-
Other revenues	9	-	-
Revenue from exchange transactions			
Interest income	10	-	-
Miscellaneous Income	11	-	-
Total revenue		26,460,974	696,000
Expenditure			
Use of goods and services	12	11,548,982	5,174,859
Staff costs	13	25,824,974	-
Board expenses	14	636,000	696,000
Finance costs	15	-	-
Depreciation and amortization	16	-	-
Repairs and maintenance	17	-	-
Total expenses		38,009,956.00	5,810,859
Other gains/losses			
Gain/loss on disposal of assets	18	-	
Deficit for the period		(11,548,982)	(5,174,859)

The notes set out form an integral part of these Financial Statements. The entity financial statements were approved on 26/08/2025 and signed by:

.....


Name: Dorothy Mutuku

Municipality Manager

.....


Name: Benjamin Katola

Head of Finance

ICPAK M/No 21416

County Government of Machakos
Kangundo /Tala Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

15. Statement of Financial Position As At 30 June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	19	34,289	11,583,27
Receivables from exchange transactions	20	-	-
Receivables from non-exchange transactions	21	-	-
Prepayments	22	-	-
Inventories	23	-	-
Total current assets		34,289	11,583,272
Non-current assets			
Property, plant, and equipment	24	-	-
Intangible assets	25	-	-
Biological Assets	26	-	-
Total Non-current Assets		-	-
Total assets (A)		34,289	11,583,272
Liabilities			
Current liabilities			
Trade and other payables	27	-	11,449,453
Refundable deposits from customers	28	-	-
Provisions	29	-	-
Borrowings	30	-	-
Employee benefit obligations	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
Total current liabilities		-	11,449,453
Non-current liabilities			
Provisions	29	-	-
Borrowings	30	-	-
Non-current employee benefit obligation	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
Total liabilities (B)		-	11,449,453
			-

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Net Assets (A-B)		-	
Represented by:		-	-
Capital/Development Grants/Fund		-	-
Reserves		-	-
Accumulated surplus		34,289	5,307,958
Net Assets/Equity		34,289	133,818

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 26/08/2025 and signed by:



Name: Dorothy Mutuku

Municipality Manager

Date: 26/08/2025



Name: Benjamin Katola

Head of Finance

ICPAK M/No 21416

Date: 26/08/2025

County Government of Machakos
Kangundo /Tala Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

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			30,834,111	30,834,111
Deficit for the year		-	(19,250,839)	(19,250,839)
Funds received during the year		-	-	-
Revaluation gain/loss	-	-	-	-
Bal as at 30 Jun 2024			11,583,272	11,583,272
Bal as at 1 July 2024			11,583,272	11,583,272
Deficit for the year	-	-	(11,548,982)	(11,548,982)
Funds received during the year		-	-	-
Revaluation gain/loss	-	-	-	-
Balance as at 30 June 2025			34,289	34,289

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

Description	Note	FY 2024/2025 Kshs.	FY 2023/2024 Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		26,460,974	696,000
Public contributions and donations		-	-
Interest received		-	-
Miscellaneous receipts		-	-
Total Receipts		26,460,974	696,000
Payments			
Use of goods and services		11,548,982	5,174,859
Staff costs		25,824,974	-
Board expenses		636,000	696,000
Finance costs		-	-
Total Payments		38,009,956.00	(5,810,859)
Net cash flows from operating activities	34	(11,548,982)	(5,174,859)
Cash flows from investing activities			
Purchase of PPE & intangible assets		-	-
Proceeds from sale of PPE		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net decrease in cash & cash equivalents		(11,548,982)	(19,250,840)
Cash And Cash Equivalents At 1 July	19	11,583,272	30,834,111
Cash And Cash Equivalents At 30 June	19	34,289	11,583,272

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*						
Receipts						
Transfers from the County Government	26,460,974	-	26,460,974	26,460,974	-	100%
Public contributions and donations	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous income	-	-	-	-	-	-
Total Receipts	26,460,974	-	26,460,974	26,460,974		
Payments						
Use of goods and services	11,548,982	-	11,548,982	11,548,982	-	100%
Board expenses	25,824,974	-	25,824,974	25,824,974	-	100%
Staff Costs	636,000	-	636,000	636,000	-	100%
Finance costs						
Total expenditure Payments	38,009,956.00	-	38,009,956.00	38,009,956.00	-	100%
Capital Expenditure Payments	-	-	-	-	-	
Deficit for the period	(11,548,982)		(11,548,982)	(11,548,982)		100%

Budget notes

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Deficit Amounts as per the statement of Budget	(11,548,982)
1	Reason for differences	-
2	Reason for differences	-
3	Reason for differences	-
4	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	34,289.00

19. Notes to the Financial Statements

1. General Information

Kangundo/Tala Municipality 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 conferred on 27th June 2018. The Municipality is under the County Government of Machakos and is domiciled in Kenya.

b) Principal Activities

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

- Support for the establishment, operationalization, and strengthening of the institutional framework for urban management of the county as part of the national level interventions.
- Assist county governments address urban development and management issues as part of the county level interventions
- Provision of support for planning, logistical, urban infrastructure and service delivery.
- Provision for clean urban areas through collection of garbage and waste management

2. Statement of Compliance and Basis of Preparation

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*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)

(When an IPSAS becomes effective on 1st January 2025, it is applicable in Kenya from 1st July 2025)

- 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	<i>Applicable 1st January 2025</i> 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. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> 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. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.

	<i>State the expected impact of the standard to the Entity if relevant</i>
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. <i>State the expected impact of the standard to the Entity if relevant</i>
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. <i>State the expected impact of the standard to the Entity if relevant</i>
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. <i>State the expected impact of the standard to the Entity if relevant</i>
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. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 50: Exploration For & Evaluation of	<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:

Mineral Resources	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

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. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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 xxx 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.

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

e) Biological Assets

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

f) Financial instruments

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

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

Financial assets

Classification of financial assets

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

on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits – Retirement benefit plans

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

o) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. 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.

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

Useful lives and residual values

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

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	-	-
Payments by County on behalf of the entity	26,460,974.20	696,000.00
Unconditional development grants	-	-
Total	26,460,974.20	696,000.00

(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
xx State Department	-	-	-	-	-
XX Ministry	-	-	-	-	-
	-	-	-	-	-
Total	-	-	-	-	-

7. Public Contributions and Donations

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

8. Levies, Fines and penalties

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Levies	-	-
Fines	-	-
Penalties	-	-
Others (<i>indicate and specify</i>)	-	-
Total	-	-

9. Other Revenues

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others (<i>indicate and specify</i>)	-	-
Total	-	-

10. Interest income

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

11. Miscellaneous income

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

12. Use of Goods and Services

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	-	-
Communication, supplies and services	-	-
Domestic travel and subsistence	-	-
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	-	-
Rent and rates	-	-
Training expenses	-	-
Hospitality supplies and services	-	-
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	-	-
Fuel, oil and lubricants	-	-
Other operating expenses (Construction of roads and Shopping Centre)	11,548,982	5,172,220.00
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	-	-
Retentions paid out to contractors	-	-
Contracted Professional Services	-	-
Audit fees	-	-
Hire of Transport, equipment etc	-	-
Bank Charges	-	2,640.00
Social Benefit expenses*	-	-
Total	11,548,982	5,174,860.00

13. Staff costs

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Salaries and wages	25,824,974.20	-
Staff gratuity	-	-
Social security contribution	-	-
Other staff costs (<i>Specify</i>)	-	-
Total	25,824,974.20	-

14. Board expenses

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	636,000.00	696,000.00
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	-
Conference Costs	-	-
Other allowances (<i>Specify</i>)	-	-
Total	636,000.00	696,000.00

15. Finance costs

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

16. Depreciation and amortization

Description	FY 2024/2025	FY 2023/2024
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	-	-

17. Repairs and Maintenance

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

18. Gain/(loss) on disposal of assets

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

19. Cash and cash equivalents

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	34,289.28	11,583,272.00
Others(<i>specify</i>)	-	-
Total cash and cash equivalents	34,289.28	11,583,272.00

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

Financial institution	Account number	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits		-	-
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
SBM bank-UDG accounts	0342375684001	-	133,818.00
SBM bank-Retentions account	0342380184001	34,289.00	11,449,453.00
Sub- total		-	-
d) Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
Sub- total		-	-
Grand total		34,289.00	11,449,453.00

20. Receivables from exchange transactions

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

Ageing analysis for Receivables from exchange transactions-

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

21. Receivables from Non-Exchange transaction

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

Ageing analysis for Receivables from non-exchange transactions

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

22. Prepayments

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Other	-	-
Total	-	-

23. Inventories

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

Detailed Disclosure on Inventories

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

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24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate		X%	X%	X%	X%	X%		
As at 1 July 20XX (previous year)	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
As at 30th June 20XX	-	-	-	-	-	-	-	-
Additions for the year	-	-	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
As at 30th June 20XX (current year)	-	-	-	-	-	-	-	-
Depreciation and impairment								
At 1 July 20XX (previous year)		-	-	-	-	-	-	-
Depreciation		-	-	-	-	-	-	-
Impairment		-	-	-	-	-	-	-

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Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate		X%	X%	X%	X%	X%		
Transfers/ Adjustments		-	-	-	-	-	-	-
As at 30 June 2024		-	-	-	-	-	-	-
Depreciation for the year		-	-	-	-	-	-	-
Disposals for the year		-	-	-	-	-	-	-
Impairment for the year		-	-	-	-	-	-	-
Transfer/adjustment		-	-	-	-	-	-	-
As at 30th June 2025		-	-	-	-	-	-	-
NBV as at 30th Jun 2024	-	-	-	-	-	-	-	-
NBV as at 30th Jun 2025	-	-	-	-	-	-	-	-

25. Intangible assets

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

26. Biological Assets

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

27. Trade and Other Payables

Description	FY 2024/2025		FY 2023/2024	
	Kshs.		Kshs.	
Trade payables	-		-	
Retentions	-		11,449,453.00	
Accrued expenses	-		-	
Other payables (Specify)	-		-	
Total trade and other payables	-		-	
Ageing analysis:	Current FY 2024/2025	% of the Total	Comparative FY 2023/2024	% of the Total
Under one year	-	%	424,623.00	100%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-	%	-	%

28. Refundable deposits and prepayments from customers

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
Rent deposits	-		-	
Prepayments	-		-	
Others (<i>specify</i>)	-		-	
Total	-		-	
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	-	%	-	%

29. Provisions

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

30. Borrowings

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

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

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.

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Balance at beginning of the period	-	-
Borrowings during the year	-	-
Repayments of borrowings during the period	-	-
Balance at end of the period	-	-

The table below shows the Distribution of borrowings:

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

31. Employee Benefit Obligations

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

32. Deferred Income

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

The deferred income movement is as follows:

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

Analysed as:

Description	Amount
	Kshs
Current	-
Non- Current	-
Total	-

33. Social Benefit Liabilities

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

34. Cash generated from operations

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	(11,548,982)	5,174,859
Adjusted for:	-	-
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Working Capital adjustments	(11,548,982)	5,174,859
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	(11,548,982)	5,174,859

35. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

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

c) Key management remuneration

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

d) Due from related parties

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

e) Due to related parties

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

36. Contingent liabilities

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

37. Contingent Assets

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

38. Financial risk management

The Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Municipality's overall risk management programme focuses on 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 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 (current year)				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2024 (previous year)				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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 xxx.

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

II. Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 Jun 2025 (current year)				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 Jun 2024 (previous year)				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

III. Market risk

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

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

IV. Foreign currency risk

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

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

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			
Euro	10%	-	-
USD	10%	-	-
2025			
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 Municipality's ability to continue as a going concern. The Municipality capital structure comprises of the following Municipality:

Description	FY 2024/2025	FY 2024/2025
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital/Development Grants/Municipality	-	-
Accumulated surplus	-	-
Total Funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

39. Program for Results (PforR) Disclosure

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

20. Appendices

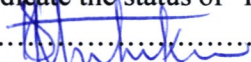
Appendix 1. Progress on Follow up of Auditors Recommendations.

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)

Guidance Notes:

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

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To be Signed by the Accounting officer of the Entity

County Government of Machakos
Kangundo/ Tala Municipality
Annual Report and Financial Statements for the year ended June 30, 2025

Appendix 2: Inter-Entity Transfers

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

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

County Government of Machakos
Kangundo/ Tala Municipality
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Appendix 3: Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

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

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

Appendix 4: Disaster Expenditure Reporting Template

Date:

Entity

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

