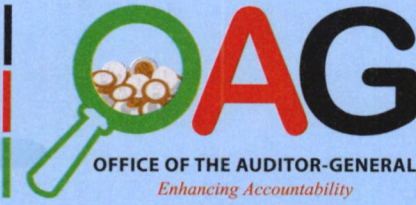


REPUBLIC OF KENYA

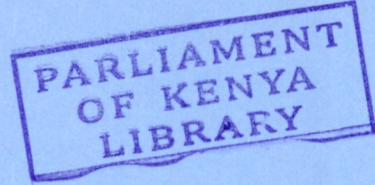


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

ON

MACHAKOS MUNICIPALITY

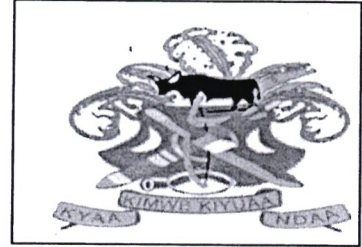
FOR THE YEAR ENDED
30 JUNE, 2025



PAPERS LAID	
DATE	19/11/2025
TABLED BY	Sen. Mutinda on behalf of Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	Belinda



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.
24 OCT 2025
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MACHAKOS 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
Machakos Municipality
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1. Acronyms and Definition of Key Terms

A. Acronyms

UDG	Urban Development Grant
FY	Financial Year
CECM	County Executive Committee Member
CO	Chief Officer
FY	Financial Year
OSHA	Occupational Safety & Health 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

Machakos 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 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 establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya.

Vision

The vision of the Municipality is to be a Model Vibrant Municipality that Economic development, good governance and environmental sustainability

Mission

Provision of quality basic services and infrastructure in Machakos sub-county

Core Objectives

- Support for the establishment, operational 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

c) Key Management

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

- Department Housing and Urban Development in charge of Municipalities
- Board of Management
- Municipality Manager
- Management

d) Fiduciary Management

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

Ref	Position	Name
1.	Machakos Municipality Manager	Boniface Kamende
2.	Director Housing and Urban Development	Joshua Sitienei
3.	Machakos Municipality Accountant	CPA Daniel K Musyoki
4.	Machakos Municipality Procurement	Agnes Justus

e) Fiduciary Oversight Arrangements

i) Audit and Risk Management Committee

The functions of the audit and risk management in Machakos Municipality are conducted by Machakos County Audit committee which was gazetted on 17th January 2025. We have 7 independent members and three (3) executive members.

ii) County Assembly committees

Article 185(3) provides that a County Assembly, while respecting the principle of the separation of powers, may exercise oversight over the County Executive Committee and any other County Executive organs. The oversight role of the County assembly is exercised directly by all members of the County assembly and through County assembly committees. The following are the committees responsible for oversight in the County assembly:

- Public Accounts and Investment Committee
- Sectorial Committees
- Finance and Planning Committee
- Implementation Committee

iii) Committees of the Senate

Senate plays the role of Determining allocation of national revenue among counties as per Article 217 of the Constitution and overseeing national revenue allocated to county governments. Which in turn plays a bigger impact on the functioning and funding of municipalities by the County.

f) Registered Offices

P.O. Box 1996-90100
Mwatu wa Ngoma Road
Machakos, KENYA

g) Contacts

Telephone: (+254) 726 981249
(+254) 714 197866

Website: machakosgovernment.co.ke

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h) Bankers

Commercial Banks

Ref	Bank	Account Name	Account Number
1.	SBM	Machakos County UDG Account	0342375684005
2.	SBM	Machakos County UDG Retention Account	0342380184003

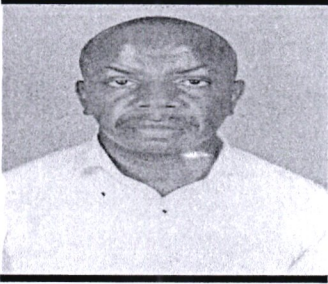


i) Independent Auditor

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




j) Principal Legal Adviser




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


3. Municipality Board

Machakos Municipality Board Members		
Serial No.	Name	Details Of Qualifications and Experience
1	 Name: Malcom Mwololo	Moi University: Degree in Sales & Marketing Kenya Institute of Management: Diploma In Sales and Marketing Current Chairman-Machakos Municipality Board. Businessman Machakos Town Independent Trustee.
2	 Name: Fridah Paul	O' Level Studies. Work Experience: 10 Years as a Local Business Person In Machakos Town.
3	 Name: Peninah Mutuku.	Bachelor of Commerce-Finance Option (KCA University),2014 Professional Qualification; CPA(K) Work Experience- 18 years Accountancy-4 years Anglican Development Services Eastern-2007-2009 Universal Traders SACCO-2009 August-December 2010 Membership: ICPAK and AWAK Leadership Chairman ICPAK Eastern Branch 2021 to date Gender Representative ICPAK Eastern Branch 2017-2021 Machakos Municipality Board-Since 2019 Captain Girls Brigade Kenya 2016 to date Kenya Red cross Lower Eastern Region- Vice chair-Finance Committee



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Machakos Municipality Board Members		
Serial No.	Name	Details Of Qualifications and Experience
4	 Name: Anas Ali Abdalla	A registered Member of Nindonya Kukila Self-help Group.
5	 Name: Dr. Thomas Katua	2014-PHD-Human Resource Management 2007-Masters-KU WORK EXPERIENCE: 23 Years -Teachers Service Commission Catholic University- Management University. Membership: IHRM (Institute of Human Resource Management) KIM (Kenya Institute of Management)
6	 Name: Steve Peter	Diploma Science Education Work Experience: 10 Years as A Local Business Person in Machakos Town.

Machakos Municipality Board Members		
Serial No.	Name	Details Of Qualifications and Experience
7	 <p>Name: Charles Mule</p>	<p>BA-Sociology & Mathematics-Egerton University,1998, Executive MBA-JKUAT,2011</p> <p>Work Experience: 23 Years in management</p> <p>Cocacola-accounts manager, AAR-Business Development Manager, Coca-Cola GM Sales</p> <p>Cocacola-regional manager, Airtel-Regional Business Manager, Airtel-Head of Distribution, Keroche-GM sales, Wananci Group-Dealer Manager</p>
8	 <p>Name: Hon. Nathaniel Nganga</p>	<p>He is the CECM –Lands Housing, Urban and Energy.</p> <p>Mr. Nganga holds a Bachelor’s Degree and a Master’s Degree in Public Policy & Administration from Kenyatta University.</p> <p>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.</p>
9	 <p>Name:Maureen Maingi</p>	<p>She is the Chief Officer-Housing and Urban Development.</p> <p>She holds Masters in Business Administration - Strategic Management and Bachelor of Education from Kenya University</p> <p>She has over 25 years of Experience in Teaching and corporate world.</p>

Machakos Municipality Board Members		
Serial No.	Name	Details Of Qualifications and Experience
10	 Name: Boniface Kamende	<p>He brings in a wealth of experience from financial sector with Ten (10) years and Five (5) years' experience in private and public sectors respectively. He joins the municipality straight from the Department of Trade, Industrialization and Innovation, Machakos County, where he worked as a director and spearheaded the preparation of the 2nd Generation County Integrated Development Plan (CIDP) 2018 – 2022.</p> <p>Prior to that he had worked as a Director in Machakos County Treasury and as an Accounting Officer at the Executive Office of the Governor.</p> <p>Mr. Kamende holds a Bachelor of Commerce Degree from the University of Nairobi. He is also a holder of CPA part 2 and also holds a Diploma in International Trade Negotiations from the African Institute for Economic Development and Planning (IDEP).</p> <p>He is an accomplished manager, having supervised officers in the critical processes of developing the county integrated development plan and budgetary estimates for a period of years.</p> <p>Kamende is a sound communicator and his skills in networking as well as negotiating are unimpeachable.</p>

4. Key Management Team

Serial No.	Name	Details of qualifications and experience
1	 Name: Boniface Kamende	<p>He brings in a wealth of experience from financial sector with Ten (10) years and Five (5) years' experience in private and public sectors respectively. He joins the municipality straight from the Department of Trade, Industrialization and Innovation, Machakos County, where he worked as a director and spearheaded the preparation of the 2nd Generation County Integrated Development Plan (CIDP) 2018 – 2022.</p> <p>Prior to that he had worked as a Director in Machakos County Treasury and as an Accounting Officer at the Executive Office of the Governor. Mr. Kamende holds a Bachelor of Commerce Degree from the University of Nairobi. He is also a holder of CPA part 2 and also holds a Diploma in International Trade Negotiations from the African Institute for Economic Development and Planning (IDEP).</p> <p>He is an accomplished manager, having supervised officers in the critical processes of developing the county integrated development plan and budgetary estimates for a period of years. Kamende is a sound communicator and his skills in networking as well as negotiating are unimpeachable.</p>
2	 Name: Joshua Sitienci	<p>He is the Director-Housing and Urban Development</p> <p>He holds MBA from Jomo Kenyatta University of Agriculture and Technology, Business Administration Management Degree from University of Eastern Africa Baraton, Diploma in Human Resource management, Kenya Institute of Management</p> <p>He was an Administrative Officer from 1997 to 2003 and a Town Clerk from 2004 to 2012</p>

3	 Name: CPA Daniel K Musyoki	<p>CPA Daniel K Musyoki has over 10 years in Civil Service</p> <p>Mr Daniel holds a Bachelors of Business Management (Finance and Banking) Degree from Moi University , He is holder of CPA (K)</p> <p>He has worked in office of the Budget Machakos County for the last 5 years, Preparing Budget Estimates.</p>
4	 Name: Agnes Justus	<p>She is the procurement in Machakos Municipality</p> <p>She holds Masters in Procurement and Logistics from JKUAT, Bachelor degree in purchasing and supplies management from JKUAT, Diploma in Purchasing supplies from JKUAT and CPSPK. Her licence no. is K1647/2020 .KISM No.72743</p>

5. Municipality Board Chairperson's Report

The Machakos Municipality has made tremendous achievement since its inception in 27th June 2018. The municipality boasts has successfully managed to complete some of the projects such construction of New Machakos fire station, tarmacking of Kathemboni Road, Installation of integrated solar street lights, construction of Machakos Peoples Park access road, construction of Mbolu-Malu Road, Construction of Parking bays along the Machakos Law Courts, Purchased three skip loaders and 150 skip bins.

The management reviews performance of Machakos Municipality board annually in order to ensure all the set targets are met. This has ensured all the set priorities are met on time.

The above successful story would not have been met without challenges. The changes that Machakos Municipality faced in the last Five (5) years include;

- Shortage of cleaning staff
- Inadequate funding
- Delayed Disbursement of Fund
- Political interferences
- Climate and weather conditions
- Flooding

The Municipality has not had any change in board of management for the last five (5) years. The future of the municipality is very bright if the above challenges are addressed.



.....
Name: Malcom Mwololo

Chairperson of the Board

6. Report Of the Municipality Manager

Budget Performance

As indicated above the entity did not receive any funds during the period but had opening balance of Kshs 89,217,127 in UDG Account. These funds have been utilized to a balance of Kshs 14,210,088 at the reporting date, plans are underway to utilise the remaining balance

Value for Money Achievements

Machakos Municipality main mandate is to provide effective and efficient services for its residents and therefore our main infrastructural focus is mainly on waste management, connectivity, urban social economic infrastructure and storm water drainage among others. The infrastructural implementation of the above projects has had a positive impact on residents of Machakos Municipality through ensuring access through tarmacking of the Municipal roads, street lighting and construction of parking as well as non-motorised transport as well as efficiency in waste collection brought about by the presence of trucks, tractor and Skip loaders. All this has improved service delivery to the residents of Machakos Municipality, therefore value for money has been achieved.

Challenges

- ✓ Shortage of cleaning staff.
- ✓ Inadequate funding.

Recommendations

There is need to employ more staff especially cleaning staff.

There is also need to allocate enough funds to the board and other functions of the municipality by the County assembly and Executive as per the transfers of functions.

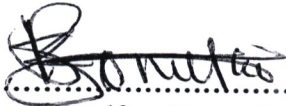
The executive to also transfer the board's allocation to its bank accounts for easy accountability and reporting.

Conclusion

The Municipality is keen on enforcing fiscal responsibility principles with major focus on economy, efficiency and effectiveness in the implementation of all its programmes. The funds received during the previous periods were used for their eligible intended purposes and have been duly accounted for.

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Finally, I take this opportunity to thank The Machakos County government for its support which gave the board a helping hand to ensure it achieves its key mandate to make Machakos a model Municipality in service delivery in Kenya. Am also grateful the Municipal board members and staff to their unparalleled support during the period, their teamwork led to the implementation of key programs and activities within the Municipality.



.....
Name: Boniface Kamende
Municipality Manager

7. Statement of Performance Against Predetermined Objectives for the FY

The Municipality of Machakos is currently implementing the County Integrated Development Plan (CIDP) 2023-2028 and finalizing its Municipal Integrated Development Plan (IDEP) 2018-2022. The plan outlines programmes and projects aimed at fostering vibrant resilient communities and making investments that transform lives by enhancing our delivery of comprehensive interventions; supporting the wellness in our communities so as to drive the Municipality social economic transformation so as to accelerate the realization of quality and equitable development for the residents of the Municipality. The IDEP summarizes details, plans and the projects as identified by the local people to address specific and strongly expressed issues and challenges facing the municipality-community public participation meetings. The IDEP addresses issues based on the following sectors: Agriculture, Water Services; Health and Sanitation Services Sector; Energy, Environment and Natural Resources Sector; Public Service, decentralized Services and Disaster Management Sector; Tourism, Trade and Industry Sector; Roads, Housing and Education Sector.

The strategic plan's underlying goals are summarized as follows

The strategic plan's underlying goals are summarized as follows

- Develop special development framework which must include the provision of basic guidelines for land use management system for the municipality.
- Develop Municipality investment plans which will ensure its viability and sustainability in service provision•
- Identify potential area for urban development based on land suitability and other factors.
- Analyse present and future (5, 10,20 years) housing needs/market, stock, conditions and recommend strategies for land acquisition, distribution of land and housing in future
- Develop Land Use plan and recommend by-laws for the construction of building and other infrastructures which include; Residential zone, Institutional zone, Industrial hub, Airport/Airstrip zone, Sport facilities, Urban expansion zone, Stream/river banks zone, green zone, Apartment housing, Petrol pump/Electric line/Cinema theatres etc.

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The CIDP and The IDEP are implemented yearly through preparation of Municipal Annual Development Plan (ADP), which extracts from CIDP and IDEP the development proposals, projects and programmes for the fiscal year. The ADP progress is monitored using quarterly and Annual Progress Reports.

Machakos Municipality Strategic Development Objectives

The key development objectives of Machakos Municipality IDEP 2018-2022 and County's 2018-2022 CIDP are to:

- a) Improve business environment and security
- b) To ensure controlled sustainable urban development
- c) To ensure proper solid waste management
- d) Develop special development framework which must include the provision of basic guidelines for land use management system for the Municipality
- e) Develop Municipality investment plans which will ensure its viability and sustainability in service provision

Progress on attainment of Strategic development objectives

The CIDP and IDEP contains flagship projects, which were identified through public participation and various stakeholder engagements. Below is a status update of flagship projects for Machakos Municipality. The Municipality continues to plan for and fund high priority capital asset projects that address infrastructure and improvement of livelihoods through controlled urban development, safe business environment, and proper solid waste management. The department also continues to construct new tarmac roads as well as market stalls to ensure effective delivery of services to the residents of Machakos Municipality

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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	In FY 2024/2025 under review, we increased Housing unit by

8. Corporate Governance Statement

Existence of Municipal Charter

In exercise of the powers conferred by section 9 (1) of the Urban Areas and Cities Act, (No. 13 of 2011) as complemented by section 72 of the Interpretations and General Provisions Act (Chapter 2) and all other enabling provisions of law, the Governor of Machakos County granted the Municipality of Machakos this Municipal Charter on 26th June 2018. The following key features is elaborated in the charter

Board Meetings

The Board of the Municipality of Machakos holds its sittings to transact the business of the Board once every three months. The Chairperson of the Board may, and upon request in writing by at least one-third of the members of the Board, convene a special meeting to transact any urgent business of the Board of the Machakos Municipality. All regular meetings of the Board of the Municipality called for transacting public business, where a majority of the members elected are present, shall be open to the public.

The majority of the members of the Board of the Municipality of Machakos form a quorum to conduct business, but a smaller number may meet and compel attendance of absent members as prescribed by the Board Rules. A member of the Board of the Municipality who is interested in any discussions or decision-making regarding any subject or transaction under consideration by the Board, shall not be counted as participating in the discussions or decision-making, and is not entitled to vote on or agree to the subject or transaction relating to it.

Role and functions of the board

Subject to the Constitution and any other written law, the Board of the Municipality is mandated, within the boundaries of the Municipality of Machakos performs the following functions

- a) Exercise executive authority as delegated by the Governor of the County Government of Machakos.
- b) Ensure provision of services to its residents;
- c) Impose such fees, levies and charges as may be authorized by the County Government for delivery of services by the Municipality

- d) Promote constitutional values and principles;
- e) Ensure the implementation and compliance with policies formulated by both the National and County Government;
- f) Make By-laws or make recommendations for issues to be included in By-laws
- g) ensure participation of the residents in decision making, its activities and programmes
- h) Exercise such other powers as may be delegated by the Governor of the Machakos County.

Process Of Appointment and Removal of Board Members

Each member of the Board of the Municipality of Machakos shall have the following qualifications:

- (a) In case of the Chairperson, should Hold A minimum of a degree
- (b) Member, holds at least a minimum of a diploma from an institution recognized in Kenya
- (c) Has a distinguished career in a medium level management position in either the private or public sector;
- (d) Holds at least ten years post-qualification professional experience in case of the Chairperson, while in case of any other member, at least five years post-qualification professional experience;
- (e) Satisfies the requirements of Chapter six of the Constitution of Kenya 2010;
- (f) Is ordinarily resident or has a permanent dwelling in the Municipality of Machakos and Carries on business or has lived in the Municipality of Machakos for at least five years.

A person shall not be appointed as a member of the board for the Municipality of Machakos if that person:

1. Is an un-discharged bankrupt;
2. Has been removed from office for contravening the Constitution or any other law;
3. Is not a citizen of Kenya
4. Has in the conduct of his or her affairs not met any statutory obligations.

A member of the Board of the Municipality of Machakos shall cease to hold office if the member;

- a) is unable to perform the functions of the office by reason of mental or physical infirmity
- b) is declared or becomes bankrupt or insolvent
- c) is convicted of a criminal offence and sentenced to a term of imprisonment of six months or more

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- d) resigns in writing to the County Governor
- e) without reasonable cause, the member is absent from three consecutive meetings of the Board or Committee of the Board of the Municipality of Machakos within one financial year
- f) is found guilty of professional misconduct by the relevant professional body
- g) is disqualified from holding a public office under the Constitution
- h) fails to declare his or her interest in any matter being considered or to be considered by the Board or Board Committees
- i) Engages in any gross misconduct; or
- j) Dies.

Remuneration of the Board

The members of the Board of the Municipality of Machakos are not be entitled to a salary. However, members of the Board are paid allowances as advised by the Salaries and Remuneration Commission

9. Management Discussion and Analysis

The management of Machakos Municipality has made a big progress in delivery of her mandates. This progress is enumerated as shown below;

a. On the operational and financial performance of the Municipality during the period,

The operational and financial performance of the Municipality involved construction of New Machakos fire station, tarmacking of Kathemboni Road, Installation of integrated solar street lights, construction of Machakos Peoples Park access road, construction of Mbolu-Malu Road, Construction of Parking bays along the Machakos Law Courts, Purchased three skip loaders and 150 skip bins. These projects have been completed and launched.

b. Entity's key projects or investments decision implemented or ongoing

The entity's key projects involved Machakos fire station, tarmacking of Kathemboni Road, Installation of integrated solar street lights, construction of Machakos Peoples Park access road, construction of Mbolu-Malu Road, Construction of Parking bays along the Machakos Law Courts, Purchased three skip loaders and 150 skip bins. The only ongoing project is construction of Wholesale and retail market looproads, St. Mary's primary school to KWFT loop road with inclusion of integrated solar street light.

c. Municipality's compliance with statutory requirements,

The municipality implements projects in compliance with all statutory requirements and Enacted Municipality acts.

d. Major risks facing the Municipality, material arrears in statutory and other financial obligations

There are no major risks facing the Municipality unless unforeseen calamities such as floods in future. These risks cannot be anticipated because nobody can predict when they arise

10. Environmental And Sustainability Reporting

1. Sustainability strategy and profile

Environmental and Sustainability Reporting Machakos Municipality exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on sustainable development, partnership pillars: putting the residents/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of the environmental impact;

2. Environmental performance

The Municipality has in place a Solid Waste Management Policy that has assisted the public and the institutions involved to be 7R oriented society by Reducing; Rethinking; Refusing; Recycling; Reusing; Repairing; and refilling their waste. The policy has also provided framework to address solid waste problems and ensures at achieving zero waste generation. The policy has further ensured that the Municipality in collaboration with other stakeholders is able to sustain the provision of adequate quality services in solid waste management and establish appropriate response to solid waste challenges. In conjunction with department of Environment, we have developed Environmental Rules and Regulations, which include Noise Regulations among others and this has led to reduction in loud noise, unnecessary or unreasonable noise to ensure health and safety of the others. An environmental expert was employed and deployed to the Municipality during the year previous years. These experts are keen to ensure proper waste management practices.

3. Employee welfare

The hiring process of the municipalities and other staff is conducted by County Public Service Board in collaboration with mother department of Housing and Urban Development. However, the posting and allocation of roles is done based on several elements among them, gender parity. Lastly, the welfare of the staff is highly valued based on the policy safety and compliance of the Occupational Safety and Health Act of 2007, (OSHA.)

4. Market place practices

a) Responsible competition practice.

The Machakos Municipality complies with all market place practices while discharging her mandates. We do not condone corruption and other unethical practices that will hamper effective service delivery.

b) Responsible Supply chain and supplier relations

The municipality complies with all provisions stated in PPADA act 2015. The suppliers are paid on time only for work done.

c) Responsible marketing and advertisement

The Municipality adhere to responsible marketing and advertisement provisions as stipulated in fair market competition principles.

d) Product stewardship

The municipality adhere to best product stewardship principles in discharging her mandates.

5. Community Engagements

Machakos Municipality has conducted numerous CSR activities during the year on free-cancer and tuberculosis screening and treatments in conjunction with Department of Health and other stakeholders. We have also partnered with Red-Cross and Kenya Wildlife Services (KWS) in promoting re-forestation within Machakos Sub- County.

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 established and strengthen urban institutions to deliver improved infrastructure and services in Machakos Sub- County.

Performance

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

Board Members

The members of the Board who served during the year are shown on page vii. The changes in the Board during the financial year are as shown below:

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: Boniface Kamende

Secretary of the Board

12. Statement of Management's Responsibilities

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

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

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

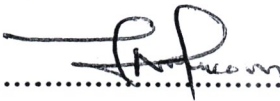
The Municipality Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control.

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In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Municipality Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Municipal financial statements were approved by the Board on 28th August 2025 and signed on its behalf by:



.....
Name: Malcom Mwololo
Chairperson of the Board



.....
Name: Boniface Kamende
Accounting officer of the Board

REPUBLIC OF KENYA



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

REPORT OF THE AUDITOR-GENERAL ON MACHAKOS 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 Machakos Municipality set out on pages 1 to 51 which comprise of the statement of financial position as at

Report of the Auditor-General on Machakos 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 Machakos 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 the ownership documents for the assets were not provided for audit review.

In the circumstances, the accuracy, completeness, existence and ownership of the 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, 2011 which requires every Municipality to establish a Revenue Fund where all revenues collected by the Municipality should be deposited. In addition, the County Government of Machakos collects and banks revenue on behalf of the Municipality. However, there was no document provided for audit review in respect to the revenue collected on behalf of the Municipality.

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 Machakos 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 xxvii 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 seventy-nine (79) out of which sixty-seven (67) or approximately 84% of the total number were members of the dominant ethnic community in the County. This is contrary to Section 65 (1) (e) of the County Government Act, 2012 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. In addition, none of the employees was living with disability contrary to Paragraph 2.2.2(i) of the Public Service Commission Diversity Policy, 2016 which stipulates 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 persons living with disabilities.

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

3. Incomplete Project – Upgrade of St. Mary’s Girls Primary School to KWFT Road

Review of the Municipal records revealed that Management entered into a contract for construction of a road from St. Mary’s Girls Primary School to KWFT. The tender was advertised but the process was cancelled after a dissatisfied bidder petitioned on grounds of unfairness which led to a readvertisement, evaluation and eventually award at a cost of Kshs.88,784,824. The Bill of Quantities revealed that the project involved laying base compacting, laying of cabros, erecting the streetlights, culverts and drainage works, human pavement construction and street lighting. Total payment as at the time of audit in September, 2025 was Kshs.65,769,869 or approximately 74% of the total cost. The completion date of 10 February, 2025 was extended by one hundred and five (105) days after an appeal was granted. However, as at the time of audit inspection on 11 September, 2025, the work was incomplete and the contractor was not on site. Reasons for the delay in completion of the project were not provided for audit review.

In the circumstances, value for money totalling Kshs.65,769,869 paid for the project could not be confirmed.

4. Failure to Fully Operationalize the Municipality

Review of records revealed that the Municipality was granted a Charter on 27 June, 2018 which transformed it to 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 other than Kshs.30,074,880 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, there were no other resources allocated to operationalize the functions.

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

5. Lack of a Municipality Strategic Plan

During the year under review, Management did not develop a strategic plan for the Municipality 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.

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

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

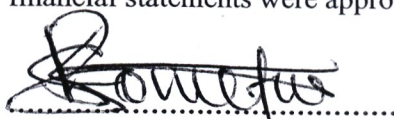
06 November, 2025

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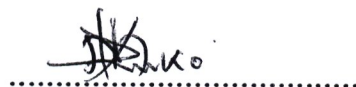
14. Statement of Financial Performance for The Year Ended 30 June 2025.

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	29,294,880	32,635,086
Public contributions and donations	7		101,731,865
Levies Fines and Penalties	8		
Other revenues	9		
		29,294,880	134,366,951
Revenue from exchange transactions			
Interest income	10		
Miscellaneous Income	11		
Total revenue		29,294,880	134,366,951
Expenditure			
Use of goods and services	12	75,007,039	11,749,003
Staff costs	13	29,294,880	29,294,880
Board expenses	14	780,000	780,000
Finance costs	15		
Depreciation and amortization	16		
Repairs and maintenance	17		
Total expenses		105,081,919	41,823,883
Other gains/losses			
Gain/loss on disposal of assets	18		
Surplus/(deficit) for the period		(75,787,039)	92,543,068

The notes set out on pages 8 to 38 form an integral part of these Financial Statements. The entity financial statements were approved on 28th August 2025 and signed by:



Name: Boniface Kamende
Municipality Manager



Name: CPA Daniel K Musyoki
Head of Finance
ICPAK M/No 21944

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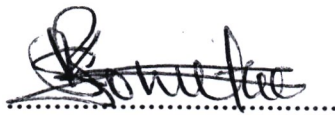
15. Statement of Financial Position As At 30 June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	19	25,374,509	93,323,067
Receivables from exchange transactions	20		
Receivables from non-exchange transactions	21		
Prepayments	22		
Inventories	23		
Total current assets		25,374,509	93,323,067
Non-current assets			
Property, plant, and equipment	24		
Intangible assets	25		
Biological Assets	26		
Total Non-current Assets			
Total assets (A)		25,374,509	93,323,067
Liabilities			
Current liabilities			
Trade and other payables	27	11,944,421	780,000
Refundable deposits from customers	28		
Provisions	29		
Borrowings	30		
Employee benefit obligations	31		
Deferred Income	32		
Social Benefits	33		
Total current liabilities		11,944,421	780,000
Non-current liabilities			
Provisions	29		
Borrowings	30		
Non-current employee benefit obligation	31		
Deferred Income	32		
Social Benefits	33		
Total liabilities (B)		11,944,421	780,000

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Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
Net Assets (A-B)		13,430,088	92,543,068
Represented by:			
Capital/Development Grants/Fund			
Reserves			
Accumulated surplus		13,430,088	92,543,068
Net Assets/Equity		13,430,088	92,543,068

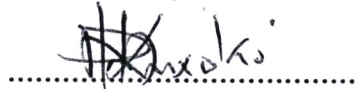
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28th August 2025 and signed by:



Name: Boniface Kamende

Municipality Manager

Date: 14/10/2025



Name: CPA Daniel K Musyoki

Head of Finance

ICPAK M/No 21944

Date: 14/10/2025

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

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2023 (previous year)				
Surplus/(deficit) for the year			89,217,127	(41,823,883)
Funds received during the year				134,366,951
Revaluation gain/loss				
Bal as at 30 Jun 2024			89,217,127	92,543,068
Bal as at 1 July 2024 (current year)			89,217,127	92,543,068
Surplus/(deficit) for the year			(75,787,039)	(79,112,980)
Funds received during the year				
Revaluation gain/loss				
Balance as at 30 June 2025			13,430,088	13,430,088

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

Description	Note	FY 2024/2025	FY 2023/2025
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		29,294,880	32,635,086
Public contributions and donations			101,731,865
Interest received			
Miscellaneous receipts	11		
Total Receipts		29,294,880	134,366,951
Payments			
Use of goods and services	12	67,948,558	11,749,003
Staff costs	13	29,294,880	29,294,880
Board expenses	14		
Finance costs			
Total Payments		97,243,438	41,043,883
Net cash flows from operating activities	34	(67,948,558)	93,323,067
Cash flows from investing activities			
Purchase of PPE & intangible assets			
Proceeds from sale of PPE			
Net cash flows used in investing activities			
Cash flows from financing activities			
Receipts from Capital grants			
Proceeds from borrowings			
Repayment of borrowings			
Net cash flows used in financing activities			
Net increase/(decrease) in cash & cash equivalents		(67,948,558)	93,323,067
Cash And Cash Equivalents At 1 July	19	93,323,067	
Cash And Cash Equivalents At 30 June	19	25,374,509	93,323,067

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	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	29,294,880		29,294,880	29,294,880		100%
Public contributions and donations						
Interest income						
Miscellaneous income (<i>Accrued Balances</i>)						
Total Receipts	29,294,880		29,294,880	29,294,880		100%
Payments						
Use of goods and services	75,007,039		75,007,039	75,007,039		100%
Board expenses	780,000		780,000	780,000		100%
Staff Costs	29,294,880		29,294,880	29,294,880		100%
Finance costs						
Total expenditure Payments	105,081,919		105,081,919	105,081,919		100%
Capital Expenditure Payments						
Surplus for the period	(75,787,039)		(75,787,039)	(75,787,039)		100%

Budget notes

[Provide an explanation of differences between actual and budgeted amounts (any over-utilisation and underutilisation of below 90%)]
(Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes.

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	A -
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	

19. Notes to the Financial Statements

1. General Information

Machakos Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No.13 of 2011. Act. The Municipality is under the Machakos County Government and is domiciled in Kenya.

The *entity's* principal activity is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya.

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 20xx, it is applicable in Kenya from 1st July 20xx)

- 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.
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.
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.

<p>IPSAS 46: Measurement</p>	<p><i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> 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. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p><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.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p><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.</p>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p><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.</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral</p>	<p><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:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for

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Resources	<p>exploration and evaluation expenditures.</p> <p>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</p> <p>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</p>
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iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

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 2024/25 was approved by the County Assembly on 30th June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality recorded additional appropriations of zero (0) (Amount) in FY 2024/2025 following the governing body's approval.

The Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on

accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial

statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts,

prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Cashflows has been presented under section 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 Company's financial statements. (amend as appropriate).*

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

Financial assets

Classification of financial assets

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

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where

the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through a surplus or deficit model.

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

g) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current

replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the City/Municipality.

h) Provisions

Provisions are recognized when the Municipality has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the 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.
Municipality to state the reserves maintained and appropriate policies adopted

m) Changes in accounting policies and estimates

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

n) Employee benefits – Retirement benefit plans

The Municipality provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the 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.

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Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2024/2025	FY f/2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent		
Payments by County on behalf of the entity	29,294,880	32,635,086
Unconditional development grants		
Total	29,294,880	32,635,086

(Provide brief explanation for this revenue)

(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
State Department					
Ministry					
Total					

7. Public Contributions and Donations

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Donation from development partners		101,731,865
Contributions from the public		
Total		101,731,865

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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>Accrued Balances</i>)		
Total		

(Provide a brief explanation for this revenue)

10. Interest income

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Interest income from investments		
Interest income on bank deposits		
Others (<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 (<i>Specify</i>)		
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	74,997,399	8,407,262
Office and general supplies and services		
Fuel, oil and lubricants		3,340,206
Other operating expenses (<i>Specify</i>)		
Routine maintenance – vehicles and other equipment		
Routine maintenance – other assets		
Contracted Professional Services		
Audit fees		
Hire of Transport, equipment etc		
Bank Charges	4,820	1,535
Social Benefit expenses*		
Total	75,002,219	11,749,003

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

13. Staff costs

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Salaries and wages	29,240,880	29,240,880
Staff gratuity		
Social security contribution		
Other staff costs (<i>Specify</i>)		
Total	29,240,880	29,240,880

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14. Board expenses

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Chairman/Members' Honoraria		
Sitting allowances	780,000	780,000
Medical Insurance		
Induction and Training		
Travel and accommodation		
Conference Costs		
Other allowances (<i>Specify</i>)		
Total	780,000	780,000

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	25,374,509	93,323,067
Others (<i>Specify</i>)		
Total cash and cash equivalents	25,374,509	93,323,067

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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	0342375684005	14,210,088	89,217,127
SBM Bank	0342380184003	11,164,421	4,105,940
Sub- total		25,374,509	93,323,067
d) Others(specify)			
Cash in transit			
Cash in hand			
Mobile Money			
Sub- total			
Grand total		25,374,509	93,323,067

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		

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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		%		%

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22. Prepayments

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Insurance		
Rent		
Water		
Internet		
Other (<i>specify</i>)		
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		

(Provide brief explanation on inventories)

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 20XX								
Depreciation for the year								
Disposals for the year								
Impairment for the year								
Transfer/adjustment								
As at 30 th June 20XX (current year)								
NBV as at 30 th Jun 20XX (previous year)								
NBV as at 30 th Jun 20XX (current year)								

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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	11,164,421			
Accrued expenses (Board Expenses)	780,000		780,000	
Other payables				
Total trade and other payables	11,944,421		780,000	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	11,164,421	100%	780,000	100%
1-2 years	780,000			
2-3 years				
Over 3 years				
Total	11,944,421	100%	780,000	100%

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		

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

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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				

Include columns as needed for the various sources of income deferred

Analysed as:

Description	Amount
	Kshs
Current	
Non- Current	
Total	

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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	(75,787,039)	
Adjusted for:		
Depreciation		
Amortisation		
Gains/ losses on disposal of assets		
Working Capital adjustments		
Increase in inventory		
Increase in receivables		
Increase in payables	7,838,481	
Net cash flow from operating activities	(67,948,558)	

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		

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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 20XX (current year)				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				
At 30 June 20XX (previous year)				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				

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The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the 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 20XX (current year)				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				
At 30 Jun 20XX (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 (current year)			
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.
20XX (current year)			
Euro	10%		
USD	10%		
20XX (previous year)			
Euro	10%		
USD	10%		

V. Interest rate risk

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

Management of interest rate risk

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

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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 2023/2024
	Kshs.	Kshs.
Revaluation reserve		
Capital/Development Grants/City/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

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

Name of the PforR:	
Financing Partners:	
Purpose of the PforR:	
Expenditure Details	Amount in Kshs
Cumulative actual expenditures for the previous years	
Actual expenditure in the current financial year.	
<ol style="list-style-type: none"> 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)
01	<p><u>Undisclosed Property, Plant and Equipment</u></p> <p>The statement of Financial Position reflects Nil property, plant and equipment balance. However, review records and physical verification revealed existence of various assets including land, buildings Motor Vehicles, furniture, computers and equipment which were not disclosed sin the financial statements.</p> <p>In addition, physical verification revealed that the municipality had several unserviceable assets within the compound that had not been disposed</p>	<p><i>The Municipality assets had been captured in the financial statements of the entire county hence ownership documents provided during the audit of financial statements of the county. We shall be capturing these equipment's in our financial statements going forward starting with financial statements for the municipality starting from FY 25/26. The management is in the process of forming an adhoc committee work with valuation team in order to know</i></p>	<p>Not resolved but awaiting senate appearance</p>	<p>Within one year</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	of and there were no measures put in place for their Disposal.	<i>value per asset, assets that have no salvage value and unserviceable one. The report will guide the management in appointing asset and disposal committee in FY2025/2026</i>		
02	<p><u>Budgetary Control and performance</u></p> <p>The statement of comparison of budget and actual amounts reflects actual receipts of Kshs 134,366,951 and actual expenditure of Kshs 41,823,883 resulting to under expenditure of Kshs 92,543,068 or approximately 69% of the actual receipts.</p> <p>The under expenditure may affect the planned activities and may impact negatively on service</p>	<i>The management took note of the issue of fund underutilization and made corrective measures to absorb all the funds in FY 2024/25. The management has managed to absorb 75 percent of the closing balance for FY.2023/2024 in 2024/2025.</i>	Not resolved but awaiting senate appearance	Within one year

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	delivery to the public.			
03	<p><u>Failure to Prepare Budget</u></p> <p>The municipality management did not prepare a budget for the financial year 2023/2024 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 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 the approval as part of the annual county appropriation bill in the circumstances, management was in breach of the law.</p>	<p><i>The board of the municipality prepared budget proposals for FY 23/24 and forwarded to the department of housing and urban development for onward forwarding to the county treasury</i></p>	<p>Not resolved but awaiting senate appearance</p>	<p>Within one year</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
04	<p><u>Failure to Comply with the law on Ethnicity and Disabilities Distribution</u></p> <p>Review of personnel records revealed that the municipality had a total of seventy-nine (79) employees out of whom sixty-seven (67) or approximately 84% were from the dominant ethnic community and none of the employees are living with disabilities.</p> <p>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 state that in selecting candidates of appointment ,the county public service board shall consider the need to ensure that at least thirty</p>	<p><i>This is a function of the County Public service board which handles all types of employment within the County Government and can only be confirmed by the payroll of the whole county Government. The municipality never recruited new staff. All the staff were absorbed from other county departments, in the event that the municipality will be recruiting it shall consider national cohesion and diversity</i></p>	<p>Not resolved but awaiting senate appearance</p>	<p>Within one year</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>percent (30%) 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 percent (5%) of the appointments in the public sector shall comprise persons with disabilities In the circumstances, management was in the breach of the law.</p>			
05	<p><u>Incomplete Project – Upgrade of St Mary’s Girls Primary School to KWFT Road</u> Review of the municipal records revealed that the</p>	<p><i>At the time of the Audit the contractor had done 80% of the Works. The remaining issues were;</i></p> <ul style="list-style-type: none"> • <i>Installation of lights poles.</i> 	Not resolved but awaiting senate appearance	Within one year

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>management entered into contract for construction of a road from St Mary’s girls primary school to KWFT.</p> <p>The tender was advertised for the first time but the process was cancelled after a dissatisfied bidder petitioned on ground of unfairness. The tender was re advertised and eventually awarded at a cost of Kshs 88,784,824 after evaluation. The bill of quantity indicates that the project involving laying base compacting, laying of Cabros, erecting the street lighting. Total payment as at drainage works , human pavement construction and street lighting .Total payments as at the time of audit in April 2025 was 65,769,869 or approximately 74% of the</p>	<ul style="list-style-type: none"> • Road marking • Site clearance • Project vehicle <p><i>This project has changed the face of Machakos town. It has created accessibility, to the wholesale and retail markets, increased the hours of doing business and boosted the income per capital of the residents of Machakos. The Contractor had requested for extension as a result of:</i></p> <ul style="list-style-type: none"> ✓ Constant sewer menace ✓ Delayed KPLC relocations ✓ Delays in shipping of solar light materials <p><i>which was granted and the new expected completion date is June 15</i></p>		

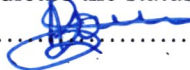
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	total cost. The completion date was 10 th February. 2025 .An extension of one hundred and five (105) Days was granted after appeal. However , as at the time of audit inspection on 24 th April 2025, The work was incomplete and the contractor was not on site. Reasons for the delay in completion of the project was not provided for audit review. In the circumstances, value for money totalling to Kshs 65,769,869 paid for the project could not be confirmed.	June 2025		

- a) Use the same reference numbers as contained in the external audit report.
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue.

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d) 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

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Appendix 2: Inter-Entity Transfers

CITY/MUNICIPALITY NAME:				
Breakdown of Transfers from the County Executive of xxx County				
	FY 20xx/20xx			
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		

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

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

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