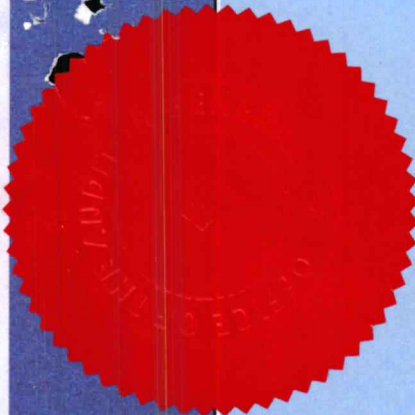
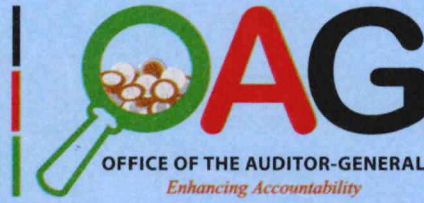


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KWALE MUNICIPALITY

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

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KWALE MUNICIPALITY
County Government of Kwale

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 Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

1. Acronyms and Definition of Key Terms.....	ii
2. Key Entity Information and Management.....	iii
3. Municipality Board.....	vii
4. Key Management Team.....	xiii
5. Municipality Board Chairperson’s Report.....	xv
6. Report of the Municipality Manager.....	xvii
7. Statement of Performance against Predetermined Objectives for the FY 2024/2025.....	xxi
8. Corporate Governance Statement.....	xxii
9. Management Discussion and Analysis.....	xxviii
10. Environmental and Sustainability Reporting.....	xxxii
11. Report of the Municipality Board Members.....	xxxiv
12. Statement of Management’s Responsibilities.....	xxxv
13. Report of the Independent Auditor on the financial statements of Kwale Municipality for the year Ended 30 June 2025.....	xxxvi
14. Statement of Financial Performance for The year ended 30th June 2025.....	1
15. Statement of Financial Position As At 30th June 2025.....	2
16. Statement of Changes in Net Assets For the year ended 30th June 2025.....	4
17. Statement of Cash Flows for The year ended 30th June 2025.....	5
18. Statement of Comparison of Budget & Actual Amounts for the year ended 30th June 2025.....	6
19. Notes to the Financial Statements.....	8
20. Appendices.....	44

1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB	Public Sector Accounting Standards Board
EACC	Ethics and Anti-Corruption Commission
FY	Financial Year
ICPAK	Institute of Public Accountants of Kenya
KCB	Kenya Commercial Bank
Kshs	Kenya Shillings
KUSP	Kenya Urban Support Program
UDG	Urban Development Grant
CPA	Certified Public Accountant
IPSAS	International Public Sector Accounting Standards
PFM	Public Financial Management

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

Fiduciary Management	Key management personnel who have financial responsibility in the entity.
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2. Key Entity Information and Management

a) Background information

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

b) Principal Activities

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

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

Vision

Excellence in environmentally friendly municipal management practices.

Mission

To be a competitive municipality that excels in environmentally friendly management practices that support sustainable economic improvement through provisions of quality, equitable and efficient municipal services to the residents.

Core Values

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

The board's core objectives include;

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

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

c) Key Management

Kwale Municipality’s management is under the following key organs:

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

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Municipality Manager	Mwanawani Sheti
2	Senior Accountant	CPA Bebewa Jackson Eshima
3	Supply Chain Management officer	Mohammed Roba Bacho

e) Fiduciary Oversight Arrangements

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

i) Audit and Risk Management Committee;

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

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

- i. Obtain assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably.
- ii. Provide an independent review of an entity’s reporting functions to ensure the integrity of financial reports.
- iii. Monitor the effectiveness of entity’s performance management and performance information
- iv. Provide strong and effective oversight of an entity’s internal audit function.

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

- v. Provide effective liaison and facilitate communication between management and external auditors.
- vi. Provide oversight of the implementation of accepted audit recommendations.
- vii. Ensure the entity effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behavior.

The audit committee members are;

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

We have a strong independent internal audit section under the headship of a director.

ii) County Assembly committees

There is an established County Assembly audit committee serving as an oversight for the operations of the municipality.

iii) Committees of the Senate

j) Registered Offices

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

k) Contacts

Telephone: +254735583777
E-mail: kwalemunicipal@kwale.go.ke
Website: www.kwale.municipality.co.ke

**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

l) Bankers

Central Bank of Kenya
Haile Selassie Avenue
Po Box 60000
City Square 00200
NAIROBI KENYA

Kenya Commercial Bank
Po Box 43-80403
Kwale ,Kenya


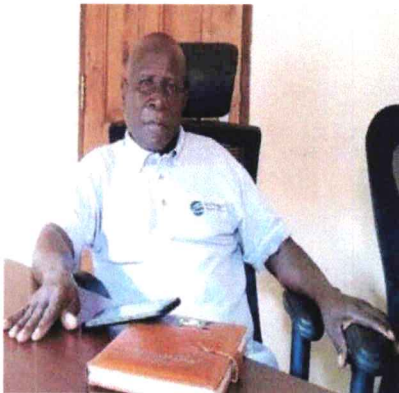
m) Independent Auditor

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



n) Principal Legal Adviser

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



3. Municipality Board

1	<p>Board Member 1</p> 	<p>Name: Seif Rocky Bendera Date of Birth: 3rd February 1953 In1993, he went to the University of London to do Teachers Advisory Management. He also did Post Graduate Diploma of Education before undertaking Master’s in Education Degree. He was given a Medal (Head of State Commendation) –HSC by President Kibaki because of his outstanding performance in the community. Bendera has also worked as a Project Manager Kenya Schools Improvement Project under the Aga Khuaryan Foundation. He was a Director Kenya Maritime Authority for 6 years. The trustee is an independent director</p>
2	<p>Board Member 2</p> 	<p>Name: Bakari Nasoro Mwabudzuma Date of Birth: 15th September 1952 He is a retired teacher. He holds a special Diploma in teaching (KISWAHILI). He: I. Has an experience of 35 years in teaching both in primary level (8 years) and secondary level (27years). II. Has a certificate in Guidance and Counselling from UON. The trustee is an independent director.</p>

**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

<p>3</p>	<p>Board Member 3</p> 	<p>Name: Anastasia Kanga Stephen Date of Birth: 25th October, 1970</p> <p>She is a renowned Educationist with 20 years of experience in Special Schools and Learners with Disabilities. She holds a B.ED Honors degree in Special Education from the Kenyatta University and a Diploma, Special Education from the Kenya Institute of Special Education (KISE).</p> <p>M/s Anastasia is a member of the South Coast Residents Association; a Neighborhood Organization and voice of the Residents. The trustee is an independent director.</p>
<p>4</p>	<p>Board Member 4</p> 	<p>Name: Salim Said Mwayogwe Date of Birth: 1st January, 1960</p> <p>He went to Kwale Primary School and Taru Secondary School.</p> <p>He is a trained teacher at Kericho T.T.C Has a diploma in ECD.</p> <p>Currently, he is Chairman KNCCI, Chairman Mwaluganje Elephant Sentuary and a businessman at Kwale.</p> <p>The trustee is an independent director.</p>

**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

<p>5</p>	<p>Board Member 5</p> 	<p>Name: Mishi Koba Date of Birth: 11th April, 1985 She holds a Diploma in Hairdressing and beauty. She is a member of Kwale Line SACCO and a prominent business lady.</p> <p>She is also a Director of County Classic boutique and SPA</p> <p>The trustee is an independent director.</p>
<p>6</p>		<p>Name: Saumu Beja Mahaja Date of Birth: 16th April 1989</p> <p>She has a Master's degree in Environmental Studies Community Development and a Bachelor of Environmental Science from Kenyatta University.</p> <p>Her Professional Trainings and Certification include;</p> <ul style="list-style-type: none"> • Project Planning and Management Training by East African Institute of Certified Studies • Geo-Spatial Database Development and Management Training at the Regional Centre for Mapping and Resource Development Nairobi • Monitoring and Evaluation Training by East African Institute of Certified Studies <p>She is currently the County Executive Committee Member for Environment and Natural Resources For Kwale County.</p> <p>The trustee is an executive director.</p>

7



Name: Neema Suya


Date of Birth: 25th May, 1986

Neema Suya is a highly skilled environmental scientist with over 10 years of experience in conservation work. She holds a Bachelor's Degree in Environmental Science with a comprehensive understanding of environmental systems and policies. She is also a conservation coach in by training and currently pursuing a Masters of Arts Degree in Governance and Leadership. Throughout her career, she has demonstrated a strong commitment to preserving and protecting natural resources. She has worked on numerous conservation projects with non-profit organizations. Her expertise in Policy advocacy analysis, environmental governance, conservation coaching, environmental assessment, environmental social safeguards, monitoring and mitigation has been invaluable in ensuring that these projects are carried out in an environmentally responsible manner.

Neema has worked on projects ranging from habitat restoration, integrated water resources management, climate change adaptation, renewable energy, climate smart agriculture, intergenerational knowledge transfer, wildlife conservation, Nature Based Solutions to sustainable development and waste management. Her ability to work collaboratively with diverse stakeholders, including community members, government officials, private sector, religious leaders and Community Based Organizations, has helped her to achieve measurable successes in her conservation efforts



**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

8		<p>Name:Suleiman Madaraka Mwatsefu</p> <p>Date of Birth: 27 th December, 1988</p> <p>Work experience; Director - Kwale Albinism Network from 2022- present. Beautician- Beauty Point 2022 Leader of Minority - Kwale Youth Assembly from 2022- present. Finance Officer - Kwale Arts CBO from 2019- present. TOT/ Facilitator of Value Based Education, Aga Khan Foundation from 2023- present. Content Creator- KBC from 2021-2023. Programs Coordinator - Kwale Arts from 2016- 2019</p> <p>Education; Beauty Point College 2022- 2023 Golini Secondary School 2005- 2009 Likoni School for the Blind 1996- 2004</p>
9		<p>Name:Saumu Hamisi Muttah</p> <p>Date of Birth: Graduate Civil Engineer from JKUAT . Diploma Holder in Civil Engineering from KIHBT Trained Technical Teacher (KTTC) Pursuing MSc.Civil Engineering(Transportation option)-JKUAT Works at Kenya National Highways Authority (Nairobi).</p>


10		<p>Name: Mwanawani Ramadhan Sheti Date of Birth: 2nd February, 1986</p> <p><u>Education and Professional Qualification.</u></p> <ul style="list-style-type: none"> • Masters in Business Administration- Finance ;2010-2014 Kenyatta University • Bachelor of Education Science and Information Technology;2005-2009 Maseno University • Kenya Certificate of Secondary Education,(KCSE);2000-2003 Mama Ngina Girls High School <p><u>Professional Training and Certification:</u></p> <ul style="list-style-type: none"> • Certified Investment and Financial Analyst; Sec 3 • Information Communication Technology. <p><u>Professional Experience:</u> Municipal Manager-Kwale Municipality Kwale County Government; Dec, 2018 to date Fund Manager-Kilifi County Micro Finance Fund. Kilifi County Government; Sep 2018-Nov 2018 Lecturer-School of Business and Economics, Finance Department. Pwani University; Sep 2015-Sep 2018 The trustee is an executive director.</p>
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**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

4. Key Management Team

Serial No	Name	Details of qualifications and experience
1.		<p>Name: Mwanawani Ramadhan Sheti Date of Birth: 2nd February 1986</p> <p>Position: Municipal Manager</p>
2.		<p>Name: CPA Bebewa Jackson Eshima Date of Birth: 8th August 1985</p> <p>Position: Municipal Accountant</p> <p>A master's of Science Finance Student at Jomo Kenyatta University of Agriculture and Technology, Holds a Bachelor's Degree in finance and Banking from Moi university and Certified Public Accountant of Kenya. Hold a Senior Management Course Certificate from Kenya School Of Government</p> <p>Currently a senior Accountant with the County Government of Kwale having worked for 10.5 years and 5 years in the private Sector.</p> <p>Board member of New Apostolic Church Investment Committee, Makamini and Mazeras Boys High School and Vinyunduni and Sakake Primary.</p>

**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

3.		<p>Name: Mohamed Roba Bacho Date of Birth: 26-01-1992</p> <p>Position: Procurement officer He has Worked For 4 Years in the same position Bachelor Degree Holder in Supply Chain Management.(Second Class Upper with Hons) Went Kwale High School</p>
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5. Municipality Board Chairperson's Report

The Municipality Board together with the Management Successfully completed the Following Projects:-

- The Baraza Park Phase II Perimeter Wall and Toilet
- Tarmacking Of KFS-Godoni-Chitsanze Road

The overall Performance for the financial year 2024-2025 was 43% Compared to the Previous Financial Year 2023-2024 of 67% which is an downward trend.

The biggest Challenge is delayed disbursements from the County and National Treasury. Six of the Board Members Term Expired on **5th March 2025** plans are underway to replace them. In the management the Supply Management Officer was Changed at the Beginning of the Financial Year.

Municipality of Kwale Board is composed of 9 members: four members of the Board of the Municipality appointed by the Governor with approval of the County Assembly :

The members of the Board appointed Shall constitute as follows: -

- i. The county executive Member for the time being responsible for cities and urban area or his/her Representative.
- ii. Three members who shall be appointed by the County Governor with approval of the County Assembly.
- iii. Four Members who shall be Nominated by An Association and Appointed by the County Governor with the Approval of the county Assembly as follow:-
 - a) An umbrella body representing professional associations in the Kwale.
 - b) An association representing the private sector in the Kwale.
 - c) A cluster representing registered associations of the informal sector in the Kwale.
 - d) A cluster representing registered neighbourhood associations in the Kwale.
- iv. The chief officer for the time being responsible for Urban Development.

The Municipal Manager Shall be the secretary of the Board and an Ex-officio Member of the Board.

The promulgation of the Constitution of Kenya, 2010 under Chapter 11 ushered Kenya into a new system of governance, replacing the centralised system with a devolved system of governance.

The devolved system of governance consists of the National Government and 47 County Governments.

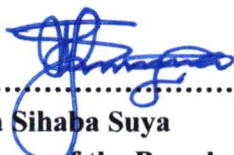
Kwale Municipality has a board headed by the chairman. The municipality has four committees through which it handles different sectorial issues. The committees are the Audit committee, Finance, Economic and Human Resource Management committee, Technical and Strategy Committee, Investment, Trade and Environment committee. These committees help in structuring the municipality and aligning programs.

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Kwale Municipality had a budget of Kshs. 152,653,099 with an actual realisation of Kshs. 65,405,742.

Conclusion

FY 2024/2025 was a good year in general. Good progress was made and the momentum has been created to enable Kwale Municipality continue on a positive trajectory into prosperity. I want to appreciate the other county departments especially the department of Finance and Economic Planning for their support when it comes to financial matters.



.....
Name: Neema Sihaba Suya
For, Chairperson of the Board

6. Report of the Municipality Manager

It is with great pleasure that I present the Municipality of Kwale financial statements for the year ended 30th June 2025. The financial statements present the financial performance of the Municipality over the past year.

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

Financing of the County Governments

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

Financial Performance

a) Revenue

Figure 1: THE MUNICIPALITY OF KWALE DURING THE FY 2024/2025

The municipality received its budget funding for the financial year from the exchequer releases by the county treasury.

The municipality's approved budget was Ksh 152,653,099. To the close of the FY on 30th June 2025, the Municipality had completed Baraza park Perimeter wall project and Tarmacking of KFS-Godoni-Chitsanze Road.

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

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)	Realisation (%)
County Treasury Disbursements	152,653,099	65,405,742	43%
Total	152,653,099	65,405,742	43%

**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

b) Payments

The total expenditure for the year amounted to KShs. 65,405,742.

	2024-2025	2023-2024
Development Expenditure	57,015,225	72,597,856
Reccurent Expenditure	8,390,517	5,184,037
	65,405,742	77,781,893

c) Cash flows

In the FY 2024/2025, the Municipality experienced liquidity disruptions. This was as a result of untimely disbursement of funds by the County Treasury. As at the close of the financial under review, we had a bank balance (unspent) of Kshs. 306 as supported by the bank balance certificate for KCB account and Kshs. 520 from Central Bank Account.

d) Accounts receivables

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

e) Pending bills

Due to the delayed disbursements of funds , the municipality carried forwards pending bills to the next financial year.

f) Fixed assets

Kwale Municipality has financed Tarmacking of KFS-Godoni -Chitsanze road and Perimeter wall, being assets acquired. These forms the composition of the Municipality's assets, which are well shown in the assets register.

Value for money

The concentration of activities in Kwale is within the shopping centre, hence the choice of the beautification of the Baraza park and KFS-Godoni-Chitsanze road which offers an ambience for relaxation and Mobility respectively. Projects undertaken by the Municipality are chosen through the public participation process as stipulated by the constitution of Kenya 2010. This being the case, the citizens realised value for money for the projects implemented.

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

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

- i. Mobility problems due to lack of vehicles for the municipality.
- ii. Lack of staff. The municipality is still heavily dependent on the county government for such resources/facilities.
- iii. Over reliance on the county seconded staff to perform municipality functions.
- iv. Over reliance on revenue allocated by the County Executive.
- v. There is a lack of clear designation and roles between county staff and Municipality staff.

Risk management strategy

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

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

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

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Conclusion

FY 2024/2025 was a good year in general which presented good progress of the Municipality. I take this opportunity to thank H.E. the Governor and the H.E Deputy Governor for their support. I would also want to thank the KUSP for their good gesture of supporting infrastructural development in the county through the Municipality initiative. Not to forget also my sincere thanks to the County Executive Committee Member in charge of Environment and the Chief Officer who have worked hand in hand to ensure that Kwale Municipality achieves its mission.

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



.....

Name: Mwanawani Ramadhan Sheti
Municipality Manager

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

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

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

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

- a) Entrench environmentally friendly solid waste management practises.
- b) Modernize urban roads and related furniture.
- c) Develop green spaces and recreational facilities.
- d) Facilitate management of animals within the municipality.
- e) Enhance the institutional capacity, strengthening and positioning of the municipality.
- f) Generate, mobilize and enhance efficiency in the utilization of financial resources.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Entrench environmentally friendly solid waste management practises	To collaborate with other stake holders in friendly environmental practices	To create orderly solid waste disposal	Designated solid waste disposal areas	In the FY under review we have had well managed solid waste collection and disposal
Modernize urban roads and related furniture	To mobilise resources for urban roads infrastructure improvement	To have improved urban roads and related furniture	Number of roads improved	Improved road furniture on KFS-Godoni-Chitsanze road
Develop green spaces and recreational facilities	To provide a conducive environment for positive social interactions	A well-equipped recreational facility within the municipality	Increased number of residents using the facility	One recreational park (Kwale baraza park Perimeter wall) done during the year under review

8. Corporate Governance Statement

i. Process of Appointment of Board Members , removal , Size,Diversity,Demographics and Existence of the of Board Charter.

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

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

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

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

Municipality of Kwale Board is composed of 9 members; four members of the Board of the Municipality appointed by the Governor with approval of the County Assembly :

The members of the Board appointed Shall constitute as follows:-

- i. The county executive Member for the time being responsible for cities and urban area or his/her Representative.
- ii. Three members who shall be appointed by the County Governor with approval of the County Assembly.
- iii. Four Members who shall be Nominated by An Association and Appointed by the County Governor with the Approval of the county Assembly as follow:-
 - a) An umbrella body representing professional associations in the Kwale.
 - b) An association representing the private sector in the Kwale.
 - c) A cluster representing registered associations of the informal sector in the Kwale.
 - d) A cluster representing registered neighbourhood associations in the Kwale.

iv. The chief officer for the time being responsible for Urban Development.
The Municipal Manager Shall be the secretary of the Board and an Ex-officio Member of the Board..

ii. Roles and functions of the Municipality Board members,

- (a) Oversee the affairs of the city or municipality.
- (b) Develop and adopt policies, plans, strategies and programmes, and may set targets for delivery of services
- (c) Formulate and implement an integrated development plan.
- (d) Control land use, land sub-division, land development and zoning by public and private sectors for any purpose, including industry, commerce, markets, shopping and other employment centres, residential areas, recreational areas, parks, entertainment, passenger transport, agriculture, and freight and transit stations within the framework of the spatial and master plans for the city or municipality as may be delegated by the county government;
- (e) As may be delegated by the county government, promote and undertake infrastructural development and services within the city or municipality.
- (f) Develop and manage schemes, including site development in collaboration with the relevant national and county agencies.
- (g) Maintain a comprehensive database and information system of the administration and provide public access thereto upon payment of a nominal fee to be determined by the board.
- (h) Administer and regulate its internal affairs.
- (i) Implement applicable national and County legislation.
- (j) Enter into such contracts, partnerships or joint ventures as it may consider necessary for the discharge of its functions under this Act or other written law.
- (k) Monitor and, where appropriate, regulate city and municipal services where those services are provided by service providers other than the board of the city or municipality.

- (l) Prepare its budget for approval by the county executive committee and administer the budget as approved.
- (m) As may be delegated by the county government, collect rates, taxes levies, duties, fees and surcharges on fees.
- (n) Settle and implement tariff, rates and tax and debt collection policies as delegated by the county government
- (o) Monitor the impact and effectiveness of any services, policies, programmes or plans.
- (p) Establish, implement and monitor performance management systems.
- (q) Promote a safe and healthy environment.
- (r) Facilitate and regulate public transport.
- (s) Perform such other functions as may be delegated to it by the county government or as may be provided for by any written law.
- (t) Submit Quarterly reports to County Assembly.

iii. Induction, Training and Development of the Municipality

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

- Board Induction
- Budget and Finance training
- Procurement and By-laws training
- Strategic plan formulation
- Solid waste Management Training.

iv. Board members and member's performance.

The Municipality Board Members Successfully completed the Following Projects: -

- The Baraza Park Phase II Perimeter Wall and Toilet
- Tarmacking Of KFS-Godoni-Chitsanze Road

The overall Performance for the financial year 2024-2025 was 43% Compared to the Previous Financial Year 2023-2024 of 67% which is an downward trend.

The biggest Challenge is delayed disbursements from the County and National Treasury.

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

Three quarterly board meetings were held. Several other committees meetings were held. The municipality also conducted public fora meetings.

vi. Succession plan,

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

vii. Policy to manage Conflict of interest,

The Board members and staff should declare and Register any interest in all matters pertaining the Municipality.

viii. Board remuneration,

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

ix. Ethics and Conduct

The Board members and staff sign oath of secrecy to safeguard the organization integrity.

x. Governance Audit

The municipality has an Audit Committee which handles Governance on Audit reports, Compliance to the law and standard procedures.

xi. Communication Policy

The municipality has a Grievances frame work where residents within the municipality register complains and Compliments which are responded by letters, email, website reports to the particular individuals aggrieved.

xii. Terms of Reference of Committees

FINANCE AND ECONOMIC PLANNING COMMITTEE.

General financial oversight including planning, monitoring and reviewing the overall

financial strategies and performance of the municipality on regular basis including resource mobilization, new funding, collaborations and partnership activities.

Preparing and submitting the Board's annual budget estimates to the County Treasury for

consideration and submission to the County assembly for approval as part of the County

Appropriation Bill.

Monitor and review the current and projected levels of income and Medium Term Expenditure Framework, capital plan and annual capital programmes.

Advise the management on performance and prudent financial management

AUDIT COMMITTEE

Terms of Reference

To receive and consider reports, make recommendations and advise the Board generally on:

1. Ensure continuous financial and project auditing.
2. Develop internal control procedures and regulations and ensure compliance with operating practices and documentation.
3. Internal audit annual plan;
4. Compliance to laws, regulations and standards;
5. Governance and governance audit reports.
6. Verification of assets and liabilities.
7. Discuss and present internal audit reports and external audit report to the Board.
8. Appraisal of adequacy of internal control systems, recommending new policies and procedures.

INVESTMENT, TRADE AND ENVIRONMENT COMMITTEE.

Terms of Reference

To receive and consider reports, make recommendations and advise the Board generally on:

1. Provide and promote conducive atmosphere for investors/donors.
2. Undertake donor co-ordination and mobilization of resources.
3. Facilitate stakeholder involvement/public participation on municipality activities/ programmes where necessary.
4. Provide for environmental health and safety of residents
5. Ensure maintenance of storm water drainages and control of floods.
6. Provision of solid waste removal, disposal and management services. Setting –up of waste collection points and dumping sites;
7. Environmental conservation policies and guidelines;
8. Social safeguards and grievance redress.

TECHNICAL AND STRATEGY COMMITTEE.

Terms of Reference

1. To receive and consider reports, make recommendations and advise the Board generally on:
Oversee the preparation and implementation of Municipal Master Plan and spatial
2. Plan.
3. Oversee the preparation of Valuation Roll for purposes of rating.
4. Oversee/enforcement of municipal planning, development and controls.
5. Ensure that development controls and approvals are in conformity with Building
6. Codes, Physical Planning Act and other relevant laws/ bi-laws.
7. Oversee land surveying, land mapping, sub-division and zoning, land acquisition
8. for development purposes and valuation.
9. Oversee the provision of low cost housing and slum upgrading.
10. Policy on related party Transactions
11. The Municipality does not have a policy on Related Party transactions.

**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

9. Management Discussion and Analysis

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

The Municipality received its revenue for both development and recurrent from the County Treasury through exchequer. The municipality had a budget of Kshs. 152,653,099 out of which Kshs 40,193,472 and Kshs. 112,459,627 was for recurrent and development respectively.

The Municipality realised an expenditure of Kshs. 8,390,517 on recurrent and Kshs. 57,015,225 on development budget translating to 21% and 51% absorption respectively. The fair absorption was as a result of late Funds Disbursement from the County treasury. The same has been rolled over to the FY 2025-2026 as a pending bills and Commitments.

Illustrated as;

Revenue classification	Revenue budget (KShs)	Actual (KShs)	Realisation (%)
Transfer from county treasury - Recurrent	40,193,472	8,390,517	21%
Transfer from county treasury - Development	112,459,627	57,015,225	51%
Total	152,653,099	65,405,742	43%

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

Item No.	Project/Activity Name	Name and Address of Contractor/Suppliers	Contract or Purchase Order No.	Brief Description of Goods, Works or Services	Total Value of Contract in Kshs	Project Status
1.	Perimeter wall at baraza park in Kwale town	Cloem art Comp any ltd	1822097	Perimeter Wall at Baraza park Phase II	17,828,165	Complete and in use
2	Construction of KFS-Godoni-	Suken Builders	2021979	Construction of KFS-Godoni-	147,441,525	Complete and in use awaiting

**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

	Chitsanze Road			Chitsanze Road		Final Payment
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C. The municipality’s compliance with statutory requirements

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

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

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

Major risks facing the Municipality

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

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

S/No	Risk Context	Risks (Critical ones that are yet to be mitigated)	Risk Level	Mitigation
1.	Human Resources	<ul style="list-style-type: none"> • Recruitment • Integrity and honesty • Skills and competence • Employee relations • Employee wellness • Employee retention Occupational health and safety	Medium	Develop appropriate policies, guidelines and procedure manuals
2.	Litigation	Claims by employees, public service providers or third parties	Medium	Enhance legal compliance Sensitize employees on legal matters
3.	Information technology	<ul style="list-style-type: none"> • Security of the ICT systems • Technology availability(uptime) • Applicability of infrastructure Integration/interface of systems	High	Update and integrate IT systems and infrastructure
4.	Financial	<ul style="list-style-type: none"> • Cash flow inadequacy • Financial loss • Wasteful expenditure • Budget allocation • Revenue collection • Increasing operational expenditure 	High	Adhere to the provisions of Public Financial Management Act
5.	Social environment	<ul style="list-style-type: none"> • Communication channels • Cultural integration Entrenchment of value and ethics	Medium	Develop and implement communication strategy
6.	Disaster recovery	<ul style="list-style-type: none"> • Disaster Management Contingency planning	High	Develop and implement disaster management policy

10. Environmental and Sustainability Reporting

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

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

Below is a brief highlight of our achievements in each pillar;

1. Sustainability strategy and profile

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

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

2. Environmental performance

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

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

3. Employee welfare

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

- Having an optimal staff organization structure for effective and efficient public service delivery.

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

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

4. Market place practices

Corruption Prevention

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

To achieve this, the Municipality has:

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

a) Responsible competition practice.

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

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

b) Responsible Supply chain and supplier relations

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

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

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

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

d) Product stewardship or Awareness creation

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

5. Corporate Social Responsibility/Community Engagements

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

11. Report of the Municipality Board Members

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

Principal activities

The principal activities of the Municipality are;

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

Performance

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


Board Members

The members of the Board who served during the year are shown on page vii to ix. There was expiry of term of 6 of the Board Members whose Replacement is underway.

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: Mwanawani Ramadhan Sheti
Secretary of the Board

12. Statement of Management’s Responsibilities

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

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

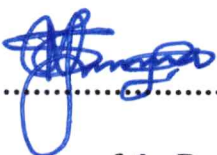
The Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required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


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

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

Approval of the financial statements

The Municipality’s financial statements were approved by the Board on 15th August 2025 and signed on its behalf by:


.....
Name:
For, Chairperson of the Board


.....
Name: Mwanawani Ramadhan Sheti
Accounting officer of the Board

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KWALE 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 Kwale Municipality set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the

Report of the Auditor-General on Audit of Kwale Municipality for the year ended 30 June, 2025

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

Basis for Qualified Opinion

1. Inaccurate Statement of Financial Position

The statement of financial position reflects total net assets of Kshs.157,482,276 which includes capital/development grants fund and accumulated surplus of Kshs.62,290,046 and Kshs.95,192,230 respectively. However, the amount differs with balances reflected in the statement of changes in net assets of Kshs.2,339,915 and Kshs157,048,154 in respect of capital development grants and accumulated surplus respectively.

In the circumstances, the accuracy of the total net assets and liabilities balance of Kshs.157,482,276 could not be confirmed.

2. Inaccurate Transfers from the County Government

The statement of financial performance and Note 6 to the financial statements reflects transfers from the County Government of Kshs.65,405, 563. However, the amount differs with Kshs.127,860,738 reflected in the County Executive financial statements under transfers to other government entities. The variance of Kshs.62,455,175 was not explained or reconciled.

In the circumstances, the accuracy and completeness of the transfers from the County Government of Kshs.65,405,563 could not be confirmed.

3. Non-disclosure of Staff Costs

The statement of financial performance reflects total expenses of Kshs.31,066,702 which omits staff costs of unknown amount paid by the County Government of Kwale on behalf of the Municipality. The omission of staff costs understates the actual revenue received and actual expenses.

In the circumstances, the accuracy and completeness of total expenses of Kshs.31,066,702 could not be confirmed.

4. Misstatement of Cash and Cash Equivalentents

The statement of financial position reflects cash and equivalentents balance of Kshs.826 as disclosed in Note 19 to the financial statements. Review of the cash book for Kwale Urban Support Program and KCB account revealed closing balances of

Kshs.32,309,520 and Kshs.5.60 while Kshs.520 and Kshs.306 were reported in the financial statement resulting in an unexplained variance of Kshs.32,309,000 and Kshs.300 respectively.

In the circumstances, the accuracy and completeness of cash and equivalents balance of Kshs.826 could not be confirmed.

5. Inaccurate Trade and Other Payables Balance

The statement of financial position and Note 27 to the financial statements reflects trade and other payables balance of Kshs.75,970,163. However, recalculation of the balance shows Kshs.74,064,371 resulting to an unexplained variance of Kshs.1,905,792.

In the circumstances, the accuracy of the trade and other receivables balance of Kshs.75,970,163 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted revenue and actual on comparable basis of Kshs.152,653,099 and Kshs.65,405,563 respectively resulting in under realization of Kshs.87,247,536 or 57% of the budget.

The budget underfunding affected the planned activities and may have impacted negatively on service delivery to the citizens.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year's Audit Matters

In the prior year's audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public

Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Municipality in 2024/2025 revealed that the following four (4) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Unsupported financial statements balances
2	2023/2024	Failure to submit performance bond
3	2023/2024	Unsupported supplementary budget
4	2023/2024	Regularity of imprest management

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Irregular and Unsupported Budget Allocation

The statement of financial position reflects trade and other payables balance of Kshs.75,970,163 as disclosed in Note 27 to the financial statements. Review of the

approved supplementary budget revealed that Kshs.7,580,960 was allocated for payment of the previous recurrent pending bills in the budget. However, review of the statement of financial position, Note 27 and prior year audited financial statements revealed that the Municipality had no trade payables in the previous year. No explanation was provided for inclusion of nonexistent trade payables in the budget contrary to Section 149 of the Public Finance Management Act, 2012 outlines the responsibilities of Accounting Officers, including the duty to ensure that the resources of the entity are used in a manner that is lawful, authorized, effective, efficient, economical, and transparent.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Irregularities in the Management of Municipality Board

Review of administrative records revealed that five (5) members of the Municipality Board who had been appointed on 5 March, 2020 to hold office for a term of five years on part time basis had their contract period expired on 5 March, 2025. No evidence was provided to show that Management had renewed, initiated appointment process or made new appointments. Further, the Board held three (3) sittings during the year while the number of board members with active contract was four (4) with one being absent from three (3) consecutive meetings of the board without reasonable cause, hence ceased to hold office in line with section 3.13 (e) of the Kwale Municipal Charter which states that member of the board of the Municipality shall cease to hold office if without reasonable cause is absent from three (3) consecutive meetings of the Board within one year.

In the circumstances, effectiveness of risk management and governance could not be confirmed.

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

Responsibilities of the Management and Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


17 November, 2025

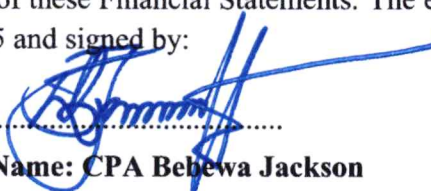
**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

14. Statement of Financial Performance for The year ended 30th June 2025.

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	65,405,563	66,318,681
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues (Specify)	9	-	-
		65,405,563	66,318,681
Revenue from exchange transactions			
Interest income	10	-	-
Miscellaneous Income	11	-	-
		-	-
Total revenue		65,405,563	66,318,681
Expenditure			
Use of goods and services	12	18,265,280	4,751,053
Staff costs	13	-	-
Board expenses	14	4,100,475	432,500
Finance costs	15	-	-
Depreciation and amortization	16	7,771,614	3,548,427
Repairs and maintenance	17	4,201,492	-
Total expenses		34,338,861	8,731,980
Other gains/losses			
Gain/loss on disposal of assets	18	-	-
Surplus/(deficit) for the period		31,066,702	57,586,701

The notes set out on pages 7 to 46 form an integral part of these Financial Statements. The entity's financial statements were approved on 30th October 2025 and signed by:


.....
Name: Mwanawani Ramadhan Sheti
Municipality Manager


.....
Name: CPA Behewa Jackson
Head of Finance
ICPAK M/No 13433

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025


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

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	19	826	1,004
Receivables from exchange transactions	20	-	-
Receivables from Non- exchange transactions	21	-	-
Prepayments	22	-	-
Inventories	23	-	-
Total current assets		826	1,004
Non-current assets			
Property, plant, and equipment	24	233,451,614	128,320,362
Intangible assets	25	-	-
Biological Assets	26	-	-
Total Non-current Assets		233,451,614	128,320,362
Total assets (A)		233,452,440	128,321,366
Liabilities			
Current liabilities			
Trade and other payables	27	75,970,163	-
Refundable deposits from customers	28	-	-
Provisions	29	-	-
Borrowings	30	-	-
Employee benefit obligations	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
Total current liabilities		75,970,163	
Non-current liabilities			
Provisions	29	-	-
Borrowings	30	-	-
Non-current employee benefit obligation	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
Total liabilities(B)		75,970,163	

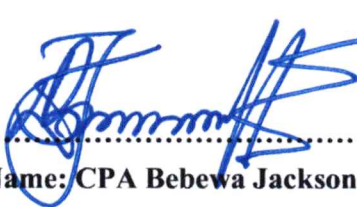
**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
Net assets(A-B)		157,482,276	128,321,366
Capital/Development Grants/Fund		62,290,046	2,339,915
Reserves		-	-
Accumulated surplus		95,192,230	125,981,452
Total net assets and liabilities		157,482,276	128,321,367

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 30th October 2025 and signed by:

.....

Name: Mwanawani Ramadhan Sheti
Municipality Manager

Date: 31/10/2025

.....

Name: CPA Bebewa Jackson
Head of Finance

ICPAK M/No 13433

Date: 31/10/2025

County Government of Kwale
 Kwale Municipality
 Annual Report and Financial Statements for the Year Ended June 30th,2025

16. Statement of Changes in Net Assets For the year ended 30th June 2025

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1st July 2023	2,339,915	0	68,394,750	70,734,665
Surplus/(deficit) for the period		-	57,586,702	57,586,702
Funds Transferred during the year				
Revaluation gain		-	-	-
Balance as at 30th June 2024	2,339,915	-	125,981,452	128,321,367
		-		
Balance as at 1 July 2024	2,339,915	-	125,981,452	128,321,367
Surplus/(deficit) for the period		-	31,066,702	31,066,702
Funds received during the year	-	-		
Revaluation gain				-
Balance as at 30th June 2025	2,339,915	-	157,048,154	159,388,068

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

17. Statement of Cash Flows for The year ended 30th June 2025

Description	Note	FY 2024-2025	FY 2023-2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		65,405,563	66,318,681
Public contributions and donations		-	-
Interest received		-	-
Miscellaneous receipts (Specify)		-	-
Total Receipts		65,405,563	66,318,681
Payments			
Use of goods and services		6,347,151	4,751,053
Staff costs			-
Board expenses		2,043,366	432,500
Finance costs		-	-
Total Payments		8,390,517	5,183,553
Net cash flows from operating activities	34	57,015,046	61,135,128
Cash flows from investing activities			
Purchase of PPE & intangible assets		57,015,225	72,621,147
Transfer to County Retention Account			
Proceeds from sale of PPE			-
Net cash flows used in investing activities		(57,015,225)	(72,621,147)
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		(179)	(11,486,540)
Cash And Cash Equivalents At 1 July 2024	19	1,005	11,487,024
Cash And Cash Equivalents At 30 June 2025	19	826	1005

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

18. Statement of Comparison of Budget & Actual Amounts for the year ended 30th 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
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	64,588,887	88,064,212	152,653,099	65,405,563	87,247,536	43%
Public contributions and donations	-	-	-	-	-	0%
Interest income	-	-	-	-	-	0%
Miscellaneous income (specify)	-	-	-	-	-	0%
Total Revenue	64,588,887	88,064,212	152,653,099	65,405,563	87,247,536	43%
Expenses					-	
Use of goods and services	3,110,116	31,833,356	34,943,472	6,347,151	28,596,321	18%
Board expenses	750,000	4,450,000	5,200,000	2,043,366	3,156,634	39%
Staff Costs	4,708,771	(4,708,771)	-	-	-	-
Finance costs	20,000	30,000	50,000		50,000	0%
Total Expenditure	8,588,887	31,604,585	40,193,472	8,390,517	31,802,955	21%
Surplus for the period	-	-	-	(179)	-	
Capital Expenditure	56,000,000	56,459,627	112,459,627	57,015,225	55,444,402	51%

Budget notes

The actual expenditures of **21%** for Recurrent and **51%** of Development projects was due to late disbursements of funds by the county treasury, which was caused by delayed release of funds by the National Treasury. The balances have since been rolled over to the next financial year.

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	(179)
1	Basis difference	-
2	Timing differences	-
3	Entity differences	-
4	Classification differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	(179)

19. Notes to the Financial Statements

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

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

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

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

**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

3. Application of New and revised standards (IPSAS)

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

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

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

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

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol 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>
IPSAS 47: Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

	<p>iii. Disclosures that identify and explain the amounts in the entity’s financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</p>
--	--

iii. Early adoption of standards

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

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/2025 was approved by the County Assembly on 30th June 2025. 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.

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

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

The Municipality depreciation policy on assets except Land is as follows:-

1. Land –N/A
2. Furniture and fittings-12.5% per Annum
3. Computers-33.33% per annum
4. Other Assets(other Civil works)-12.5% per annum
5. Roads-3.33% Per annum
6. Motor vehicles- 10% Per annum
7. Building -2% Per annum

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.

(Significant accounting policies continued)

e) Biological Assets

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

f) Financial instruments

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

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

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the 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.

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

(Significant accounting policies continued)

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

(Significant accounting policies continued)

Impairment

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

Financial liabilities

Classification

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

g) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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

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

(Significant accounting policies continued)

certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

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

j) Contingent liabilities

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

k) Contingent assets

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

l) Nature and purpose of reserves

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

(Significant accounting policies continued)

n) Employee benefits – Retirement benefit plans

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

o) Foreign currency transactions

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

p) Borrowing costs

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

q) Related parties

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

(Significant accounting policies continued)

r) Cash and cash equivalents

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

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 City/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.

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

(Significant accounting policies continued)

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.

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	3,606,610	66,318,681
Payments by County on behalf of the entity	61,798,953	-
Unconditional development grants		-
Total	65,405,563	66,318,681

(a)Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance*	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	Insert Comparative FY
	Kshs	Kshs	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	-	-
Contributions from the public	-	-
Total	-	-

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Notes to the Financial Statements

8. Levies, Fines and penalties

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Levies	-	-
Fines	-	-
Penalties	-	-
Others	-	-
Total	-	-

9. Other Revenues

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others	-	-
Total	-	-

10. Interest income

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

11. Miscellaneous income

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

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Notes to the Financial Statements

12. Use of Goods and Services

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Utilities, supplies and services	-	-
Communication, supplies and services	36,000	86,000
Domestic travel and subsistence	3,520,440	2,424,060
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	109,445	31,730
Rent and rates	-	-
Training expenses	75,000	-
Hospitality supplies and services	1,249,165	312,055
Insurance costs	448,449	-
Specialized materials and services	-	-
Office and general supplies and services	7,243,468	446,000
Fuel, oil and lubricants	3,653,914	591,821
Other operating expenses (Specify)	40,860	72,663
Routine maintenance – vehicles and other equipment		144,849
Routine maintenance – other assets		-
Contracted Professional Services	1,448,153	-
Audit fees	-	-
Hire of Transport, equipment etc	432,040	641,875
Bank Charges	8,346	-
Social Benefit expenses*	-	-
Other Current Transfers	-	-
Total	18,265,280	4,751,053

13. Staff costs

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

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Notes to the Financial Statements

14. Board expenses

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	997,900	222,500
Medical Insurance	-	-
Induction and Training	1,851,609	210,000
Travel and accommodation	848,000	-
Conference Costs	402,966	-
Other allowances (Specify)	-	-
Total	4,100,475	432,500

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	7,771,614	3,548,427
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	7,771,614	3,548,427

**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

Notes to the Financial Statements

17. Repairs and Maintenance

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Property- Buildings	2,418,507	-
Office equipment	-	-
Furniture and fittings		-
Motor vehicle expenses	1,782,985	-
Maintenance of civil works	-	-
Total repairs and maintenance	4,201,49 2	-

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 1262607583	306	1,004
Others CBK Development	520	-
Kwale Municipality-Urban Development Grant-1330516249	-	
Total cash and cash equivalents	826	1,004

Notes to the Financial Statements

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

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			
Kenya Commercial bank	1262607582	306	484
CBK - Development		520	520
Sub- total			1,004
d) Others(specify)			-
Cash in transit			-
Cash in hand			-
Mobile Money			-
Sub- total			-
Grand total		826	1,004

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 receivables from exchange transactions	-	-

Ageing analysis for Receivables from exchange transactions

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Description	FY 2024-2025		FY 2023-2024	
	Kshs		Kshs	
	FY 2023-2024	% of the total	FY 2022-2023	% 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 Fund		-
Total receivables from non-exchange transactions		

Ageing analysis for Receivables from non-exchange transactions

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

22. Prepayments

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-

County Government of Kwale
 Kwale Municipality
 Annual Report and Financial Statements for the Year Ended June 30th,2025

Total	-	-
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23. Inventories

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
Stationery	-	-
Consumables	-	-
Other inventories(specify)	-	-
Total inventories at the lower of cost and net realizable value	-	-

County Government of Kwale
 Kwale Municipality
 Annual Report and Financial Statements for the Year Ended June 30th,2025

(Notes to the Financial Statements Continued)

24. Property, Plant and Equipment

Description	Land	Equipments	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Roads	Work in Progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs		Shs
As at 1 st July 2024	-	-	-	-	-	10,474,144	67,241,997	54,152,648	131,868,789
Additions	-	-	-	-	-				
Disposals	-	-	-	-	-	-	-		-
Transfers/adjustments	-	-	-	-	-				-
As at 30 th June 2024	-	-	-	-	-	10,474,144	67,241,997	54,152,648	131,868,789
Additions for the year	-	-	-	1,099,500	1,240,900			110,562,466	112,902,866
Disposals for the year	-	-	-	-	-	-			-
Transfer/adjustments	-	2,000,000	8,505,853	2,046,500	-	17,822,774	134,339,987	(164,715,114)	-
As at 30 th June 2025	-	2,000,000	8,505,853	3,146,000	1,240,900	28,296,918	201,581,984	-	244,771,655
Depreciation and impairment							-		-
As at 30 th June 2024	-	-	-	-	-	-	-		-
Depreciation	-	-	-	-	-	1,309,268	2,239,159		3,548,427
Impairment	-	-	-	-	-	-	-		-

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Description	Land	Equipments	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Roads	Work in Progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs		Shs
Transfers/ Adjustments	-	-	-	-	-	-	-		-
As at 30th June 2025	-	-	-	-	-	1,309,268	2,239,159		3,548,427
Depreciation for the year	-	-	-			1,047,414	6,724,200		7,771,614
Disposals for the year	-	-	-	-	-	-	-		-
Impairment for the year	-	-	-	-	-	-	-		-
Transfer/adjustment	-	-	-	-	-	-	-		-
As at 30th June 2025	-	-	-			2,356,682	8,963,359		11,320,041
							-		-
NBV as at 30th June 2024	-	-	-	-	-	26,987,650	65,002,838		128,320,362
NBV as at 30th June 2025	-	-	-	1,099,500	1,240,900	25,940,236	205,170,978		233,451,614

Capital work in Progress relates to proposed Construction of Perimeter wall at Kwale Baraza Park and Construction of KFS-Gondoni-Chitsanze Tarmack Road which are now done and in use.

County Government of Kwale
 Kwale Municipality
 Annual Report and Financial Statements for the Year Ended June 30th,2025

(Notes to The Financial Statements Continued)

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	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
Total	-	-

County Government of Kwale
 Kwale Municipality
 Annual Report and Financial Statements for the Year Ended June 30th,2025

27. Trade and other payables

Description	FY 2024-2025		FY 2023-2024	
	Kshs.		Kshs.	
Trade payables	75,970,163			
Retentions				
Accrued expenses			-	
Other payables (Specify)			-	
Total trade and other payables	75,970,163			
Ageing analysis:	FY 2023-2024	% of the Total	FY 2022-2023	% of the Total
Under one year	75,970,163	100		
1-2 years				
2-3 years	-	-		
Over 3 years	-	-		
Total	75,970,163	100		100

County Government of Kwale
 Kwale Municipality
 Annual Report and Financial Statements for the Year Ended June 30th,2025

Notes to the Financial Statements

28. Refundable deposits and prepayments from customers

Description	FY 2024-2025		FY 2023-2024	
	KShs		KShs	
Rent deposits	-		-	
Others (specify)	-		-	
Total	-		-	
Ageing analysis:	FY 2024-2025	% of the Total	FY 2023-2024	% 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 (Specify)	-		-	
Provision utilised	-		-	
Balance at the end of the year	-		-	
Current Portion of provision	-		-	
Long term portion of provision	-		-	
Total Provisions	-		-	

**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

Notes to the Financial Statements

30. Borrowings

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

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

Description	FY 2024-2025	FY 2023-2024
	Kshs.	Kshs.
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.

**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
Total employee benefits obligation	-	-	-	-

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	-

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

33. Social Benefit Liabilities

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
People Living with disabilities benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
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	31,066,702	57,586,701
Adjusted for:		
Depreciation	7,771,614	3,548,427
Amortisation	-	-
Transfers to CRF	-	-
Gains/ losses on disposal of assets	-	-
Working Capital adjustments	38,838,316	61,135,128
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	18,176,730	
Net cash flow from operating activities	57,015,046	61,135,128

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Notes to the Financial Statements

35. Related party balances

a) Nature of related party relationships

Entities and other parties related to the City/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 City/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) City/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	-	-

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Notes to the Financial Statements

e) Due to related parties

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

36. Contingent liabilities

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

37. Contingent Assets

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

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Notes to the Financial Statements

38. Financial risk management

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

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

I. Credit risk

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

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

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Notes to the Financial Statements

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

Notes to the Financial Statements

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

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

II. Liquidity risk management

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

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

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

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

Notes to the Financial Statements

III. Market risk

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

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

IV. Foreign currency risk

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

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

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

**County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025**

Notes to the Financial Statements

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
2025			
Euro	10%	-	-
USD	10%	-	-
2023			
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.

County Government of Kwale
Kwale Municipality
Annual Report and Financial Statements for the Year Ended June 30th,2025

VI. Capital risk management.

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

Description	FY 2024- 2025	FY 2023- 2024
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital/Development Grants/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.	
1. Employee Cost	
2. Use of goods and Services	
3. Grants and Subsidies	
4. Building of ECDE facilities	
5. Others (specify)	-
Sub-total	


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

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported Financial Statement Balances	The Financial Statements Were amended and submitted.	Resolved	
2	Budgetary Control and Performance	The was as a result late disbursement of Funds	Resolved	
3	Failure to Submit a Performance Bond	The Performance bond was given and Bid documents shared	Resolved	
4	Unsupported Supplementary Budget	This was Supported by Memorandum	Resolved	
5	Irregular Charge on Cash Vote	A journal entry was passed to this effect	Resolved	



Mwanawani Sheti
Municipal Manager

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

Appendix 2: Inter Entity Transfers

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



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

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

Appendix 3: Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

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

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

The entity did not incur any Climate Relevant Expenditures during the financial year

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

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 (Ksh s.)	Comments

The entity did not incur any expenditure relating to disaster during the financial year.

