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REPORT

OF

THE AUDITOR-GENERAL

ON

WATAMU MUNICIPALITY

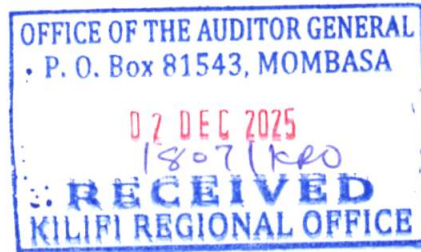
FOR THE SEVENTEEN (17) MONTHS PERIOD  
ENDED

30 JUNE, 2025

COUNTY GOVERNMENT OF KILIFI

201

Revised 30<sup>th</sup> June 2025



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# MUNICIPALITY OF WATAMU

*County Government of Kilifi*

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR SEVENTEEN (17) MONTHS PERIOD ENDED  
30<sup>TH</sup> JUNE 2025

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

*County Government of Kilifi*  
*Municipality of Watamu*  
*Annual Report and Financial Statements for seventeen (17) Months Period Ended 30<sup>th</sup> June 2025*

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## **1. Acronyms and Definition of Key Terms**

### **A. Acronyms**

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
CPAK	Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
CECM	County Executive Committee Member
CO	Chief Officer
KCB	Kenya Commercial Bank
GPO	General Post Office
PAYE	Pay as you Earn
NSSF	National Social Security Fund
NHIF	National Hospital Insurance Fund

*County Government of Kilifi*

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**B. Definition of Key Terms**

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

**Comparative Year**- Means the prior period.

## 2. Key Entity Information and Management

### a) Background information

Municipality of Watamu is established by and derives its authority and accountability from the Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Municipal Charter on 31<sup>st</sup> January

2024. The Municipality is under the County Government of *Kilifi* and is domiciled in Kenya. The Municipality's objective is to provide for efficient and accountable management of the affairs of the municipality while vigorously pursuing the developmental opportunities available.

The Boards principal activity is undertaking infrastructural development while ensuring efficient and effective service delivery to the residents of Watamu

### b) Principal Activities

#### VISION STATEMENT:

To be a model green and sustainable Municipality, a world class tourism hub.

#### MISSION STATEMENT:

To provide efficient and effective Municipal services that promote a vibrant community for our residents, businesses and visitors.

### c) Key Management

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

- County Department of Lands, Housing, Physical planning and Urban Development
- The Watamu Municipality Board
- The Municipal Manager
- The Watamu Municipality Management Team

**d) Fiduciary Management**

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

Ref	Position	Name
1	Municipal Manager	Abdillah Omar Ahammad
2	Municipal Administrator	Emmanuel Kalu
3	Municipal Senior Accountant	Amani Munga Franklin
4	Senior Human Resource Development Officer	Batuli Athman Mohamed
5	Principal Procurement Officer	Andrew Anderson Kai
6	Municipal Engineer	Siyat Osman Abdi
7	Municipal Planner	Walter Okoth Ogana
8	Municipal Chief Social Welfare Officer	Prudence Kwekwe

**e) Fiduciary Oversight Arrangements**

- i) Audit and Risk Management Committee
- ii) County Assembly committees including: - the County Public Investments and Accounts Committee and Lands, Energy, Housing and Urban Development Committee
- iii) Committee of the Senate on County Public Investments and Special Funds (CPIC&SF)

The Audit and Risk Management committee is the main internal over-sighting body and its headed by Madam Barke Khamis Mohamed and the membership comprises of:

Ref	Position	Name
1	Chairperson	Madam Barke Khamis Mohamed
2	Member	Anderson Kitsao Chome
3	Member	Anderson Nyundo Thoya
4	Member	Abubakar Ali
5	Chief Internal Auditor	Thomas K Mubashiri

**f) Registered Offices**

P.O. Box 519-80108  
1<sup>st</sup> floor at the Heart Clinic Building  
Watamu Richland opposite Mass petrol station off Jacaranda road  
Kilifi, Kenya

**g) Contacts**

Telephone: (+254) 111574580  
E-mail: [watamumunicipality@kilifi.go.ke](mailto:watamumunicipality@kilifi.go.ke)

**h) Bankers**

Kenya Commercial Bank Limited  
P.O Box 6-80202  
Watamu  
Watamu Branch

NCBA Bank Kenya PLC  
P.O Box 44599-00100  
Nairobi  
Watamu Branch

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**i) Independent Auditor**

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

**j) Principal Legal Adviser**

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

**3. Municipality Board**



**Name: Pauline Daniel Munga**  
**Date of Birth: 20/05/1971**  
**Professional Qualification:** Competency based curriculum Champion - Ministry of Education Science and Technology.  
Online Curator - Kenya Institute of Curriculum Development.  
Peer Tutor Elimika Online Program - Kenya Institute of Curriculum Development.  
Facilitator to Value Based Education in Primary School.  
She is the Board Chairperson.



**Name: Deche Kashero**  
**Date of Birth: 12/03/1965**  
**Academic Qualification:** BCOM graduate accounting option  
Certified Public Accountant of Kenya(CPAK)  
**Experience:** Financial controller Kenya ferry .....12yrs  
Accountant Bandari Sacco ltd ... 2yrs  
Accountant Malindi Municipal Council....5yrs  
Auditor 11 Ernst and Young...1 year

He is the Vice Chairperson of the Board



**Name: Hon. Jane Kamto**  
**Academic Qualification:**  
Bachelors of Education in English Literature  
**Experience:**  
27 years of Experience in Education Administration  
**CECM Lands, Energy, Physical Planning, Housing and Urban Development**



Name: Mr. Ali Abubakar

Date of Birth: 1988

Academic Qualification  
Masters in Business Administration

Experience:  
Has over 8 years' experience in Finance and Accounting

He is the Chief Officer for Housing and Urban Planning



Name: Barke Khamis Mohamed

Date of Birth: 30/11/1989

Academic Qualification: Diploma in Business Management

Experience: Paralegal Officer

Chairperson: Audit and Risk Management.



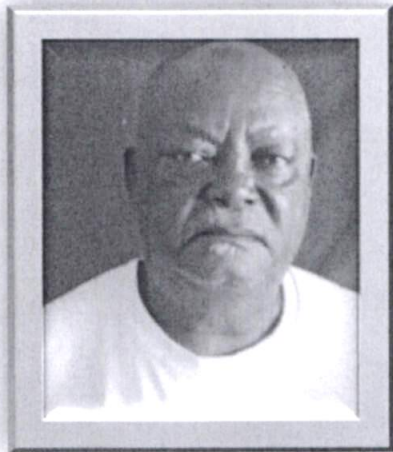
Name: Anderson Nyundo Thoya

Date of Birth: 1968

Academic Qualification: Bachelor's Degree in Theology and  
Diploma in County Governance.

Experience: Former Councilor - Watamu Town Ward

Chairperson: Finance and General Administrative Services



**Name: Michael Kaingu Katana**

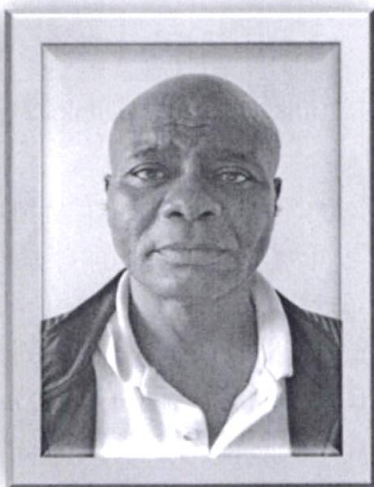
**Date of Birth:** 1956

**Professional Qualification:** P1 Teacher

**Experience:**

- 1977 –1979 - Dabaso primary school -Untrained Teacher
- 1979--1981 Thogoto Teacher Training College P2
- then promoted to P1 .
- 1996 Assistant Jimba publication
- 2003-2014 Chief Watamu location
- 2016 (Senior Chief 1)

**Position in the Board:** Chairperson Lands, Urban Development



**Name: Anderson Kitsao Chome**

**Date of Birth:** 1<sup>st</sup> January, 1962

**Academic Qualification:** Diploma in Public Health

**Experience:** Worked for Ministry of Health as a Public Health Officer. Later on seconded to Marafa Refugee Camp as Sanitation Officer, Also has worked with Kenya Freedom from Hunger Council as a PHO. Has extensive knowledge and experience with humanitarian organization like Ustadhi Foundation, Catholic Relief Services and Mulangaza Integrated Development Program.

**Chairperson:** Social Services, Environment, Youth and Gender

#### 4. Key Management Team

**Name:** Abdillah Omar Ahamad

**Date of Birth:** 18.03.1965

**Academic Qualification:** Bachelor's Degree in Economics

**Experience:** Over 25 Years' experience in Banking

**Position:** Municipal Manager



**Name:** Amani Munga Franklin

**Date of Birth:** 22<sup>nd</sup> May, 1983

**Academic Qualification:** Bachelor of Commerce – Finance Option, Diploma in Business Management

**Professional Qualification :-** CPAK

**Experience.** Has over 10 years' Experience in Financial Management and Accounting

**Position:** Municipal Senior Accountant



**Name:** Emmanuel Kevin Kahindi Kalu

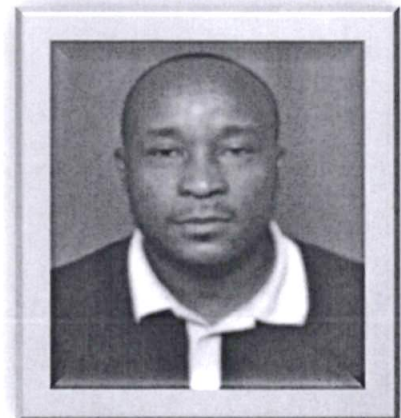
**Date of birth:** 18<sup>th</sup> May, 1983

**Academic Qualification:**

Bachelor of Arts in Integrated Development,  
Masters in Project planning and Management

**Experience:** Over 10 years in Administration and Management.

**Position:** Municipal Administrator



**Name: Batuli Athman Mohamed**

**Date of Birth:** 19/05/1987

**Academic Qualification:** Ongoing MBA Human Resources,  
Bachelor in Commerce finance option  
Diploma in Human Resource Management.

**Experience:** Over 10years HR Practicing.

**Position: Senior Human Resource Development Officer**



**Name: Walter Ogana**

**Date of Birth:** 8<sup>th</sup> March 1987

**Academic Qualification:**  
BA Urban and Regional Planning

**Experience:**  
11 Years in Urban Planning

**Position: Municipal Planner**



**Name: Prudence Kwekwe**

**Date of Birth:** 25<sup>th</sup> December, 1985

**Academic Qualification:**  
BE Arts, MBA (Human Resource Management)

**Experience:**  
Over 14 years' experience in: Coordinating and Implementing Youth and Gender Programmes in the National and County Government

**Position: Municipal Chief Social Welfare Officer**



**Name:** Mary Kabani

**Date of Birth:** 9<sup>th</sup> November 1984

**Academic Qualification:**

- Masters in Environmental Studies (Community Development)
- Bachelor of Tourism Management

**Experience:**

Over 10 years' experience in Tourism Product Development; Sports Coordination and Coaching; Life Skill Mentor; Events Organization and Conversation Expert.

**Position:** Municipal Tourism Officer



**Name:** Siyat Osman

**Date of Birth:** 4<sup>th</sup> March, 1991

**Academic Qualification:**

BSC Civil Engineering

**Experience:**

7 Years in Civil Engineering

**Position:** Municipal Engineer



## **5. Municipality Board Chairperson's Report**

The Municipality of Watamu derives its mandate from the *Urban Areas and Cities Act, No. 13 of 2011 (as amended in 2019)*. One of our core responsibilities is to promote social and economic development through structured budgeting and planning processes that prioritize the basic needs of the community.

On behalf of the Board, I extend our sincere appreciation to the **County Government of Kilifi**, under the stewardship of **Governor Gideon Maitha Mung'aro**, for the steadfast support extended to the Municipality. The County's contribution in the areas of **staffing and budgeting** has been invaluable, and we remain grateful for this partnership.

We also recognize the immense contribution of our **development partners and stakeholders**, including the **British Government through the SUED Programme**, the **Watamu Association**, the **Hotels Association of Watamu**, and other like-minded partners. Their collaboration has been instrumental in enabling the Municipality to achieve its goals, and we value their continuous support.

Within just **one year of operation**, the Municipality has recorded notable milestones:

- **Infrastructure Development:** Rehabilitation and construction of cabro roads have improved accessibility, enhanced mobility, and added aesthetic value to the town, including opening up beach areas for economic and social use.
- **Solid Waste Management:** The acquisition of a garbage truck and deployment of dedicated staff has strengthened waste management systems, contributing to a clean, safe, and green Watamu.
- **Street Lighting Programme:** Continuous improvement and expansion of street lighting in roads and market areas has boosted security, benefiting traders, residents, and tourists, while also stimulating economic activity.

These achievements have significantly contributed to improving the quality of life for residents and enhancing the attractiveness of Watamu as a tourist and investment hub. While growth has been steady but gradual, the Municipality's progress reflects the strong support received from the **County Executive**, our **development partners**, and all stakeholders committed to Watamu's transformation.

*County Government of Kilifi  
Municipality of Watamu  
Annual Report and Financial Statements for seventeen (17) Months Period Ended 30<sup>th</sup> June 2025*

I therefore take this opportunity to sincerely express my gratitude to:

- The County Government of Kilifi,
- Our development partners,
- Watamu Municipality stakeholders, and
- The dedicated management team of the Municipality.

Your collective efforts continue to make a lasting impact on the lives of the people of Watamu.

**May God bless the Municipality of Watamu.**



.....  
**Name: Pauline Daniel Munga**

**Chairperson of the Board**

## 6. Report of the Municipality Manager

The Municipality of Watamu is among the newly established Municipalities, deriving its authority and accountability from the *Urban Areas and Cities Act No. 13 of 2011 (as amended in 2019)* and the Municipal Charter gazetted on 31st January 2024.

For the Financial Year 2024/2025, the Municipality was allocated **Ksh. 125,427,564** by the County Executive. This was apportioned into **Ksh. 75,977,564 for recurrent expenditure** and **Ksh. 49,450,000 for development projects**. These funds enabled us to deliver on our mandate, including:

- Rehabilitation of access roads to cabro standards to facilitate garbage collection,
- Rerouting and installation of grid and solar streetlights in various parts of the Municipality to reduce insecurity.

In the **Solid Waste Management Unit**, the Municipality has made significant investments, including:

- Acquisition of a garbage truck,
- Deployment of dedicated staff to ensure efficient collection, and disposal of waste,
- Construction of **modern garbage receptacles** with segregation sections to promote solid waste recycling, while ensuring a safe, clean, and secure environment.

The Municipality upholds the **principle of Value for Money** in all projects by ensuring alignment with community needs and adherence to the pillars of economy, efficiency, and effectiveness. All contracts have been implemented within agreed timelines, guaranteeing timely completion and maximum benefit to the residents of Watamu.

While notable progress has been achieved, the Municipality faced several challenges in implementing its strategic objectives:

1. **Inadequate budget allocation** relative to the Municipality's expansive development needs.
2. **Delayed disbursement of funds**, which occasionally slowed down implementation timelines.
3. **Rapid population growth** and urbanization, exerting pressure on existing infrastructure and services.

4. **Limited technical capacity** in specialized areas such as waste recycling, and ICT-driven service delivery.
5. **Vandalism and theft** of street lighting infrastructure, leading to recurrent replacement costs.
6. **Community sensitization gaps** on proper waste disposal and recycling.

Looking ahead, the Municipality aims to build on the gains achieved while aligning to the County Integrated Development Plan (CIDP), the Municipality anticipates an **increased budget allocation** to support:

- Expansion of cabro-paved access roads to underserved neighbourhoods,
- Introduction of a **modern waste recycling plant** to complement existing segregation facilities,
- Scaling up **solar street lighting projects** for sustainable and cost-effective energy use,
- Development of **green public spaces and recreational parks** to promote environmental sustainability,

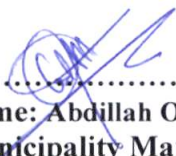
These programs are expected to significantly improve service delivery, enhance investor confidence, and contribute to the regeneration and long-term sustainability of Watamu Municipality.

To mitigate risks and enhance resilience, the Municipality has adopted the following measures:

- **Operational Risk Management:** Capacity building of staff and adoption of ICT systems to improve efficiency and reduce human error.
- **Community Engagement:** Enhancing stakeholder participation through public forums and awareness campaigns to build ownership of municipal projects.
- **Infrastructure Protection:** Collaboration with community policing units to safeguard municipal assets against theft and vandalism.
- **Environmental Risk Management:** Mainstreaming climate change adaptation measures in all projects, including use of renewable energy and green infrastructure.

**CONCLUSION**

The projects undertaken so far provide a solid foundation for the regeneration of Watamu Municipality. By addressing the highlighted challenges, implementing robust risk management strategies, and aligning with strategic development goals, the Municipality is well-positioned to strengthen service delivery and promote sustainable urban growth for the residents of Watamu.

  
.....  
**Name: Abdillah Omar Ahammad  
Municipality Manager**

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

Section 164 (2)(f) of the *Public Finance Management Act, 2012* requires that, at the end of each financial year, the Accounting Officer of a County Government entity shall prepare financial statements, including a statement of performance against predetermined objectives.

The Municipality of Watamu derives its mandate from the *Urban Areas and Cities Act, No. 13 of 2011 (as amended in 2019)* and the Municipal Charter of 31st January 2024. Although the Municipality is in its formative stage and has not yet finalized its **Strategic Development Plan**, implementation during FY 2024/2025 was guided by the **Annual Budget**, the **Municipal Charter**, and alignment with the County Integrated Development Plan (CIDP).

### Key Development Objectives and Performance – FY 2024/2025

#### a) Provision of Quality Physical Infrastructure

- **Planned/Target:** Improve accessibility and security within the Municipality.
- **Achievements:**
  - Rehabilitated access roads to cabro standards, easing movement and access to garbage collection units.
  - Installed both grid and solar-powered streetlights in high-priority areas, improving security for traders, tourists, and residents.
- **Challenges:** Limited budget constrained the scale of road coverage.
- **Status:** Partially achieved – expansion planned in FY 2025/2026.

#### b) Solid Waste Management

- **Planned/Target:** Enhance waste collection and promote a clean and green environment.
- **Achievements:**
  - Procured garbage trucks and deployed dedicated waste management staff.
  - Constructed **garbage receptacles** with waste segregation features.
- **Challenges:** Inadequate community sensitization on waste segregation and vandalism of receptacles.
- **Status:** Largely achieved – establishment of a central recycling plant is a future priority.

### **c) Urban Governance and Administration**

- **Planned/Target:** Establish effective governance and management structures.
- **Achievements:**
  - Operationalized the Municipal Board with regular sittings and stakeholder involvement.
  - Strengthened collaboration with the County Executive on budgeting and staffing.
- **Challenges:** Delays in fund disbursement and non disbursement
- **Status:** Partially achieved

#### **Summary of Future Outlook**

In FY 2024/2025, the Municipality focused on foundational projects in infrastructure, solid waste management, and governance, with commendable progress made despite budget and capacity limitations.

For **FY 2025/2026**, the Municipality anticipates an increased allocation to:

- Expand cabro-paved access roads,
- Establish a central waste recycling facility,
- Scale up solar street lighting projects,
- Develop the **Strategic Development Plan** and **Integrated Urban Development Plan (IUDP)** to guide long-term growth.

Below we provide the progress on attaining the stated objectives:

	Planned Target (as per FY 2024/2025 Budget & Charter)	Achievements	Variance	Remarks/Status
<b>Provision of Quality Physical Infrastructure</b>	Rehabilitate and upgrade access roads; expand street lighting coverage.	Cabro standard roads constructed in key areas; Grid and solar streetlights installed in markets, residential, and tourist areas.	Road coverage expansion not fully met due to budget ceilings.	Partially achieved. Additional expansion planned in FY 2025/2026.
<b>Solid Waste Management</b>	Acquire garbage trucks, recruit staff, and construct receptacles with segregation features.	Garbage trucks procured; staff deployed; modern garbage receptacles constructed.	Central recycling plant not yet established.	Largely achieved. Future focus on recycling and community sensitization.
<b>Urban Governance &amp; Administration</b>	Operationalize Municipal Board, strengthen administration, and improve service delivery.	Municipal Board established and functional; Collaboration with County on staffing and budgeting.	ICT adoption pending.	Prioritized in FY 2025/2026.

## **8. Corporate Governance Statement**

The Municipality of Watamu derives its authority from the *Urban Areas and Cities Act, No. 13 of 2011 (as amended in 2019)* and the Municipal Charter of 31st January 2024. The Municipality is committed to upholding the highest standards of corporate governance in its operations to ensure accountability, transparency, and effective service delivery.

### **Appointment of Board Members**

Board members are appointed in accordance with the Urban Areas and Cities Act and the Municipal Charter. The process involves stakeholder representation from professional bodies, community-based organizations, private sector, and the County Government. Removal of members follows due process as provided for in the law and Municipal Charter. The Board currently comprises a diverse membership in terms of gender, professional expertise, and stakeholder representation.

### **Roles and Functions of the Board**

The Board provides strategic leadership, oversight, and guidance to the Municipality. Its key roles include:

- Approving policies, plans, and budgets,
- Monitoring financial performance and resource utilization,
- Ensuring compliance with relevant laws and regulations,
- Promoting stakeholder engagement and accountability.

### **Induction, Training, and Development**

All new Board members undergo induction to familiarize themselves with the Municipal Charter, relevant legislation, and their fiduciary responsibilities. Plans are underway to implement continuous training and capacity-building programs with support from partners and the County Government.

### **Board and Members' Performance**

The performance of the Board and its members is reviewed annually against predetermined objectives, attendance, and contribution to governance. A performance evaluation framework is being developed.

### **Board Meetings and Attendance**

Attendance records are maintained, and members demonstrated strong commitment to the governance of the Municipality.

### **Succession Plan**

The Municipality is in the process of developing a **succession plan** to ensure continuity of leadership at both Board and management levels. This will strengthen institutional sustainability.

### **Board Remuneration**

Remuneration of Board members is determined in line with guidelines from the Salaries and Remuneration Commission (SRC). It comprises allowances for meetings and statutory benefits as applicable.

### **Ethics and Conduct**

The Board is guided by a **Code of Ethics and Conduct** which promotes integrity, professionalism, and accountability. Members are expected to uphold the highest ethical standards in all dealings.

### **Communication Policy**

The Municipality will develop a **Communication and Stakeholder Engagement Policy** to strengthen transparency, information flow, and public participation.

### **Committees and Terms of Reference**

The Board has constituted committees to enhance efficiency, including:

- Finance and General Administrative Services Committee
- Land, Housing, Physical Planning and Urban Development
- Road Transport and Public Works
- Social Services, Environment, Youth and Gender
- Audit and Risk Management

Each operates under clear Terms of Reference and reports to the full Board.

### **Policy on Related Party Transactions**

The Municipality will develop a **Related Party Transactions Policy** to ensure transparency and to prevent misuse of public resources. All transactions are disclosed in the financial statements in compliance with applicable accounting standards.

## 9. Management Discussion and Analysis

The Management Discussion and Analysis provides an overview of the operational and financial performance of Watamu Municipality for the period ended 30th June 2025. It highlights progress on key projects, compliance with statutory requirements, risks, and other relevant information to support users of the financial statements.

### Operational and Financial Performance

During FY 2024/2025, the Municipality received a total budget allocation of **Ksh. 125,427,564** from the County Executive, broken down as follows:

Category	Allocation (Ksh.)	% of Total Budget
Recurrent Expenditure	75,977,564	61%
Development Expenditure	49,450,000	39%
<b>Total</b>	<b>125,427,564</b>	<b>100%</b>

- **Recurrent expenditure** was utilized mainly on municipal operations and maintenance of infrastructure.
- **Development expenditure** was directed towards infrastructure upgrades (cabro roads), street lighting, and solid waste management.

### Key Projects and Investments

The Municipality implemented priority projects aligned to service delivery:

Project/Investment	Status	Key Achievements
<b>Road Rehabilitation (Cabro paving)</b>	Ongoing	Improved access roads to garbage collection points; enhanced mobility.
<b>Street Lighting (Grid &amp; Solar)</b>	Ongoing	Installed new lights in markets, residential areas, and tourist zones; improved security.
<b>Solid Waste Management</b>	Ongoing	Acquired garbage truck; deployed staff; constructed 10 garbage receptacles with waste segregation.

## **Compliance with statutory Requirements**

The Municipality adhered to the requirements of the:

- *Urban Areas and Cities Act (2011, amended 2019),*
- *Public Finance Management Act (2012),*
- *County Government Act (2012), and*
- Guidelines of the **Salaries and Remuneration Commission (SRC)** regarding allowances.

All procurement and contracting processes followed the **Public Procurement and Asset Disposal Act (2015)**.

## **Major Risks and Financial Obligations**

### **Key Risks Facing the Municipality:**

1. **Budgetary Constraints:** Current allocations are insufficient relative to service demands.
2. **Delayed Disbursement and Non:** Late release of funds slows down implementation .
3. **Vandalism and Theft:** Streetlights and waste receptacles are prone to vandalism.
4. **Capacity Gaps:** Limited technical ICT staff .
5. **Rapid Urbanization:** Increased pressure on infrastructure and waste management systems.
6. **Climate-related Risks:** Flooding during heavy rains affects road maintenance and waste collection.

### **Material Arrears:**

- No material arrears in statutory obligations were recorded in FY 2024/2025.
- Pending bills from development projects are minimal and scheduled for settlement in FY 2025/2026.

### **Other Relevant Information**

- **Partnerships:** The Municipality benefited from strong collaboration with the County Government, SUED programme, and private sector stakeholders (Watamu Association, Hotels Association).

- **Future Focus:** Management intends to prioritize:
  - Expansion of cabro-paved roads,
  - Establishment of a central recycling plant,
  - Scaling of solar street lighting,
  - Development of the Municipality's Strategic Development Plan and IUDP.

## 10. Environmental And Sustainability Reporting

### 1. Sustainability strategy and profile

The Municipality recognizes the increasing importance of sustainability in governance and service delivery, particularly in light of global challenges such as climate change, rapid urbanization, and economic inequality. In alignment with the **United Nations Sustainable Development Goals (SDGs)** and National Government sustainability commitments, the Municipality is progressively integrating environmental, social, and governance (ESG) considerations into its operations.

During the year under review:

- The Municipality promoted **inclusive procurement practices**, allocating contracts to **special groups (Youth, Women, and Persons with Disabilities)** in line with the Public Procurement and Asset Disposal Act.
- Service delivery processes continued to incorporate elements of **efficiency, transparency, and accountability** as outlined in the Service Charter.
- Although a comprehensive sustainability policy framework has not yet been fully developed, the Municipality is in the process of establishing a **Sustainability Policy** to guide future initiatives

### 2. Environmental performance

The Municipality acknowledges its role in environmental stewardship.

- **Waste Management:** Steps were taken to improve solid waste collection and disposal, including provision of bins. Plans are underway to pilot **waste segregation at source** and promote recycling initiatives.
- **Green Initiatives:** The Municipality plans to engage in tree planting and beautification projects in selected wards to mitigate the effects of climate change and promote urban greening.

- **Energy and Resource Efficiency:** The Municipality plans automation of select services (reducing paper usage) and began exploration of **solar-powered street lighting** to cut down on electricity costs and emissions.

**Challenges:** Limited budget allocation, inadequate enforcement of environmental policies, and weak community awareness.

**Mitigation:** Strengthening collaboration with community-based organizations, seeking partnerships with development agencies, and progressively implementing climate-smart projects.

### 3. *Employee welfare*

The Municipality is committed to fair labour practices, gender inclusivity, and safe working conditions.

- **Capacity Building:** Staff members were engaged in professional development through training workshops and continuous learning opportunities.
- **Occupational Safety and Health (OSHA 2007):** The Municipality made efforts to maintain safe workplaces and report incidents of occupational injuries.

#### *4. Market place practices*

##### **a) Responsible Competition**

The Municipality adheres to principles of **fair competition and transparency**, guided by procurement laws. Tenders are open and competitive.

##### **b) Supply Chain and Supplier Relations**

Suppliers are treated fairly, and efforts are being made to ensure **timely payments** in line with contract terms, though challenges remain due to funding delays.

##### **c) Responsible Citizen Engagement**

The Municipality continued its outreach through **public participation forums**, budget-making consultations, and information dissemination through notices, websites, and social media platforms.

##### **d) Safeguarding Citizen Rights**

The Municipality ensures that residents are well informed of their service entitlements.

#### ***Corporate Social Responsibility/Community Engagements***

During the reporting period, the Municipality engaged in the following CSR/community activities:

- **Beach Clean-up** in partnership with community groups.
- **Support to community infrastructure**, including rehabilitation of drainage improvement, and road maintenance.

**Impact:** These initiatives enhanced environmental conservation, improved community access to services, and strengthened trust between residents and the Municipality.

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

The Board Members submit their report together with the 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 to provide efficient service delivery to residents, promote socio-economic development, and enhance good governance in line with its mandate under the Urban Areas and Cities Act, 2011 (as amended in 2019).

### **Performance**

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

### **Board Members**

The members of the Board who served during the year are shown on page VIII - X.

### **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: Abdillah Omar Ahammad**

**Secretary of the Board**

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

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

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

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

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

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



*County Government of Kilifi  
Municipality of Watamu  
Annual Report and Financial Statements for seventeen (17) Months Period Ended 30<sup>th</sup> June 2025*

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

**Approval of the financial statements**

The Municipality financial statements were approved by the Board on 28/08/2025 and signed on its behalf by:

  
.....

**Name: Pauline Daniel Munga  
Chairperson of the Board**

  
.....

**Name: Abdillah Omar Ahammad  
Accounting officer of the Board**

# REPUBLIC OF KENYA



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Website: www.oagkenya.go.ke

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

## REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF WATAMU FOR THE SEVENTEEN (17) MONTH'S PERIOD ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF KILIFI

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Municipality of Watamu – County Government of Kilifi set out on pages 1 to 28, 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 period then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Municipality of Watamu at 30 June, 2025 and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the Urban Areas Act, 2011 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Unsupported Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs.44,448,675 as disclosed in Note 13 to the financial statements. Included in this balance is an amount of Kshs.12,100,100 in respect to acquisition of a lorry. However, no ownership documents for the truck acquired were provided for audit review.

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

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

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.125,427,564 and Kshs.46,343,782 respectively resulting to an under-funding of Kshs.79,083,782 or 63% of the budget. Similarly, the municipality spent Kshs.32,380,574 against actual receipts of Kshs.46,343,782 resulting to underutilization of Kshs.13,963,208 or 43% of the total receipts.

The under-funding and underutilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

## **Key Audit Matters**

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

## **Other Information**

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

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

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Use of Goods and Services**

The statement of financial performance reflects expenditure on use of use of goods and services totalling to Kshs.31,026,345 as disclosed in Note 7 to the financial statements. Review of records revealed the following:

### **1.1. Irregular Expenditure on Garbage Collection Services**

Included in this expenditure is an amount of Kshs.7,025,000 in respect to rent and rates out of which Kshs.4,450,000 was in respect of provision of thirty (30)-ton lorry for garbage collection by a local firm from 1 January, 2025 to 3 March, 2025 and from 7 March to 2 April, 2025. However, even though Management correctly indicate that the Municipality is a separate legal entity and incurred the expenditure on its own behalf, review of the records revealed that the contract signed for the supply of the garbage collection services was between the service provider and the County Government and was signed on 23 December, 2022 which was approximately thirteen (13) months before the Municipality was established.

In addition, even though, the procurement was purported to have been through framework agreement, the documents to proof the method under framework agreement used were not provided while the price charged was determined uncompetitively by the County Government.

Further, evidence of daily tasks undertaken including the work ticket of the truck(s) used, ownership documents and demonstration of thirty (30) ton payload to qualify for Kshs.50,000 rate per day were not provided for verification.

This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized, effective, efficient, economical and transparent.

### **1.2. Irregular Expenditure on Event Management Services**

Included in the expenditure on use of goods and services is expenditure totalling Kshs.4,961,150 in respect to hospitality supplies and services, out of which Kshs.2,162,049 was in respect to expenditure on provision of event management services to the Municipality during the Kilifi County International Investment Conference by a local trader which was held in December, 2024 at Vipingo Ridge. However, the reason why some of the services were outsourced to the service provider including procurement of gifts, VIP tickets, refreshments, transport to and from the destination and uniforms for the unidentified subcommittee team, instead of paid direct to the dealers, was not provided. Evidence that similar services were not offered by the County Executive during the conference, and this expenditure was therefore justified, was not provided.

This was contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorised; and effective, efficient, economical and transparent.

In the circumstances, the value for money on the expenditure could not be confirmed and 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

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

During the period under review, it was observed that the municipality did not have a risk management policy in place, nor had it instituted risk management strategies including fraud prevention, risk management system and internal controls that builds robust business operations.

This was contrary to Regulation 158(1) (a) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the Accounting Officer shall ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism; and the county government entity develops a system of risk management and internal control that builds robust business operations.

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

#### 2. Irregularity in Board Operations

The statement of financial performance reflects board expenses totalling Kshs.3,803,210 as disclosed in Note 8 to the financial statements. However, a review of the documents provided for audit revealed that the Board is composed of eight (8) gazetted members instead of the recommended nine (9) members contrary to Section 14 of the Urban Areas and Cities Act, 2011 which states that the provisions of Section 13 shall apply with respect to the Board of a Municipality except that such Board shall comprise nine (9) members of whom four (4) shall be appointed and five (5) elected in the prescribed manner.

In addition, out of the eight (8) members of the Board, no member of the Board was from special interest groups contrary to Section 13 (3) of the Urban Areas and Cities Act, 2011 which states the executive committee shall, while appointing members of the board ensure gender equity, representation of persons with disability, youth and

marginalized groups. Section 13 of the persons with Disability Act mandates the reservation of at least five percent (5%) of casual, emergency and contractual positions in both public and private sector for persons with disabilities.

Further, during the period under review, the Board of Management operated without annual work plan with a minimum focus on a review of management implementation of strategies, policies and plans and the Board did not determine its evaluation criteria and carry out an annual evaluation of its performance during the period under review. This was contrary to Section 1.9 of the Mwongozo which provides that Board members should ensure the development of an annual board work plan. The Board work plan should at minimum focus on a review of management's implementation of strategies, policies and plans, risk assessment and management, budgeting and financial management, quality assurance process, board evaluation, strategic planning and review, governance and compliance and competence development for board members.

In the circumstances, the effectiveness of internal controls, 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 those Charged with Governance**

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

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

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

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

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


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

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**


**04 December, 2025**

**14. Statement of Financial Performance for seventeen (17) Months Period Ended 30 June 2025.**

	Note	2024/2025
		KShs
<b>Revenue from non-exchange transactions</b>		
Transfer from the county government	6	91,635,211
		<b>91,635,211</b>
<b>Revenue from exchange transactions</b>		
<b>Total revenue</b>		<b>91,635,211</b>
<b>Expenses</b>		
Use of Goods and Services	7	31,026,345
Board expenses	8	3,803,210
Repairs and Maintenance	9	7,455,311
Depreciation and Amortization	10	2,428,141
<b>Total expenses</b>		<b>44,713,007</b>
<b>Surplus/( deficit) for the period</b>		<b>46,922,203</b>

The notes set out on pages 6 to 27 form an integral part of these Financial Statements. The entity financial statements were approved on 28/08/2025 and signed by:


.....  
  
**Name: Abdillah Omar Ahammad**  
**Municipality Manager**


.....  
  
**Name: Amani Munga Franklin**  
**Head of Finance**  
**ICPAK M/No: 33668**

15. Statement of Financial Position As At 30 June 2025

	Note	2024/2025
		KShs
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	11	13,963,208
Receivables-From County Executive	12	79,083,782
<b>Total Current Assets</b>		<b>93,046,990</b>
<b>Non-current assets</b>		
Property, Plant and Equipment	13	44,448,675
Intangible Asset	14	470,250
<b>Total Non-Current Assets</b>		<b>44,918,925</b>
<b>Total assets (A)</b>		<b>137,965,915</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Suppliers of Goods and services Payable	15	57,248,964
Bank overdraft	15	2,394
<b>Total Current Liabilities</b>		<b>57,251,358</b>
<b>Total liabilities (B)</b>		<b>57,251,358</b>
<b>Net assets (A-B)</b>		<b>80,714,557</b>
<b>Represented by:</b>		
Accumulated surplus		46,922,203
Capital/Development Grants/Fund		33,792,353
<b>Total Net Assets/Equity</b>		<b>137,965,915</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 28/08/2025 and signed by:

  
 .....  
 Name: Abdillah Omar Ahammad  
 Municipality Manager

  
 .....  
 Name: Amani Munga Franklin  
 Head of Finance  
 ICPAK M/No: 33668

16. Statement of Changes in Net Assets for seventeen (17) Months Period Ended 30 June 2025.

	Capital/Development Grants/Fund	Revaluation	Accumulated surplus	Total
		Reserve		
		KShs	KShs	KShs
<b>Balance as at 1 July 2024</b>				
Surplus/(deficit) for the year	-	-	46,922,203	46,922,203
Funds received during the year	33,792,353	-		33,792,353
Revaluation gain/loss		-	-	-
<b>Balance as at 30TH JUNE 2025</b>	<b>33,792,353</b>	<b>-</b>	<b>46,922,203</b>	<b>80,714,557</b>

17. Statement of Cash Flows for seventeen (17) Months Period Ended 30 June 2025.

	Note	JUNE 2025
		KShs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from the County Government-Recurrent		46,343,782
Public contributions and donations		
Interest Income		
<b>Total Receipts</b>		46,343,782
<b>Payments</b>		
Use of goods		13,393,088
Board expenses		1,843,200
Repairs and Maintenance		750,000
<b>Total Payments</b>		15,986,288
<b>Net cash flows from operating activities</b>		30,357,494
<b>Cash flows from investing activities</b>		
Purchase of PPE & intangible assets		(16,394,286)
Proceeds from sale of PPE		
<b>Net cash flows used in investing activities</b>		(16,394,286)
<b>Cash flows from financing activities</b>		
Proceeds from revolving fund receipts		
Additional borrowings		
Repayment of borrowings		
<b>Net cash flows used in financing activities</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>		
Cash and cash equivalents at 1 JULY 2024		-
<b>Cash and cash equivalents at 30TH JUNE 2025</b>	11	13,963,208

(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).

**18. Statement of Comparison of Budget & Actual Amounts for seventeen (17) Months Period Ended 30 June 2025.**

	Original budget a	Adjustments b	Final budget c=(a+b)	Actual on comparable basis d	Performance difference e=(c-d)	% utilisation f=d/c
Revenue	KShs	KShs	KShs	KShs	KShs	
Transfers from the County Government	100,427,564	25,000,000	125,427,564	46,343,782	79,083,782	37%
<b>Total revenue</b>	<b>100,427,564</b>	<b>25,000,000</b>	<b>125,427,564</b>	<b>46,343,782</b>	<b>79,083,782</b>	<b>37%</b>
<b>Expenses</b>						
Staff costs	17,927,564	(7,463,782)	10,463,782	-	10,463,782	0%
Use of Goods and Services	46,500,000	18,013,782	64,513,782	13,393,088	51,120,694	21%
Board expenses	5,000,000	1,000,000	6,000,000	1,843,200	4,156,800	31%
Repairs and Maintenance	6,000,000	4,450,000	10,450,000	750,000	9,700,000	7%
Capital Expenditure	25,000,000	9,000,000	34,000,000	16,394,286	17,605,714	48%
<b>Total expenditure</b>	<b>100,427,564</b>	<b>25,000,000</b>	<b>125,427,564</b>	<b>32,380,574</b>	<b>93,046,990</b>	<b>26%</b>
<b>Surplus/Deficit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,963,208</b>	<b>(13,963,208)</b>	

**Budget notes**

The underutilisation was as a result of late disbursement and non-disbursement of Ksh. 25,000,000 and Ksh. 54,083,782 respectively to the Municipality

An additional Ksh. 25,000,000 was allocated to the Municipality during supplementary budget that resulted to changes between original and final budget.

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

### **1. General Information**

The Municipality of Watamu is established through the Urban Areas and Cities Act of 2011 and as amended in 2019 and the Municipal Charter. The Municipality is wholly owned by the County Government of Kilifi and is domiciled in Kenya. The Municipal Board's objective is to enhance provision of quality urban services and promote environmental sustainability

### **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 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.

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

	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
<p>IPSAS 50: Exploration For &amp; Evaluation of Mineral Resources</p>	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>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.</li> </ul>

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

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

#### **4. Significant Accounting Policies**

##### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions**

###### ***Transfers from other government entities***

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

##### **ii) Revenue from exchange transactions**

###### ***Interest income***

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

##### **b) Budget information**

The original budget for FY 2024/2025 was approved by the County Assembly on 04<sup>th</sup> July 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Municipality recorded additional appropriations of Kshs. 25,000,000 on 23<sup>rd</sup> May 2025 following the governing body's approval.

The Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial

statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Cashflows has been presented in page 5 of these financial statements.

**c) Property, plant and equipment**

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

**d) Intangible assets**

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

**e) Biological Assets**

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

**f) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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

**Financial assets**

**Classification of financial assets**

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

or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

### **Subsequent measurement**

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

### **Amortized cost**

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

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

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

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

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

### **Trade and other receivables**

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

### **Impairment**

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

### **Financial liabilities**

#### **Classification**

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

#### **g) Inventories**

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

Raw materials: purchase cost using the weighted average cost method

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

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

**h) Provisions**

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

**i) Social Benefits**

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

**j) Contingent liabilities**

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

**k) Contingent assets**

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

**l) Nature and purpose of reserves**

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

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

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

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

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

**o) Foreign currency transactions**

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

**p) Borrowing costs**

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

**q) Related parties**

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

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Events after the reporting period**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue.

Two types of events can be identified:

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

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

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

**u) Currency**

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

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

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

### **Estimates and assumptions.**

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

### **Useful lives and residual values**

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

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	2024/2025
	KShs
Transfers from County Government - Recurrent	91,635,211
Transfers from County Government - Purchase of PPE	33,792,353
<b>Total</b>	<b>125,427,564</b>

(a) Transfers from County Government (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance*	Amount recognised in capital fund.	Total grant income during the year
	Kshs		
		Kshs	Kshs
County Government of Kilifi	91,635,211	33,792,353	125,427,564
<b>Total</b>	<b>91,635,211</b>	<b>33,792,353</b>	<b>125,427,564</b>

7. Use of Goods and Services

Description	2024/2025
	KShs
Utilities, supplies and services	212,000
Communication, supplies and services	254,000
Domestic travel and subsistence	6,420,555
Foreign travel and subsistence	483,792
Other operating expenses (Cleaning Services)	0
Printing, advertising, supplies & services	2,136,040
Rent and Rates	7,025,000
Hire of Transport, Equipment, Plant and Machinery	
Training expenses	84,000
Hospitality supplies and services	4,961,150
Specialized materials and services-Uniforms	2,992,080
Office and general supplies and services	2,971,000
Fuel, oil and lubricants	1,210,800
Contracted Professional Services	2,199,980
Bank Charges	75,948
<b>Total</b>	<b>31,026,345</b>

**8. Board Expenses**

Description	2024/2025
	KShs
Hospitality	2,009,910
Sitting allowances	321,900
Induction and Training	588,000
Travel and accommodation	883,400
<b>Total</b>	<b>3,803,210</b>

**9. Repairs and Maintenance**

Description	2024/2025
Motor vehicle expenses	1,804,324
Maintenance of civil works	5,650,987
<b>Total repairs and maintenance</b>	<b>7,455,311</b>

**10. Depreciation and Amortization**

Description	2024/2025
Property, plant and equipment	2,403,391
Intangible assets	24,750
<b>Total</b>	<b>2,428,141</b>

**11. Cash and cash equivalents**

Description	2024/2025
	KShs
Current account	13,963,208
<b>Total cash and cash equivalents</b>	<b>13,963,208</b>

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

Financial institution	Institution	KShs
<b>a) Current account</b>		
<i>CGK-MAIN AC WATAMU MUNICIPALITY</i>	<i>KCB-11335458980</i>	4,998,560
<i>WATAMU MUNICIPALITY DEVELOPMENT ACCOUNT</i>	<i>NCBA-1002575098</i>	-
<i>WATAMU MUNICIPALITY RETENTION ACCOUNT</i>	<i>NCBA-1002575145</i>	-
<i>CGK - OPERATIONS &amp; MAINTANANCE WATAMU MUNICIPALITY AC</i>	<i>KCB-11335459693</i>	2,076
<i>CGK - SALARIES AND WAGES WATAMU MUNICIPALITY</i>	<i>KCB-1335459340</i>	8,962,572
<b>TOTAL</b>		<b>13,963,208</b>

County Government of Kilifi

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12. Receivable from the County Executive

Description	2024/2025
	KShs
Receivables-From County Executive	79,083,782
	<b>79,083,782</b>

Ageing analysis:	2024/2025	% of the Total
Under one year	79,083,782	100%
1-2 years		
2-3 years		
Over 3 years		
<b>Total</b>	<b>79,083,782</b>	<b>100%</b>

13. Property, Plant and Equipment

Description	2024/2025
	KShs
Property, Plant and Machinery	44,448,675
<i>See PPE schedule in the payment schedules</i>	<b>44,448,675</b>

	Buildings	Motor	Roads	Furniture	Computers	Other	Capital	Total
Description	Shs	vehicles	Shs	and fittings	Shs	Assets	Work in progress	Shs
Depreciation Rate	2%	(Lorries)	20%	12.50%	30%	12.50%	Shs	Shs
<b>As at 1 July 2023</b>								
Additions								
<b>As at 30th June 2024 (Previous year)</b>	-	-	-	-	-	-	-	-
Additions for the year		12,100,000		4,213,736	1,639,350	1,398,950	27,500,030	46,852,066
Disposals for the year								
Transfer/adjustments								
<b>As at 30th June 2025 (Current year)</b>	-	12,100,000	-	4,213,736	1,639,350	1,398,950	27,500,030	46,852,066
<b>Depreciation</b>								
<b>At 1 July 2023</b>								-
Depreciation	-		-					-
Transfers/ Adjustments								
<b>As at 30 June 2024 (Previous Year)</b>	-		-	-	-	-	-	-
Depreciation for the year	-	1,210,000	-	526,717	491,805	174,869	-	2,403,391
Disposals for the year								
Impairment for the year								
Transfer/adjustment								
<b>As at 30th June 2025 (current year)</b>	-	1,210,000	-	526,717	491,805	174,869	-	2,403,391
<b>NBV as at 30th Jun 2024 (previous year)</b>	-	-	-	-	-	-	-	-
<b>NBV as at 30th Jun 2025 (current year)</b>	-	10,890,000	-	3,687,019	1,147,545	1,224,081	27,500,030	44,448,675

**Note:** Management adopted the **Guidelines for the Management of Specific Categories of Assets and Liabilities** issued by the National Treasury in 2020, as the Municipality is yet to develop its own depreciation and amortization policy.

#### 14. Intangible Asset

Description	2024/2025
	Kshs.
<b>Cost</b>	
<b>At beginning of the year</b>	
Additions	495,000
<b>At end of the year</b>	<b>495,000</b>
<b>Amortization and impairment</b>	<b>0.05</b>
<b>At beginning of the year</b>	
Amortization	24,750.00
<b>At end of the year</b>	<b>24,750.00</b>
Impairment loss	
<b>At end of the year</b>	
<b>NBV</b>	<b>470,250</b>

#### 15. Payables

Description	2024/2025
	KShs
Suppliers of Goods and services	57,248,964
Bank overdraft	2,394
<b>Total accounts payable</b>	<b>57,251,358</b>

Ageing analysis:	2024/2025	% of the Total
Under one year	57,251,358	100%
1-2 years		
2-3 years		
Over 3 years		
<b>Total</b>	<b>57,251,358</b>	<b>100%</b>

## **16. Financial risk management**

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

### **I. Credit risk**

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

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 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

*County Government of Kilifi*

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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.

### **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.

#### **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.

### **V. Interest rate risk**

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

#### **Management of interest rate risk**

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

**VI. Capital risk management.**

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

**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)
Reporting for the 1 <sup>st</sup> time				

**Guidance Notes:**

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



.....

*To be Signed by the Accounting officer of the Entity*

County Government of Kilifi  
Municipality of Watamu  
Annual Report and Financial Statements for seventeen (17) Months Period Ended 30<sup>th</sup> June 2025

Appendix 2: Inter-Entity Transfers

MUNICIPALITY NAME:				
Breakdown of Transfers from the County Executive of Kilifi 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>
		18.12.2024	46,343,782.00	2024-2025
		09.07.2025	25,000,000.00	2024-2025
		<b>Total</b>	<b>71,343,782.00</b>	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>		
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		<b>Total</b>	<b>71,343,782.00</b>	

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

*F. M. M.*

..... **BONAVENTURE F.M.** .....

*[Handwritten Signature]*

Signed by the ~~Head~~ **Manager** of Accounts of the Entity and the transferring Entities

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

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

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

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

**Appendix 4: Disaster Expenditure Reporting Template**

Date:

Entity

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