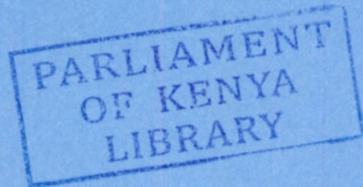


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



OF

THE AUDITOR-GENERAL

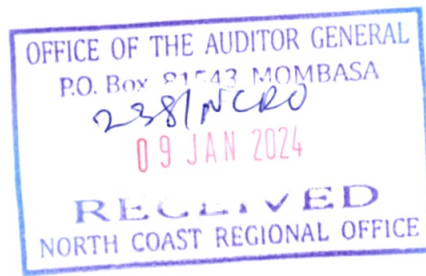
ON

MUNICIPALITY OF MALINDI

**FOR THE YEAR ENDED
30 JUNE, 2023**

**COUNTY GOVERNMENT OF
KILIFI**

PAPERS LAID	
DATE	12/03/2024
TABLED BY	MAJORITY LEADER
COMMITTEE	FINANCE
CLERK AT THE TABLE	CHEROP



MUNICIPALITY OF MALINDI

County Government of Kilifi

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2023

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

Contents

1. ACRONYMS & GLOSSARY OF TERMS	ii
2. KEY ENTITY INFORMATION AND MANAGEMENT	iii
3. MUNICIPALITY BOARD	vii
4. KEY MANAGEMENT TEAM.....	x
5. MUNICIPALITY BOARD CHAIRPERSON'S REPORT	xii
6. REPORT OF THE MUNICIPALITY MANAGER.....	xiv
7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY 2022/2023.....	xvi
8. CORPORATE GOVERNANCE STATEMENT	xviii
9. MANAGEMENT DISCUSSION AND ANALYSIS	xx
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xxii
11. REPORT OF THE MUNICIPALITY BOARD MEMBERS	xxiii
12. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	xxiv
13. REPORT OF THE INDEPENDENT AUDITOR.....	xxvi
14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023.....	1
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023	2
16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023	3
17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023	4
18. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023	5
19. NOTES TO THE FINANCIAL STATEMENTS	6
20. APPENDICES.....	32

1. Acronyms & Glossary of Terms

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

2. Key Entity Information and Management

a) Background information

Municipality of Malindi is established by and derives its authority and accountability from the Urban Areas and Cities Act 2011 which was amended and Assented by an Act of Parliament on 12th March, 2019 and Commenced on 28th March, 2019.

The entity has a principal agent relationship with the County Government of Kilifi.

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 the Municipality.

b) Principal Activities

The principal activity of the Board is to:

- Oversee the affairs of the Municipality
- Develop or adopt policies, plans, strategies and programmes and set targets for service delivery
- Entering into contracts, partnerships or joint ventures as it may consider necessary for the discharge of its functions
- Monitoring and where appropriate regulating Municipal services where these services are provided by service providers other than the Board of Municipality
- Collecting rates, taxes levies, duties, fees and surcharges on fees as delegated by the County Government of Kilifi
- Performing such other functions as delegated by the County Government of Kilifi

c) Key Management

Ref	Name	Position
1	Jane Kamto	CECM Lands, Physical Planning & Urban development
2	Ali Abubakar	CO Lands, Physical Planning & Urban development
3	Johnson Mwabati	Ag. Municipality Manager
2	Franklin Amani	Municipality Accountant
3	Emmanuel Kalu	Municipality Administrator
4	Jacinta Makau	Municipality Physical Planner
5	Benjamin Kahindi	Municipality Human Resource Officer

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Ag. Municipality Manager	Johnson Mwabati
2	Chief Internal Auditor	Philister Kahindi
3	Municipality Accountant	Franklin Amani
4	Municipality Administrator	Emmanuel Kalu
5	Municipality Physical Planner	Jacinta Makau
6	Municipality Human Resource Officer	Benjamin Kahindi

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Chair Audit Committee	Rose Dama
2	Audit Committee Member	Johnson Thoya
3	Audit Committee Member	Ali Abubakar
4	Chief Internal Auditor	Philister Kahindi

f) Registered Offices

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

g) Contacts

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

h) Bankers

NCBA BANK
P.O. Box 44599-00100
Nairobi
Malindi, Branch
KCB
Malindi Branch
P.O. BOX 520-80200
Malindi

i) Independent Auditor

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

j) Principal Legal Adviser

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



k) Principal Legal Adviser

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




3. Municipality Board

Serial No.	Name	Details of qualifications and experience
1	<p>Jane Kamto</p> 	<p>Date of Birth:</p> <p>Academic Qualification: Bachelor of Education</p> <p>Experience: 27 years experience in Education and administration</p> <p>Area of responsibility: CECM Lands & urban development</p>
2	<p>Ali Abubakar</p> 	<p>Date of Birth: 1988</p> <p>Academic Qualification: Masters in Business Administration</p> <p>Experience: Over 8 years experience in Finance and Accounting.</p> <p>Area of responsibility: CO Lands & urban development</p>




*County Government of Kilifi
Municipality of Malindi
Annual Report and Financial Statements for the year ended June 30, 2023*

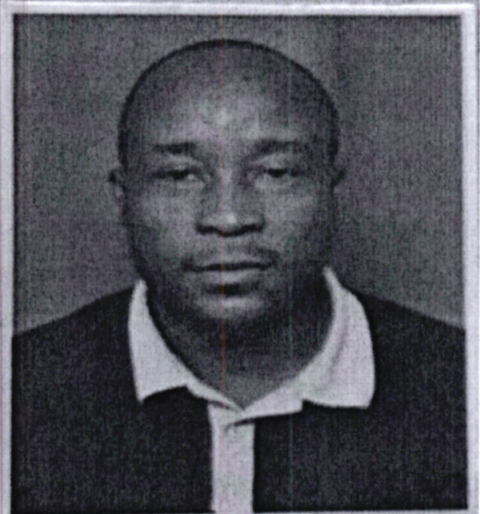

<p>3</p>	<p>Geoffrey Katsoleh</p> 	<p>Date of birth: 1969 Academic Qualification: PhD Law Enforcement and Justice Administration Experience: 24 Years Area of responsibility – Chairman, Municipal Board.</p>
<p>4</p>	<p>Benjamin Sholo</p> 	<p>Date of birth: 26.04.1972 Academic Qualification: Masters of Art Work experience: 24 Years in teaching Area of responsibility – Chairman Finance, Administration and Governance of Malindi Municipal.</p>

*County Government of Kilifi
Municipality of Malindi
Annual Report and Financial Statements for the year ended June 30, 2023*

<p>5</p>	<p>Johnson Toya</p> 	<p>Date of birth:</p> <p>Academic Qualification: Diploma in Education</p> <p>Work experience: Teacher and education officer.</p> <p>Area of responsibility: Chair Urban Development, Housing and Public Works</p>
<p>6</p>	<p>Rose Dama</p> 	<p>Date of birth: 04.08.1993</p> <p>Academic Qualification: Bachelor of Architecture Degree</p> <p>Work experience: 6 years experience in Architecture .</p> <p>Area of responsibility: Chair Audit committee</p>
<p>7</p>	<p>Johnson Mwabati</p> 	<p>Date of birth: 1980</p> <p>Academic Qualification: Bachelor of Science in Civil Engineering.</p> <p>Work experience: 14 years Experience in Civil Engineering.</p> <p>Area of responsibility: Ag. Municipality Manager</p>

4. Key Management Team

Serial No	Name	Details of qualifications and experience
1.	<p>Johnson Mwabati</p> 	<p>Date of birth: 1980</p> <p>Academic Qualification: Bachelor of Science in Civil Engineering.</p> <p>Work experience: 14 years Experience in Civil Engineering.</p> <p>Area of responsibility: Ag. Municipality Manager</p>
2.	<p>Frankline Amani</p> 	<p>Date of Birth: 22nd MAY 1983</p> <p>Academic Qualification: Bachelor of Commerce – Finance Option CPA II Diploma in Business Management</p> <p>Experience: Has over 10 years Experience in Finance and Accounting</p> <p>Area of responsibility: Municipality Accountant</p>
3	<p>Hussein Mwasimu</p> 	<p>Date of birth: 12.06.1963</p> <p>Academic Qualification: BSc Environmental Health Science</p> <p>Work experience: 33 Years in Environmental Health Officer</p> <p>Area of responsibility – Environmental Health Officer</p>

4.	Emmanuel Kalu 	Date of birth: 1983 Academic Qualification: Bachelor of Arts in Integrated Development, Masters in Project planning and Management Work experience: Over 10 years work experience Area of responsibility Municipality Administration
5	Benjamin Kahindi 	Date of birth: 2 nd March, 1983 Academic Qualification: Bsc in Human Resource Work experience: Over 10 years work experience Area of responsibility Municipality Human resource

5. Municipality Board Chairperson's Report

One of the key mandates of Municipality of Malindi is to promote the social and economic development by budgeting and planning process to give priority to the basic needs of the community.

The Municipality wishes to recognize and to express its sincere appreciation to the County Government of Kilifi under the stewardship of Governor Gedion Maitha Mung'aro for the steadfast support and contribution to the Municipality in areas of Staffing and Budgeting where it has been invaluable and I grateful for that.

The Municipality greatly appreciates our development partners including World Bank and the British Government through the SUED programme. Their partnership has been instrumental in achieving our goals.

The successes of this Municipality speak for themselves: Ranging from Infrastructural projects, Storm water management, Solid Waste Management and street lighting. These projects have catapulted Malindi to greater lengths within the 4 years existence.

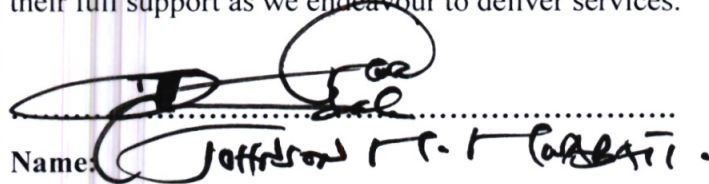
Some of the key roads that have received funding from the World Bank through the Kenya Urban Support Program include the famous Barclays - Mtangani Road, Farmers – Kosovo Road and the Majengo – Central Primary School Road. These roads infrastructure have greatly improved accessibility and aesthetic value to the town.

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

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

All these gains have been made possible by the unwavering support from the County Government and Partners who have shown great support to improving lives of the people of Malindi.

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



Name: **Jefferson M. M. Kabati.**
Board Chairperson.

6. Report of the Municipality Manager

Municipality of Malindi is established and derives its authority and accountability from the Urban Areas and Cities Act 2011 which was amended and Assented by an Act of Parliament on 12th March, 2019 and Commenced on 28th March, 2019.

During the FY 2022-2023 on the 18th day of May H.E. The Governor Gideon Mung'aro disbanded the whole board of Malindi Municipality in a press statement released on the same. Although plans to put in place a new board were underway at the time of reporting the board was yet to be fully constituted

The key objective of Municipality is to provide for efficient and accountable management of the affairs of the Municipality while vigorously pursuing the developmental opportunities available by budgeting and planning processes.

Its most essential function is on health and safety, transportation, sanitation, environmental and utilities. The last 4 years since inception of the Municipality, showed tremendous gains that have been felt far and wide by residents and visitors in areas like infrastructure development, Solid waste management, Street lighting and storm water management.

The infrastructure development in regards to construction and improvement of Roads have been successful thanks to budgetary allocation from the County Government and the World Bank through KUSP. Further, the seamless collaboration with the people of Malindi has accelerated the implementation of these important infrastructure.

In the Solid Waste Department, the Municipality has invested heavily in terms of specialized garbage trucks and dedicated staff who ensure every litter every trash is swept and picked to the right place for collection and dumping.

Malindi is no longer experiencing storm water flooding thanks to the 2 specific storm water drainage projects: The Augmentation of Storm water drainage in Barani and the Outfall drainage works that evacuates storm water into the ocean.

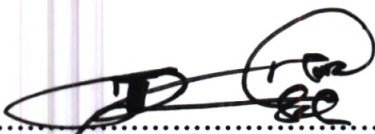
In promoting the social and economic development of the community, the Municipality has implemented successfully over 5 development projects from its budget and 7 infrastructure projects with funding from the World Bank through the Kenya Urban Support Programme.

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

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

The Ag. Malindi Municipal Manager Engineer Johnson Mwabati has also stated that despite the tremendous growth achieved in the Municipality, staffing has been a challenge due to a lean number of seconded staff who also are subjected to regular transfers leading to a loss of institutional memory. It is his request that staff be deployed to the Municipality permanently until such a time when the Board will employ for the Municipality.

It is the Administration's resolve to ensure that all decisions of the Board are implemented without undue delay for the purpose of attaining the vision of sustainable urbanisation and surpassing the lost glory to Malindi for the socio-economic enhancement of the inhabitants.


.....
Name: *Johnson M. Mwabati*
Municipality Manager

7. Statement of Performance Against Predetermined Objectives for the FY 2022/2023

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each year, the Accounting officer when preparing financial statements of each County Government entity, Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Municipality of Malindi County Government Entity's 2018-2023 plans are to:

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

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Regeneration of the Malindi public Water front and tourist infrastructure Project	To provide a key infrastructure for the development of foreign and domestic tourism	Increase of tourists and revenue which will in turn create economic development and employment opportunities	% in the number of tourists visiting Malindi	The project is currently 100% complete
Construction of outfall water drainage within Malindi	To arrest the perennial flooding in the town	Enhanced motor ability and ease of doing business during the rainy season	Reduced inconveniences to traffic and pedestrians	The project is at 100% completion
Non-motorized transport at Barani	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion

County Government of Kilifi

Municipality of Malindi

Annual Report and Financial Statements for the year ended June 30, 2023

Upgrading to bitumen standard of Barclays Mtangani Road	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion
Construction of outfall water drainage	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion
Upgrading to bitumen standard of Farmers Kosovo road	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion
Upgrading to cabro standard of Majengo Central road	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion

8. Corporate Governance Statement

The Board

The Municipality of Malindi is established by and derives its authority and accountability from Urban Areas and Cities Act of 2011 and as amended in 2019

The Municipality has a gazetted Municipal Charter.

The Board has the overall mandate to oversight.

The Board of the Municipality of Malindi is guided in its functions by the Urban Areas and Cities Act 2011 and the Municipality of Malindi Charter.

During the FY 2022-2023 on the 18th day of May H.E. The Governor Gideon Mung'aro disbanded the whole board of Malindi Municipality in a press statement released on the same. Although plans to put in place a new board were underway at the time of reporting the board was yet to be fully constituted

This Municipality undertakes to perform the following functions within its boundaries: -

- a) Promote, regulate and provide refuse collection and solid waste management services;
- b) Promote and provide water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation Provider);
- c) Construct and maintain urban roads and associated infrastructure;
- d) Control and maintain storm water drainage and flood controls;
- e) Construct and maintain walkways and other non-motorized transport infrastructure;
- f) Construct and maintain recreational parks and green spaces;
- g) Construction and maintain street lightings;
- h) Construct maintain and regulate traffic controls and parking controls and parking facilities;
- i) Construct and maintain bus stands and taxi stands;
- j) Regulation of outdoor advertising;
- k) Construct, maintain and regulate municipal markets and abattoirs;

County Government of Kilifi

Municipality of Malindi

Annual Report and Financial Statements for the year ended June 30, 2023

Board Meetings

S/No	BOARD COMMITTEE	DATE	ATTENDANCE
1.	Finance, Administration and Governance	1 st September 2021	All Members
		13 th December 2021	All Members
		29 th March 2022	All Members
		29 th June 2022	All Members
2.	Audit	4 th October 2021	All Members
		12 th January 2022	All Members
		3 rd April 2022	All Members
		9 th August 2022	All Members
3.	Urban Development. Physical Planning and Housing	7 th September 2021	All members
		3 rd December 2021	All Members
		30 th March 2022	All members
		19 th June 2022	All Members

Organization structure

The Municipality of Malindi organogram and staff establishment is currently with the Finance, Administration and Governance committee awaiting presentation to the Board for approval and adoption before it is forwarded to the County Public Service Board

9. Management Discussion and Analysis

In the year 2022/2023, the Municipality was allocated a budget of Kshs. 215,766,811 and Kshs. 1,194,559 from the Urban Development Grant (UDG).

Prudent financial management is a priority to the Administration of Municipality of Malindi in ensuring that funds disbursed to are put to proper use.

There was a balance brought forward of Ksh. 178,113,812.45 under Urban Development Grant and Kshs. 171,600,093 was utilized on various projects.

The County Government of Kilifi allocated Kshs. 215,766,811 to the Municipality during the Financial year 2022/2023 of which Kshs. 178,757,914 was utilized translating to 82%.

The Municipality key projects implemented

Program	Objective	Outcome	Indicator	Performance
Regeneration of the Malindi public Water front and tourist infrastructure Project	To provide a key infrastructure for the development of foreign and domestic tourism	Increase of tourists and revenue which will in turn create economic development and employment opportunities	% in the number of tourists visiting Malindi	The project is currently 100% complete
Construction of outfall water drainage within Malindi	To arrest the perennial flooding in the town	Enhanced motor ability and ease of doing business during the rainy season	Reduced inconveniences to traffic and pedestrians	The project is at 100% completion
Non-motorized transport at Barani	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion
Upgrading to bitumen standard of Barclays Mtangani Road	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion

County Government of Kilifi

Municipality of Malindi

Annual Report and Financial Statements for the year ended June 30, 2023

Construction of outfall water drainage	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion
Upgrading to bitumen standard of Farmers Kosovo road	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion
Upgrading to cabro standard of Majengo Central road	Create a conducive environment and space for doing business on a 24hr basis	Increase in the number of people doing business	% of new businesses registered	The project is at 100% completion

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

10. Environmental And Sustainability Reporting

1. Environmental Performance

The Municipality developed a Solid waste management policy that guides the day-to-day efforts to manage waste.

2. Employee welfare

Through the County Public Service Board, the Human Resource Policies and Procedures Manual for the Public Service May, 2016 guides on recruitment based on fair competition and merit; representation of diverse communities, adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons with disabilities and minorities. Recruitment and Selection Policy and Gender Mainstreaming Policy also guides on the hiring process.

Training and development programs conducted allows employees to acquire new skills hence improve employee performance and boost productivity. The Municipality of Kilifi has put into consideration that staff at least attend one crucial training each financial year. Furthermore, Performance Contracting is cascaded by linking performance contracts to the staff performance appraisal system (SPAS).

The Occupational Health and Safety Policy provides for the Health, Safety and welfare of persons employed and all persons lawfully present at workplaces and related matters. Measures like installation of fire extinguishers and emergency exits in buildings are in place.

3. Community Engagements

The Municipality of Malindi has had an engagement with the stakeholders and the Local leaders through public participation forums as well as creating a culture of involving the public in matters of governance and in project planning and implementation

11. Report of the Municipality Board Members

The Board submitted their report together with the unaudited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The principal activities of the Municipality are:

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

Performance

The performance of the Municipality for the year ended June 30, 2023 are set out on page 1

Board Members

The members of the Board who served during the year are shown on page VII.

The changes in the Board during the financial year are as shown below:

During the FY 2022-2023 on the 18th day of May H.E. The Governor Gideon Mung'aro disbanded the whole board of Malindi Municipality in a press statement released on the same. Although plans to put in place a new board were underway at the time of reporting the board was yet to be fully constituted

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:

Jefferson T. H. H. H. H.
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, 2023. 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, 2023, and the financial position as at that date.

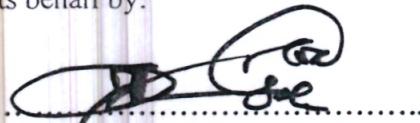
The Municipality Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern.

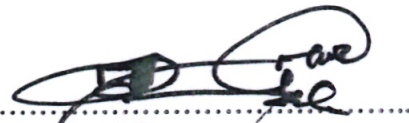
Nothing has come to the attention of the Municipality Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Municipal's financial statements were approved by the Board on 22/07/2023 and signed on its behalf by:



Name: Jottalson M. H. Mwakibati
Chairperson of the Board



Name: Jottalson M. H. Mwakibati
Accounting officer of the Board

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF MALINDI FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF KILIFI

PREAMBLE

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

- A. Report on the 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 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 Government achieves value for money and that such funds are applied for the intended purpose.
- 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, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Municipality of Malindi - County Government of Kilifi set out on pages 1 to 33, which comprise of the statement of financial

position as 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Municipality of Malindi - County Government of Kilifi as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012, the Urban Areas and Cities (Amended) Act, 2011, and the Kilifi County Subsidiary Legislation, 2019.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Financial Performance

The statement of financial performance reflects revenue from transfer from County Government totalling to Kshs.199,159,730. However, records from the payments made by the County Government indicate that payments totalling to Kshs.163,038,499 was paid to Malindi Municipality main account resulting to unexplained revenue variance of Kshs.36,121,231.

In the circumstances, the accuracy and completeness of the transfer from the County Government balance of Kshs.199,159,730 could not be confirmed.

2. Inconsistencies and Inaccuracies in the Statement of Financial Position

The statement of financial position reflects an opening balance of Kshs.37,500,000 in respect of receivables from the County Executive. However, the corresponding balance in Note 15 to the financial statements indicates a balance of Kshs.4,524,943 resulting to unreconciled and unexplained variance of Kshs.32,975,357. Additionally, the statement of financial position seems not to have balanced since net assets is Kshs.310,331,532 while the recomputed combined balance of accumulated surplus and capital/development grants/fund reflects a balance of Kshs.408,223,215 resulting to unreconciled variance of Kshs.106,891,683.

In the circumstances, the accuracy and completeness of the statement of financial position could not be confirmed.

3. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects cash and cash equivalents balance of Kshs.63,544,798 as at 30 June, 2023. However, net cash flows from investing activities negative balance of Kshs.176,409,243 on purchase of property, plant, equipment and

intangible assets could not be confirmed since it was not supported by either a note nor traced in the detailed analysis of property, plant and equipment for the current period under review. Additionally, the net increase/(decrease) in cash and cash equivalents negative balance of Kshs.134,468,245 differs with the recomputed negative balance of Kshs.146,658,673 resulting to unreconciled variance of Kshs.12,190,428.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.63,544,798 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 Malindi Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.398,652,311 and Kshs.203,832,934 respectively, resulting in an underfunding of Kshs.194,819,378 or 49% of the budget. Similarly, the Municipality expended Kshs.350,491,607 against an approved budget of Kshs.398,652,311, resulting to an under-expenditure of Kshs.48,160,704 or 12% of the budget.

The underfunding and under-expenditure may lead to unmet provision of services to the residents of Malindi Municipality.

My opinion is however, not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2023. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Engagement of Casual Workers

The statement of financial performance and Note 9 to the financial statements reflect expenditure on staff costs totalling to Kshs.31,118,644, being salaries and wages for casual and contractual staff who were received from the Department of environment and Natural Resources Management. However, no approval of the County Public Service Board was provided for audit review contrary to the County Human Resource Manual, 2013 Part B.16 (1) that provides that casual workers shall be engaged only on urgent short-term tasks with the approval of the County Public Service Board. Further, the casuals were engaged for periods of more than three (3) months, contrary to Section 37(1) of the Employment Act, 2007.

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

2. Lack of Training Needs Assessment Reports

The statement of financial performance and Note 10 to the financial statements reflects expenditure totalling to Kshs.57,179,600 on use of goods and services which includes Kshs.2,642,257 in respect of training expenses. However, training needs assessment report and minutes of meeting at which the training plan was discussed and approved were not provided contrary to the Public Service Commission HR Policies Manual, 2016 Section H.1 (5).

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

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, 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 effect 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 public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Staff Under-Establishment

The statement of financial performance and Note 9 to the financial statements reflects expenditure on staff costs totalling to Kshs.31,118,644. However, the Municipality's staff establishment indicated that out of the three hundred and ninety-five (395) job positions, two hundred and twenty-five (225) positions had been substantially filled, with eleven (11) positions being either secondments or deployments from the County Executive departments resulting to staff shortage of 170.

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

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

Responsibilities of Management and Municipality Board

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

In preparing the financial statements, Management is responsible for assessing the Municipality's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Municipality or 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 are in compliance with the authorities, which govern them, and that public resources are applied in an effective way.

The Municipality Board is responsible for overseeing the Municipality's financial reporting process, reviewing the effectiveness of how Management monitors compliance with

relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to




those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Municipality to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Municipality to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

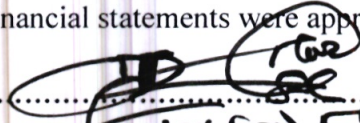
25 January, 2024

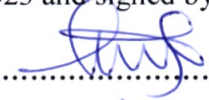
Municipality of Malindi
County Government of Kilifi
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Performance for The Year Ended 30 June 2023.

	Note	2022/2023	RESTATED 20201/2022
		KShs	KShs
Revenue from non-exchange transactions			
Transfer from the county government	6	199,159,730	50,643,534
Public Contribution and Donations	7	1,194,559	60,562,064
		200,354,289	111,205,598
Revenue from exchange transactions			
Interest income	8	3,478,645	5,186,540
Total revenue		203,832,934	116,392,138
Expenses			
Staff costs	9	31,118,644	18,850,724
Use of Goods and Services	10	57,179,600	28,965,302
Board expenses	11	5,395,632	5,079,900
Depreciation	12	3,260,763	-
Repairs and Maintenance	13	80,388,488	-
Total expenses		177,343,128	52,895,925
Surplus/(deficit) for the period		26,489,806	63,496,213

The notes set out on pages 6 to 31 form an integral part of these Financial Statements. The entity financial statements were approved on 22/09/ 2023 and signed by:


 Name: Johnson M. T. G. Bati
 Municipality Manager



 Name: Amari Mwangi
 Head of Finance

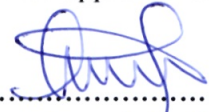
County Government of Kilifi
Municipality of Malindi
Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position as at 30 June 2023

	Note	2022/2023	2021/2022
		KShs	KShs
ASSETS			
Current assets			
Cash and cash equivalents	14	63,544,798	198,013,043
Receivables-From County Executive	15	4,524,943	37,500,000
Total Current Assets		68,069,741	235,513,043
Non-current assets			
Property, Plant and Machinery	16	253,598,928	176,948,575
Total Non-Current Assets		253,598,928	176,948,575
Total assets		321,668,668	412,461,618
LIABILITIES			
Current liabilities			
Suppliers of Goods and services Payable			4,945,355
Refundable deposits from customers	17	20,337,136.00	7,041,820
Total Current Liabilities		20,337,136.00	11,987,175
Non-current liabilities			
Total liabilities		20,337,136.00	11,987,175
Net assets		301,331,532	400,474,443
Accumulated surplus		224,502,849	190,204,140
Capital/Development Grants/Fund		183,720,366	177,716,657
Total net assets and liabilities		321,668,668	412,461,618

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 22/09/2023 and signed by:

.....

Name: Jefferson K. Mwangi
Municipality Manager
Date: 05/01/2024

.....

Name: Anwar Franklin
Head of Finance
Date: 05/01/2024

*County Government of Kilifi
Municipality of Malindi
Annual Report and Financial Statements for the year ended June 30, 2023*

16. Statement of Changes in Net Assets For the Year Ended 30 June 2023

	Capital/Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 01 July 2021 RESTATED	96,498,127.00	-	187,269,991	283,768,118
Surplus/(deficit) for the period	-	-		
Surplus/(deficit) for the period Acq of Assets				
Funds received during the year	60,562,064	-		60,562,064
Funds received during the year - Purchase of PPE	6,356,466			
Funds received during the year - Development	14,300,000			
Revaluation gain	-	-		
Balance as at 30 June 2022	177,716,657	-	198,013,043	375,729,700
Balance as at 1 July 2022	177,716,657	-	198,013,043	375,729,700
Surplus/(deficit) for the period	-	-	26,489,806	26,489,806
Funds received during the year - UDG	1,194,559			1,194,559
Funds received during the year - Purchase of PPE	4,809,150			4,809,150
Revaluation gain	-	-		-
Balance as at 30th June 2023	183,720,366	-	224,502,849	408,223,216

*Municipality of Malindi
County Government of Kilifi
Annual Report and Financial Statements for the year ended June 30, 2023*

17. Statement of Cash Flows for The Year Ended 30 June 2023

	Note	2022/2023	RESTATED 2021/2022
		KShs	KShs
Cash flows from operating activities			
Receipts			
Transfers from the County Government-Recurrent	6	199,159,730	64,942,534
Public contributions and donations - UDG	7	1,194,559	60,562,064
Transfers from the County Government-Purchase of PPE			6,356,466
Transfers from the County Government-Development			14,300,000
Interest Income	8	3,478,645	5,186,540
Receipts from other operating activities			
Total Receipts		203,832,934	151,347,604
Payments			
Staff Cost	9	31,118,644	18,850,724
Use of goods	10	57,179,600	28,965,302
Board expenses	11	5,395,632	5,079,900
Repairs and Maintenance	12	80,388,488	-
Total Payments		174,082,364	52,895,925
Changes in working capital			
Increase in Retention Payable			(7,040,821.00)
Net cash flows from operating activities		29,750,570	84,152,652
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(176,409,243.00)	(80,450,448.00)
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		(176,409,243.00)	(80,450,448.00)
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(134,468,245.00)	10,743,052
Cash and cash equivalents at 1 JULY 2022		198,013,043	187,269,991
Cash and cash equivalents at 30TH JUNE 2023	15	63,544,798	198,013,043

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

18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations-UDG	178,113,812		178,113,812	1,194,559	176,919,253	
Transfers from the County Government	215,766,811	4,771,688	220,538,499	199,159,730	21,378,769	90%
Interest income				3,478,645	(3,478,645)	0%
Other income	-	-				
Total revenue	393,880,623	4,771,688	398,652,311	203,832,934	194,819,378	51%
Expenses						
Acquisition of assets - UDG	178,113,812		178,113,812	171,600,093	6,513,719	96%
Acquisition of assets - Recurrent	4,809,150		4,809,150	4,809,150	-	100%
Use of Goods and Services	94,054,896	4,771,688	98,826,584	57,179,600	41,646,985	58%
Board expenses	5,395,632	-	5,395,632	5,395,632	-	100%
Repairs and Maintenance	80,388,488		80,388,488	80,388,488	-	100%
Staff costs	31,118,644	-	31,118,644	31,118,644	-	100%
Total expenditure	393,880,623	4,771,688	398,652,311	350,491,607	48,160,704	88%
Surplus/Deficit for the period	-	-	-	(146,658,673)	146,658,673	

19. Notes to the Financial Statements

1. General Information

The Municipality of Malindi 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 Municipality accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

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)

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p>

Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>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.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44:</p> <p>Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>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:</p> <p>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.</p>

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

(Notes to financial statements continued)

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2022/2023 was approved by the County Assembly on May, 2022. 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 ksh. 4,771,688 on January, 2023 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 financial performance has been presented under section 18 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.

(Significant accounting policies continued)

e) 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.

(Significant accounting policies continued)

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

(Significant accounting policies continued)

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

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

f) 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.

(Significant accounting policies continued)

g) 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.

h) Social Benefits

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

i) 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.

(Significant accounting policies continued)

j) 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

k) Nature and purpose of reserves

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

l) 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.

m) 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.

(Significant accounting policies continued)

n) Foreign currency transactions

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

o) 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.

p) 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.

q) Cash and cash equivalents

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

(Significant accounting policies continued)

r) Comparative figures

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

s) 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

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

t) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made.

Estimates and assumptions.

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

Useful lives and residual values

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

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	2022/2023	2021/2022
	KShs	KShs
Transfers from County Government - Recurrent	174,350,580	64,942,534
Transfers from County Government - Purchase of PPE	4,809,150	6,356,466
Transfers from County Government - UDG Counterpart funding	20,000,000	
Total	199,159,730	64,942,534

7. Public Contributions and Donations

Description	2022/2023	2021/2022
	KShs	KShs
Public Contribution and Donations	1,194,559	60,562,064
Total	1,194,559	60,562,064

8. Interest Income

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Interest income on bank deposits	3,478,645	5,186,540
Total	3,478,645	5,186,540

This income is earned from the commercial bank accounts maintained by the municipality.

9. Staff costs

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Salaries and wages for casual and contractual staff	31,118,644	18,850,724
Total	31,118,644	18,850,724

*County Government of Kilifi
Municipality of Malindi
Annual Report and Financial Statements for the year ended June 30, 2023*

10. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Utilities, supplies and services	223,171.00	
Communication, supplies and services	779,790.00	433,400.00
Domestic travel and subsistence	13,112,172.00	8,872,480.00
Foreign travel and subsistence	796,880.00	-
Printing, advertising, supplies & services	2,085,705.00	211,825.00
Training expenses	2,642,257.00	1,219,640.00
Hospitality supplies and services	3,781,476.00	2,756,040.00
Specialized materials and services	3,419,355.00	1,000,000.00
Office and general supplies and services	6,780,971.00	5,284,873.00
Fuel, oil and lubricants	4,661,306.00	1,689,900.00
Other operating expenses (Cleaning Services)	13,255,000.00	702,240.00
Rental of produced Assets	4,966,600.00	3,707,927.00
Motor vehicle expenses		1,279,216.00
Purchase of office furniture and General equipment	15,800.00	-
Assorted environmental inputs		1,000,000.00
Bank Charges	659,116.71	807,760.55
Total	57,179,599.71	28,965,301.55

Notes to the Financial Statements

11. Board expenses

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Sitting allowances	2,894,200.00	3,766,800.00
Temporary Committee allowance		
Induction and Training		
Travel and accommodation	2,466,432.00	1,228,100.00
Others (Airtime)	35,000.00	85,000.00
Total	5,395,632.00	5,079,900.00

12. Depreciation and amortization

Description	2022/2023	2021/2022
	KShs	KShs
Property, plant and equipment	3,260,763	0
Total depreciation and amortization	3,260,763	0

13. Repairs and Maintenance

Description	2022/2023	2021/2022
	KShs	KShs
Property- Buildings	11,556,650.00	
Motor vehicle expenses	5,383,390.31	1,279,216
Maintenance of civil works	63,448,448.00	
Total repairs and maintenance	80,388,488.31	1,279,216.00

14. Cash and cash equivalents		
Description	2022/2023	2021/2022
	KShs	KShs
Current accounts	63,544,798	198,013,043
Total cash and cash equivalents	63,544,798	198,013,043
Detailed analysis of the cash and cash equivalents are as follows:		
Financial institution	Institution/Ac No.	KShs
a) Current account		
KCG - MALINDI MUNICIPALITY UDG ACCOUNT	NCBA-1007099467	30,392,148.30
CGK - MALINDI MUNICIPALITY MAIN ACCOUNT	KCB-1288705735	10,007,533.00
CGK - MUNICIPALITY OF MALINDI OPERATIONS & MAINTANANCE ACCOUNT	KCB-1289106150	212,117.09
CGK - MUNICIPALITY OF MALINDI SALARY & WAGES ACCOUNT	KCB-1289106460	2,213,909.22
CGK - MUNICIPALITY OF MALINDI DEVELOPMENT ACCOUNT	NCBA-5040860013	381,954.05
CGK - MUNICIPALITY OF MALINDI RETENTION ACCOUNT	NCBA-5040860029	20,337,136
TOTAL		63,544,798

15. Receivables -From the County Executive

Description	2022/2023	2021/2022
	KShs	KShs
Receivables-From County Executive	4,524,943	4,524,943
Total	4,524,943	4,524,943.00

16. Property, Plant and Machinery

Description	2022/2023	2021/2022
	KShs	KShs
Property, plant and equipment	253,598,928	176,948,575
Total	253,598,927.67	176,948,575.

County Government of Kilifi
Municipality of Malindi
Annual Report and Financial Statements for the year ended June 30, 2023

(Notes to the Financial Statements Continued)

Detailed analysis of PPE are as follows.

Description	Furniture and fittings	Intangible Assets	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs
As at 30th June 2022	976,850.00	491,000.00	3,460,596.00	1,428,020.00	74,093,982.00	80,450,448.00
Additions	999,330.00		3,809,820.00		171,600,093.00	176,409,243.00
Disposals						
Transfers/adjustments						
As at 30th June 2023	1,976,180.00	491,000.00	7,270,416.00	1,428,020.00	245,694,075.00	256,859,691.00
Depreciation and impairment						
As at 30th June 2022						
Depreciation	197,618.00	163,666.67	2,423,472.00	476,006.67		3,260,763.33
Impairment						
Transfers/ Adjustments						
As at 30th June 2023	197,618.00	163,666.67	2,423,472.00	476,006.67		3,260,763.33
NBV as at 30th Jun 2023	1,778,562.00	327,333.33	4,846,944.00	952,013.33	245,694,075.00	253,598,927.67

County Government of Kilifi
Municipality of Malindi
Annual Report and Financial Statements for the year ended June 30, 2023

(Notes to The Financial Statements Continued)

17. Trade and other payables

Description	2022/2023	2021/2022
	Kshs.	Kshs.
UDG Payables	-	-
Retention Money Payable	20,337,136.00	7,041,820.30
Suppliers of Goods and services	-	4,945,355.00
Total trade and other payables	20,337,136.00	11,987,175.30

Notes to the Financial Statements

19. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Transfers from County Government

Description	2022/2023	2021/2022
	KShs	KShs
Transfers from County Govt. – Recurrent	179,159,730	50,643,534
Transfers from County Govt. – UDG	20,000,000	60,562,064
Total	199,159,730	111,205,598

Notes to the Financial Statements

20. Financial risk management

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

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

I. Credit risk

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

Notes to the Financial Statements

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Municipality has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality has significant concentration of credit risk on amounts due from

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

II. Liquidity risk management

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

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

Notes to the Financial Statements

III. Market risk

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

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

IV. Foreign currency risk

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

Notes to the Financial Statements

Foreign currency sensitivity analysis

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

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.

Notes to the Financial Statements

VI. Capital risk management.

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

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.

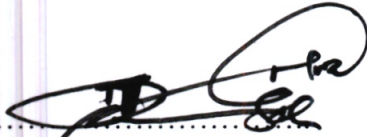
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
MSA/MLD/MUN/2020/2021/(5)	Inaccuracies in Statement of Changes in Net Assets	The financial statements were amended	Was discussed at the county assembly	Resolved County assembly Report tabled published
	Inaccuracies in the Statement of Financial Position	The financial statements were amended	Was discussed at the county assembly	Resolved County assembly Report tabled published
	Budgetary Control and Performance	The under expenditure as stated in the observation is due to delays in procurement processes, the management has noted the same and has put up measures to ensure efficient and effective implementation of the budget.	Was discussed at the county assembly	Resolved County assembly Report tabled published

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.

*County Government of Kilifi
Municipality of Malindi
Annual Report and Financial Statements for the year ended June 30, 2023*

- 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.

A handwritten signature in black ink, appearing to be 'J. M. M.', written over a dotted line.


To be Signed by the Accounting officer of the Entity

County Government of Kilifi
Municipality of Malindi
Annual Report and Financial Statements for the year ended June 30, 2023


Appendix 2: Inter Entity Transfers

MUNICIPALITY NAME:			
Breakdown of Transfers from the County Executive of xxx County			
FY 2022/2023			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u> / <u>Indicate the FY to which the amounts relate</u>
	MALINDI MUNICIPALITY MAIN ACCOUNT	30-06-2023	179,159,730 / 2022-2023
		Total	179,159,730
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u> / <u>Indicate the FY to which the amounts relate</u>
	KENYA URBAN SUPPORT PROGRAMME	30-06-2022	1,194,559 / 2022-2023
		Total	20,000,000
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u> / <u>Indicate the FY to which the amounts relate</u>
		Total	

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


.....
AMARI FRANKLIN

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


.....
BONAVENTURE FIM
MWAKALI

Appendix 3: Reporting of Climate Relevant Expenditures

MUNICIPALITY OF MALINDI

Telephone Number

Email : malindimunicipality@kilifi.go.ke

Name of CEO : Johnson Mwabati

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

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

Appendix 4: Disaster Expenditure Reporting Template

Date: 30th June 2022

Entity: Municipality of Malindi

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