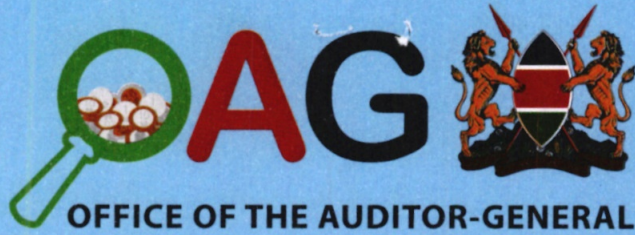


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

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ON

MUNICIPALITY OF GARISSA

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

PAPERS LAID	
DATE	26.3.24
TABLED BY	Mrs. Leader
COMMITTEE	C.P.I.C
CLERK AT THE TABLE	Harato



MUNICIPALITY OF GARISSA
P. O BOX 563-70100 GARISSA

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)

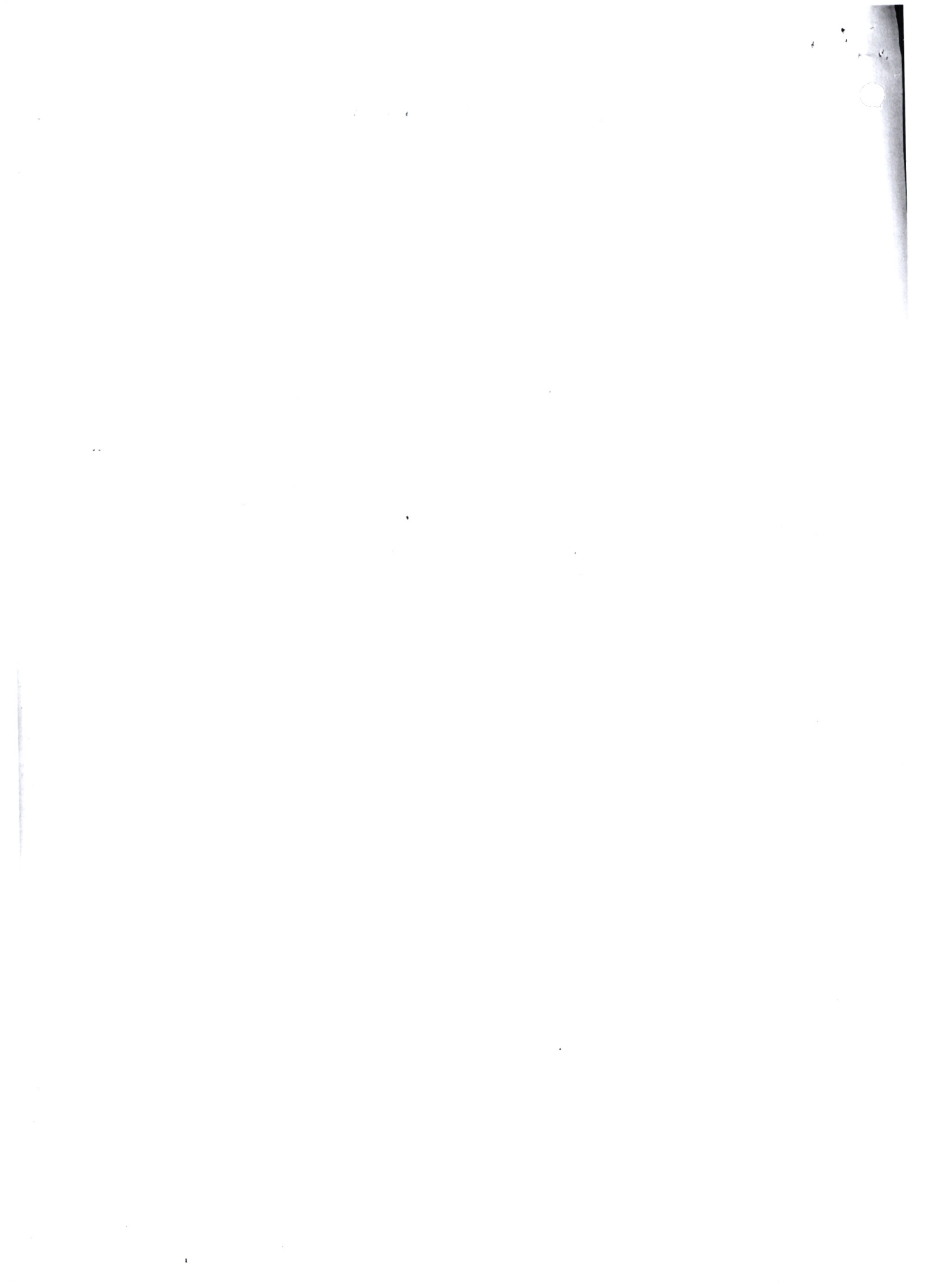


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1. Acronyms & Glossary of Terms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
Fiduciary Management	Key management personnel who have financial responsibility

2. Key Municipality of Garissa Information and Management

a) Background in formation

Municipality of Garissa is established by and derives its authority and accountability from Urban Areas and Cities Act No.13 of 2011 and Cities and Municipal Charteron 18th April 2019. The Municipality is a Municipality of Garissa of County Government of Garissa and is domiciled in Kenya.

The fund's objective is to Provide for efficient and accountable management of the affairs of the Municipality.

2) Provide a high standard of social services in a cost-effective manner to the inhabitants of the Municipality

3) Pursue the development opportunities available in the Municipality and to institute such measures as are necessary for achieving public order and the provisions of civic amenities, so as to enhance the quality of life of the inhabitants of the Municipality

b) Principal Activities

The principal activity/mission/mandate of the Municipality is: -

- i. Promote, regulate and provide of refuse collection and solid waste management services.
- ii. Construction and maintenance of urban roads and associated infrastructure.
- iii. Construction and maintenance of storm drainage and flood controls.
- iv. Construction and maintenance of walkways and other non-motorized transport infrastructure.
- v. Construction and maintenance of recreational parks and green spaces.
- vi. Construction and maintenance of street lighting.

3. Garissa Municipality Board

Ref	Position	Name
1.	Chairperson of the Board	Ibrahim Mohamed Salat
2.	County Executive Committee Member responsible for lands ,physical planning ,housing and Urban Dev.	Mohamed H. Mohamed
3.	V/Chairperson	Ardho Mohamed Abdi
4.	Board Member2	Mogan Dahir Dagane
5.	Board Member3	Fatuma Mohamed Ali
6.	Board Member4	Bishar Abdullahi Odowa
7.	Board Member5	Aden Musa
8.	Board Member6	Fahim Ahmed
9.	Chief Officer	Abdinasir S. Yussuf

c) Key Management

Ref	Position	Name
1	Municipality Manager	Mohamed H.Osman
2	Director of Administration	Moulid M. Muhumed
3	Head of sanitation	Suada H. Shafat

d) Fiduciary Oversight Arrangements

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

e) Registered Offices

Municipality of Garissa
P.O. Box 563-70100
Garissa, KENYA

Contacts

E-mail:
info@Garissa.go.ke Website:w
ww.Garissa.go.ke Telephone
+254721132268

g) Fund Bankers

Commercial Bank
P.O. Box 143-70100
Garissa, Kenya

Equity Bank Garissa Branch
P.O Box 700-70100
Garissa, Kenya.

h) Independent Auditor

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

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

i) Principal Legal Adviser

The Attorney General State Law






Office Harambee Avenue





P.O. Box 40112-00200

City Square



Nairobi, Kenya

2. Municipality Board

Name	Details of qualifications and experience
	<p><u>Ibrahim M Salat-Charirman</u> Education Background: Degree in business management He has an experience of 10years in public sector He is an association of municipality</p>
	<p><u>Ardho Mohamed Abdi- Vice Chair</u> Education Background: Diploma in Business management Experience :She has a business within the municipality for over 10 years and she representing a private sector</p>
	<p><u>Magan Dahir - Member</u> Education Background: Degree in Business Management Experience: A business man, representing registered neighborhood association .</p>
	<p><u>Fatuma Mohamed Ali- Member</u> Education Background: Diploma in business management Experience: <i>She</i> is business woman registered association She has an experience of 12 years informal sector</p>
	<p><u>Bashir Abdullahi Odhowa- member</u> Education Background: Degree in Education Experience: He is representing a professional association in the area and he is currently the chairman of KNUT.</p>

	<p>Aden Musa-Member Education: Degree in business management & MBA Finance, Experience: 7 years in Public Service</p>
	<p>Fahim Ahmed-Member Education: Diploma in business management He has business within municipality over 20 years</p>
	<p>Hon. Mohamed H. Mohamed CECM Lands, Physical Planning & Urban Development Education: Degree in business management Experience : in public service for over 15 years</p>
	<p>Abdinasir S. Yussuf Chief Officer Lands, Physical Planning & Urban Development Education: Degree in Business Administration/ Post Graduate Diploma in Education Experience:20 Years in public services</p>

4. Management Team

Name	Details of qualifications and experience
	<p>Mohamed H. Osman CEO- Municipality Education Background: Bachelor of Business Management Attended a Senior management course in K Experience: over (10) years in public service</p>
	<p>Moulid Mohamed - D/Director of Administration. Education: Bachelor of Business Management Experience: 10 Years in Public Service</p>

5. Municipality Board Chairperson's Report

The office of the Chairperson for the municipality is responsible for the Monitoring and, where appropriate, regulating municipal services where those services are provided by service providers other than the Board of the Municipality

a. Changes in municipality Management Committee

The Board of the Municipality shall be composed of nine (9) members. Four (4) members of the Board of the Municipality shall be appointed by the County Executive Committee member for Urban Development with the approval of the County Assembly.

Five (5) members of the Board shall be nominated by the following umbrella bodies and appointed by the County Executive Committee member for Urban Development with the approval of the County Assembly.

- (a) An umbrella body representing professional associations in the area.
- (b) An association representing the private sector in the area.
- (c) A cluster presenting registered associations of the informal sector in the area.
- (d) A cluster representing registered neighborhood associations in the area.
- (e) An association of the Municipality.

b. Review of the Fund's Performance

The program has touched the lives of many since it has improved the drainage system and ensured that the Biashara Road that used to be a muddy road during the rainy season does despite the heavy rain experienced in the last two financial years, it has controlled waste management within the municipality.

c. Future Outlook of the municipality

The office of the Chairperson of Garissa Municipal Board Request H.E the Governor Garissa to allocate more funds to the department as the department deals with many sensitive issues like fire brigades and waste management that requires daily operations and saving lives. Also, the Garissa County Government under the leadership of H.E the Governor intends to develop professional is man skills of the municipal team.

Signed: 

Ibrahim Mohamed Salat

Chairperson-Municipality of Garissa

6. Report of the Municipality Manager

Garissa Municipality Fund was established by and derives its authority and accountability Garissa Municipal Charter as well as Urban Areas and Cities Act in 2018


The challenges faced by the municipality include:

The following are among the challenges faced by the municipality: -

- I. Non-payment of taxes by the local community
- II. Budget constraints that leads to lack of supervision and adequate management of the department.
- III. Delay in the release of the funds. This causes leads the department not to make appropriate measures to control problems like floods and waste control.
- IV. Lack of administrative capacity to fully tap revenue sources

Way forward

- I. The department is developing by-law to ensure that community members pay taxes at appropriate times
- II. Through the board the department has requested the treasury to release funds to the department because it dealing with crucial issue.
- III. The municipality is planning to work closely with revenue to train its personnel's and it mode of revenue collection through M-pesa payments to reduce corruption cases on revenue collection.

THE MANAGER
GARISSA MUNICIPALITY
P. O. BOX 704

Name: MOHAMEDH.OSMAN

Manager Municipality

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

Introduction

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

- d. Provide quality physical infrastructure.
- e. Urban planning.
- f. Urban governance and administration
- g. Town beatification

Below we provide the progress on attaining the stated objectives:

Urban Planning	To control urban development	To create orderly development in urban Areas	Number of developments Conforming with Rules and regulations Governing urban development	In FY under review We increased Housing unit
Program2	-	-	-	-

8. Corporate Governance Statement

The Garissa Municipality is committed to good corporate governance, which promotes the long-term interest of the county Government of Garissa and other stakeholder, strengthens Board and Management accountability and helps build public trust.

- h. The Board members are appointed by the county Governor of Garissa to oversee the board activities and overall success of the board in order to discharge its mandate and the Board members may be removed under subsection (1)–
 - a. By the county governor
 - b. By the board, supported by votes of at least two-thirds of members of the board
 - c. Upon petition by the resident of a municipality.
- i. Under the provision of Urban areas and cities act 2011, the role and function are as follows: -
 - I. Oversees the affairs of the municipality
 - II. Develop and adopt policies, plan, strategies and programs and may set target for delivery of services
 - III. Formulate and implement an integrated development plan
- j. Induction and training, Municipality Board members and member's performance, Garissa board members were inducted and attended several trainings in order to gain skills and experience that will help to discharge to duties.
- k. Number of Municipality Board meetings held and the attendance to those meetings by members
 - l. Board remuneration, the members shall not receive a salary from the board but shall be paid sitting allowance.

9. Management Discussion and Analysis

Municipality of Garissa has continued to grow over the years and the management has put measures in place to safeguard risk, the management has ensured that we comply with statutory requirement relating to the function of the municipality

a. Operational

The board received a total of Ksh 6,000,000 support from the county government of Garissa.

b. Key projects or investments

- a) Sankuri junction KMTC Road Phase (1) 54,316,980 ksh
- b) Roundabout –Qorehey road phase (1) 51,952,608.40 ksh

c. compliance

The fund complied with the following listed requirements but limited

- 1) Municipality of Garissa charter 2018
- 2) PFM act 2012
- 3) PPD act 2015
- 4) Cities and municipalities act

d. Major challenges

- 1) Budget constraints from county government
- 2) Shortage in capacity building in order to understand the environment and working procedures of municipalities
- 3) Understaffing hence impact negative the effectiveness of delivery services

e. Conclusion

We appropriate the unrelenting support from the board of trustee management of staff and the county government development partners and the key stakeholders

10. Environmental and Sustainability Reporting

The Board was involved in corporate social responsibility during tree planting day. The Board is looking forward to being engaged in CRC activities in the financial year 2023/2024.

1. *Sustainability strategy and profile*

the board has engaged county executive as well as the county assembly for allocation of budget to fund its operation. The board is reaching out to other donors and well-wishers to partner for a common goal.

2. *Environmental performance*

Discussions are underway to embark on environmental conservation project within the Municipality of in collaboration with the county department on environment.

3. *Employee welfare*

Currently hiring of staff of the municipality of Garissa is done through the county public service board in a competitive manner. Advertisement through the county web as well the Daily nation is place to for qualified candidates to place their application for consideration. Successful candidates are taken through induction and continues improvement of skills by either in-house training annually.

4. *Market place practices*

Our markets are well planned to give room for smooth flow of traffic and people with ease. There visible signboard spread all over the markets to direct users on the dos and don'ts

a) *Responsible competition practice.*

All business taking place within municipality are registered and frequent checks instituted to ensure every business do what it has been authorized.

b) *Responsible Supply chain and supplier relations*

Contactors awarded tenders fairly as well paid in good time. Proper communication to suppliers through advertisement in our daily nation.

c) *Responsible marketing and advertisement*

Outline efforts to maintain ethical marketing practices

d) *Product stewardship*

there frequent but in interval assessment to ensure products and services offered to the residence are of high quality and right quantity.

5. *Community Engagements*

The board of the municipality engage community through citizen fora on quarterly basis to identify projects of beneficial to the residents as well giving them feedback on the progress of the Municipal programs.

11. Report of the Municipality Board Members

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The objective to provide an enabling environment for development of economic opportunities available within the municipality and to institute measures necessary for achieving public order while enhancing provision of civic amenities and access to basic social services

Results

The results of the Fund for the year ended June 30, 2023 are set out.

Trustees

The members of the Board of Trustees who served during the year are shown (*refer to the key municipality of Garissa information and management page*). The changes in the Board during the financial year areas shown below:

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Member of the Board

Date:


Name: **MOHAMED H. OSMAN**

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 Garissa County Municipal Fund Act 2018 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 mis-statements, 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 judgment 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 Municipality Manager has

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

Assessed the Municipality's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

Approval of the financial statements

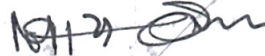
The Garissa Municipal 's financial statements were approved by the Board on 30th June 2023 and signed on its behalf by:

Ibrahim Mohamed Salat



Chairperson Municipality

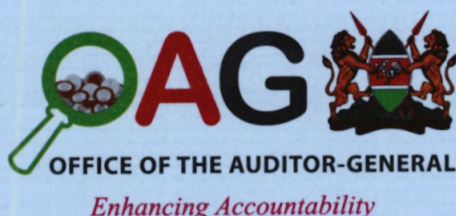
Mohamed H. Osman



Manager Municipality

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 GARISSA FOR THE YEAR ENDED 30 JUNE, 2023

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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal control, 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

Opinion

I have audited the accompanying financial statements of Municipality of Garissa set out on pages 1 to 34, which comprise of the statement of financial position as at

Report of the Auditor-General on Municipality of Garissa for the year ended 30 June, 2023

30 June, 2023 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, the financial statements present fairly, in all material respects, the financial position of the Municipality of Garissa 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 Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and 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. Failure to Prepare Estimates of Income and Expenditure

Although the statement of comparison of budget and actual amounts was prepared and included in the financial statements, Management did not submit the estimates of income

and expenditure to the County Executive Committee Member for finance. This was in contravention of Section 149(2) of the Public Finance Management Act, 2012 which provides that an Accounting Officer shall, in respect of the entity concerned prepare estimates of expenditure of the entity in conformity with the strategic plan of the entity and submit the estimates of an entity, which is not a county corporation to the County Executive Committee Member for finance.

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

2. Transfer of Functions to the Municipality

Review of the operations of the Municipality revealed that many of the functions stipulated under Sections 2 and 7 of the Municipal Charter, 2018 which established the Municipality were carried out by the County Executive of Garissa. These include land urban development, revenue collection, construction and maintenance of bus and taxi stands, regulation of outdoor advertising, construction, maintenance and regulation of Municipal markets and abattoirs, promotion, regulation and provision of Municipal sports and cultural activities, promotion regulation and provision of animal control and welfare among other functions.

In the circumstances, the effectiveness of services delivery by the Municipality and the achievement of the objectives and development goals envisaged in the Municipal Charter could not be confirmed.

3. Failure to Prepare an Integrated Development Plan and Strategic Plan

The Municipality was established without an approved Integrated Development Plan. The Integrated Development Plan is a critical road map in achieving the development goals for an urban area. Further, review of the Municipality strategic plan revealed that the plan expired in the year 2022 and the Management did not initiate the process of preparation of a new strategic plan. This was in contravention of Section 39(1) of the Urban Areas and Cities Act, 2011 which states that a Board or town committee shall, within the first year of its election, adopt a single, inclusive strategic plan for the development of the city or urban area for which it is responsible.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

Lack of Risk Management Policy and Information Technology Policy

Review of the Municipality's Information Communication Technology (ICT) environment revealed that there was no approved ICT Policy and Disaster Recovery Plan in place during the year. Further, the Municipality operated without a documented risk management policy framework, contrary to the requirements of the Treasury Circular No. 3/2009 of 23 February, 2009 which requires all heads of public institutions to develop and implement risk management framework as fundamental step towards establishing an accountable and innovative public service.

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

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

Responsibilities of Management and the 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 the 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, the 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 dissolve the Municipality or to cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The 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 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 misstatements, 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 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 control 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 non-compliance. 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 Municipality's 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 the Management.
- Conclude on the appropriateness of the 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 continue 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 continue 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 the 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, SBS
AUDITOR-GENERAL

Nairobi

08 January, 2024

Municipality of Garissa
County Government of Garissa
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14. Statement of Financial Performance for The Year Ended 30th June, 2023.

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	6,000,000	10,200,000
Public contributions and donations	7	543,887	112,625,978
Levies Fines and Penalties	8	0	0
Other revenues (<i>Specify</i>)	9	0	0
		6,543,887	122,825,978
Revenue from exchange transactions			
Interest income	10	0	0
Miscellaneous Income	11	0	0
		0	0
Total revenue		6,543,887	122,825,979
Expenditure			
Use of goods and services	12	4,696,550	39,301,052
Staff costs	13	300,000	0
Board expenses	14	348,000	0
Finance costs	15	13,055	4,445
Depreciation and amortization	16	0	0
Repairs and maintenance	17	1,321,680	0
Total expenses		6,679,285	39,305,497
Other gains/losses			
Gain/loss on disposal of assets	18	0	0
Surplus/(deficit)for the period		(135,398)	83,520,481

The municipality financial statements were approved on 30 June 2023 and signed by:

MOHAMEDH. OSMAN

ABDI ALI

Municipality Manager

Head of Treasury

ICPAK M/No 29047

15.Statement of Financial Position as At 30th June 2023


Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	19	27,382,343	135,318,964
Receivables from exchange transactions	20	0	0
Receivables from Non-exchange transactions	21	0	0
Prepayments	22	0	0
Inventories	23	0	0
Total current assets		27,382,343	135,318,964
Non-current assets			
Property, plant, and equipment	24	0	0
Intangible assets	25	0	0
Total Non-current Assets		0	0
Total assets		27,382,343	135,318,964
Liabilities			
Current liabilities			
Trade and other payables	26	0	0
Refundable deposits from customers	27	0	0
Provisions	28	0	0
Borrowings	29	0	0
Employee benefit obligations	30	0	0
Deferred Income	31	0	0
Social Benefits	32	0	0
Total current liabilities		0	0
Non-current liabilities			
Provisions	28	0	0
Borrowings	29	0	0
Non-current employee benefit obligation	30	0	0
Deferred Income	31	0	0
Social Benefits	32	0	0
Total liabilities		0	0


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Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Net assets		27,382,343	135,318,964
Capital/Development Grants/Fund			0
Reserves		27,517,741	0
Accumulated surplus		(135,398)	83,520,481
Total net assets and liabilities		27,382,343	135,318,964

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The municipality of Garissa financial statements were approved on 30th June 2023 and signed by:

THE MANAGER/CFO
 GARISSA MUNICIPALITY
 P.O. BOX 100
 GARISSA
 40100

MOHAMEDH. OSMAN

 Municipality Manager

ABDI ALI

 Head of Treasury
 ICPAK M/No.29047

16. Statement of Changes in Net Assets as at 30 June 2023

	Capital/D evelopment Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Balance as at 1 July 2021	51,798,483	-	-	51,798,483
Surplus/(deficit)fourth period		-	83,520,481	83,520,481
Funds received during the Year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at30 June2022	135,318,964	-	-	135,318,964
		-	-	-
Balance as at 1 July 2022	135,318,964	-	-	135,318,964
Surplus/(deficit)fourth period			(135,398)	(135,398)
Funds received during the Year				
Revaluation gain				
Balance as at30 June2023	27,382,343		(135,398)	27,382,343

MOHAMEDH. OSMAN

Municipality Manager

ABDI ALI

Head of Treasury

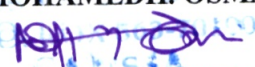
ICPAK M/No 29047


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

Description	Note	Insert	Insert
		Current FY	Comparative FY
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		6,000,000	10,200,000
Public contributions and donations		543,887	112,625,979
Interest received		0	0
Miscellaneous receipts <i>(Specify)</i>		0	0
Total Receipts		6,543,887	122,825,979
Payments			
Use of goods and services		(4,696,550)	(39,301,052)
Staff costs		(300,000)	0
Board expenses		(348,000)	0
Finance costs		(13,055)	(4,445)
Repairs and maintenance		(1,321,680)	0
Total Payments		(6,679,285)	(39,305,497)
Net cash flows from operating activities	33	(135,398)	83,520,481
Cash flows from investing activities			
Purchase of PPE & intangible assets		(107,801,224)	0
Proceeds from sale of PPE		0	0
Net cash flows used in investing activities		(107,801,224)	0
Cash flows from financing activities			
Receipts from Capital grants		0	0
Proceeds from borrowings		0	0
Repayment of borrowings		0	0
Net cash flows used in financing activities		0	0
Net increase/(decrease)in cash &cash Equivalents		(107,936,622)	83,520,481
Cash And Cash Equivalents At 1 July	19	135,318,964	51,798,483
Cash And Cash Equivalents At 30 June	19	27,382,342	135,318,964

*Garissa Municipality
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MOHAMEDH. OSMAN

Municipality Manager

ABDI ALI

Head of Treasury
ICPAK M/No 29047

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	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	B	c=(a+b)	D	e=(c-d)	f=d/c
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	6,000,000	0	6,000,000	6,000,000	0	0%
Public contributions and donations [World bank]	543,887	0	543,887	543,887	0	0%
Interest income	0	0	0	0	0	0%
Other income(<i>specify</i>)	0	0	0	0	0	0%
Total Revenue	6,6543,887	0	6,543,887	6,543,887	0	0%
Expenses						
Use of goods and services	6,430,000	0	6,430,000	4,696,550	1,733,450	73.04%
Board expenses	500,000	0	500,000	348,000	152,000	69.60%
Staff cost	500,000		500,000	300,000	200,000	60%
Finance costs	0	0	0	13,055	13,055	(100%)
Repair and maintenance	1,500,000		1,500,000	1,321,680	178,320	88.11%
Total Expenditure	8,930,000	0	8,930,000	6,679,285	2,250,715	74.80%
Surplus for the period	(2,396,113)		(2,396,113)	(135,398)	2,250,715	
Capital Expenditure	107,801,224	0	107,801,224	107,801,224	0	100%

MOHAMED H. OSMAN
THE MANAGER
GARIS
P. O. BOX 563-70
Municipality Manager

ABDI ALI

Head of Treasury
ICPAK M/No 29047

19. Notes to the Financial Statements

1. General Information

Garissa Municipality is established by and derives its authority and accountability from 2011 Act. The Municipality is under the Garissa County Government and is domiciled in Kenya. The municipality of Garissa's principal activity is to provide a clean and habitable space for the residents of the municipality.

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

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

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

(Notes to financial statements continued)

3. Application of New and revised standards (IPSAS)

I. New and amended standards and interpretations in issue effective in the year ended 30th June 2023

Standard	Effective date and impact:
<p>IPSAS41: Financial Instruments</p>	<p>Applicable: 1st January, 2023:</p> <p>The objective of IPSAS41 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 a Municipality of Garissa's future cash flows.</p> <p>IPSAS41 provides users of financial statements with more useful information than IPSAS29, 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 Municipality of Garissa's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS42: 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 Municipality of Garissa provides in its financial statements about social benefits. The</p>

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	<p>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 Municipality of Garissa;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefit it's provided on the Municipality of Garissa's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<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>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>
<p>Other improvements to IPSAS</p>	<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> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefit as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January, 2023.</p>

<p>IPSAS43</p>	<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 cash flows of a Municipality of Garissa.</p> <p>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS44: 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 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>

iii. Early adoption of standards

The municipality of Garissa did not early-adopt any new or amended standards in year 2022/2023

(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.

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 financial year 2022/2023 was approved by the County Assembly on 27th June 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 50,000Kshs. 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 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

(Significant accounting policies continued)

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 actual as per the statement of financial performance has been presented under section xxx of the 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 Financial

assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and Receivables, held-to-maturity investments, or available – for –sale financial assets, as appropriate. The Municipality of Garissa determines the classification of its financial assets at initial recognition.

Loans and receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Municipality has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount to premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Municipality assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairments a result of one or more events that have occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the Municipality of financial assets that can be reliably estimated asset or the municipality of Garissa of financial assets that can be reliably estimated.

(Significant accounting policies continued)

Evidence of impairment may include the following indicators:

- *The debtors or a municipality of Garissa of debtors are experiencing significant financial difficulty*
- *Default or delinquency in interest for principal payments*
- *The probability that debtors will enter bankruptcy or other financial reorganization*
- *Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Municipality of Garissa determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

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 labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

(Significant accounting policies continued)

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) 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

i) 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

(Significant accounting policies continued)

Reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

j) Nature and purpose of reserves

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

Municipality to state the reserves maintained and appropriate policies adopted

k) 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.

l) 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.

m) 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. Exchanges differences arising from the settlement of creditors, or from the reporting

(Significant accounting policies continued)

Of credit or sat 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.

n) 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 off in financial performance.

o) Related parties

The Municipality regards a related party as a person or municipality of Garissa 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.

p) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

q) Comparative figures

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

(Significant accounting policies continued)

r) Events after the reporting period

Events after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

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

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

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

s) Currency

The financial statements are presented in Kenya Shillings.

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.

(Significant accounting policies continued)

Useful lives and residual values

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

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

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(Notes to the Financial Statements)

6. Transfers from the County Government

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from County Govt.–Recurrent	6,000,000	10,200,000
Payments by County on behalf of the municipality of Garissa	0	0
Total	6,000,000	10,200,000

(Provide brief explanation for this revenue)

7. Public Contributions and Donations

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Donation from development partners-UDG	343,887	112,625,979
Contributions from the public		-
Donation from development partners-UIG	200,000	-
Total	543,887	112,625,979

8. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Utilities, supplies and services	37,350	0
Communication, supplies and services		-
	2,227,000	6,586,700
Domestic travel and subsistence		
Foreign travel and subsistence	0	0
Printing, advertising, supplies services	91,640	30,000
Rent and rate		-
Training expenses	393,880	0
Hospitality supplies and services	122,950	421,600
Insurance costs		-
Specialized materials and services	181,530	0
Office and general supplies and services	185,200	48,350
Fuel, oil and lubricants	1,037,000	2,000,000
purchase of tyres	-	-
Routine maintenance –vehicles another equipment	-	-

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Description	2022/2023	2021/2022
	Kshs.	Kshs.
Routine maintenance– Contracted works		30,214,402
Contracted Professional Services		-
Audit fees		-
Hereof Transport, equipment etc	420,000	0
Bank Charges	13,055	4,445
Depreciation and amortization		-
Total	4,709,605	39,305,497

9. Staff costs

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Salaries and wages	-	-
Staff gratuity	-	-
Social security contribution	-	-
Other staff costs(<i>casuals</i>)	300,000	0
Total	300,000	0

10. Board expenses

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Chairman/Members ‘Honoraria	-	-
Sitting allowances	100,000	0
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	160,000	0
Conference Costs	88,000	0
Other allowances (<i>Specify</i>)	-	-
Total	348,000	0

11. Repairs and Maintenance

Description	2022/2023	2021/2022
	KShs	KShs
Property-Buildings	0	0
Office equipment	0	0
Furniture and fittings	61,630	0
Motor vehicle expenses	1,260,050	0
Maintenance of civil works	0	0
Total repairs and maintenance	1,321,680	0

12. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Fixed deposits account		-
On-call deposits		-
Current account	27,382,342.81	135,316,395
Others(<i>specify</i>)		-
Total cash and cash equivalents	27,382,342.81	135,316,395

Detailed analysis of the cash and cash equivalents are as follows

		2022/2023	2021/2022
Financial institution	Account number	Kshs.	Kshs.
a) Fixed deposits accounts			
Kenya Commercial bank	A	-	-
Equity Bank-etc		-	-
Sub-total		-	-
b) On call deposit			
Kenya Commercial bank			
Equity Bank – etc			
Sub- total			
c)Current account			
Kenya Commercial bank	12602111657	641,600	1,111,228
Equity Bank– UDG	0580279018087	26,739,874.31	134,203,786
Eqity bank-UIG	0580279032289	868.5	1,381
Sub-total		27,382,342.81	135,316,395
d)Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
Sub-total		-	-
Grand total		27,382,342.81	135,316,395

13. Receivables from Non-Exchange transaction

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfer from County Executive	6,000,000	10,200,000
Transfer from World bank Fund	543,887	112,625,978.50
Total receivables from non-exchange transactions	6,543,887	122,825,978

Other Disclosures

14. 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.

15. 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 minimize 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:

(Other Disclosures Continued)

I. Credit risk

The Garissa 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 Garissa Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At30 June2023				
Receivables from exchange Transactions				
Receivables from non-exchange Transactions				
Bank balances				
Total				
At30 June2022				
Receivables from exchange Transactions				
Receivables from non-exchange Transactions				
Bank balances				
Total				

(Other Disclosures Continued)

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

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 recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Municipality has significant concentration of credit risk on amounts due from xxx.

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

II. Liquidity risk management

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

The table below represents cash flows payable by the Municipality under non-derivative financial liabilities by the 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.

	Less than 1 month	Between1- 3months	Over5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 June 2023				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At30 June2022	-	-	-	-
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

III. Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Municipality's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing 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 risk so 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:

		Other currencies	Total
	Kshs.	Kshs.	Kshs.
At 30 June 2023			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/receivables	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

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.

	Change in currency rate	Effect on surplus/defi cit	Effect on Equity
	Kshs.	Kshs.	Kshs.
20xx	.		
Euro	10%	-	-
USD	10%	-	-
20xx-1		-	-
Euro	10%	-	-
USD	10%	-	-

V. Interest rate risk

Interest rate risk is the risk that the municipality of Garissa’s financial condition may be adversely affected as a result of changes in interest rate levels. The municipality of Garissa’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 endeavored to bank with institutions that offer favorable interest rates.

(Other Disclosures continued)

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:

	2022/2023	2021/2022
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital/Development Grants//Municipality	-	-
Accumulated surplus	-	-
Total Funds	-	-
	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

19. Annexes

Annex 1. Progression 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.

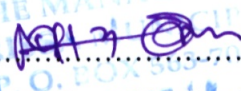
Reference No. on the external audit Report	Issue /Observations from Auditor	Management comments	Status:(Resolved/Not Resolved)	Timeframe:(Put a date when you expect the issue To beresolved)
1.	Inaccuracies in Financial statement	All errors have Been noted and corrected	Not Resolved	1 st July 2024
2.	Unsupported cash And Cash Equivalent	All the bank reconciliation for the 12 months of each account have been prepared and submitted to Auditor for review	Not Resolved	1 st July 2024
3.	Unsupported Fuel Oil and Lubricant	All relevant document for payment have been attached to the payment voucher And submitted to Auditor for confirmation	Not Resolved	1 st July 2024
4.	Payment of service not rendered	The portal framework and signboard have been done and contractor had a balance of over 8 million Ksh	Not Resolved	1 st July 2024
Other	Budgetary control and performance	The budget have prepared together with the county as one integrated budget	Not Resolved	1 st July 2024
	Irregular constitution of the board	According to urban and cities act 2019 states the board member should have at least a diploma in any field and therefore some members were disqualified and new members were appointed	Not Resolved	1 st July 2024

Guidance Notes:

- Use the same reference numbers as contained in the external audit report.
- Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.

-
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons with in your municipality of Garissa 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.

THE MANAGER CO
GARISSA MUNICIPALITY
P. O. BOX 9000
Nairobi



To be Signed by the Accounting officer of the Municipality of Garissa

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

Annex2: Inter Municipality of Garissa Transfers

MUNICIPALITYNAME: municipality of Garissa				
Break down of Transfers from the County Executive of Garissa County				
FY2022/2023				4
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount(Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	Transfer from the county	05/04/2023	1,000,000	2022/2023
	Transfer from the county	22/05/2023	5,000,000	2022/2023
		Total	6,000,000	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount(Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	UDG TO UIG A/c	6/04/2023	200,000	2022/2023
			-	
			-	
		Total	200,000	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount(Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		Total	-	



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Signed by the Head of Accounts of the Municipality of Garissa



.....
Head of treasury Garissa County

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Annex3: Reporting of Climate Relevant Expenditures

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

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

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

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Annex 4: Disaster Expenditure Reporting Template

Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
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