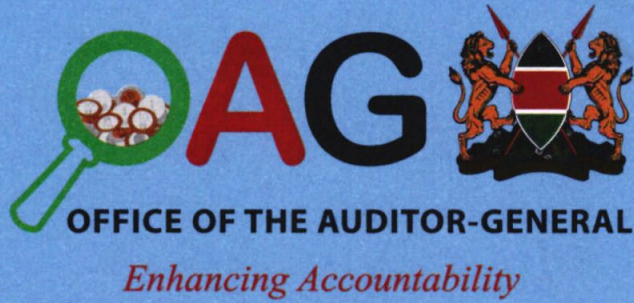
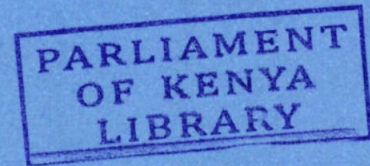


REPUBLIC OF KENYA



**REPORT**

**OF**



**THE AUDITOR-GENERAL**

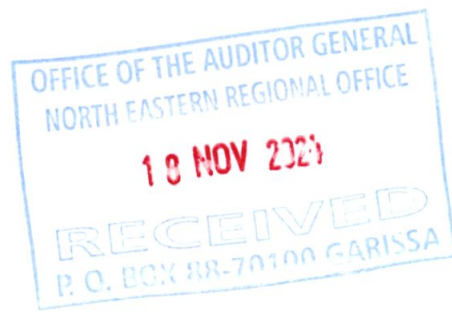
**ON**

**BURA MUNICIPALITY**

**FOR THE SIX (6) MONTHS PERIOD ENDED  
30 JUNE, 2024**

**COUNTY GOVERNMENT OF GARISSA**

PAPERS LAID	
DATE	5.12.2024
TABLED BY	Majority leader
COMMITTEE	—
CLERK AT THE TABLE	Angel's



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**BURA MUNICIPALITY**  
*County Government of Garissa*

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FOR THE SIX (6) MONTHS PERIOD ENDED  
30<sup>TH</sup> JUNE 2024**

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

1.	Acronyms and Definition of Key Terms.....	ii
2.	Key Entity Information and Management.....	iii
3.	Municipality Board .....	vi
1.	Key Management Team .....	viii
4.	City/Municipality Board Chairperson's Report .....	ix
5.	Report Of the Municipality Manager .....	xi
6.	Statement of Performance Against Predetermined Objectives for the FY.....	xii
7.	Corporate Governance Statement.....	xiii
8.	Management Discussion and Analysis .....	xv
9.	Environmental And Sustainability Reporting .....	xvii
10.	Report of the City/Municipality Board Members .....	xx
11.	Statement of Management's Responsibilities .....	xxi
12.	Report of the Independent Auditor on Bura Municipality.....	xxiii
13.	Statement of Financial Performance for The Year Ended 30 June 2024.....	1
14.	Statement of Financial Position As At 30 June 2024.....	2
15.	Statement of Changes in Net Assets For the Year Ended 30 June 2024.....	4
16.	Statement Of Cash Flows for The Year Ended 30 June 2024.....	5
17.	Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2024.....	6
18.	Notes to the Financial Statements.....	7
19.	Appendices.....	31

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

**A. Acronyms**

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act

**B. Definition of Key Terms**

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

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

## 2. Key Entity Information and Management

### a) Background information

Bura municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 18th October 2023. The Municipality is under the County Government of Garissa and is domiciled in Kenya.

### b) Principal Activities

#### Our Vision

A Prosperous and people-centred Municipality in Kenya.

#### Our Mission

To deliver exceptional services and promote a high quality of life for residents, visitors and businesses.

The Principal activities for the are as follow;

- a) Promotion, regulation and provision of refuse collection and solid waste management services;
- b) Construction and maintenance of urban roads and associated infrastructure;
- c) Construction and maintenance of storm drainage and flood controls;
- d) Construction and maintenance of walkways and other non-motorized transport infrastructure;
- e) Construction and maintenance of recreational parks and green spaces;
- f) Construction and maintenance of street lighting;
- g) Construction, maintenance and regulation of traffic controls and parking facilities;
- h) Construction and maintenance of bus stands and taxi stands;
- i) Regulation of outdoor advertising;
- j) Construction, maintenance and regulation of Municipal infrastructure, markets and abattoirs;
- k) Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- l) Promotion, regulation and provision of Municipal sports and cultural activities;
- m) Promotion, regulation and provision of animal control and welfare;
- n) Development and enforcement of Municipal plans and development controls;
- o) Municipal administration services (including construction and maintenance of administrative offices);
- (q) Promoting and undertaking infrastructural development and services within Municipality.

### c) Key Management

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

County Department in charge of urban Planning and Municipalities

Board of Management

Municipal Manager

Management

**d) Fiduciary Management**

The key management personnel who held office during the for the six (6) months period ended 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Municipality Manager	Issack Abdi Korio
2	Head of finance	Leila Abdullahi

**e) Fiduciary Oversight Arrangements**

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

**f) Registered Offices**

P.O. Box 653-70100

Bura Sub-County Office Building.

BURA, KENYA

**g) Contacts**

Telephone: (+254) 0720388526

E-mail: [Buramunicipality@garissa.go.ke](mailto:Buramunicipality@garissa.go.ke)

**h) Bankers**

National Bank of Kenya

Garissa, Branch

**i) Independent Auditor**

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

**j) Principal Legal Adviser**

The Attorney General

State Law Office


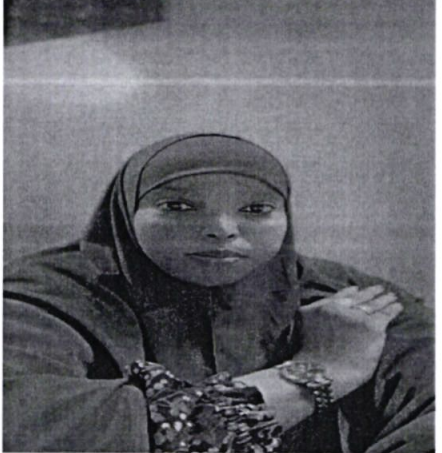

Harambee Avenue





P.O. Box 40112

City Square 00200


Nairobi, Kenya

3. Municipality Board

Serial No.	Name	Details of qualifications and experience
1	 <p>MOHAMED GABOW KHARBAT</p>	<p><i>Provide a concise description of each Board</i>                      Mohamed Gabow Kharbat is the chairman of the municipal board. He is a career civil servant who has served the community in different capacities ranging from serving in the county assembly as the leader of the majority side from 2017-2022. He has also served as a sub-county administrator for Fafi sub county as well as serving as the elected mayor for the defunct Garissa municipal council form 2009-2012. He holds a bachelor degree in Business Administration (Human Resources Management)</p>
2	 <p>NASRA FARAH GURE</p>	<p>Nasra Farah Gure serves as the vice chairperson of the municipal board. She is 37 years of age and has a bachelor of arts in community development. She poses vast experience as a social community worker.</p>
3	 <p>MAHAT MAULID BASHIR</p>	<p>Mahat Maulid Bashir is a member of the municipal board. He is 44 years old. He has a diploma in community development .</p>

<p>4</p>	 <p>Elias Ahmed Lebi</p>	<p>Elias Ahmed Lebi is a member of the municipal board. He is 27 years old. He has worked with research training in surveying community needs as per their experience in vocational training in 2021. He has also worked with Garissa law court as digitizing agent in digitizing manual court files in 2023 as well as being a teacher in Abrar junior secondary school in 2021</p>
<p>5</p>	 <p>Halima Ali Gure</p>	<p>Halima Ali Gure is a municipal board member. She is 32 years old. She has vast experience working with various organisations as a social worker and administrative officer. She poses a diploma in community development and social work and is currently pursuing another diploma in public administration.</p>
<p>6</p>	 <p>ABDIRAOUF OSMAN</p>	<p>Abdiraouf Osman is a member of the municipal board. He is 40 years old. He holds a bachelor of arts in community development. He poses vast experience as a community social worker.</p>
<p>7</p>	 <p>IBRAHIM ISMAIL KHALIF</p>	<p>Ibrahim Ismail Khalif is a member of the municipal board. He is 46 years old and poses a diploma in Education</p>

**1. Key Management Team**

S/ No	Name	Details of qualifications and experience
1.	 Issack Abdi Korio	Municipal manager  Issack is a Holder of Master of Arts Project Planning and Management, Bachelor of Education and Diploma in management with a total of over 25 years of public servant and Humanitarian Experience in National and International assignments.

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

As the Chairperson of the Bura Municipality Board, I am honored to present this report, highlighting our progress, challenges, and future aspirations for our community. This past year has been one of transformation and growth, marked by significant accomplishments and lessons learned.

The board came into effect in December 2023, with formal operations commencing in January 2024. The appointment of the board marked a significant step in establishing the governance framework necessary for effective oversight and management of the municipality's activities.

##### **Successes Made**

I am proud to report that the Bura Municipality Board has achieved several key milestones this year. We successfully launched the "Clean Bura" initiative, resulting in a 30% increase in community participation in waste management programs. Our investments in infrastructure have also borne fruit, with the completion of the new community center, which serves as a hub for local activities and services. Additionally, we have enhanced our public health initiatives, providing free health screenings and vaccinations, benefiting over 2,500 residents.

##### **Review of Performance**

In reviewing the Board's performance, it is evident that our strategic focus on community engagement and sustainable development has paid dividends. Our financial management has remained sound, with a budget surplus that allows us to reinvest in critical services. Regular feedback sessions with residents have improved our responsiveness to community needs, fostering a stronger relationship between the Board and the citizens we serve.

##### **Challenges Faced**

Despite our successes, we encountered several challenges. The lingering effects of the global pandemic continued to strain our resources, particularly in the health sector. Additionally, the rising cost of materials and supplies impacted our planned infrastructure projects, causing delays. We are actively addressing these challenges through careful budgeting and seeking alternative funding sources.

##### **Changes in the Board**

This year also saw changes within the Bura Municipality Board. We welcomed two new members who bring fresh perspectives and expertise, particularly in environmental sustainability and urban planning. These additions have invigorated our discussions and decision-making processes. Furthermore, our management team underwent a restructuring to enhance operational efficiency, ensuring that we are better positioned to meet the needs of our community.

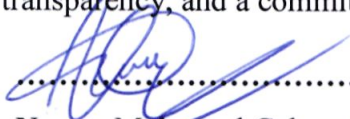
##### **Future Outlook**

Looking ahead, the Bura Municipality Board is committed to continuing our momentum. Our strategic plan for the next year focuses on enhancing public safety, improving transportation infrastructure, and further expanding our environmental initiatives. We aim to foster greater community involvement through regular forums and workshops, ensuring that all voices are heard in the decision-making process.

##### **Other Matters**

As we reflect on the past year, I want to express my gratitude to our dedicated Board members, staff, and the community for their unwavering support. Together, we have made significant strides, and I am excited about the journey ahead.

In conclusion, the Bura Municipality Board remains dedicated to serving our community with integrity, transparency, and a commitment to excellence

  
.....

**Name:** Mohamed Gabow Kharbat

**Chairperson of the Board**

## 5. Report Of the Municipality Manager

Bura municipality was established by and derives its authority and accountability from Bura Municipal Charter as well as Urban Areas and Cities Act of 2011(amended 2019)


### **The challenges faced by the municipality includes:**

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

- i) Non- payment of taxes by the local community
- ii) Budget constraints that leads the lack supervision and adequate management of the department.
- iii) Delay in the release of the funds. This leads to the municipality not making appropriate measures to control problems like floods and waste control.
- iv) Lack of administrative capacity to fully tap revenue sources

### **Way forward**

- i) The municipality is developing measures to ensure that community members pay taxes at appropriate times
- ii) Through the board the municipality has requested the county treasury to improve on release of funds to enable it to carry out its mandate smoothly.
- iii) The municipality is developing to work closely with revenue to train it personnel's and M-pesa payments to reduce corruption cases on revenue collection.
- iv) The manifesto of H.E the Governor has detailed the source funds from donors and well-wishers to avoid reliance on the exchequer disbursement.

  
Name: Issack Abdi Korio  
Municipality Manager



**6. Statement of Performance Against Predetermined Objectives for the FY**

**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 entity shall prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board including a statement of the county government entity's performance against predetermined objectives. The key development objectives of the Bura Municipality for FY 2023/2024 plan are to:

- a) Provide quality physical infrastructure.
- b) Urban planning.
- c) Urban governance and administration

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Urban planning	To control urban development	To create orderly development in urban areas	Number of developments conforming with rules and regulations governing urban development	To increase the roads network and parking facilities within the town
Urban governance and administration	Managing urban growth	Provide inhabitants with better job opportunities and improved healthcare, housing, safety and social development.	Jobs created and improvement on healthcare facilities	provide temporary jobs for youths through Afforestation and Sanitation programs intensive project, parking facilities and road networks
Provide quality physical infrastructure	Meeting economic development goals	increases the competitiveness of the Municipality economy	Number of physical infrastructure developments	Managed to begin the upgrading of Bura municipality parking facilities

## 7. Corporate Governance Statement

Bura municipality is committed to the highest standards of corporate governance. Our governance framework is designed to ensure transparency, accountability, and integrity in all our operations. As a newly established municipality, we recognize the importance of fostering trust and confidence among our stakeholders, including residents, businesses, and government entities.

### Governance Structure

The governance of Bura municipality is structured to facilitate effective decision-making and oversight. Our key components include:

#### a) Municipal board

The Board members are appointed by the county Governor of Garissa to oversee the municipality activities and overall success of the municipality in order to discharge its mandate and the board members may be removed under subsection (1) –

- By the county governor
- By the board, supported by votes of at least two -thirds of members of the board
- Upon petition by the resident of a municipality.

The members of the municipal board shall not receive a salary from the board but shall be paid sitting allowance.

#### b) Committees

Various committees (e.g., Finance, Planning, Audit) are established to focus on specific areas of governance, ensuring thorough examination and discussion of key issues.

### Principles of Governance

Our governance practices are guided by the following principles:

1. **Transparency:** We are committed to open communication and disclosure of information to our stakeholders, ensuring that all decisions are made in a clear and accountable manner.
2. **Accountability:** Members of the Municipal Council and the Executive Committee are accountable for their actions and decisions. Regular performance reviews and audits are conducted to ensure compliance with established policies.
3. **Participation:** We encourage active involvement from residents and community members in the decision-making process. Public forums and consultations are held regularly to gather feedback and input.
4. **Integrity:** We uphold ethical standards in all our operations. Our officials and employees are expected to act with honesty and integrity, adhering to the code of conduct established for public servants.

### Risk Management

Bura municipality recognizes the importance of effective risk management in achieving its goals. We have implemented a risk management framework that identifies, assesses, and mitigates risks associated with our operations. Regular reviews are conducted to ensure that our risk management strategies remain effective and relevant.

**Compliance and Ethics**

We are committed to adhering to all relevant laws and regulations governing municipal operations in Kenya. Our code of ethics provides guidance on expected behavior and decision-making processes, promoting a culture of integrity and ethical conduct.

**Conclusion**

As Bura municipality continues to grow and develop, we remain dedicated to upholding the principles of good governance. We believe that effective governance is essential for building a vibrant, sustainable community that meets the needs of all its residents

## 8. Management Discussion and Analysis

This Management Discussion and Analysis (MD&A) aims to provide stakeholders with an overview of the financial performance, operational activities, and strategic initiatives of Bura Municipality for the period ending 30 June 2024. As a newly established municipality, our focus remains on creating a solid foundation for sustainable growth and community development.

### Financial Performance

#### 1. Revenue Overview

- **Sources of Revenue:** The municipality's primary revenue sources include property rates, business licenses, government grants, and user fees. In the fiscal year, total revenue amounted to Kshs. 2,002,000. The county executive of Garissa failed to remit Kshs. 3,000,000 that was part of the municipality's approved budget and only remitted Kshs. 2,000,000.

#### 2. Expenditure Analysis

- **Operational Costs:** Total expenditures for the year reached Kshs.1,996,443.
- **Investment in Infrastructure:** The municipality was not able to have any investment in infrastructure but is positioning itself to benefit from donor funding in the subsequent periods which will enable it to implement various infrastructure projects.

#### 3. Net Surplus/Deficit

- The municipality recorded a net surplus of Kshs.5,557, which reflects our ongoing efforts to balance the budget while investing in critical services.

### Operational Highlights

#### 1. Service Delivery

- We have made strides in improving service delivery in key areas such as waste management and water supply.

#### 2. Community Engagement

- Community consultations were conducted to gather feedback on municipal services and future projects. Over 2000 residents participated, and their input is invaluable in shaping our strategic direction.

#### 3. Strategic Partnerships

- We have established partnerships with local organizations and government agencies to enhance service delivery and mobilize resources for community projects.

### Strategic Initiatives

#### 1. Long-Term Development Plan

- The municipality is currently developing a comprehensive long-term development plan aimed at guiding sustainable growth and development over the next 5 years. Key priorities include infrastructure, economic development and social services.

#### 2. Environmental Sustainability

- Recognizing the importance of environmental sustainability, the municipality has initiated projects aimed at promoting green spaces, waste reduction, and renewable energy sources. Our goal is to create a resilient community that prioritizes sustainability.

#### 3. Capacity Building

- Training programs for municipal staff have been implemented to enhance service delivery and operational efficiency. These programs focus on specific skills or areas of development.

### **Challenges and Risks**

Despite our achievements, we face several challenges, including:

- **Limited Financial Resources:** As a new municipality, we rely heavily on grants and local revenue, which can be unpredictable.
- **Infrastructure Development Needs:** The demand for infrastructure development is high, and prioritizing projects within budget constraints remains a challenge.
- **Community Expectations:** Balancing community expectations with available resources requires ongoing dialogue and engagement.

### **Conclusion**

Bura municipality is committed to fostering a transparent and accountable governance framework. We believe that through strategic planning, community engagement, and prudent financial management, we can achieve our vision of a thriving municipality. We thank our residents, stakeholders, and partners for their continued support as we work together to build a better community.

## 9. Environmental and Sustainability Reporting

### i) *Sustainability strategy and profile*

Bura Municipality is committed to transforming lives by delivering sustainable environmental practices and operational excellence. Guided by national and county environmental laws and policies, the municipality strives to create a positive impact on the environment and improve the well-being of its residents. This report outlines the key environmental policies that guide the municipality, highlights achievements in biodiversity management, and provides insights into the Municipality's waste management efforts.

### ii) **Environmental Policy Guiding Bura Municipality**

The Municipality relies on various national and county laws and policies to ensure effective environmental management in all aspects of its operations. Key policies and regulations include:

- **Environment Management and Coordination Act (EMCA 1999), Amended 2015:** This act serves as the overarching framework for environmental governance in Kenya, addressing various aspects of environmental management.
- **The Environmental (Impact Assessment and Audit) Regulations, 2009:** These regulations require environmental impact assessments and audits for projects that may affect the environment.
- **The Environmental Management and Coordination (Waste Management) Regulations, 2006:** Provides guidelines for proper waste management practices to ensure environmental protection.
- **The Environmental Management and Coordination (Water Quality) Regulations, 2006:** Focuses on protecting water sources from pollution and ensuring the quality of water for residents.
- **The Environmental Management and Coordination (Noise and Excessive Vibration Pollution Control) Regulations, 2009:** Regulates noise levels to minimize pollution in urban areas.
- **The Environmental Management and Coordination (Air Quality) Regulations, 2014:** Aims at controlling air pollution from various sources to safeguard public health.
- **National Environment Policy (NEP 2012):** This policy addresses ecosystem management and sustainable natural resource use, focusing on critical ecosystems such as forests, grasslands, and arid and semi-arid lands. It also strengthens the legal and institutional framework for environmental coordination and promotes environmental management tools.
- **County Environment Action Plan (CEAP 2022-2027):** Provides guidelines and solutions for environmental impacts specific to Garissa County, ensuring a localized approach to environmental sustainability.

### iii) Biodiversity Management

#### Achievements

Bura Municipality has made significant strides in managing biodiversity, which is essential for maintaining healthy ecosystems and providing critical services to its residents. Key successes include:

- **Increased Tree Cover:** The Municipality has successfully implemented tree-planting initiatives to increase green spaces and improve air quality.
- **Sustainable Solid Waste Management:** Through the implementation of waste management regulations, the Municipality has improved the management and disposal of solid waste, contributing to a cleaner and healthier environment.

#### Challenges

Despite these successes, the Municipality faces several challenges in biodiversity management, including:

- **Depletion of Natural Resources:** The increasing population has put pressure on natural resources, reducing their ability to support sustainable growth.
- **Scarcity of Water and Pasture:** The Municipality experiences water shortages and limited pasture for livestock, especially during dry seasons, which affects both agriculture and livestock farming.
- **Poor Land Use Practices:** Unsustainable land use has diminished soil fertility, reducing farm productivity and threatening food security.

#### Efforts Toward Biodiversity Management

In response to these challenges, Bura Municipality has implemented the following measures:

- **Strict Regulations on Tree Cutting:** Laws have been enacted to prevent illegal deforestation and promote the conservation of tree cover.
- **Incentives for Reforestation and Afforestation:** The Municipality encourages residents to plant trees through various incentive programs, contributing to reforestation efforts.
- **Collaborative Efforts:** Government, private institutions, and civil society organizations are working together to enhance the ability of nature to provide critical ecosystem services. This includes efforts to restore degraded areas, conserve wildlife habitats, and promote sustainable agricultural practices.

### iv) Waste Management Policies

Effective waste management is critical to ensuring a healthy environment for the residents of Bura Municipality. The following policies and strategies guide waste management:

- **National Solid Waste Management Strategy (2015):** This strategy provides a framework for integrated solid waste management, focusing on waste minimization, recycling, and proper disposal.
- **Environmental Management and Coordination (Waste Management) Regulations of 2006:** These regulations outline the responsibilities of waste generators, collectors, and disposers to minimize the environmental impact of waste.
- **Bura Municipality Solid Waste Management Policy (Ongoing):** The Municipality is in the process of developing a localized waste management policy that will provide specific guidelines and strategies for managing waste within the Municipality. This policy aims to promote recycling, reduce waste generation, and ensure proper disposal of both household and industrial waste.

v) **Key Environmental Sustainability Achievements**

Pillar	Achievement
Tree Cover	Increased green spaces through afforestation programs.
Solid Waste Management	Significant improvement in waste collection and disposal, reducing pollution.
Collaboration	Government, private institutions, and civil society working together on ecosystem restoration.

vi) **Challenges and Areas for Improvement**

Challenge	Impact
Natural Resource Depletion	Reducing the Municipality's capacity to support population growth.
Water and Pasture Scarcity	Affecting livestock farming and agricultural productivity.
Unsustainable Land Use	Diminishing soil viability and threatening food security.

vii) **Conclusion**

Bura Municipality remains committed to promoting sustainable environmental management, safeguarding natural resources, and improving the quality of life for its residents. By adhering to national and county environmental policies, the Municipality is working to balance urban development with environmental preservation. Ongoing efforts to manage biodiversity, address waste management, and enforce environmental laws will ensure a sustainable future for all. The Municipality will continue to collaborate with stakeholders, including government agencies, private entities, and the local community, to implement innovative environmental solutions and overcome existing challenges. Through these concerted efforts, Bura Municipality aims to achieve long-term environmental sustainability and enhance the well-being of its residents.

**10. Report of the City/Municipality Board Members**

The Board Members submit their report together with the audited financial statements for the six months period ended June 30, 2024 which show the state of the Municipality affairs.

**Principal activities**

The principal activities of the Municipality are to provide a high standard of social services in a cost-effective manner to the inhabitants of the Municipality.

**Performance**

The performance of the Municipality for the year ended June 30, 2024 are set out on page 1

**Board Members**

The members of the Board who served during the year are shown on page vi to x.

**Auditors**

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

By Order of the Board



Name: Issack Abdi Korio

Secretary of the Board

## 11. 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(amended 2019) 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 FOR THE SIX (6) MONTHS PERIOD ENDED on June 30, 2024. 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 City/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 City/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(amended 2019)*. 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 period ended June 30, 2024, 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 \_\_\_ 2024 and signed on its behalf by:



Name:

**Chairperson of the Board**

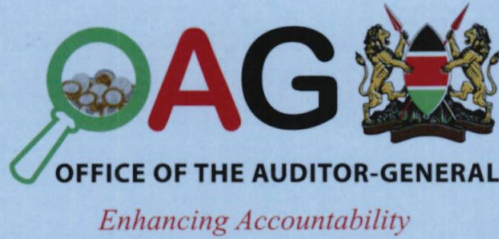


Name:

**Accounting officer of the Board**

# REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON BURA MUNICIPALITY FOR THE SIX (6) MONTHS PERIOD ENDED 30 JUNE, 2024**

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### **PREAMBLE**

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

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

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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 Bura Municipality set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2024

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, the financial statements present fairly, in all material respects, the financial position of Bura Municipality as at 30 June, 2024 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 the County Government Act, 2012 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Emphasis of Matter**

#### **Budget and Budgetary Control**

The statement of comparison of budget and actual reflects final receipts budget and actual on comparable basis of Kshs.5,002,000 and Kshs.2,002,000 respectively resulting to an under-funding of Kshs.3,000,000 or 60% of the budget.

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

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Information**

The Management is responsible for the other information set out on page iii to xxii which comprise of Key Entity Information and Management, the Municipality Board, Management Team, Municipality Board Chairman's Report, Report of the Municipality Manager, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and

Sustainability Reporting, Report of the Municipality Board Members and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Municipality's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. In my opinion, except for the matter described below, I confirm that the other information is not materially inconsistent with the financial statements.

### **Inconsistencies in the Statement of Performance Against Predetermine Objectives**

Review of the Municipality's statement of performance against predetermined objectives revealed three primary targets for the period; control of urban planning, management of urban growth, and achievement of economic development goals. The performance report indicates that the Municipality had enhanced the road network and increased parking facilities. However, there was no evidence that these reported achievements were actually met or funded.

Failure to provide consistent information in the financial statements may mislead users of the of the financial statements.

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources, 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**

#### **Irregular Conferment of Municipal Status**

Section 9(3) of the Urban Areas and Cities Act, 2011 (Amended 2019) provides that a town is eligible for the conferment of municipal status under this Act if (a) the town (a) has a population of at least two hundred and fifty thousand (250) residents according to the final gazetted results of the last population census carried out by an institution authorized under any written law, preceding the grant (b) has an integrated development plan in

accordance with this Act and (h) has infrastructural facilities, including but not limited to street lighting, markets and fire stations.

Bura town was granted municipal status on 18 October, 2023 through grant of charter. According to the 2019 Kenya Population and Housing Census, Bura Town had a population of six thousand, four hundred and ninety-six (6,496) people in 2019. As at the time of audit in August 2024, the Municipality did not have an approved Urban Area Integrated Development Plan. In addition, the town lacked essential infrastructure such as street lighting, markets, fire stations and a waste disposal system.

Further, the Municipality did not collect revenue during the year under review. Management did not provide evidence to support revenue collection potential, operational sustainability and effective service delivery.

In the circumstances, it was not possible to confirm the legality of the municipal status granted to Bura Town.

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

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

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

### **Basis for Conclusion**

#### **1. Failure to Establish Internal Audit Unit and Audit Committee**

During the year under review, the Municipality did not have an audit committee. This was contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which provides that each County Government entity shall establish an audit committee. In addition, the Municipality did not have an internal audit unit. This was contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a County Government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

Lack of a functional internal audit and audit committee may lead to weak internal controls and weak oversight in the Municipality.

## **2. Weakness in Internal Control Systems**

During the year period under review, the relevant financial, administrative and risk management policies to facilitate the smooth running of the operations of the Municipality were not in place.

In the circumstances, the Municipality may be exposed to losses and interruption of operations in the event of occurrence of a disaster.

The audit was conducted in accordance with 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 the 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 governance.

In preparing the financial statements, Management is responsible for assessing the Municipality's ability to sustain 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 cease operations.

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

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

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

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

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**28 November, 2024**

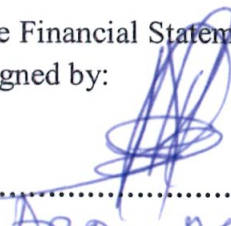
13. Statement of Financial Performance for The Six (6) Months Period Ended 30 June 2024.

Description	Note	2023-2024
		Kshs.
<b>Revenue from non-exchange transactions</b>		
Transfers from the County Government	4	2,000,000
Public contributions and donations	5	2,000
Levies Fines and Penalties		-
Other revenues (	6	-
		<b>2,002,000</b>
<b>Revenue from exchange transactions</b>		
Interest income		-
Miscellaneous Income		-
		-
<b>Total revenue</b>		<b>2,002,000</b>
<b>Expenditure</b>		
Use of goods and services	7	1,102,175
Staff costs	8	356,500
Board expenses	9	210,000
Finance costs		-
Depreciation and amortization	10	-
Repairs and maintenance	11	327,768
<b>Total expenses</b>		<b>1,996,443</b>
<b>Other gains/losses</b>		
Gain/loss on disposal of assets		-
<b>Surplus/(deficit) for the period</b>		<b>5,557</b>

The notes set out on pages 1-to- 31 form an integral part of these Financial Statements. The entity financial statements were approved on 30th Sep 2024 and signed by:

  
 Name: \_\_\_\_\_  
 Municipality Manager



  
 Name: ABDI AHI NURITE  
 Head of Finance  
 ICPAK M/No 29047


## 14. Statement of Financial Position As At 30 June 2024

Description	Note	2023-2024
		Kshs.
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	12	5,557
Receivables from exchange transactions		-
Receivables from non-exchange transactions		-
Prepayments		-
Inventories		-
<b>Total current assets</b>		<b>5,557</b>
<b>Non-current assets</b>		
Property, plant, and equipment	13	-
Intangible assets		-
<b>Total Non-current Assets</b>		<b>-</b>
<b>Total assets (A)</b>		<b>5,557</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables		-
<b>Total current liabilities</b>		<b>-</b>
<b>Non-current liabilities</b>		
Provisions		-
Borrowings		-
<b>Total Non - current liabilities</b>		<b>-</b>
<b>Total liabilities (B)</b>		<b>-</b>
<b>Net Assets (A-B)</b>		<b>5,557</b>
<b>Represented by:</b>		
Capital/Development Grants/Fund		-
Reserves		-
Accumulated surplus		5,557
<b>Net Assets/Equity</b>		<b>5,557</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2024 and signed by:

  
.....  
Name:  
Municipality Manager  
Date:



  
.....  
Name: **ABDI AZI NURITE**  
Head of Finance  
ICPAK M/No **29047**  
Date:

## 15. Statement of Changes in Net Assets For Six (6) Months Period Ended 30 June 2024

Description	Accumulated surplus	Total
	Kshs.	Kshs.
<b>Bal as at 1 July 2022 (previous year)</b>	-	-
Surplus/(deficit) for the year	-	-
Funds received during the year	-	-
Revaluation gain/loss	-	-
<b>Bal as at 30 Jun 2023</b>	-	-
<b>Bal as at 1 July 2023 (current year)</b>	-	-
Surplus/(deficit) for the year	5,557	5,557
Funds received during the year	-	-
Revaluation gain/loss	-	-
<b>Balance as at 30 June 2024</b>	<b>5,557</b>	<b>5,557</b>

## 16. Statement Of Cash Flows for the Six (6) Months Period Ended 30 June 2024

Description	Note	2023-2024
Description		Kshs.
Description		Kshs.
<b>Cash flows from operating activities</b>		
Receipts from non-exchange transactions (transfers and donations)		2,002,000
Payments for goods and services		(1,102,175)
Payments for staff costs		(356,500)
Payments for board expenses		(210,000)
Payments for repairs and maintenance		(327,768)
<b>Net cash flows from operating activities</b>		<b>5,557</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, and equipment (PPE)		-
Add depreciation		-
<b>Net cash flows from investing activities</b>		<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,557</b>
Cash and cash equivalents at the beginning of the year		-
<b>Cash and cash equivalents at the end of the year</b>		<b>5,557</b>

*Bura Municipality*  
*County Government of Garissa*  
*Annual Report and Financial Statements for the Six (6) Months Period ended June 30, 2024*

**17. Statement of Comparison of Budget & Actual Amounts for the Six (6) Months Period Ended 30 June 2024**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	B	c=(a+b)	d	e=(c-d)	f=d/c
<b>Revenue</b>		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	5,000,000	0	5,000,000	2,000,000	3,000,000	40.00%
Public contributions and donations	2,000	0	2,000	2,000	0	100%
Interest income	0	0	0	0	0	0
Miscellaneous income (specify)	0	0	0	0	0	0
<b>Total Revenue</b>	<b>5,002,000</b>	<b>0</b>	<b>5,002,000</b>	<b>2,002,000</b>	<b>3,000,000</b>	<b>40.02%</b>
<b>Expenses</b>						0
Use of goods and services	1,200,000	0	1,200,000	1,198,768	1,232	99.90%
Board expenses	2,400,000	0	2,400,000	210,000	2,190,000	8.75%
Staff Costs	600,000	0	600,000	584,500	15,500	97.42%
Public participation	800,000	0	800,000	0	800,000	0%
Finance cost	0	0	0	3,175	-3,175	0%
<b>Total Expenditure</b>	<b>5,000,000</b>	<b>0</b>	<b>5,000,000</b>	<b>1,996,443</b>	<b>3,003,557</b>	<b>40%</b>
<b>Surplus for the period</b>	<b>2,000</b>	<b>0</b>	<b>2,000</b>	<b>5,557</b>	<b>-3,557</b>	

**Budget notes**

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

### **1. General Information**

Bura municipality is established by and derives its authority and accountability from Cities and municipalities Act of 2011(amended 2019). The Municipality is under the Garissa County Government and is domiciled in Kenya.

The *entity's* principal activity is provision of relevant services as enshrined in the municipal charter.

### **2. Statement of Compliance and Basis of Preparation**

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

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

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

**3. Application of New and revised standards (IPSAS)**

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*

There are no new standards effective in the FOR THE SIX (6) MONTHS PERIOD ENDED 30<sup>th</sup> June 2024.

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

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

*County Government of Garissa*  
*Bura Municipality*  
*Annual Report and Financial Statements for the Six (6) Months Period ended June 30,*  
*2024*

<p>IPSAS 46: Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b>  The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b>  This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b>  The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b>  The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

*iii. Early adoption of standards*

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

*i. Early adoption of standards*

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

**1. Significant Accounting Policies**

**a) Revenue recognition**

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

*Transfers from other government entities*

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

**ii) Revenue from exchange transactions**

The fair value of the donated assets was recognized as revenue under **non-exchange transactions** in accordance with **IPSAS 23 (Revenue from Non-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 2023/2024 was approved by the County Assembly. 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 did not record additional appropriations.

conclude the final budget. Accordingly, the Municipality did not record additional appropriations.

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 14 of these financial statements.

**c) Property, plant and equipment**

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

**d) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in

surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

**e) Financial instruments**

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

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

**Financial assets**

**Classification of financial assets**

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

**Subsequent measurement**

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

**Amortized cost**

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

**Fair value through net assets/ equity**

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

**Fair value through surplus or deficit**

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

**Trade and other receivables**

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

### **Impairment**

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

### **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.

**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 needs of society as a whole. The entity recognises a social benefit as an expense for the social benefits scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

**i) Contingent liabilities**

The City/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.

**j) Contingent assets**

The City/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 does not create and maintain 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.

**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.

**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 date (*non-adjusting events after the reporting date*).

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

**t) Currency**

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

## **2. 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

**3. Transfers from the County Government**

Description	2023-2024
	Kshs.
Transfers from County Govt. – Recurrent	2,000,000
Payments by County on behalf of the entity	-
Unconditional development grants	-
<b>Total</b>	<b>2,000,000</b>

**4. Public Contributions and Donations**

Description	2023-2024
	Kshs.
Donation from development partners	2,000
Contributions from the public	-
<b>Total</b>	<b>2,000</b>

**5. Other Revenues from Non-Exchange Transactions**

Description	2023-2024
	Kshs.
Transfers from other government entities	-
Others (indicate and specify)	-
<b>Total</b>	<b>-</b>

Municipality received a donation of land, buildings and furniture's with a fair value of Kshs. 20,850,000. The donation was made by County Government of Garissa and is classified as a non-exchange transaction in accordance with IPSAS 23 – Revenue from Non-Exchange Transactions.

**6. Use of Goods and Services**

Description	2023-2024
	Kshs.
Domestic travel and subsistence	228,000
Hospitality supplies and services	283,230
Office and general supplies and services	554,770
Fuel, oil and lubricants	33,000
Bank Charges	3,175
<b>Total</b>	<b>1,102,175</b>

**7. Staff costs**

Description	2023-2024
	Kshs.
Salaries and wages	356,500
Staff gratuity	-
Social security contribution	-
Other staff costs (Specify)	-
<b>Total</b>	<b>356,500</b>

**8. Board expenses**

Description	2023-2024
	Kshs.
Chairman/Members' Honoraria	210,000
Sitting allowances	-
Other allowances (Specify)	-
<b>Total</b>	<b>210,000</b>

**9. Depreciation and amortization**

Description	2023-2024
	KShs
Property, plant and equipment	-
Intangible assets	-
Investment property carried at cost	-
<b>Total depreciation and amortization</b>	<b>-</b>

**10. Repairs and Maintenance**

Description	2023-2024
	KShs
Property- Buildings	-
Office equipment	-
Furniture and fittings	-
Motor vehicle expenses	-
Maintenance of civil works	-
<b>Total repairs and maintenance</b>	<b>-</b>

**11. Cash and cash equivalents**

Description	2023-2024
	Kshs.
Fixed deposits account	-
On – call deposits	-

*County Government of Garissa  
Bura Municipality*

*Annual Report and Financial Statements for the Six (6) Months Period ended June 30,  
2024*

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Current account	5,557
Others(specify)	-
<b>Total cash and cash equivalent</b>	<b>5,557</b>

County Government of Garissa

Bura Municipality

Annual Report and Financial Statements for the Six (6) Months Period ended June 30, 2024

12. Property, Plant and Equipment

	Land	Building 2.00% Kshs.	Furniture and fittings 12.50% Kshs.	Total Kshs.
<b>Cost</b>				
At 1 <sup>st</sup> July 2023	-	-	-	-
Additions	-	-	-	-
At 30 <sup>th</sup> June 2024	-	-	-	-
<b>Depreciation and impairment</b>				
At 1 <sup>st</sup> July 2023	-	-	-	-
Depreciation charge for the year	-	-	-	-
At 30 <sup>th</sup> June 2024	-	-	-	-
<b>Net book values</b>				
At 1 <sup>st</sup> July 2023	-	-	-	-
At 30 <sup>th</sup> June 2021	-	-	-	-

**13. 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 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

**b) Related party transactions**

Description	2023/2024
	Kshs.
Transfers from related parties'	2,000,000
<b>Total</b>	<b>2,000,000</b>

**c) Key management remuneration**

Description	2023/2024
	Kshs.
Board Members	210,000
Key Management Compensation	356,500
<b>Total</b>	<b>566,500</b>

**d) Due from related parties**

Description	2023/2024
	Kshs.
Due from parent Ministry	0
Due from County Government	3,000,000
Due from County Assembly	0
<b>Total</b>	<b>3,000,000</b>

#### **4. Financial risk management**

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

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

##### **I. Credit risk**

The Municipality has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, considering its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Municipality's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Municipality's maximum exposure to credit risk.

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 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 City/Municipality manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

### **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.

### **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 entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

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

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

### **VI. Capital risk management.**

*County Government of Garissa*

*Bura Municipality*

*Annual Report and Financial Statements for the Six (6) Months Period ended June 30, 2024*

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

Description	2023/2024
	Kshs.
Revaluation reserve	0
Capital/Development Grants/City/Municipality	0
Accumulated surplus	5,557
<b>Total Funds</b>	<b>5,557</b>

*County Government of Garissa*  
*Bura Municipality*  
*Annual Report and Financial Statements for the Six (6) Months Period ended June 30,*  
*2024*

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19. 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)
None	N/A	N/A	N/A	N/A

**Guidance Notes:**

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

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



*County Government of Garissa  
Bura Municipality*

*Annual Report and Financial Statements for the Six (6) Months Period ended June 30, 2024*

**Appendix 2: Inter-Entity Transfers**

CITY/MUNICIPALITY NAME:				
Breakdown of Transfers from the County Executive of Garissa County				
FY 2023/2024				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			2,000,000	2023/2024
		<b>Total</b>	<b>2,000,000</b>	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
		<b>Total</b>	<b>0</b>	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			0	
		<b>Total</b>	<b>0</b>	




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

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

The municipality did not have any expenditures in relation to climate relevant expenditures

*County Government of Garissa*

*Bura Municipality*

*Annual Report and Financial Statements for the Six (6) Months Period ended June 30, 2024*

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**Appendix 4: Disaster Expenditure Reporting Template**

The municipality did not have any expenditures r

